



moulton niguel water district

26880 Aliso Viejo Parkway
Aliso Viejo, CA 92656



COMPREHENSIVE

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2020





moulton niguel water district

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

Comprehensive Annual Financial Report

Year Ended June 30, 2020

**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, 2020

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Moulton Niguel Water District
Comprehensive Annual Financial Report

Year Ended June 30, 2020

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moulton niguel water district



December 4, 2020

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, 2020. 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 merged with 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, 2020, 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, 2020, 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

BOARD OF
DIRECTORS

Duane D. Cave
VICE PRESIDENT

Richard Fiore
DIRECTOR

Donald Froelich
VICE PRESIDENT

Kelly Jennings
DIRECTOR

Gary R. Kurtz
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DIRECTOR

Brian S. Probolesky
PRESIDENT



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 approximately 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’s service area experienced a net taxable value increase of 4.0% for the most current tax roll, which was slightly less than the countywide increase of 5.6%. The assessed net taxable valuation of the properties within the District’s service area has grown to \$39.0 billion as of June 30, 2020.

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”).

Delivering safe drinking water is the highest priority of the District. In order to ensure the District is meeting drinking water quality standards, the District conducts approximately 12,000 water quality tests each year that are independently analyzed at state-of-the-art laboratories. These tests continue to demonstrate that the water provided to the District’s customers is safe, clean, and continues to surpass every state and federal water quality standard. In June 2020, the District issued the 2019 Water Quality and Consumer Confidence Report, which provides an overview of the water quality testing and results for the previous calendar year.



Water resilience and reliability planning is paramount to ensuring our customers have water supplies available to them when desired while ensuring appropriate and cost-effective investments in water supply reliability projects. In 2008, the District 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. With the implementation of projects like the Baker WTP and Upper Chiquita Reservoir, and other water reliability projects and demand management programs, the District has been able to meet that policy objective. In 2015, the District developed its first Long Range Water Reliability Plan (LRWRP) to provide an adaptive management tool for reviewing and identifying projects and programs to support the District’s objectives in building water resilience and reliability. Currently, the LRWRP is being updated based on current demand and water supply projections, along with a review of potential water reliability investments. Further, the District is reviewing its water reliability objectives based on the outputs from the LRWRP update. The LRWRP will continue to support the District’s efforts in making smart investments in reliability projects and programs to provide enhanced resiliency to its customers without over-investing and potentially stranding assets. As a result of this effort, the District will continue to stress efforts to reduce dependence on imported water supplies through recycled water and water efficiency programs. Mission Viejo Country Club and El Niguel Country Club began using reclaimed wastewater over 50 years ago. Today, more than 1,350 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 storage and water supply opportunities to potentially supplement the significant efforts of MET to bring imported water to the MNWD service area.

The District operates and maintains over 650 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 23 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.



Wastewater Services

The District maintains approximately 500 miles of wastewater pipelines. The District’s wastewater system has 17 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.

The District recently updated its Sewer System Management Plan (SSMP), a requirement from the State Water Resources Control Board. The SSMP incorporated and updated the District’s Sanitary Sewer Overflow Prevention Plan and Sanitary Sewer Overflow Response Plan along with existing pretreatment and engineering programs to complete the remaining SSMP requirements. The SSMP was developed to facilitate proper funding and management of the District’s sanitary sewer system.

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 140 miles of recycled water distribution pipelines with 5 pre-stressed concrete and 6 steel storage reservoirs to service the recycled water system. The District also operates 9 pump stations to pump recycled water from lower pressure zones to the higher-pressure zones. 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 continues to implement the recommendations from the 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.

The District plans to expand its recycled water distribution system with the implementation of the RWMP. 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.

Factors Affecting Financial Conditions

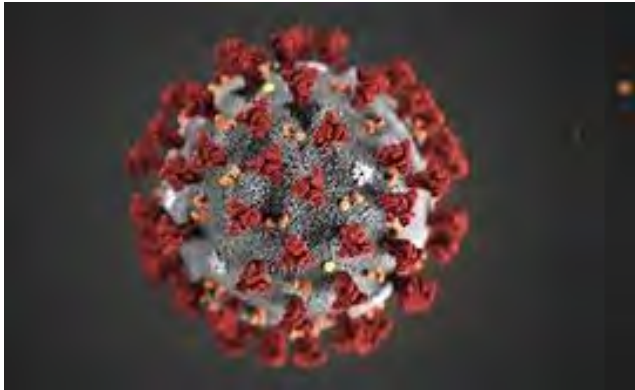
The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the District operates.

COVID-19 Coronavirus Epidemic

A new coronavirus disease (COVID-19) began spreading across the world at the end of 2019. The first confirmed cases in both the United States and the state of California occurred in January 2020, and by March 11, 2020, the World Health Organization declared the new coronavirus disease (COVID-19) a



pandemic. The disease has spread to over 200 countries since its original discovery and has more than 35 million confirmed cases.



New coronavirus disease officially named COVID-19 by the World Health Organization

As an essential service, the District's priority was to ensure safe and reliable service to the residents, businesses, and schools in the District's service area. The District has successfully maintained continuity of service throughout the COVID-19 pandemic, without any impact or pandemic related interruptions to water or wastewater services. The District's operations delivered ongoing water and wastewater services to the District's 172,000 customers that continued to meet or exceed all local, state, and federal standards for safety, quality, and environmental protection. Additionally, the District took the following steps to help its customers experiencing financial hardships:

- Eliminated customer shutoffs for non-payment or assessment of late bill payment fees prior to the Governor's Executive Order
- Eased the bill adjustment process to provide more immediate relief for customers
- Expanded temporary bill adjustments for customers due to economic hardships

Local Community

The District serves communities within South Orange County that historically reports stronger financial indicators than that of the nation and state. 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 in anticipation of prolonged drought periods. The State continues to maintain a set of conservation 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.

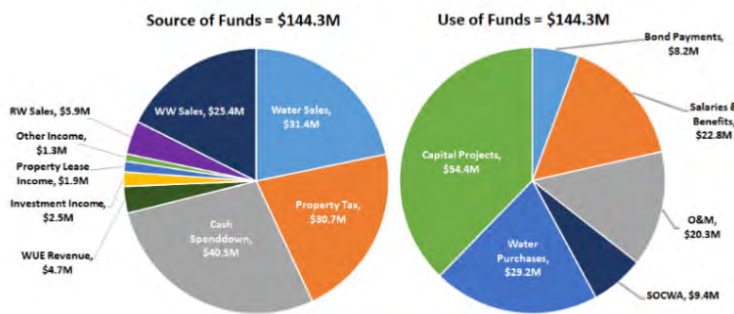
The District continues to offer resources, rebates and information to help customers make conservation a California way of life. The District has ongoing partnerships with Universities to study water use, rebate programs, and other resources that will continue to inform prudent operational and financial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

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, Debt Management and Federal Grants Management.



Sources and Uses of Funds from District 2020-21 Budget

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 16 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 November 2019, the District issued the 2019 Certificates of Participation for \$64.6 million. This issuance was anticipated as part of the LRFP to support investments in the District’s capital improvement program, and the District is in a very strong financial position. As part of that process, both Standard and Poor’s and Fitch rating agencies 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 consistent reduction in per person 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.

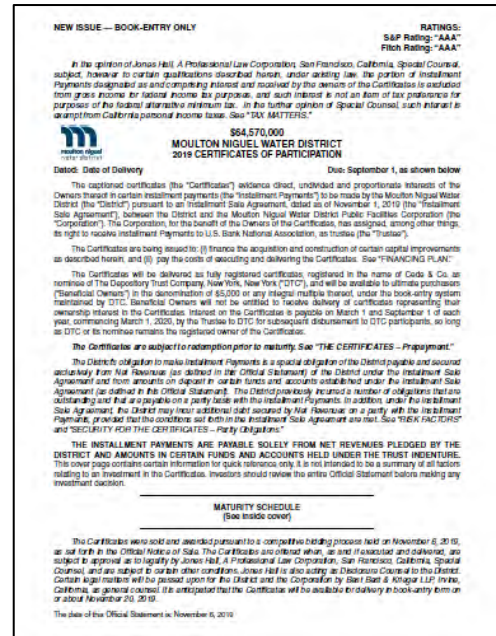
Internal Controls

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 2020 Long Range Strategic Planning Session and identified the key initiatives for the Board and District staff to focus efforts. The identified initiatives were Asset Management, Community Engagement and Outreach, Demand Management, Financial Planning, Government Affairs, Labor Relations, System Operations, and Water Reliability. These objectives are discussed in detail in the District’s adopted fiscal year 2020-21 budget, available on the District’s website.



2019 Certificates of Participation Cover

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.



Native plants identified by this seal are available at local nurseries

The District has teamed up with MET, other local water agencies, and the California Native Plant Society to bring more native plants to the region's homes and gardens through the Calscape program. Through the program, staff at participating nurseries will receive training on the proper care, maintenance, watering, and planting of California native plants.

The District continues to expand its successes from prior years with education about native gardens and landscapes, and in light of COVID-19, elected to move the popular landscape workshops to a virtual format. Once a customer attends a landscape workshop, they are also eligible to participate in NatureScape, a direct-install turf-to-native garden program that helps customers replace turf with a California native, low water-use landscape.

The District held its fourth annual H2O for HOAs workshop, which was held virtually this year due to the pandemic. The workshop provided education and information on various topics related to water management to homeowner association Board Members, property managers, and professional landscapers.

Additionally, the District joined forces with Sustain Southern California and the California Data Collaborative to host the combined 5th annual Water Data Summit and Water Solutions. The two-day online event featured interactive panels on how data can power California to a better water future through streamlined operations and more effective water conservation programs.



The District also hosted a community forum "Taking Care of Business During COVID-19" in September 2020. The District hosted the forum to enhance communication with its customers and community stakeholders, and to discuss current water issues, ongoing water needs, and how the District has adapted to continue serving its customers during the COVID-19 pandemic.

Recognition and Funding

The District was one of just 45 other agencies to receive approval for a \$1.5 million grant from the United States Bureau of Reclamation through its WaterSmart program for the final phase of the District's Smart meter project. 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 smart meter project. The automated smart meters will help the District detect water leaks, improve operations, and allow customers to monitor their water usage in real-time. Upon completion, the project is anticipated to help conserve 500 million gallons of water every year. The final phase of the project aims to install nearly 45,000 residential, commercial, and fire protection sites in the District's service area.



The District’s customer portal app, “MyWater MNWD” has gained quite a bit of traction over the past year. The App has seen over 32,000 customers login to get access to water usage information, pay their bills, and learn about water conservation programs all available in one location. Additionally, the District received the “Best Analytics Project” from CS Week 2020 for the smart meter data integration with the customer portal.

In December 2019, the District was nominated as a top workplace in Orange County by the Orange County Register. This was the third consecutive year the District received the top workplace designation. The top workplace designation has been a key tool in recruitment successes over the past few years.

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 2019-20 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 and was the second consecutive year the District earned that achievement.

Regional Collaborative Ventures

The District continues to 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.

The District had previously approved an agreement with the Orange County Water District to collaboratively study the potential of future dry weather storage in the Orange County Groundwater Basin and conveyance of water during an emergency. 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 hope to build on the existing emergency service agreement the District has with the Orange County Water District.

The District has 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 received 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. At this time, the program partners are in the process of installing the Smart Watershed Network.

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. Over 82% of future capital improvement

SMART METERS, SMART WATER USE



spending will be related to replacement and refurbishment of that 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.



View of administration building from front entrance

The District awarded a Construction Manager-at-Risk Contract to Layton Construction Company, LLC, to construct various projects located near the District's Plant 2A facility. 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 de-commissioned 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 these improvements were crucial to support the operations and maintenance functions.

During these times of economic uncertainty and financial stress, the District has been able to chart a successful course through strategic and forward-thinking policies implemented by the Board of Directors. The District continues to focus on safe, effective ways to use and educate its customers regarding efficient uses of water and remains flexible and nimble to adapt to changing conditions in this current environment.

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, 2019. 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 2020 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**

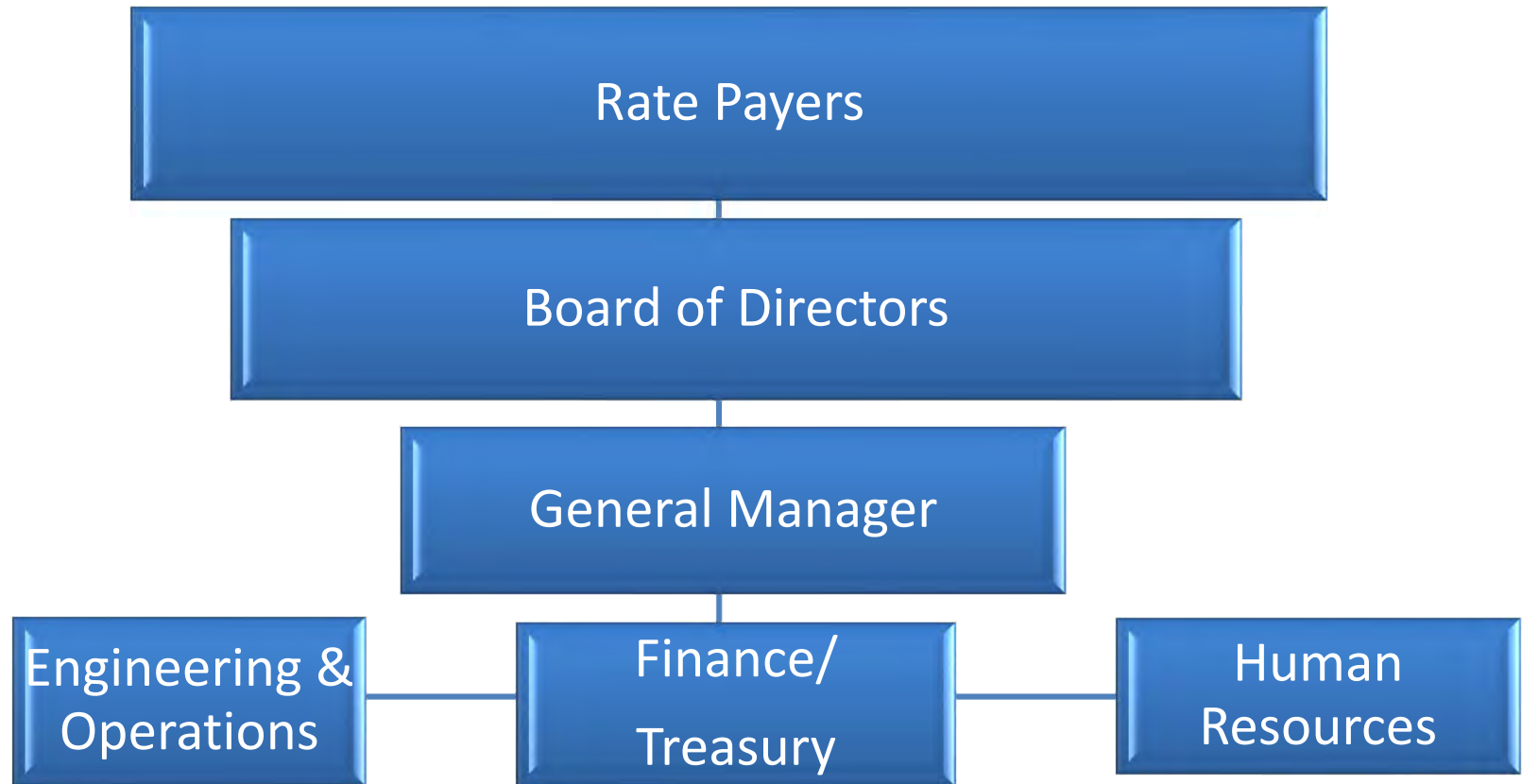
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

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



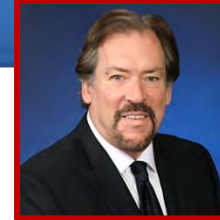
Gary R. Kurtz
Director



Kelly A. Jennings
Director



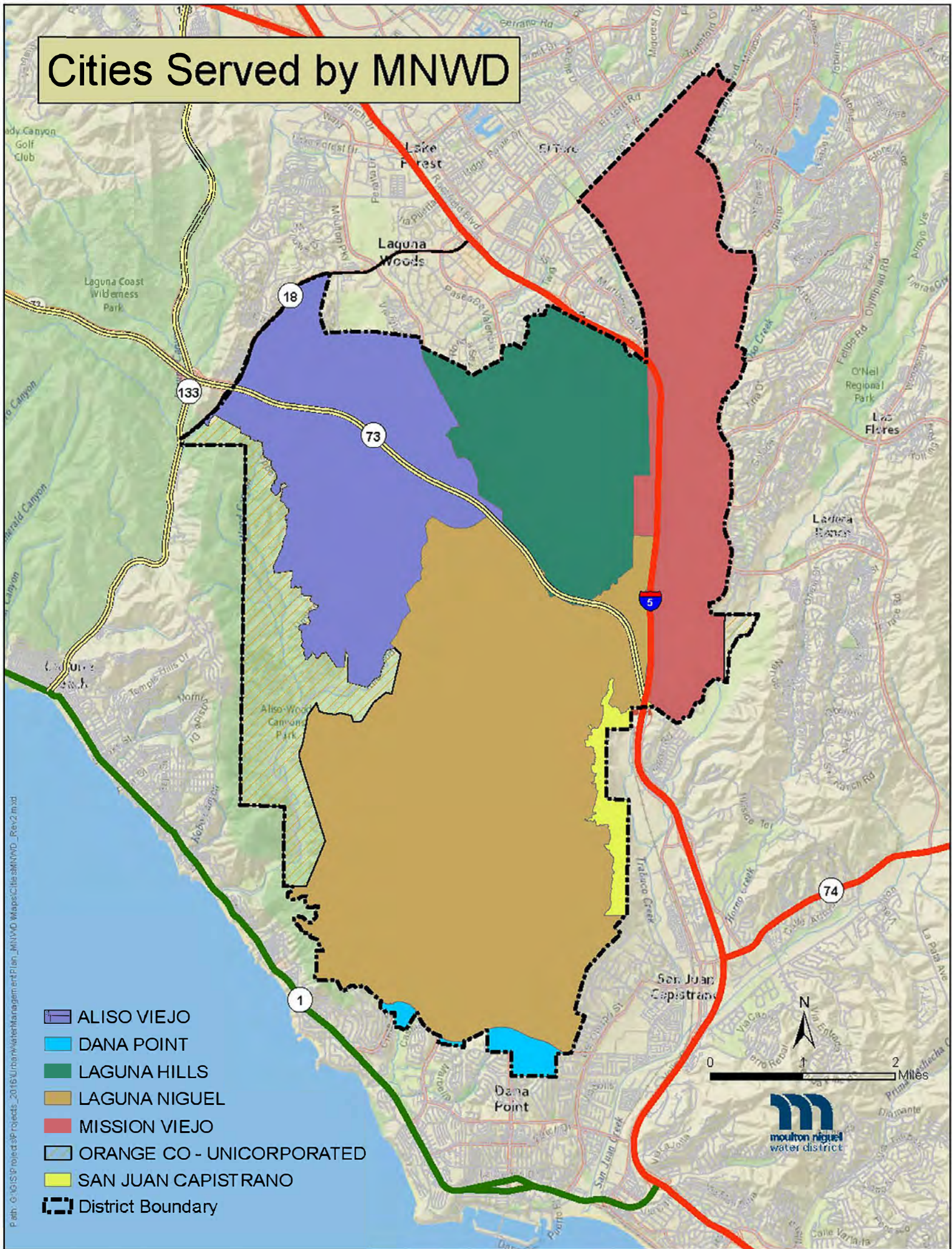
Bill B. Moorhead
Director



Richard Fiore
Director



Cities Served by MNWD



Path: G:\GIS\Projects\2016\UrbanWaterManagementPlan_MNWD\Map\Cities\MNWD_Rev2.mxd

- ALISO VIEJO
- DANA POINT
- LAGUNA HILLS
- LAGUNA NIGUEL
- MISSION VIEJO
- ORANGE CO - UNINCORPORATED
- SAN JUAN CAPISTRANO
- District Boundary



moulton niguel water district



Independent Auditor's Report

Board of Directors
Moulton Niguel Water District
Aliso Viejo, 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, 2020, 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, 2020, 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.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of GASB Statement No. 87, *Leases*, which has resulted in a restatement of the net position as of July 1, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability and schedule of plan contributions for the pension plan, and the schedule of changes in the net OPEB liability and related ratios and schedule of contributions for the OPEB plan as listed in the table of contents 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 opinions on the financial statements that collectively comprise the District's 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 4, 2020 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, 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 Sully LLP". The signature is written in a cursive, flowing style.

Laguna Hills, California
December 4, 2020

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

Year Ended June 30, 2020

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. The 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 \$428.3 million (total net position). Net position consists of \$305.0 million in net investment in capital assets, \$0.3 million in restricted for capital projects, and \$123.0 million of unrestricted net position. This is an increase of \$6.7 million, or 1.6% over the prior fiscal year total net position of \$421.6 million.
- Total assets increased by \$92.5 million to \$621.7 million, representing a 17.5% increase over the prior year balance. The District received \$68.6 million in proceeds from issuing the 2019 Certificates of Participation during the year, and as a result, total liabilities increased by \$70.7 million, or 62.9%. The 2019 Certificates mature September 1, 2049, and brought the ending long-term debt balance up to \$136.1 million at June 30, 2020.
- The District implemented GASB 87, *Leases*, recording \$17.1 million in assets and receivables, and \$17.4 million in liabilities and deferred inflows of resources related to District leasing activities. See Note 4 in the Notes to Financial Statements for more information.
- Total Revenues were \$106.2 million, an increase of \$2.6 million, or 2.5%, largely driven by an increase in investment and interest income. The District adheres to Governmental Accounting Standards Board Statement No. 31, which requires the District to record investments at fair market value.
- The District received \$29.9 million for its share of the 1% ad valorem property taxes, an increase of \$0.8 million, or 2.7% over the prior fiscal year.
- Total Expenses increased by \$2.5 million to \$100.6 million, representing an increase of 2.5% as compared to the prior fiscal year. The District reported additional pension expense of \$1.9 million due to changes to the Net Pension liability in accordance with GASB 68, *Accounting and Financial Reporting for Pensions*.
- Total capital assets for the year ended June 30, 2020, were \$435.4 million, an increase of \$39.4 million, or 10.0%. The District was able to execute 92% of internally managed capital projects during the year.

Required Financial Statements

The *Statement of Net Position* states the financial position of the District at June 30, 2020. 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, 2020

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:

Table 1 - Condensed Statement of Net Position (In Thousands)				
	2020	2019	Increase/(Decrease)	
			Amount	Percent
Current and noncurrent assets	\$ 186,373	\$ 133,276	\$ 53,097	39.8%
Capital assets, net	435,362	395,920	39,442	10.0%
Total Assets	621,735	529,196	92,539	17.5%
Deferred Outflows of Resources	6,594	6,005	589	9.8%
Current liabilities	24,463	18,069	6,394	35.4%
Long-term liabilities	158,566	94,309	64,257	68.1%
Total Liabilities	183,029	112,378	70,651	62.9%
Deferred Inflows of Resources ¹	16,993	1,186	15,807	1332.8%
Net investment in capital assets	304,970	319,601	(14,631)	-4.6%
Restricted for capital projects	296	375	(79)	-21.1%
Unrestricted net position	123,041	101,661	21,380	21.0%
Total Net Position	\$ 428,307	\$ 421,637	\$ 6,670	1.6%

¹ The District implemented GASB 87, Leases during the year. The 2019 balance in the MD&A was not restated. See note 1 for more information as to the restatement related to this implementation

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

Year Ended June 30, 2020

Financial Position Summary (Continued):

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.

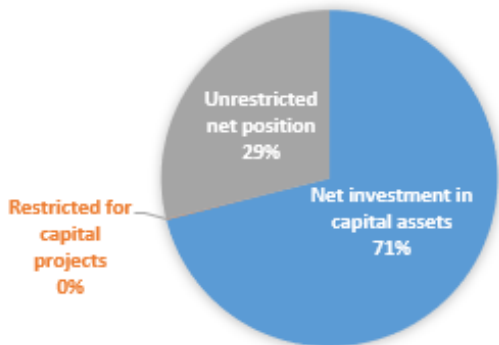
As shown in Table 1 in the condensed Statement of Net Position on the previous page, the District’s total assets increased \$92.5 million, or 17.5%. The District issued the 2019 Certificates of Participation during the year and received \$68.6 million in proceeds.

The deferred outflows of resources balance increased by \$0.6 million, or 9.8% as compared to the prior fiscal year balance of \$6.0 million. This is primarily the result of changes in assumptions made by the District’s pension plan administrator, CalPERs.

Total liabilities increased by \$70.7 million, or 62.9% as compared to the previous fiscal year. The main driver for this increase was the issuance of the 2019 Certificates of Participation.

Deferred inflows of resources ended the fiscal year at \$17.0 million, increasing \$15.8 million in comparison to the prior fiscal year reported amounts. The District implemented GASB 87, *Leases* during the year, and reported \$15.2 million in deferred inflows associated with leasing arrangements. See Note 4 in the Notes to Financial Statements for more information.

**FIGURE 1
NET POSITION
JUNE 30, 2020**



The District’s total ending net position at June 30, 2020, amounted to \$428.3 million, increasing \$6.7 million, or 1.6% during the fiscal year.

Net position consists of \$305.0 million in net investment in capital assets, \$0.3 million restricted for capital projects, and \$123.0 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. In addition, this amount includes the net amount of regulated assets and intangible right to use assets. The District’s net investment in capital assets balance decreased by 4.6% to \$305.0 million, representing 71.2% of total net position.

Restricted net position ended the year at \$0.3 million, decreasing \$0.1 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 \$123.0 million at June 30, 2020, an increase of \$21.4 million, or 21.0% from the June 30, 2019 balance. The primary reason for this increase was the issuance of the 2019 Certificates of Participation, as new capital proceeds reduces the net investment in capital assets. Additional information on unrestricted net position can be found in Note 16 in the Notes to Financial Statements.

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

Year Ended June 30, 2020

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)				
	2020	2019	Increase/(Decrease)	
			Amount	Percent
Operating Revenues:				
Water charges	\$ 32,981	\$ 32,681	\$ 363	1.1%
Recycled charges	5,049	5,161	(112)	-2.2%
Sanitation charges	26,695	25,463	1,232	4.8%
Other	498	644	(146)	-22.7%
Total Operating Revenues	65,223	63,949	1,337	2.1%
Non-operating Revenues:				
Property taxes	29,907	29,111	796	2.7%
GOB assessment	676	1,220	(544)	-44.6%
Investment income	7,083	6,067	1,016	100.0%
Interest income	602	-	602	200.0%
Cellular lease income	1,313	1,770	(457)	-25.8%
Intergovernmental revenue	1,223	1,343	(120)	-8.9%
Other	136	78	58	74.4%
Total Non-operating revenues	40,940	39,589	1,351	3.4%
Total Revenues	106,163	103,538	2,688	2.6%
Water purchases	26,529	23,671	2,858	12.1%
Meters	-	361	(361)	-100.0%
Utilities	1,661	1,849	(188)	-10.2%
Wastewater treatment & pumping	14,395	14,329	66	0.5%
Water transmission & distribution	1,423	2,048	(625)	-30.5%
General, administrative & other	30,434	29,114	1,320	4.5%
Amortization	946	-	946	n/a
Depreciation	20,831	19,744	1,087	5.5%
Total Operating Expenses	96,219	91,116	5,103	5.6%
Interest on long-term debt	4,307	4,078	229	5.6%
Other	104	2,943	(2,839)	-96.5%
Total Non-operating Expenses	4,411	7,021	(2,610)	-37.2%
Total Expenses	100,630	98,137	2,493	2.5%
Income (loss) before capital contributions	5,533	5,401	132	2.4%
Capital contributions	1,137	3,194	(2,057)	-64.4%
Change in Net Position	6,670	8,595	(1,925)	-62.0%
Beginning Net Position	421,637	413,042	8,595	2.1%
Ending Net Position	\$ 428,307	\$ 421,637	\$ 8,595	2.0%

Revenues:

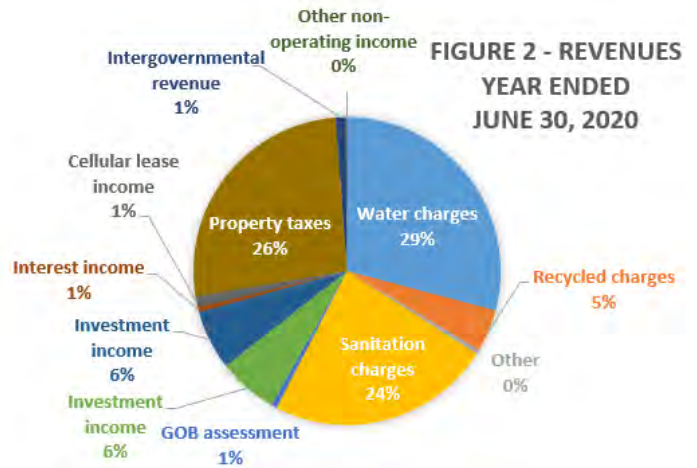
As shown in Table 2, the District's total revenues increased \$2.7 million, or 2.6% in fiscal year 2020, totaling \$106.2 million.

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

Year Ended June 30, 2020

Operating revenues amounted to \$65.2 million for the fiscal year ended June 30, 2020, increasing 2.0% over the prior fiscal year total of \$63.9 million. Total operating revenues represented approximately 61% of total revenues for the fiscal year ended. Figure 2 provides an illustration of the different sources of revenue the District received during the year.

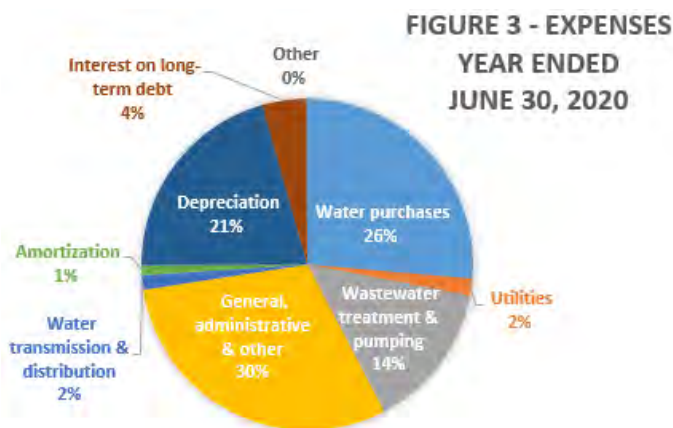
Water charges contributed the largest share of total revenues at \$33.0 million, or 31% of total revenues. The fiscal year total for water charges represented a 0.9% increase over the prior fiscal year amount of \$32.7 million.



Sanitation charges increased by 4.8% million to \$26.7 million for the 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 2019-20 rate revenue for Sanitation Sales included a 5.5% average increase.

Non-operating revenues totaled \$40.9 million for the fiscal year ended, an increase of 3.4% over the prior fiscal year and represents approximately 39% of total revenue. The \$1.4 million increase over the prior fiscal year is primarily related to an additional \$1.0 million in investment income earned when compared to the prior fiscal year. The District records investments at fair market value, so unrealized gains and losses are recorded on investments. For the year, unrealized gains were \$4.2 million and recorded as revenue.

Expenses:



As seen in Table 2, total expenses for the fiscal year ended June 30, 2020, increased to \$100.6 million, representing an increase of \$2.5 million, or 2.5% over the prior fiscal year. Operating expenses ended the fiscal year at \$96.2 million, an increase of \$5.1 million, or 5.6% over the 2019 totals. Water purchases, wastewater treatment and pumping, and water transmission and distribution amount to 44% of total expenses for the District. Water Purchases increased by \$2.9 million to \$26.5 million for the year ended, primarily because the prior year included a \$2.2 million reimbursement from Santa Margarita Water District (SMWD) for water delivered through a connecting intertie.

Non-operating expenses decreased by \$2.6 million to \$4.4 million, representing a 37.2% decrease as compared to the prior fiscal year. The District resolved a lawsuit in the prior year, resulting in the large reduction this year.

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

Year Ended June 30, 2020

Capital Contributions:

As noted in Table 2, capital contributions decreased to \$1.1 million, a change of 64.4% as compared to the prior year. This decrease was primarily driven by a decrease in developer donated capital facilities, which were \$2.2 million in the fiscal year ended June 30, 2019, and were \$0.4 million in this fiscal year, a decrease of approximately 82%. The prior year total was higher than an average year and these contributions are the result of projects completed by external developers and donated to the District as part of connecting to the District's system.

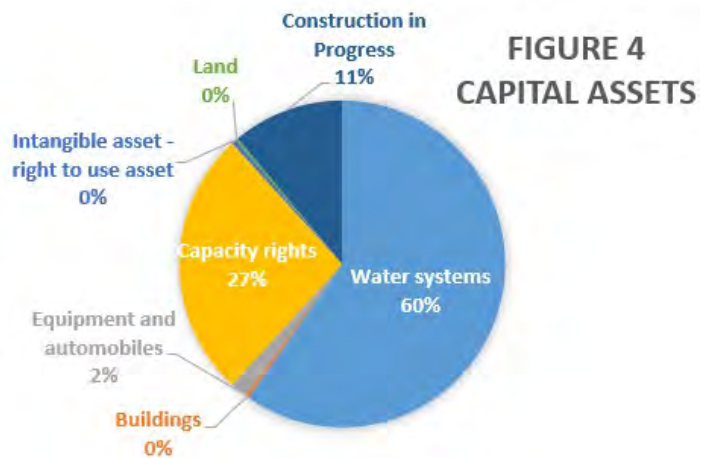
Capital Assets:

Table 3 - Condensed Capital Asset Summary (In Thousands)				
	Fiscal Year		Increase/(Decrease)	
	2020	2019	Amount	Percent
Water systems	260,332	260,191	141	0.1%
Capacity rights	115,165	110,611	4,554	4.1%
Buildings	1,470	1,566	(96)	-6.1%
Equipment and automobiles	7,156	8,952	(1,796)	-20.1%
Total Net Depreciable Assets	384,123	381,320	2,803	0.7%
Intangible asset - right to use asset	1,881	-	1,881	n/a
Total Intangible Assets	1,881	-	1,881	n/a
Land	1,092	1,092	-	0.0%
Construction in Progress	48,266	13,508	34,758	257.3%
Total Non-Depreciable Assets	49,358	14,600	34,758	238.1%
Capital Assets, Net	\$ 435,362	\$ 395,920	\$ 39,442	10.0%

As shown in table 3, the District held \$435.4 million in total net capital assets as of June 30, 2020. Total net depreciable assets increased by \$2.8 million, representing an increase of 0.7%, net of \$20.8 million in depreciation expense.

The District implemented GASB 87, *Leases*, during the year, which required the recognition of \$1.9 million in intangible right to use leased assets. Additional information about these leases can be found in Note 4 of the Notes to Financial Statements.

The District invested \$57.1 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 \$22.4 million.

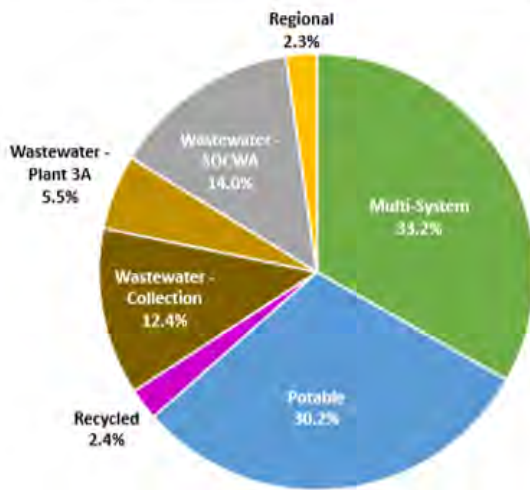


**Moulton Niguel Water District
Management’s Discussion & Analysis (Continued)**

Year Ended June 30, 2020

FIGURE 5

System	FY 2020-21 Proposed Budget
Multi-System	\$22,453,600
Potable Water	\$20,438,896
Recycled Water	\$1,590,000
Wastewater	
Collection	\$8,390,000
Treatment (Plant 3A)	\$3,737,500
Treatment (SOCWA)	\$9,434,861
Regional (i.e. Baker WTP, R6 Reservoir Cover, JRWSS, Upper Oso/Chiquita, etc.)	\$1,537,644
Total FY 2020-21 Proposed Budget	\$67,582,501



Capital Assets (Continued):

As seen in Figure 5 to the left, the District’s Fiscal Year 2020-21 Adopted Budget includes \$67.6 million in capital spending, primarily for multi-system, potable water, and wastewater related projects. See Note 5 in the Notes to Financial Statements for additional details on capital asset activities.

Long-term Debt:

As noted in Table 4 below, the District’s total long-term liabilities at June 30, 2020, was \$136.1 million, representing An increase of \$59.3 million, or 77.3% over the prior fiscal year.

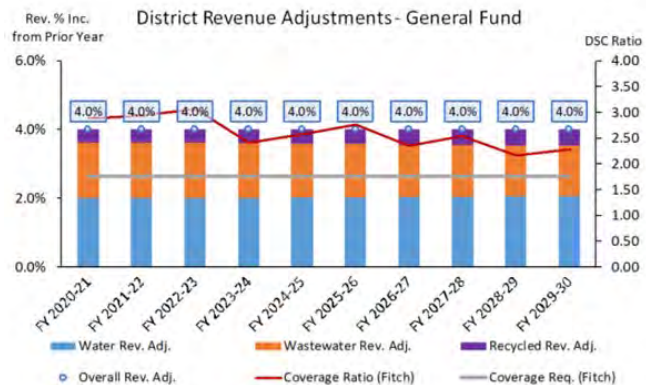
During the fiscal year, the District issued the 2019 Certificates of Participation and fully refunded \$5.1 million in outstanding loans. As part of the process to issue the 2019 Certificates, the District was reviewed by both Fitch and Standard and Poor’s rating agencies and both agencies awarded the District with a AAA rating, the highest rating available.

Table 4 - Condensed Long-Term Debt Summary (In Thousands)

	Fiscal Year 2020	Fiscal Year 2019	Increase/(Decrease)	
			Amount	Percent
Bonds Payable	\$ 67,527	\$ 71,646	\$ (4,119)	-5.7%
Certificates of Participation (COP)	68,555	-	68,555	n/a
Loans	-	5,088	(5,088)	-100.0%
Total Long-term Liabilities	\$ 136,082	\$ 76,734	\$ 59,348	77.3%

The District utilizes a Ten-Year Cash Flow model to forecast to plan for future debt issuances, project potential future rate adjustments, and anticipate the District’s future debt coverage ratio. Although the official debt covenants in most issuances call for a coverage ratio of 125%, the District’s Board of Directors has established a goal of maintaining a coverage of 175%.

FIGURE 6



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

Year Ended June 30, 2020

Long-term Debt (Continued):

This means that net revenues would exceed debt service payments on any given year by 175%. As noted in the District's Fiscal Year 2020-21 Budget Document and on the right in Figure 6, the District anticipates that even with the new 2019 Certificates, its debt coverage ratio will be over 200% for at least the next ten years.

See Note 7 in the Notes to Financial Statements for detail on long-term liabilities.

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, 2020

Assets:

Current:

Cash and investments (Note 2)	\$ 40,782,802
Accounts receivable:	
Water and sanitation charges	3,958,988
Taxes	400,257
Other accounts receivable	1,215,292
Grants receivable	166,772
Interest receivable	719,157
Leases receivable, current (Note 4)	1,248,675
Inventory	1,440,862
Prepaid expenses	761,434
	<hr/>
Total Current Assets	50,694,239

Noncurrent:

Investments (Note 2)	108,942,276
Restricted cash and investments with fiscal agent (Note 2)	11,373,458
Retrofit loans receivable (Note 3)	474,808
Leases receivable, noncurrent (Note 4)	13,926,415
Regulated assets (Note 6)	961,382
Capital assets - net of accumulated depreciation (Note 5)	384,122,951
Capital assets, intangible asset - right to use leased asset (Note 4)	1,880,958
Capital assets not being depreciated (Note 5):	
Land	1,091,910
Construction in progress	48,266,048
	<hr/>
Total Noncurrent Assets	571,040,206

Total Assets

621,734,445

Deferred Outflows of Resources:

Deferred charges on refundings (Note 7)	317,736
Deferred items related to pension (Note 9)	5,559,108
Deferred items related to OPEB (Note 10)	717,051
	<hr/>
Total Deferred Outflows of Resources	6,593,895

Total Assets and Deferred Outflows of Resources

\$ 628,328,340

Moulton Niguel Water District

Statement of Net Position
June 30, 2020

Liabilities:

Current:

Accounts payable	\$ 17,225,841
Interest payable	1,686,771
Unearned revenue	697,186
Compensated absences (Note 7)	1,042,996
Lease liabilities (Note 4)	910,364
Current portion of long-term debt (Note 7):	
Bonds payable	1,990,000
Certificates of participation	910,000
	<hr/>
Total Current Liabilities	24,463,158

Long-Term Liabilities:

Compensated absences (Note 7)	347,665
Long-term debt (Note 7):	
Bonds payable	65,537,000
Certificates of participation	67,644,646
Net pension liability (Note 9)	22,455,803
Net OPEB liability (Note 10)	1,275,305
Lease liabilities (Note 4)	1,305,724
	<hr/>
Total Long-Term Liabilities	158,566,143

Total Liabilities

183,029,301

Deferred Inflows of Resources:

Deferred items related to pension (Note 9)	1,490,997
Deferred items related to OPEB (Note 10)	326,759
Deferred items related to leases (Note 4)	15,175,090
	<hr/>
Total Deferred Inflows of Resources	16,992,846

Net Position:

Net investment in capital assets (Note 15)	309,716,709
Restricted for capital projects (Note 16)	295,848
Unrestricted (Note 17)	118,293,636
	<hr/>
Total Net Position	428,306,193

**Total Liabilities, Deferred Inflows of Resources,
and Net Position**

\$ 628,328,340



moulton niguel water district

**Moulton Niguel Water District
Statement of Revenues, Expenses,
and Changes in Net Position
Year Ended June 30, 2020**

Operating Revenues:

Water charges	\$ 32,980,943
Recycled charges	5,049,306
Sanitation charges	26,695,247
Other	498,377
	65,223,873

Operating Expenses:

Source of supply:	
Water purchases	26,530,223
Utilities	1,662,017
Pumping water	1,714,355
Wastewater treatment	12,680,278
Water transmission and distribution	1,423,084
Customer service	3,555,680
Water efficiency	4,335,108
General, administrative, and other	22,543,109
Amortization:	
Right to use leased asset	925,676
Regulated assets	19,919
Depreciation	20,830,890
	96,220,339

Total Operating Expenses

Operating Income (Loss)

(30,996,466)

Non-Operating Revenues (Expenses):

Investment income (loss) (Note 2)	6,787,971
Investment income - restricted (Note 2)	295,346
Interest income - leases (Note 4)	601,770
Property tax revenue	29,907,153
General obligation bond assessments	676,489
Interest expense	(4,307,575)
Intergovernmental revenue	1,223,208
Cellular lease and license income (Note 4)	1,312,711
Other non-operating revenues	136,200
Other non-operating expenses	(104,634)
	36,528,639

Total Non-Operating Revenues (Expenses)

Income (Loss) Before Capital Contributions

5,532,173

Capital Contributions:

Developer donated capital facilities	400,150
Capacity fees	196,953
Other contributions	539,537

Total Capital Contributions

1,136,640

Change in Net Position

6,668,813

Net Position:

Beginning of fiscal year, as restated (Note 1)	421,637,380
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End of Fiscal Year

\$ 428,306,193

Moulton Niguel Water District

Statement of Cash Flows
Year Ended June 30, 2020

Cash Flows from Operating Activities:

Cash received from customers	\$ 65,694,039
Cash paid to suppliers	(45,616,504)
Cash paid to employees	(20,563,386)

Net Cash Provided By (Used For) Operating Activities (485,851)

Cash Flows from Non-Capital Financing Activities:

Cash received from property taxes	<u>29,816,054</u>
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Net Cash Provided By (Used For) Non-Capital Financing Activities 29,816,054

Cash Flows from Capital and Related Financing Activities:

Acquisition and construction of capital assets	(57,991,658)
Acquisition and construction of regulated assets	(981,301)
Proceeds from capital debt	68,634,112
Cash received from general obligation bond assessments	676,489
Repayment of notes receivable	15,660
Capital contributions	736,490
Principal payments on long-term debt	(9,286,886)
Interest payments on long-term debt	(3,592,093)
Lease payments	(925,676)
Intergovernmental revenue	<u>1,145,606</u>

Net Cash Provided By (Used For) Capital and Related Financing Activities (1,569,257)

Cash Flows from Investing Activities:

Investment earnings received	3,538,242
Lease receipts	1,312,711
Proceeds from sales and maturities of investments	91,691,962
Purchases of investments	<u>(100,991,379)</u>

Net Cash Provided By (Used For) Investing Activities (4,448,464)

Net Increase (Decrease) in Cash and Cash Equivalents 23,312,482

Cash and Cash Equivalents, Beginning of Year 17,470,320

Cash and Cash Equivalents, End of Year \$ 40,782,802

Moulton Niguel Water District

**Statement of Cash Flows
Year Ended June 30, 2020**

**Reconciliation of Operating Income (Loss) to Net Cash Provided By
(Used For) Operating Activities:**

Operating income (loss)	<u>\$ (30,996,466)</u>
 Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Depreciation	20,830,890
Amortization of leases	925,676
Amortization of regulated assets	19,919
Other non-operating revenue	136,200
Other non-operating expense	(104,634)
Changes in net pension liability, deferred inflows/outflows of resources and pension expense	1,939,029
Changes in net OPEB liability, deferred inflows/outflows of resources and OPEB expense	(190,610)
Changes in lease liabilities and intangible right to use asset	335,130
Change in assets and liabilities:	
(Increase) decrease in accounts receivable, water and sanitation	(197,457)
(Increase) decrease in accounts receivable, other	636,057
(Increase) decrease in inventory	(386,521)
(Increase) decrease in prepaid expenses	(11,041)
Increase (decrease) in accounts payable	6,346,673
Increase (decrease) in compensated absences	<u>231,304</u>
 Net Cash Provided By (Used For) Operating Activities	 <u><u>\$ (485,851)</u></u>

Non-cash Investing, Capital, and Financing Activities:

Unrealized gain (loss) on investments	\$ 4,230,003
Developer donated capital facilities	400,150
Amortization of deferred charges on refundings	97,765
Amortization of (premiums) discounts (Note 6)	838,568

Moulton Niguel Water District

Notes to Financial Statements June 30, 2020

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, 2020

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, 2020

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 11.

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. The District also records the value of intangible right to use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right to use intangible asset is amortized each year for the term of the contract.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2020

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

Depreciation for capital assets 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. Regulated Assets

Regulated assets are created by deferring certain expenses that are recoverable by future rate charges in accordance with the District's rate ordinance. To be considered a regulated asset, expenses must meet the following criteria:

- The District's Board of Directors establish the rates
- The regulated rates are designed to recover the specific regulated activity's costs of providing the regulated service
- The rates must be set at levels that will at least recover the costs over the life of the asset and the associated rates can be charged to and collected from customers
- Future revenues will be provided to permit recovery of the actual regulated cost rather than expected levels of similar service

Amortization is computed utilizing the straight-line method to match the associated revenues and expenses:

Potable regulated assets	15 to 25 years
Wastewater regulated assets	15 to 25 years

h. 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 regular full-time 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.

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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

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

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.

i. 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 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.

j. 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.

k. 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.

l. 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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

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

m. 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:

Valuation Date	January 1, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

n. Leases

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease, or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

o. 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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

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

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.

p. 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. Additionally, the District includes the right to use leased assets and regulated asset balances in this balance.

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 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 16.

q. New Accounting Pronouncements Implemented

The following accounting pronouncements were implemented effective July 1, 2019:

GASB Statement No. 87, Leases. This standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

Net position at June 30, 2019, as previously reported	\$ 421,637,380
Add lease receivable under GASB Statement No. 87 at June 30, 2019	16,382,530
Less deferred outflows of resources under GASB Statement No. 87 at June 30, 2019	<u>(16,382,530)</u>
Net position at June 30, 2019, as restated	<u>\$ 421,637,380</u>

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

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

There were no material arrangements that existed prior to July 1, 2019, in which the District was the lessee, and the District elected not to restate the prior year net position for the lessee arrangements.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement are effective immediately as they delayed the effective dates of several GASB Statements.

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, 2020:

Statement of Net Position:	
Cash and Investments-Current	\$ 40,782,802
Investments-Noncurrent	108,942,276
Restricted Cash and Investments with Fiscal Agent	<u>11,373,458</u>
Total Cash and Investments	<u>\$ 161,098,536</u>

Cash and Investments held by the District at June 30, 2020, consisted of the following:

Cash:	
Petty Cash on Hand	\$ 6,183
Deposits with Financial Institutions	<u>1,364,774</u>
Total Cash	<u>1,370,957</u>
Investments:	
State Treasurer's Investment Pool	39,605,466
US Treasury Notes	26,592,240
Federal Agency Securities	36,510,664
Medium Term Notes	32,270,077
Asset Backed Securities	16,124,978
Commerical Paper	4,648,809
Money Market Funds	<u>3,975,345</u>
Total Investments	<u>159,727,579</u>
Total Cash and Investments	<u>\$ 161,098,536</u>

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

Note 2: Cash and Investments (Continued)

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

The following table identifies the investment types that are authorized for the District by the California Government Code and the District's investment policy. The table also identifies certain provisions of the California Government Code (or the District's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. 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%

*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:

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

Note 2: Cash and Investments (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. 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:

<u>Investment Type</u>	<u>Total</u>	<u>12 Months or Less</u>	<u>13 to 36 Months</u>	<u>37 to 60 Months</u>	<u>More Than 60 Months</u>
State Investment Pool	\$ 39,605,466	\$ 39,605,466	\$ -	\$ -	\$ -
US Treasury Notes	21,374,525	2,015,461	7,213,784	4,042,964	8,102,316
Federal Agency Securities	32,788,177	3,280,721	6,374,010	9,653,352	13,480,094
Medium Term Notes	32,270,077	8,742,392	15,809,949	7,717,736	-
Asset Backed Securities	16,124,978	-	6,425,158	9,699,820	-
Commercial Paper	3,749,025	3,749,025	-	-	-
Money Market Funds	2,441,873	2,441,873	-	-	-
Held by Fiscal Agent:					
US Treasury Notes	5,217,715	4,906,855	206,090	104,770	-
Federal Agency Securities	3,722,487	3,085,498	526,616	110,373	-
Commercial Paper	899,784	899,784	-	-	-
Money Market Funds	1,533,472	1,533,472	-	-	-
Total	<u>\$ 159,727,579</u>	<u>\$ 70,260,547</u>	<u>\$ 36,555,607</u>	<u>\$ 31,329,015</u>	<u>\$ 21,582,410</u>

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2020

Note 2: Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following table shows the minimum rating required by (where applicable) the California Government Code, the District's investment policy or debt agreements, and the actual rating from Moody's rating agency (or another Nationally Recognized Statistical Ratings Organization 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	\$ 39,605,466	N/A	\$ -	\$ -	\$ -	\$ 39,605,466
US Treasury Notes	21,374,525	N/A	21,374,525	-	-	-
Federal Agency Securities	32,788,177	N/A	27,139,169	2,650,808	2,998,200	-
Medium Term Notes	32,270,077	A	3,614,346	6,783,387	21,872,344	-
Asset Backed Securities	16,124,978	AA	16,124,978	-	-	-
Commerical Paper	3,749,025	A	-	-	3,749,025	-
Money Market Funds	2,441,873	Highest rated	2,441,873	-	-	-
Held by Fiscal Agent:						
US Treasury Notes	5,217,715	N/A	5,217,715	-	-	-
Federal Agency Securities	3,722,487	N/A	3,722,487	-	-	-
Commercial Paper	899,784	A	899,784	-	-	-
Money Market Funds	1,533,472	Highest rated	-	-	-	1,533,472
Total	\$ 159,727,579		\$ 80,534,877	\$ 9,434,195	\$ 28,619,569	\$ 41,138,938

* 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:

Investment Type	Year-end Balance
Federal Home Loan Mortgage Corp.	\$ 13,444,976
Federal Home Loan Bank	12,724,372
Federal National Mortgage Assoc.	10,803,688

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.

Moulton Niguel Water District

Notes to Financial Statements (Continued) June 30, 2020

Note 2: Cash and Investments (Continued)

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, 2020:

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Uncategorized
State Investment Pool	\$ 39,605,466	\$ -	\$ -	\$ 39,605,466
US Treasury Notes	21,374,525	-	21,374,525	-
Federal Agency Securities	32,788,177	-	32,788,177	-
Medium Term Notes	32,270,077	-	32,270,077	-
Asset Backed Securities	16,124,978	-	16,124,978	-
Commerical Paper	3,749,025	-	3,749,025	-
Money Market Funds	2,441,873	2,441,873	-	-
Held by Fiscal Agent:				
US Treasury Notes	5,217,715	-	5,217,715	-
Federal Agency Securities	3,722,487	-	3,722,487	-
Commercial Paper	899,784	-	899,784	-
Money Market Funds	1,533,472	1,533,472	-	-
Total	<u>\$ 159,727,579</u>	<u>\$ 3,975,345</u>	<u>\$ 116,146,768</u>	<u>\$ 39,605,466</u>

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, 2020, of \$39,605,466 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

Custodial Credit Risk

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

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

Note 2: Cash and Investments (Continued)

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, 2020:

Investment income	\$	2,967,994
Realized gain (loss)		(114,680)
Unrealized gain (loss)		<u>4,230,003</u>
Total investment income (loss)	\$	<u><u>7,083,317</u></u>

Note 3: Retrofit Loans

In November 1996, the Board adopted Resolution 96-26, allowing 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 46 loans outstanding totaling \$474,808, 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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

Note 3: Retrofit Loans (Continued)

Most 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: Leases

The District has several leasing arrangements, summarized below:

Lessee:

The District entered a triple net lease agreement to lease office space for forty-eight months, beginning August 2019. The lease terminates July 2023. Under the terms of the lease, the District pays a monthly base fee of \$72,560, increasing 3.0% annually on the anniversary of the agreement. The District also pays a pro rata share of operating expenses and property taxes, which are not included in the measurement of the lease liability as they are variable in nature. The District paid \$317,280 during the year towards those variable costs. The District does have an option to terminate the lease after the thirtieth month, which the District believes it will exercise with reasonable certainty. At June 30, 2020, the District has recognized a right to use asset of \$1,794,186 and a lease liability of \$2,129,602 related to this agreement. During the fiscal year, the District recorded \$897,093 in amortization expense and \$18,809 in interest expense for the right to use the office space. The District used an incremental discount rate of 0.9867%, based on the true interest cost for its most recent debt issuance for the same time periods.

The District entered an agreement to lease printer and copier machines for thirty-six months, beginning August 2019. The lease terminates August 2022. Under the terms of the lease, the District pays an amount not to exceed \$144,785 over the life of the agreement. At June 30, 2020, the District has recognized a right to use asset of \$56,350 and a lease liability of \$56,582 related to this agreement. During the fiscal year, the District recorded \$21,673 in amortization expense and \$566 in interest expense for the right to use the printer and copier equipment. The District used an incremental discount rate of 0.9925%, based on the true interest cost for its most recent debt issuance for the same time periods.

The District entered an agreement to lease a postage machine for sixty months, beginning January 2020. The lease terminates December 2024. Under the terms of the lease, the District pays \$424 per month over the life of the agreement. At June 30, 2020, the District has recognized a right to use asset of \$22,296 and a lease liability of \$22,352 related to this agreement. During the fiscal year, the District recorded \$2,478 in amortization expense and \$120 in interest expense for the right to use the storage containers. The District used an incremental discount rate of 1.0060%, based on the true interest cost for its most recent debt issuance for the same time periods.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

Note 4: Leases (Continued)

The District entered an agreement to lease storage containers for thirty-six months, beginning May 2019. The lease terminates May 2022. Under the terms of the lease, the District pays \$346 per month over the life of the agreement.

At June 30, 2020, the District has recognized a right to use asset of \$8,126 and a lease liability of \$7,551 related to this agreement. During the fiscal year, the District recorded \$4,432 in amortization expense and \$96 in interest expense for the right to use the storage containers. The District used an incremental discount rate of 0.9867%, based on the true interest cost for its most recent debt issuance for the same time periods.

Remaining obligations associated with these leases are as follows:

Fiscal Year Ended June 30	Principal	Interest
2021	\$ 910,364	\$ 17,780
2022	1,288,785	3,673
2023	9,375	108
2024	5,030	53
2025	2,534	7
Total	<u>\$ 2,216,088</u>	<u>\$ 21,621</u>

The District amortized the right to use assets as follows during the fiscal year:

Leasee activities	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Right to use assets				
Office space	\$ -	\$ 2,691,279	\$ (897,093)	\$ 1,794,186
Printers and copiers	-	78,023	(21,673)	56,350
Mail postage machine	-	24,774	(2,478)	22,296
Storage bins	-	12,558	(4,432)	8,126
Totals, right to use assets	<u>\$ -</u>	<u>\$ 2,806,634</u>	<u>\$ (925,676)</u>	<u>\$ 1,880,958</u>

Lessor:

The District licenses (leases) a portion of its facilities for cellular tower antenna sites. These licenses are non-cancelable for a period of 10 years, with one renewal period of 5 years. The District believes the licensees will exercise the renewal option with reasonable certainty. The agreements allow for 3.0% – 4.0% annual CPI increases to the license payments. At termination, lessees must remove all equipment and restore the site to its original state. During the fiscal year, the District recognized \$1,312,711 in lease revenue and \$601,770 in interest income related to these agreements. At June 30, 2020, the District recorded \$15,175,090 in lease receivables and deferred inflows of resources for these arrangements. The District used an interest rate of between 3.64% and 3.79%, based on the rates available to finance real estate or machinery and equipment over the same time periods.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2020

Note 4: Leases (Continued)

Leases receivable	Balance at June 30, 2019, as restated	Additions	Deletions	Balance at June 30, 2020
License agreements	\$ 16,382,530	\$ -	\$ (1,207,440)	\$ 15,175,090
Total leases receivable	<u>\$ 16,382,530</u>	<u>\$ -</u>	<u>\$ (1,207,440)</u>	<u>\$ 15,175,090</u>

Remaining amounts to be received associated with these leases are as follows:

Fiscal Year Ended June 30	Lease Revenue
2021	1,248,675
2022	1,323,083
2023	1,317,997
2024	1,324,143
2025	1,339,159
2026-2030	8,368,182
2031-2035	253,850
Total	<u>\$ 15,175,090</u>

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2020, is as follows:

Capital Assets	Balance at June 30, 2019	Transfers	Additions	Deletions	Balance at June 30, 2020
Depreciable assets					
Water systems	\$ 591,041,739	\$ 14,362,174	\$ 590,248	\$ -	\$ 605,994,161
Capacity rights	133,059,258	7,696,176	-	-	140,755,434
Building	5,755,374	-	-	-	5,755,374
Automobiles and equipment	24,664,017	294,950	690,375	(31,264)	25,618,078
Total cost of depreciable assets	<u>754,520,388</u>	<u>22,353,300</u>	<u>1,280,623</u>	<u>(31,264)</u>	<u>778,123,047</u>
Less accumulated depreciation					
Water systems	(330,851,199)	-	(14,810,493)	-	(345,661,692)
Capacity rights	(22,448,017)	-	(3,142,800)	-	(25,590,817)
Buildings	(4,189,500)	-	(96,162)	-	(4,285,662)
Automobiles and equipment	(15,711,754)	-	(2,781,435)	31,264	(18,461,925)
Total accumulated depreciation	<u>(373,200,470)</u>	<u>-</u>	<u>(20,830,890)</u>	<u>31,264</u>	<u>(394,000,096)</u>
Net depreciable assets	<u>381,319,918</u>	<u>22,353,300</u>	<u>(19,550,267)</u>	<u>-</u>	<u>384,122,951</u>
Amortized assets					
Intangible asset - right to use leased asset	-	-	2,806,634	-	2,806,634
Total amortized assets	<u>-</u>	<u>-</u>	<u>2,806,634</u>	<u>-</u>	<u>2,806,634</u>
Less accumulated amortization					
Intangible asset - right to use leased asset	-	-	(925,676)	-	(925,676)
Total accumulated amortization	<u>-</u>	<u>-</u>	<u>(925,676)</u>	<u>-</u>	<u>(925,676)</u>
Net amortized assets	<u>-</u>	<u>-</u>	<u>1,880,958</u>	<u>-</u>	<u>1,880,958</u>
Capital assets not depreciated					
Land	1,091,910	-	-	-	1,091,910
Construction in progress	13,508,163	(22,353,300)	57,111,185	-	48,266,048
Total capital assets net	<u>\$ 395,919,991</u>	<u>\$ -</u>	<u>\$ 39,441,876</u>	<u>\$ -</u>	<u>\$ 435,361,867</u>

Depreciation and amortization expense were \$20,830,890 and \$925,676, respectively.

Moulton Niguel Water District

Notes to Financial Statements (Continued) June 30, 2020

Note 6: Regulated Assets

Regulated asset activity for the year ended June 30, 2020, is as follows:

Regulated assets	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Potable meters	\$ -	\$ 981,301	\$ -	\$ 981,301
Less accumulated amortization	-	(19,919)	-	(19,919)
Total regulated assets	<u>\$ -</u>	<u>\$ 961,382</u>	<u>\$ -</u>	<u>\$ 961,382</u>

The District recognized \$19,919 in amortization during the fiscal year.

The District has approximately 55,000 meters in the potable water system. The District prioritizes the accuracy of the meters within the service area and continues to invest in technology that aims to prevent water loss. As a result, the District maintains a robust meter replacement plan, under which an average of 3,000 meters are replaced each year. The meters that are replaced are determined based on meter route age, with routes aged between 20-25 years. Commercial meters are in process of being upgraded to ultrasonic smart water meters to capture low-volume water flows more accurately.

Note 7: Long-Term Liabilities

Long-Term liabilities for the year ended June 30, 2020, are as follows:

	Balance at June 30, 2019	Addition	Deletion	Ending June 30, 2020	Due Within One Year
Bonds payable:					
2014 GOB	\$ 1,465,000	\$ -	\$ (1,465,000)	\$ -	\$ -
2015 Refunding	10,460,000	-	(1,895,000)	8,565,000	1,990,000
Add: Premium	1,130,424	-	(265,982)	864,442	-
2019 Refunding	48,605,000	-	-	48,605,000	-
Add: Premium	9,985,678	-	(493,120)	9,492,558	-
Total Bonds	<u>71,646,102</u>	<u>-</u>	<u>(4,119,102)</u>	<u>67,527,000</u>	<u>1,990,000</u>
Certificates of Participation:					
2019 COPs	-	64,570,000	-	64,570,000	910,000
Add: Premium	-	4,064,112	(79,466)	3,984,646	-
Total COPs	<u>-</u>	<u>68,634,112</u>	<u>(79,466)</u>	<u>68,554,646</u>	<u>910,000</u>
Loans Payable:					
CIEDB	551,500	-	(551,500)	-	-
State Revolving Fund	4,536,818	-	(4,536,818)	-	-
Total Loans	<u>5,088,318</u>	<u>-</u>	<u>(5,088,318)</u>	<u>-</u>	<u>-</u>
Compensated Absences:					
Vacation pay	729,216	804,095	(619,125)	914,186	685,640
Sick Pay	430,141	475,511	(429,177)	476,475	357,356
Total Compensated Absences	<u>1,159,357</u>	<u>1,279,606</u>	<u>(1,048,302)</u>	<u>1,390,661</u>	<u>1,042,996</u>
Total:	<u>\$ 77,893,777</u>	<u>\$ 69,913,718</u>	<u>\$ (10,335,188)</u>	<u>\$ 137,472,307</u>	<u>\$ 3,942,996</u>

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

Note 7: 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 Bonds were fully matured as of June 30, 2020.

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, 2020, is \$317,736, and will be amortized over the life of the bonds.

As of June 30, 2020, the Reserve Requirement for the 2015 Revenue Refunding Bond was \$1,046,000 and the District had \$1,364,444 in the reserve account.

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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2020

Note 7: Long-Term Liabilities (Continued)

Certificates of Participation

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.

The Certificates maturing on September 1, 2044 and September 1, 2049, are also subject to mandatory sinking fund prepayment on September 1 in each year on or after September 1, 2040 and September 1, 2045, respectively, by lot, in integral multiples of \$5,000, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest on the date of prepayment, from the principal component of the Installment Payments to be paid by the District pursuant to the Installment Sale Agreement with respect to each such prepayment, as follows:

Certificates Maturing September 1, 2044	
Year (September 1)	Principal Amount of Certificates to be Prepaid
2040	\$ 2,490,000
2041	2,565,000
2042	2,645,000
2043	2,725,000
2044 (Maturity)	2,805,000
Certificates Maturing September 1, 2049	
Year (September 1)	Principal Amount of Certificates to be Prepaid
2045	\$ 2,890,000
2046	2,975,000
2047	3,065,000
2048	3,155,000
2049 (Maturity)	3,250,000

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 \$1,700,000 loan obtained for the construction of water infrastructure accrues interest at 2.73%.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

Note 7: Long-Term Liabilities (Continued)

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 \$1,111,340 loan obtained for the construction of wastewater infrastructure 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. As of June 30, 2020, both loans were fully redeemed ahead of schedule.

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, 2020, the final loan was fully redeemed ahead of schedule.

Compensated Absences

Vacation and sick leave payable is recorded as an expense and a liability at the time the benefit is earned. As of June 30, 2020, the District's compensated absences liability was \$1,390,661.

Remaining Payments on Long-Term Liabilities

The long-term obligations of the District, excluding amortizations of deferred charges, at June 30, 2020, are as follows:

June 30	Bonds Payable		Certificates of Participation Payable		
	Principal	Interest	June 30	Principal	Interest
2021	\$ 1,990,000	\$ 2,808,750	2021	\$ 910,000	\$ 2,159,081
2022	2,085,000	2,706,875	2022	1,215,000	2,105,956
2023	2,190,000	2,600,000	2023	1,275,000	2,043,706
2024	2,300,000	2,487,750	2024	1,340,000	1,978,331
2025	2,055,000	2,378,875	2025	1,405,000	1,909,706
2026-2030	11,920,000	10,204,850	2026-2030	8,155,000	8,393,531
2031-2035	15,210,000	6,830,000	2031-2035	10,150,000	6,439,928
2036-2040	19,420,000	2,522,000	2036-2040	11,555,000	5,040,956
			2041-2045	13,230,000	3,316,200
Total	<u>\$ 57,170,000</u>	<u>\$ 32,539,100</u>	2046-2050	15,335,000	1,177,125
			Total	<u>\$ 64,570,000</u>	<u>\$ 34,564,522</u>

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

Note 8: 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, 2020:

Debt Service Coverage	
Operating Revenues:	
Water sales and service charges	\$ 38,030,249
Wastewater service charges	26,695,247
Meter sales & other	498,377
Total Operating Revenues	<u>65,223,873</u> (A)
Operations & Maintenance Expenses:	
Source of supply	28,192,240
Pumping water	1,714,355
Wastewater treatment	12,680,278
Water transmission & distribution	1,423,084
Customer service	3,555,680
Water efficiency	4,335,108
General, administrative & other	23,468,785
Total Operations & Maintenance Expenses	<u>75,369,530</u> (B)
Net Operating Income (Loss)	(10,145,657) (A-B)
Non-Operating Revenues (Expenses):	
Capacity fees	196,953
Cellular lease income	1,312,711
Interest income	601,770
Investment income (loss)	7,083,317
Intergovernmental revenue	1,223,208
Other contributions	939,687
Other income	136,200
Other expense	(104,634)
Total Non-Operating Revenues	<u>11,389,212</u> (C)
Net Revenues	1,243,555 (A-B+C)
Property Tax Revenues	<u>29,907,153</u>
Sum of Net & Tax Revenues	<u>\$ 31,150,708</u> (D)
Debt Service	
2015 Refunding Revenue Bonds	\$ 2,370,625
Governmental loans	1,364,656
2019 Refunding Revenue Bonds	2,430,250
2019 Certificates of Participation	612,125
Total Debt Service	<u>\$ 6,777,656</u> (E)
Calculated Debt Service Coverage Percentage	460% (D/E)

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

Note 9: 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, 2020

Note 9: Pension Plans (Continued)

	Tier 1	Tier 2	PEPRA
	Hired by District		
	and enrolled prior	Prior to January 1,	January 1, 2013
CalPERS enrollment date*	to July 28, 2009	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	12.098%	11.120%	7.191%
Unfunded actuarial liability payment	\$1,280,075	\$9,991	\$12,305

*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, 2020, contributions to the plan were \$2,708,761, matching the Actuarially Determined Contribution.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the collective net pension liability as \$22,455,803.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2020

Note 9: Pension Plans (Continued)

The District's net pension liability at June 30, 2020, 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, 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, 2018 and 2019, was as follows:

	<u>Pension Plans</u>
Proportion - June 30, 2018	0.21156%
Proportion - June 30, 2019	0.21914%
Change - Increase (Decrease)	0.00758%

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, 2020, the District recognized pension expense of \$4,647,790. At June 30, 2020, the District reported deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 691,208	\$ -
Change in assumptions	1,438,809	-
Differences between Projected and Actual Investment	-	(392,597)
Differences between Employer's Contributions and Proportionate Share of Contributions	-	(1,095,481)
Change in Employer's Proportion	720,330	(2,919)
Contribution subsequent to measurement date	2,708,761	-
Total	\$ 5,559,108	\$ (1,490,997)

\$2,708,761 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, 2021.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2020

Note 9: 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	
2021	\$	1,364,033
2022		(256,860)
2023		172,845
2024		79,332
Total	\$	<u>1,359,350</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, 2019, measurement period, the EARSL was 3.8 years.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2018 valuation was rolled forward to determine the June 30, 2019, 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

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, 2020

Note 9: 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, 2020

Note 9: 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%
District's proportionate share of the Net Pension Liability:	6.15%	7.15%	8.15%
	\$ 35,027,215	\$ 22,455,803	\$ 12,078,991

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 \$245,290 and recognized as pension expense for the year ended June 30, 2020. 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 10: 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, 2020**

Note 10: 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 January 1, 2019, actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active plan members	114
Inactive employees or beneficiaries currently receiving benefits	<u>43</u>
Total	<u><u>157</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, 2020, District cash contributions were \$310,922 (including payments made to the trust and retiree payments made outside the trust) and the estimated implied subsidy was \$120,885, resulting in total payments of \$431,807.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated January 1, 2019, that was rolled forward to determine the June 30, 2019 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount Rate	6.50%
Inflation	2.50%
Salary Increases	2.75% per year
Investment Rate of Return	6.50% per year based on CERBT asset allocation Strategy 2
Mortality Rate	Derived using CalPERS' Experience Study released in 2017 for all Miscellaneous members
Healthcare Trend Rate	Derived using the "Getzen" model published by the Society of Actuaries for purposes of evaluating long term medical trend, 9% starting in year 2019 and decreased to 4.25% in year 2071 and beyond

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

Note 10: Other Post-Employment Benefits (OPEB) (Continued)

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.

The portion of this actuarial present value allocated to a valuation year is called the service costs. The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the Fiduciary Net Position, and (b) the actuarial present value of future service costs is called the Net OPEB Liability (NOL). The Fiduciary Net Position is equal to market value of assets as of the Measurement Date.

Economic Assumptions

Assets are invested in the California Employers' Retiree Benefit Trust ("CERBT") Fund Strategy 2. The District used a discount rate of 6.5% for the actuarial valuation dated January 1, 2019. This rate is derived on the fund's investment policy as shown below and includes a 2.5% long-term inflation assumption.

<u>Asset Class</u>	<u>Expected Arithmetic Nominal Return (50 years)</u>	<u>Asset Allocation</u>
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%
Expected Geometric Return (50 years)*		6.42%

*A Geometric return is one that considers compounding and reflects the effect that variations in actual returns each year will have on long-term asset returns

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, 2020

Note 10: 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)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2019 <i>(Measurement Date June 30, 2018)</i>	\$ 5,137,847	\$ 3,597,025	\$ 1,540,822
Changes recognized for the measurement period:			
Service cost	106,229	-	106,229
Interest	327,519	-	327,519
Differences between actual and expected experience with regard to economic or demographic factors	(337,990)	-	(337,990)
Changes of assumptions	308,962		308,962
Benefit payments ¹	(417,212)	(417,212)	-
Contributions from employer	-	417,212 ²	(417,212)
Net investment income	-	254,804	(254,804)
Administrative expense	-	(1,779)	1,779
Net Changes	(12,492)	253,025	(265,517)
Balance at June 30, 2020 <i>(Measurement Date June 30, 2019)</i>	\$ 5,125,355	\$ 3,850,050	\$ 1,275,305

¹ Equals actual benefit payments of \$280,145 plus \$137,067 of estimated implicit rate subsidy for the period of 7/1/2018 to 6/30/2019

² The amount shown includes any contributions made to the trust plus the pay-as-you-go benefit payment cost and estimated implicit rate subsidy

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, 2019:

	Discount Rate - 1%	Current Discount Rate	Discount Rate +1%
	5.50%	6.50%	7.50%
Net OPEB Liability	\$ 1,710,951	\$ 1,275,305	\$ 890,951

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, 2019:

	1% Decrease in Healthcare Costs Trend Rate	Current Healthcare Cost Trend Rates	1% Increase in Healthcare Costs Trend Rate
	Net OPEB Liability	\$ 1,044,951	\$ 1,275,305

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

Note 10: 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) (9.35 Years at June 30, 2019)

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

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$224,856. As of fiscal year ended June 30, 2020, 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>
Differences between expected and actual experience	\$ -	\$ (301,841)
Changes of assumptions	275,918	-
Net difference between projected and actual earnings	9,326	(24,918)
Contributions made subsequent to measurement date	431,807	-
Total	\$ 717,051	\$ (326,759)

The \$431,807 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<u>June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ (8,611)
2022	(8,610)
2023	(3,841)
2024	(6,950)
2025	(3,105)
Thereafter	(10,398)
Total	\$ (41,515)

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2020

Note 11: 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, 2020, for the Corporation is required:

Corporation Condensed Statement of Net Position at June 30, 2020:

Assets:	
Current (due from the District)	\$ 1,637,277
Noncurrent (due from the District)	67,644,646
Total Assets:	<u>69,281,923</u>
Liabilities:	
Current	1,637,277
Long-term	67,644,646
Total Liabilities	<u>69,281,923</u>
Net Position:	
Total Net Position	<u>-</u>
Total Liabilities and Net Position	<u>\$ 69,281,923</u>

**Corporation Condensed Statement of Revenues, Expenses, and Changes in Net Position
for the Year Ended June 30, 2020:**

Nonoperating revenues	<u>\$ 1,882,014</u>
Nonoperating expenses	<u>1,882,014</u>
Change in net position	<u>-</u>
Net Position, beginning of year	<u>-</u>
Net Position, end of year	<u>\$ -</u>

Corporation Condensed Statement of Cash Flows for the Year Ended June 30, 2020:

Net Cash Provided by (Used for):	
Operating activities	\$ -
Capital and related financing activities	66,024,821
Investing activities	<u>(66,024,821)</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>

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

Note 12: 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 \$55,000,000 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 \$3,000,000.

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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

Note 13: 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, 2020:

Project Name	Total Project Budget	Cumulative Expenses as of June 30, 2020	Outstanding Commitments
Asset Management Program/CMMS Implementation	\$ 1,041,979	\$ 451,521	\$ 504,824
2017-18 Electrical System Improvements - PW	1,295,546	707,510	570,085
2017-18 Reservoir Management System Replacement	5,561,495	4,164,713	1,152,826
2017-18 Electrical Distribution Equipment Replacements	748,350	149,139	520,003
RW Main Installation at I-5 Oso Creek Crossing	4,218,458	3,399,922	781,527
Regional LS Enhancements	5,289,586	240,648	527,306
RWOS Miscellaneous Distribution System Improvements	746,943	120,833	554,474
AMI Phase III	6,537,522	2,914,974	2,959,855
Field Maintenance Facility	6,684,356	3,153,477	3,530,879
Fleet Services Building	4,577,674	2,265,253	2,312,421
Warehouse Improvements	1,337,681	277,673	1,060,008
Fueling Station	1,605,656	459,511	1,146,145
Site Utilities	2,100,493	1,466,015	634,478
Site Improvements	10,657,147	2,782,445	7,874,702
Landscape and Irrigation	1,157,860	158,244	999,616
Administration Facility	16,476,674	7,529,996	8,946,678
Plant 3A Solids Treatment Improvements	14,806,250	596,910	1,928,052

Note 14: 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 \$16,877,134 to SOCWA for the year ended June 30, 2020, consisting of \$9,149,540 for operations and maintenance (“O&M”) and \$7,727,549 for capital projects.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

Note 14: Joint Powers Authorities and Joint Ventures (Continued)

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.

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.

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 \$800,849 to JRWSS for the year ended June 30, 2020, consisting of \$329,522 for capital projects and \$471,327 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 \$2,449 to SJBA for the year ended June 30, 2020, 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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2020

Note 14: Joint Powers Authorities and Joint Ventures (Continued)

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 did not remit any funds to SAC for the year ended June 30, 2020.

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.

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: Net Investment in Capital Assets

The calculation for the amount reported at June 30, 2020, for net investment in capital assets was as follows:

Total capital assets	\$ 433,480,909
Add right to use asset	1,880,958
Add regulated assets	961,382
Less capital related debt	(136,081,646)
Less lease liabilities	(2,216,088)
Add deferred charges related to debt	317,736
Add unspent proceeds	<u>11,373,458</u>
Total Net Investment in Capital Assets	<u>\$ 309,716,709</u>

Note 16: Restricted Net Position

At June 30, 2020, the District held \$295,848 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 17: 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, 2020, is as follows:

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2020

Note 17: Unrestricted Net Position (Continued)

Unrestricted net position:	
Designated for rate stabilization	\$ 15,064,806
Designated for replacement and refurbishment	13,537,658
Designated for self-insurance reserves	233,402
Designated for planning and construction	300,677
Designated for water efficiency	5,436,059
Designated for water supply reliability	9,157
Designated for emergency reserves	35,300,000
Designated for operating reserves	48,411,877
Total unrestricted net position	<u>\$ 118,293,636</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.

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 (“WBBS”) 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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2020

Note 17: Unrestricted Net Position (Continued)

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

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>	<u>2020</u>
Proportion of the Net Pension Liability	0.19721%	0.18844%	0.20318%	0.20884%	0.21156%	0.21914%
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>	<u>\$ 22,455,803</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>	<u>\$ 12,330,405</u>
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	174%	167%	197%	213%	183%	182%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability ²	79.82%	78.40%	74.06%	73.31%	75.26%	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 2017, 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>	<u>2020</u>
All Plans						
Actuarially Determined Contribution	\$ 997,427	\$ 1,351,327	\$ 1,539,047	\$ 1,820,425	2,224,257	2,708,761
Contribution in Relation to the						
Actuarially Determined Contribution	(997,427)	(1,351,327)	(1,539,047)	(1,820,425)	(2,224,257)	(2,708,761)
Contribution Deficiency (Excess)	<u>\$ -</u>	<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	\$ 14,389,775
Contributions as a Percentage of						
Covered Payroll	12.89%	15.12%	15.80%	16.33%	18.04%	18.82%

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>	<u>2020</u>
Total OPEB Liability			
Service cost	\$ 104,316	\$ 111,097	\$ 106,229
Interest on the total OPEB liability	329,346	328,136	327,519
Actual and expected experience difference	-	-	(337,990)
Changes in assumptions	-	-	308,962
Benefit payments	(441,013)	(477,082)	(417,212)
	<u>(7,351)</u>	<u>(37,849)</u>	<u>(12,492)</u>
Net change in total OPEB liability	(7,351)	(37,849)	(12,492)
Total OPEB liability - beginning	5,183,047	5,175,696	5,137,847
Total OPEB liability - ending (a)	5,175,696	5,137,847	5,125,355
Plan Fiduciary Net Position			
Contribution - employer	559,297	477,082	417,212
Net investment income	225,973	204,998	254,804
Benefit payments	(441,013)	(477,082)	(417,212)
Administrative expense	(1,664)	(1,784)	(1,779)
	<u>342,593</u>	<u>203,214</u>	<u>253,025</u>
Net change in plan fiduciary net position	342,593	203,214	253,025
Plan fiduciary net position - beginning	3,051,218	3,393,811	3,597,025
Plan fiduciary net position - ending (b)	3,393,811	3,597,025	3,850,050
Net OPEB liability - ending (a) - (b)	\$ 1,781,885	\$ 1,540,822	\$ 1,275,305
Plan fiduciary net position as a percentage of the total OPEB liability	65.6%	70.0%	75.1%
Covered employee payroll	\$ 10,391,010	\$ 10,389,025	\$ 10,102,781
Net OPEB liability as a percentage of covered employee payroll	17.1%	14.8%	12.6%

Notes to schedule:

Measurement date June 30, 2017 June 30, 2018 June 30, 2019

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	2020
Actuarially Determined Contribution (ADC)	\$ 392,230	\$ 403,997	\$ 360,948
Contributions in relation to ADC	477,082	467,077	431,807
Contribution deficiency (excess)	<u>\$ (84,852)</u>	<u>\$ (63,080)</u>	<u>\$ (70,859)</u>
Covered employee payroll	\$ 10,389,025	\$ 10,102,781	\$ 10,696,756
Contributions as a percentage of covered-employee payroll	4.6%	4.6%	4.0%

Notes to schedule:

* Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020 were from the January 1, 2019 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of expected salary for each year of employment between entry age and assumed exit
Discount Rate	6.50%
Inflation	2.50% per annum
Payroll Growth	2.75% per annum
Investment Rate of Return	6.50% pery year based on CERBT asset allocation Strategy 2
Healthcare cost-trend rates	Derived from the "Getzen" model published by the Society of Actuaries for purposes of evaluating long term medical trend, 9% starting in year 2019 and decreased to 4.25% in year 2071 and beyond 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	Derived from CalPERS Experience Study released in 2017 for all Miscelleous members

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

Moulton Niguel Water District

Schedule of Revenues, Expenses, and Other Sources (Uses) of Funds
Year Ended June 30, 2020

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.

	2019-20 Final Budget*	2019-20 Actual*	Variance with Budget Over (Under)	% Variance with Budget Over (Under)
Revenues				
Potable Water Sales	\$ 31,512,227	\$ 29,148,255	\$ (2,363,972)	-7.50%
Recycled Water Sales	6,438,316	5,049,306	(1,389,010)	-21.57%
Wastewater Sales	24,065,352	26,695,247	2,629,895	10.93%
WBBRS Efficiency Funds	4,764,604	3,832,688	(931,916)	-19.56%
Other Operating Income	911,436	498,377	(413,059)	-45.32%
Ad Valorem Property Tax	28,599,883	29,907,153	1,307,270	4.57%
Investment Income ¹	2,108,233	7,083,318	4,975,085	235.98%
Cellular Lease Income	1,800,265	1,914,481	114,216	6.34%
Capacity Fees	384,339	105,673	(278,666)	-72.51%
Demand Offset Fees	36,000	91,280	55,280	153.56%
Misc. Non-Operating Income ²	933,436	2,002,214	1,068,778	114.50%
Contributions ³	-	939,687	939,687	-
Total Revenues	\$ 101,554,091	\$ 107,267,679	\$ 5,713,588	
Expenses, Debt Obligations, and Capital Improvement Projects				
Operations and Maintenance	79,436,905	74,514,806	(4,922,099)	-6.20%
Capital Outlay ⁴	2,122,101	1,476,029	(646,072)	-30.44%
General Obligation Bonds Debt Service	1,490,375	1,458,243	(32,132)	-2.16%
Other Debt Service ⁵	6,180,094	11,507,859	5,327,765	86.21%
Depreciation and Amortization ⁶	-	21,776,485	21,776,485	-
Replacement and Refurbishment Projects ⁴	26,936,964	24,489,964	(2,447,000)	-9.08%
Regional Agency Projects	16,557,423	7,696,408	(8,861,015)	-53.52%
Water Supply Reliability Projects ⁴	4,700,000	3,614,962	(1,085,038)	-23.09%
Planning and Construction Projects ⁴	21,413,205	21,123,171	(290,034)	-1.35%
Total Expenses, Debt Obligations, and Capital Improvement Projects	\$ 158,837,067	\$ 167,657,927	\$ 8,820,860	
Net Income (Deficit)*	\$ (57,282,976)	\$ (60,390,248)	\$ (3,107,272)	

*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 includes an unrealized gain of \$4.2 million due to the GASB standard of recording investments at fair value.

² Includes \$1.2 million in grants received. The District conservatively does not budget for grant revenues.

³ Includes \$1.2 million in grants received. The District conservatively does not budget for grant revenues.

⁴ The District spent \$50.7 million on District managed capital projects, representing a 92% execution rate of the \$55.2 million budget.

⁵ The District elected to fully pay off the remaining balance of its outstanding loans early, totalling \$3.8 million.

⁶ 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, 2020

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.

	Adopted Budget	Final Budget	Actual Expense	Remaining Budget
General Fund				
Salaries	\$ 13,073,384	\$ 13,073,384	\$ 12,525,884	\$ 547,500
Retirement Program ¹	2,614,787	2,614,787	4,431,462	(1,816,675)
Educational Courses	79,934	79,934	36,312	43,622
Travel and Meetings	347,140	347,140	237,988	109,152
Recruitment and Employee Relations	93,813	93,813	9,049	84,764
General Services	490,292	490,292	462,381	27,911
Annual Audit	62,500	62,500	40,272	22,228
Member Agencies O&M	541,714	541,714	379,553	162,161
Dues and Memberships	189,857	189,857	137,102	52,755
Consulting Services	1,603,300	1,603,300	1,810,932	(207,632)
Equipment Rental	66,500	66,500	34,476	32,024
District Fuel	315,000	315,000	267,854	47,146
Insurance - District	532,850	532,850	523,231	9,619
Insurance - Personnel	489,306	489,306	487,576	1,730
Insurance - Benefits	3,267,475	3,267,475	3,745,994	(478,519)
Legal Services	600,000	600,000	253,009	346,991
District Office Supplies	493,680	493,680	692,755	(199,075)
District Operating Supplies	1,444,654	1,444,654	1,381,522	63,132
Repairs and Maintenance - Equipment	969,300	969,300	1,161,479	(192,179)
Repairs and Maintenance - Facilities ¹	3,950,249	3,950,249	3,637,944	312,305
Safety Program and Compliance Requirements	364,548	364,548	324,920	39,628
Wastewater Treatment	9,471,915	9,471,915	8,548,084	923,831
Special Outside Assessments	133,600	133,600	139,508	(5,908)
Utilities ²	2,992,102	2,992,102	2,476,262	515,840
Water Purchases ³	28,747,811	28,747,811	26,526,566	2,221,245
Water Efficiency Fund				
Labor	2,101,479	2,101,479	1,881,989	219,490
Educational Courses	1,000	1,000	9,194	(8,194)
Travel and Meetings	40,000	40,000	25,911	14,089
Dues and Memberships	63,225	63,225	98,730	(35,505)
Consulting Services ⁴	1,940,000	1,940,000	782,027	1,157,973
Legal Services	20,000	20,000	15,072	4,928
Conservation Supplies	347,240	347,240	175,808	171,432
Repairs and Maintenance - Equipment	105,250	105,250	32,194	73,056
Safety Program & Compliance Requirments	-	-	1,069	(1,069)
Water Efficiency ⁵	1,883,000	1,883,000	1,220,697	662,303
Total O&M	\$ 79,436,905	\$ 79,436,905	\$ 74,514,806	\$ 4,922,099

¹ The District recorded an additional \$1.8 million in retirement expenses due to GASB 68 and GASB 75. See Notes 9 and 10 in the Notes to Financial Statements for more information.

² The District anticipated electric costs to increase by approximately 5%, but during the year electric costs actually decreased by nearly 10%, mostly due to a temporary shut down of a major distribution pipeline to accommodate required maintenance. That distribution line typically draws a large amount of electricity.

³ The District's service area saw a reduction of about 500 acre feet in water purchases due the high frequency and amounts of rain received during the months of March and April 2020.

⁴ Due to unforeseen circumstances involving the COVID-19 Pandemic, several Water Efficiency programs were delayed, such as the NatureScope Garden Tour, and in person workshops.

⁵ The COVID-19 Pandemic affected Water Efficiency programs and rebates available.



moulton niguel water district

**Moulton Niguel Water District
Statistical Section Overview**

Year Ended June 30, 2020

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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

	2011	2012	2013	2014	2015
Assets:					
Current & other assets	\$ 174,874,392	\$ 178,970,721	\$ 180,037,968	\$ 179,892,333	\$ 166,631,779
Capital assets	373,881,504	373,802,210	371,840,527	366,859,960	375,845,562
Total Assets	548,755,896	552,772,931	551,878,495	546,752,293	542,477,341
Deferred Outflows of Resources: ¹					
	-	-	1,318,562	1,136,314	2,920,477
Total Assets and Deferred Outflows of Resources	548,755,896	552,772,931	553,197,057	547,888,607	545,397,818
Liabilities:					
Current and other liabilities	18,166,398	20,048,452	21,174,407	19,459,691	19,942,207
Long-term liabilities	136,276,375	127,632,200	120,022,562	110,150,054	112,757,545
Total Liabilities	154,442,773	147,680,652	141,196,969	129,609,745	132,699,752
Deferred Inflows of Resources: ^{1,2}					
	-	-	-	-	4,936,619
Net Position:					
Net investment in capital assets	267,962,257	272,169,901	272,287,164	269,994,246	267,393,560
Restricted for capital projects	312,742	326,175	424,363	931,603	1,508,109
Unrestricted	126,038,124	132,596,203	139,288,561	147,353,013	138,859,778
Total Net Position ³	\$ 394,313,123	\$ 405,092,279	\$ 412,000,088	\$ 418,278,862	\$ 407,761,447

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 With the implementation of GASB 87, the District added over \$15.2 million in deferred inflows of resources in FY 2020

³ 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

2016	2017	2018	2019	2020	
					Assets:
\$ 148,655,677	\$ 133,490,291	\$ 138,223,685	\$ 133,276,189	\$ 186,372,578	Current & other assets
390,974,342	395,581,587	387,587,456	395,919,991	435,361,867	Capital assets
539,630,019	529,071,878	525,811,141	529,196,180	621,734,445	Total Assets
2,356,834	5,269,166	7,797,884	6,484,420	6,593,895	Deferred Outflows of Resources: ¹
541,986,853	534,341,044	533,609,025	535,680,600	628,328,340	Deferred Outflows of Resources
					Liabilities:
21,768,761	15,499,289	16,613,298	18,069,016	24,463,158	Current and other liabilities
102,531,779	101,316,497	103,076,293	95,849,390	158,566,143	Long-term liabilities
124,300,540	116,815,786	119,689,591	113,918,406	183,029,301	
3,530,389	2,447,949	2,201,503	1,200,436	16,992,846	Deferred Inflows of Resources: ^{1,2}
					Net Position:
292,404,060	307,272,958	304,821,445	319,601,072	309,716,709	Net investment in capital assets
2,632,947	291,818	604,783	375,294	295,848	Restricted for capital projects
119,118,917	107,512,539	107,615,589	101,661,014	118,293,636	Unrestricted
\$ 414,155,924	\$ 415,077,309	\$ 411,717,931	\$ 420,561,758	\$ 428,306,193	Total Net Position ³



Moulton Niguel Water District

Changes in Net Position Last Ten Fiscal Years

	2011	2012	2013	2014	2015
Operating Revenue:					
Water charges	\$ 22,520,064	\$ 28,866,153	\$ 30,633,036	\$ 30,503,803	\$ 28,604,894
Recycled water charges	4,340,197	4,530,175	4,612,874	5,005,391	4,880,742
Sanitation charges	14,448,835	16,826,066	16,941,327	17,135,446	16,182,197
Other	444,346	429,064	1,035,873	562,871	329,755
Total Operating Revenue	41,753,442	50,651,458	53,223,110	53,207,511	49,997,588
Operating Expenses:					
Source of supply ¹	22,088,538	24,415,284	28,049,259	29,770,326	28,610,139
Pumping water	419,633	1,593,316	2,135,266	2,100,550	2,596,544
Sewage treatment	8,588,172	8,665,958	9,841,299	9,647,000	9,519,199
Water transmission and distribution	3,752,224	1,020,852	2,299,355	2,138,767	959,193
Customer service	311,483	1,202,302	2,711,672	2,750,999	2,839,137
Water efficiency	-	-	1,446,759	1,448,498	3,472,838
General, administrative and other	13,130,167	16,481,929	10,652,698	11,236,876	14,702,063
Post retirement medical benefits (OPEB) ²	-	-	-	591,372	361,057
Amortization	-	-	-	-	-
Depreciation	15,162,538	15,566,287	13,472,995	16,554,024	16,708,439
Total Operating Expenses	63,452,755	68,945,928	70,609,303	76,238,412	79,768,609
Operating Income (Loss)	(21,699,313)	(18,294,470)	(17,386,193)	(23,030,901)	(29,771,021)
Non-Operating Revenues (Expenses):					
Investment income ³	4,009,900	6,271,001	(533,131)	2,931,831	2,624,306
Interest income ⁴	-	-	-	-	-
Property tax revenue & GOB assessments	27,250,759	27,221,147	28,528,175	29,083,747	28,946,309
Interest on long-term debt	(7,897,888)	(7,608,336)	(5,850,174)	(6,781,711)	(6,160,882)
Intergovernmental Revenue	20,530	-	-	-	6,401,510
Cellular lease income ⁴	1,498,290	1,562,383	1,642,410	1,694,478	1,731,352
Other non-operating revenues	1,480,660	1,557,431	1,522,360	1,361,984	3,661,818
Other non-operating expenses	-	-	-	-	-
Total Non-operating Revenues (Expenses)	26,362,251	29,003,626	25,309,640	28,290,329	37,204,413
Income (Loss) before Capital Contributions	4,662,938	10,709,156	7,923,447	5,259,428	7,433,392
Capital Contributions:					
Developer donated capital facilities	94,332	70,000	60,000	495,000	294,000
Connection fees	182,491	-	83,038	489,346	551,179
Other contributions	-	-	-	35,000	-
Change in Net Position	4,939,761	10,779,156	8,066,485	6,278,774	8,278,571
Net Position - Beginning of Year⁵	389,373,362	394,313,123	403,933,603	412,000,088	399,482,876
Net Position - End of Year	\$ 394,313,123	\$ 405,092,279	\$ 412,000,088	\$ 418,278,862	\$ 407,761,447

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 With the implementation of GASB 87, Leases, the District recorded \$0.6 million in interest income. In previous years, no interest was recorded and those revenues were recorded in cellular lease income.

⁵ 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

2016	2017	2018	2019	2020	
					Operating Revenue:
\$ 29,812,128	\$ 32,149,585	\$ 32,317,988	\$ 32,680,545	\$ 32,980,943	Water charges
4,850,326	5,030,973	5,597,493	5,161,153	5,049,306	Recycled water charges
18,963,978	20,156,723	22,623,626	25,463,110	26,695,247	Sanitation charges
415,565	417,705	468,673	644,182	498,377	Other
54,041,997	57,754,986	61,007,780	63,948,990	65,223,873	Total Operating Revenue
					Operating Expenses:
26,357,342	26,681,334	29,446,569	25,879,882	28,192,240	Source of supply ¹
3,177,393	1,629,215	1,656,773	2,108,350	1,714,355	Pumping water
10,705,495	11,452,080	11,733,752	12,221,043	12,680,278	Sewage treatment
1,341,220	1,546,693	1,226,775	2,048,008	1,423,084	Water transmission and distribution
3,047,070	3,094,606	3,346,966	3,413,313	3,555,680	Customer service
6,749,664	4,037,455	3,448,360	4,333,171	4,335,108	Water efficiency
14,947,755	18,319,946	20,436,785	21,605,403	22,543,109	General, administrative and other
388,058	289,096	237,692	-	-	Post retirement medical benefits (OPEB)
-	-	-	-	945,595	Amortization
17,123,278	17,811,064	19,374,985	19,743,524	20,830,890	Depreciation
83,837,275	84,861,489	90,908,657	91,352,694	96,220,339	Total Operating Expenses
(29,795,278)	(27,106,503)	(29,900,877)	(27,166,012)	(30,996,466)	Operating Income (Loss)
					Non-Operating Revenues (Expenses):
4,139,084	(438,180)	(8,721)	6,067,463	7,083,317	Investment income ³
-	-	-	-	601,770	Interest income ⁴
30,604,182	28,507,929	28,848,018	30,330,582	30,583,642	Property tax revenue & GOB assessments
(4,910,737)	(4,629,947)	(4,517,784)	(4,078,474)	(4,307,575)	Interest on long-term debt
3,382,555	1,670,403	1,335,648	1,342,824	1,223,208	Intergovernmental Revenue
1,623,544	1,772,941	1,897,765	1,769,978	1,312,711	Cellular lease income ⁴
(9,718)	126,847	252,021	78,189	136,200	Other non-operating revenues
-	(85,430)	(84,765)	(2,943,447)	(104,634)	Other non-operating expenses
34,828,910	26,924,563	27,722,182	32,567,115	36,528,639	Total Non-operating Revenues (Expenses)
5,033,632	(181,940)	(2,178,695)	5,401,103	5,532,173	Income (Loss) before Capital Contributions
					Capital Contributions:
-	109,100	822,585	2,191,253	400,150	Developer donated capital facilities
1,046,335	331,393	649,528	200,375	196,953	Connection fees
314,510	662,832	291,790	802,832	539,537	Other contributions
6,394,477	921,385	(414,792)	8,595,563	6,668,813	Change in Net Position
407,761,447	414,155,924	413,456,609	413,041,817	421,637,380	Net Position - Beginning of Year⁵
\$ 414,155,924	\$ 415,077,309	\$ 413,041,817	\$ 421,637,380	\$ 428,306,193	Net Position - End of Year

Moulton Niguel Water District

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

Water & Wastewater Sales	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Residential	\$ 25,283,507	\$ 31,624,818	\$ 32,670,666	\$ 32,924,779	\$ 30,767,071
Commercial	4,301,909	4,919,168	5,380,650	5,291,358	4,983,870
Multi-Family Commercial	5,512,126	6,710,800	6,576,362	6,468,560	6,154,836
Irrigation ¹	1,846,244	2,383,616	2,903,695	2,910,423	2,842,933
Recycled Water ¹	4,340,197	4,530,175	4,612,874	5,005,391	4,880,742
Hydrant ¹	25,112	53,818	42,991	44,129	38,381
Total Water & Wastewater Sales	\$ 41,309,095	\$ 50,222,395	\$ 52,187,238	\$ 52,644,640	\$ 49,667,833

Metered Accounts	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Residential	46,840	46,996	47,197	47,305	47,586
Commercial	4,839	4,841	4,901	4,898	4,804
Irrigation	1,387	1,395	1,369	1,367	1,338
Recycled Water	1,262	1,265	1,292	1,299	1,257
Hydrant	34	36	33	30	34
Total Metered Accounts	54,362	54,533	54,792	54,899	55,019

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

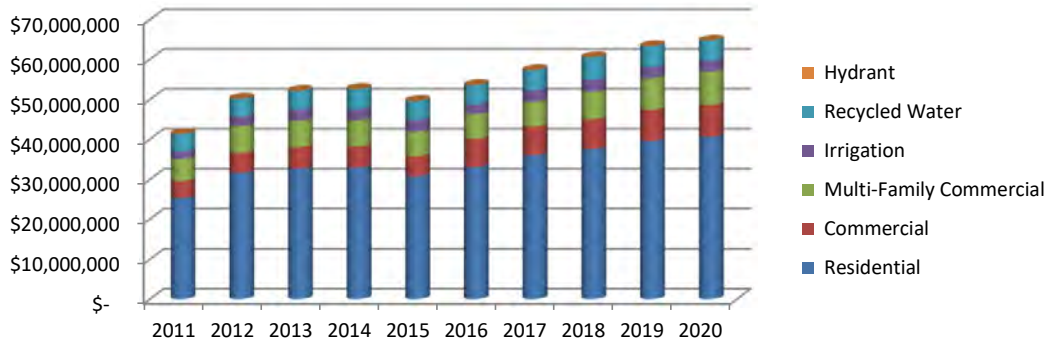
Source: Moulton Niguel Water District Billing Department.

Moulton Niguel Water District

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

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	Water & Wastewater Sales
\$ 33,081,103	\$ 35,988,870	\$ 37,563,077	\$ 39,540,259	\$ 40,592,683	Residential
7,029,909	7,176,604	7,421,598	7,903,411	8,066,245	Commercial
6,126,794	6,241,262	6,981,747	7,864,301	8,272,824	Multi-Family Commercial
2,516,562	2,887,963	2,957,065	2,818,794	2,719,367	Irrigation ¹
4,850,326	5,030,973	5,597,493	5,161,153	5,049,306	Recycled Water ¹
21,738	11,609	18,128	16,889	25,071	Hydrant ¹
\$ 53,626,432	\$ 57,337,281	\$ 60,539,108	\$ 63,304,807	\$ 64,725,496	Total Water & Wastewater Sales

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	Metered Accounts
47,535	47,333	47,333	47,332	47,342	Residential
4,738	5,006	5,032	5,060	5,064	Commercial
1,286	1,313	1,294	1,291	1,289	Irrigation
1,247	1,356	1,369	1,380	1,396	Recycled Water
43	22	39	45	44	Hydrant
54,849	55,030	55,067	55,108	55,135	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
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
2020	23,239	22,982,131	989	55,135	0.42	415

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	2011 (Note 1)	2012-2014 (Note 2)	2015 (Note 3)	2016	2017	2018	2019	2020
Tier 1	\$ 1.16	\$ 1.38	\$ 1.41	\$ 1.49	\$ 1.56	\$ 1.69	\$ 1.82	\$ 1.95
Tier 2	1.30	1.54	1.61	1.70	1.78	1.94	2.10	2.26
Tier 3	1.57	2.75	2.49	2.62	2.73	3.32	3.41	3.50
Tier 4	1.84	5.51	4.25	4.38	4.49	5.12	5.21	5.30
Tier 5	1.97	11.02	9.04	9.17	9.28	9.59	9.68	9.77

Commercial & Irrigation Potable Water Rate by Fiscal Year ⁴								
Consumption Tiers	2011	2012-2014 (Note 3)	2015 (Note 3)	2016	2017	2018	2019	2020
Former Irr. Uniform Rate	\$ 1.97	\$ 2.29	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Former Comm. Tier 1	1.16	1.38	-	-	-	-	-	-
Tier 1	1.30	1.54	1.61	1.70	1.78	1.94	2.10	2.26
Tier 2	1.57	2.75	2.49	2.62	2.73	3.32	3.41	3.50
Tier 3	1.84	5.51	4.25	4.38	4.49	5.12	5.21	5.30
Tier 4	1.97	11.02	9.04	9.17	9.28	9.59	9.68	9.77

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				
	2011	2012 - 2014	Residential	Multi family	Commercial	Irrigation	Fire Protection	Residential	Multi family	Commercial	Irrigation	Fire Protection
5/8"	\$ 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"	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"	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"	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"	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"	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"	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"	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"	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	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				
	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
3/4"	11.91	7.33	6.55	18.65	3.95	11.22	10.78	5.54	18.06	4.29
1"	11.91	7.33	6.55	18.65	3.95	11.22	10.78	5.54	18.06	4.29
1.5"	39.73	24.45	21.84	62.15	13.19	37.41	25.20	18.46	60.21	14.31
2"	63.57	39.11	34.94	99.44	21.11	59.85	37.56	29.54	96.34	22.90
2.5"	-	-	-	-	33.64	-	-	-	-	36.50
3"	139.06	85.57	76.42	217.54	46.17	130.94	76.70	64.61	210.76	50.10
4"	238.36	146.69	131.00	372.91	79.14	224.46	128.19	110.76	361.29	85.88
6"	497.00	305.85	273.14	777.51	164.88	467.62	262.09	230.76	752.68	178.92
8"	715.10	440.06	393.00	1,118.72	237.43	673.37	375.38	332.29	1,083.86	257.65
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

Meter Size	Monthly Basic Service Charge for Potable Water ⁴									
	2019					2020				
	Residential	Multi family	Commercial	Irrigation	Fire Protection	Residential	Multi family	Commercial	Irrigation	Fire Protection
5/8"	\$ 10.71	\$ 10.59	\$ 4.91	\$ 17.24	\$ 4.42	\$ 10.22	\$ 10.41	\$ 4.29	\$ 16.46	\$ 4.56
3/4"	10.71	10.59	4.91	17.24	4.42	10.22	10.41	4.29	16.46	4.56
1"	10.71	10.59	4.91	17.24	4.42	10.22	10.41	4.29	16.46	4.56
1.5"	35.69	24.22	16.35	57.45	14.74	34.08	23.30	14.31	54.85	15.18
2"	57.11	35.91	26.16	91.93	23.59	54.53	34.36	22.90	87.76	24.30
2.5"	-	-	-	-	37.60	-	-	-	-	38.72
3"	124.95	72.93	57.23	201.11	51.60	119.29	69.36	50.10	192.00	53.15
4"	214.19	121.63	98.10	344.75	88.46	204.49	115.42	85.89	329.14	91.11
6"	446.23	248.27	204.38	718.24	184.29	426.03	235.16	178.94	685.71	189.82
8"	642.56	355.42	294.31	1,034.25	265.38	613.47	336.48	257.67	987.42	273.34
10	1,035.24	569.72	474.17	1,666.30	427.55	988.38	539.13	415.14	1,590.84	440.38

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 2020

<u>Customer</u>	<u>Type of Property</u>	Total Water Sales ¹	Percentage of Total Water Sales
Idyllwillow Lp	Multi Family Residential	\$ 186,627	0.57%
Soka University Of America	Private University	154,154	0.47%
Heather Ridge Condo Assn	Multi Family Residential	148,544	0.45%
Mission Hospital Reg Med Ctr	Medical Facility	143,461	0.43%
City of Laguna Niguel	Parks, Slopes, Medians	138,766	0.42%
Moritz Associates LLC	Multi Family Residential	137,732	0.42%
Shea Properties/City Lights	Multi Family Residential	115,616	0.35%
Barcelona LLC	Multi Family Residential	113,634	0.34%
Hidden Hills Apts	Multi Family Residential	111,597	0.34%
City of Mission Viejo	Parks, Slopes, Medians	<u>110,920</u>	<u>0.34%</u>
		\$ 1,361,050	4.13%
Total Water Sales for FY 2019-20 \$		32,980,943	

Fiscal Year 2011

<u>Customer</u>	<u>Type of Property</u>	Total Water Sales 1	Percentage of Total Water Sales
Mission Hospital Reg Med Ctr	Medical Facility	\$ 96,653	0.43%
Soka University of America	Private University	64,439	0.29%
The Shops at Mission Viejo	Retail Center	57,679	0.26%
Saddleback Community College	Public University	42,106	0.19%
Renaissance Hotel Operating Co.	Retail Business	35,960	0.16%
Shea Properties/City Lights	Multi Family Residential	31,555	0.14%
K&M Royal Group LLC	Retail Center	21,412	0.10%
Mission Imports	Retail Center	19,723	0.09%
Saddleback Church	Religious Facility	19,306	0.09%
Capistrano Valley High School	School	<u>18,590</u>	<u>0.08%</u>
		\$ 407,423	1.83%
Total Water Sales for FY 2010-11 \$		22,520,064	

¹Total 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										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Basic Service Charges	\$ 9.59	\$ 11.14	\$ 11.14	\$ 11.14	\$ 22.68	\$ 24.83	\$ 26.22	\$ 14.36	\$ 15.15	\$ 15.99
Per Person Charge								\$ 4.31	\$ 4.55	\$ 4.80
Volumetric Charge										
1-25 B.U.	0.76	0.88	0.88	0.88	-	-	-	-	-	-
26+ B.U.										
Maximum per month	28.59	33.14	33.14	33.14	-	-	-	-	-	-

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

Meter Size	2019					2020				
	MFR	Comm 1	Comm 2	Comm 3	Comm 4	MFR	Comm 1	Comm 2	Comm 3	Comm 4
5/8"	17.87	21.99	52.66	113.78	124.46	18.85	23.20	55.56	120.04	131.31
3/4"	17.87	21.99	52.66	113.78	124.46	18.85	23.20	55.56	120.04	131.31
1"	17.87	21.99	52.66	113.78	124.46	18.85	23.20	55.56	120.04	131.31
1.5"	54.20	67.94	170.18	373.89	409.50	57.19	71.67	179.54	394.45	432.02
2"	85.35	107.33	270.93	596.87	653.84	90.05	113.23	285.83	629.70	689.80
2.5"	-	-	-	-	-	-	-	-	-	-
3"	184.01	232.08	589.99	1,303.05	1,427.69	194.13	244.84	622.44	1,374.72	1,506.21
4"	313.80	396.20	1,009.75	2,232.10	2,445.76	331.06	417.99	1,065.29	2,354.87	2,580.28
6"	651.27	822.95	2,101.18	4,647.77	5,092.90	687.09	868.21	2,216.75	4,903.40	5,373.01
8"	936.82	1,184.03	3,024.67	6,691.73	7,332.71	988.34	1,249.15	3,191.03	7,059.77	7,736.01
10"	1,507.92	1,906.21	4,871.69	10,779.75	11,812.45	1,590.86	2,011.05	5,139.64	11,372.64	12,462.13

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 Customers
Current Fiscal Year and Nine Years Ago**

Fiscal Year 2020

<u>Customer</u>	<u>Type of Property</u>	Total Wastewater Sales	Percentage of Total Wastewater Sales
Moritz Associates LLC	Multi-family Residential	\$ 254,196	0.95%
Barcelona LLC	Multi-family Residential	185,582	0.70%
Heather Ridge Condo Assn	Multi-family Residential	135,032	0.51%
Laguna Gardens Apartments	Multi-family Residential	129,865	0.49%
Aliso Creek - Sares	Multi-family Residential	124,551	0.47%
Shea Properties/City Lights	Multi Family Residential	118,730	0.44%
ERP Operating LP LN	Multi Family Residential	117,127	0.44%
Bre Properties	Multi Family Residential	116,900	0.44%
Aliso Meadows Condo Assoc	Multi Family Residential	106,841	0.40%
Alize at Aliso Viejo	Multi Family Residential	<u>104,114</u>	<u>0.39%</u>
		\$ 1,392,938	5.23%

Total Wastewater Sales for FY 2019-20 \$ 26,695,247

Fiscal Year 2011

<u>Customer</u>	<u>Type of Property</u>	Total Wastewater Sales	Percentage of Total Wastewater Sales
Soka University of America	Private University	\$ 56,889	0.39%
Mission Hospital Regional Med Center	Hospital and Medical	49,426	0.34%
The Shops at Mission Viejo	Shopping Mall	44,776	0.31%
Renaissance Hotel Operating Co.	Retail Center	23,650	0.16%
Shea Properties/City Lights	Multi Family Residential	19,238	0.13%
K&M Royal Group LLC	Retail Center	16,279	0.11%
Saddleback Community College	Public College	15,792	0.11%
Shapell Industries, Inc.	Retail Center	11,825	0.08%
Crown Valley Holding LLC	Retail Business	9,169	0.06%
Heritage Pointe	Multi Family Residential	<u>8,200</u>	<u>0.06%</u>
		\$ 255,244	1.75%

Total Wastewater Sales for FY 2010-11 \$ 14,448,835

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)	2011	2012 (Note 2)	2013 (Note 2)	2014 (Note 2)	2015 (Notes 2&3)	2016	2017	2018	2019	2020
All B.U.'s	\$ 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	1.55
Tier 2	-	1.23	1.23	1.23	1.66	1.74	1.81	2.51	2.69	2.87
Tier 3	-	2.20	2.20	2.20	3.42	3.50	3.57	4.31	4.49	4.67
Tier 4	-	4.41	4.41	4.41	8.21	8.29	8.36	8.78	8.96	9.14
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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
5/8"	\$ 8.91	\$ 10.36	\$ 10.36	\$ 10.36	\$ 16.88	\$ 17.83	\$ 18.65	\$ 18.06	\$ 17.24	\$ 16.46
3/4"	8.91	10.36	10.36	10.36	16.88	17.83	18.65	18.06	17.24	16.46
1"	8.91	10.36	10.36	10.36	16.88	17.83	18.65	18.06	17.24	16.46
1.5"	15.66	34.53	34.53	34.53	56.27	59.42	62.15	60.21	57.45	54.85
2"	26.47	55.25	55.25	55.25	90.03	95.07	99.44	96.34	91.93	87.76
3"	35.92	120.87	120.87	120.87	196.94	207.97	217.54	210.76	201.11	192.00
4"	49.42	207.20	207.20	207.20	337.60	356.51	372.91	361.29	344.75	329.14
6"	76.42	431.37	431.37	431.37	703.90	743.32	777.51	752.68	718.24	685.71
8"	103.43	621.60	621.60	621.60	1,012.80	1,069.52	1,118.72	1,083.86	1,034.25	987.42
10"	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	1,590.84

Source: Moulton Niguel Water District Billing Department.

Mouton Niguel Water District

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

Fiscal Year 2020

<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	\$ 553,400	10.96%
City of Laguna Niguel	Parks, Slopes, Medians	351,939	6.97%
City of Mission Viejo	Parks, Slopes, Medians	254,515	5.04%
Mission Viejo Country Club	Golf Course	179,315	3.55%
Aliso Viejo Country Club	Golf Course	170,599	3.38%
El Niguel Country Club	Golf Course	166,611	3.30%
City of Laguna Hills	Parks, Slopes, Medians	154,676	3.06%
Marila Hills PCA	Parks, Slopes, Medians	151,026	2.99%
Soka University of America	Private University	85,631	1.70%
Arroyo Trabuco Golf Club	Golf Course	<u>84,412</u>	<u>1.67%</u>
		\$ 2,152,124	42.62%

Total Recycled Water Sales for Fiscal Year 2019-20 \$ 5,049,306

Fiscal Year 2011

<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	\$ 504,540	11.62%
Mission Viejo Country Club	Golf Course	198,178	4.57%
Aliso Viejo Country Club	Golf Course	193,092	4.45%
El Niguel Country Club	Golf Course	158,317	3.65%
Marina Hills PCA	Golf Course	136,525	3.15%
Soka University of America	Private University	106,020	2.44%
City of Mission Viejo	Parks, Slopes, Medians	74,265	1.71%
City of Laguna Niguel	Parks, Slopes, Medians	90,249	2.08%
Beacon Hill Planned Community	Landscape	67,856	1.56%
City of Laguna Hills	Parks, Slopes, Medians	<u>65,301</u>	<u>1.50%</u>
		\$ 1,594,343	36.73%

Total Recycled Water Sales for Fiscal Year 2010-11 \$ 4,340,197

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
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	24,906,067	95.81%	391,998	25,298,065	97.31%
2017	27,121,477	26,078,739	96.16%	355,371	26,434,110	97.47%
2018	28,757,033	27,513,830	95.68%	412,403	27,926,233	97.11%
2019	29,303,633	28,633,242	97.71%	477,414	29,110,656	99.34%
2020	30,793,007	29,439,004	95.60%	468,149	29,907,153	97.12%

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

² Collections from prior years does not include penalty revenue.

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

Moulton Niguel Water District

**Assessed Valuations 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 2020</u>	<u>FY 2011</u>
	<u>Secured Assessed Value</u>	
Residential	\$ 20,373,687,514	\$ 12,454,621,156
Commercial	2,130,420,739	1,515,507,895
Industrial	408,769,481	324,316,239
Vacant/Other	10,924,381	251,099,325
Total	\$ 22,923,802,115	\$ 14,545,544,615

**Principal Local Secured Taxpayers
For Fiscal Year 2020**

<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	\$ 129,529,800	0.57%
2	Barcelona LLC	Apartments	108,721,800	0.47%
3	BRE-FMCA LLC	Apartments	79,341,859	0.35%
4	Enterprise Office Owner LLC	Commercial	65,280,000	0.28%
5	HTA-Mission Mob LLC	Apartments	61,902,754	0.27%
6	Monarch Coast I Owner LLC	Commercial	43,562,523	0.19%
7	Valuerock Aliso Viejo	Commercial	43,191,165	0.19%
8	TR Polaris LLC	Commercial	42,236,080	0.18%
9	Shops at Mission Viejo LLC	Commercial	41,642,718	0.18%
10	Summit Office LLC	Apartments	39,648,004	0.17%
			<u>\$ 655,056,703</u>	<u>2.86%</u>

Fiscal Year 2018-19 Total Local Secured Net Taxable Value: \$ 22,923,802,115

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

<u>Rank</u>	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total</u>
1	Shea Homes LP & Shea Homes Vantis Inc.	Residential	\$ 109,983,724	0.76%
2	OC/SD Holdings LLC	Apartments	45,444,053	0.31%
3	BRE - FMCA LLC	Apartments	43,088,043	0.30%
4	Moritz Associates LLC	Apartments	42,364,675	0.29%
5	Laguna Cabot Road Business Park LP	Commercial	40,404,015	0.28%
6	Target Corporation	Commercial	37,967,921	0.26%
7	Barcelona, LLC	Apartments	36,607,525	0.25%
8	Sequoia Equities - Alicante	Apartments	33,587,300	0.23%
9	Mission Viejo Associates	Commercial	31,525,889	0.22%
10	Stonebridge Investors Ltd.	Apartments	30,433,236	0.21%
			<u>\$ 451,406,381</u>	<u>3.11%</u>

Fiscal Year 2010-11 Local Secured Net Taxable Value: \$ 14,545,544,615

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	Bonds Payable	Certificates of Participation ³	Loans Payable	Total Debt	Total		Est. District Population ²	Debt per Capita
					Customer Accounts	Debt per Customer Accounts		
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	54,899	2,003	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
2020	67,527,000	68,554,646	-	136,081,646	55,135	2,468	171,746	792

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 Estimated District Population is based on the most recent available data

³ The 2009 Certificates of Participation were fully refunded by the 2019 Revenue Refunding Bonds

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**

Fiscal Year	Total General Obligation Bonds Outstanding ¹	General Obligation Debt Service ⁴	Assessed Value ²	Percent of General Obligation Debt to Assessed Value	Population ³	Net General Obligation Debt per Capita
2011	\$ 37,400,000	\$ 6,159,813	\$ 6,062,288,925	0.10%	56,919	\$ 108
2012	32,755,000	6,263,016	6,051,286,544	0.10%	58,503	107
2013	27,775,000	6,416,000	6,093,356,189	0.11%	56,114	114
2014	22,816,846	6,466,700	6,300,950,763	0.10%	56,675	114
2015	16,867,130	6,227,747	5,749,154,516	0.11%	57,236	109
2016	10,697,414	6,240,500	6,159,717,218	0.10%	57,613	108
2017	4,400,575	6,365,900	6,559,781,425	0.10%	57,709	110
2018	2,971,362	1,419,500	7,001,618,675	0.02%	58,289	24
2019	1,465,000	1,449,875	1,794,786,384	0.08%	58,483	25
2020	-	1,490,375	1,871,398,638	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.

⁴ Amount represents total debt service paid by the District during the fiscal year

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

Moulton Niguel Water District

Direct and Overlapping Debt Current Fiscal Year

2019-20 Assessed Valuations: \$22,942,634,170 (Land only)

Direct & Overlapping Tax and Assessment Debt: (Based on all property assessed valuation of \$39,017,967,343)

	Total Debt		District's Share
	06/30/2020	% Applicable ¹	of Debt 06/30/2020
Metropolitan Water District	\$ 37,300,000	1.262%	\$ 470,726
Capistrano Unified School District School Facilities Improvement Distri	18,925,885	29.858%	5,650,891
Laguna Beach Unified School District	20,005,000	1.735%	347,087
Saddleback Valley Unified School District	107,545,000	20.583%	22,426,359
City of San Juan Capistrano	26,270,000	0.013%	3,415
City of Aliso Viejo Community Facilities District No. 2005-01	29,650,000	100.000%	29,650,000
<i>Total Direct & Overlapping Tax and Assessment Debt</i>			\$ 58,548,478

Direct & Overlapping General Fund Debt:

Orange County General Fund Obligations	\$ 386,745,000	6.235%	\$ 24,113,551
Orange County Pension Obligation Bonds	466,863,754	6.235%	29,108,955
Orange County Board of Education Certificates of Participation	12,930,000	6.235%	806,186
Capistrano Unified School District Certificates of Participation	27,010,000	31.114%	8,403,891
City of Aliso Viejo Certificates of Participation	12,250,000	97.995%	12,004,388
City of Laguna Hills Certificates of Participation	4,325,000	70.345%	3,042,421
City of Mission Viejo Certificates of Participation	30,194,326	34.489%	10,413,721
City of San Juan Capistrano Certificates of Participation and Judgment	1,008,682	0.013%	131
Moulton-Niguel Water District General Fund Obligations²	57,170,000	100.000%	57,170,000
<i>Total Direct & Overlapping General Fund Debt</i>			145,063,244

TOTAL DIRECT DEBT		\$ 57,170,000
TOTAL OVERLAPPING DEBT		146,441,722
Combined Total Debt ³		\$ 203,611,722

Ratios to Land Only Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt 0.26%

Ratios to All Property Assessed Valuation:

Total Direct Debt (\$57,170,000) 0.15%
 Combined Total Debt 0.52%

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.

Moulton Niguel Water District

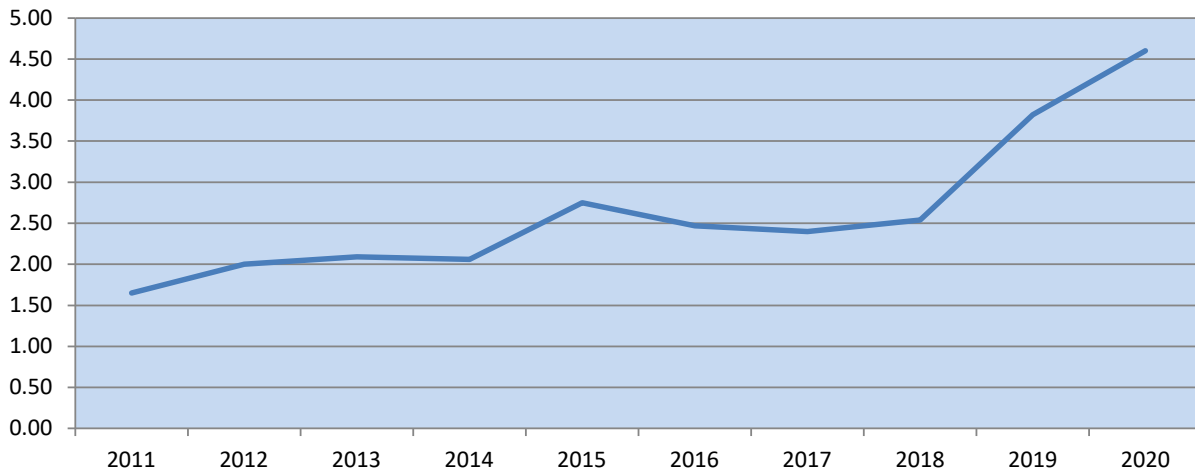
**Pledged Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year	Total Revenues ¹	Operating Expenses ²	Net Available Revenues	Annual Debt Service ³			Coverage Ratio
				Principal	Interest	Total	
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	105,512,586	74,314,925	31,197,661	3,377,588	4,792,953	8,170,541	3.82
2020	106,624,872	75,474,164	31,150,708	3,178,260	3,599,396	6,777,656	4.60

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 Operating 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
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
2019	171,746

City of Laguna Niguel ¹				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
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%
2019	66,748	3,496,077	52,377	2.8%

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
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%
2019	51,372	2,385,153	46,429	2.8%

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
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
2019	171,746

City of Laguna Hills ³				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
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%
2019	31,572	1,661,606	52,629	2.2%

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

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
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	173,300,000	55,096	3.9%
2015	96,652	181,300,000	57,133	4.2%
2016	96,701	189,800,000	59,303	4.1%
2017	95,985	208,700,000	65,011	3.4%
2018	95,987	220,200,000	68,014	3.1%
2019	96,434	230,800,000	70,688	3.0%

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
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
2019	171,746

City of Dana Point ⁵				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
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%
2019	34,359	1,927,000	59,496	2.7%

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 2020^{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	Mission Hospital Regional Medical Center	City of Mission Viejo	2,600	5.21%
2	United States Government	City of Laguna Niguel	2,200	6.23%
3	Saddleback Memorial Medical Center	City of Laguna Hills	1,596	9.33%
4	Saddleback College	City of Mission Viejo	1,210	2.42%
5	United Parcel Service	City of Aliso Viejo	1,000	4.04%
6	Ritz-Carlton-Laguna Niguel	City of Dana Point	970	8.17%
7	Saddleback Valley Unified School District	City of Mission Viejo	914	1.83%
8	Pacific Life	City of Aliso Viejo	811	3.28%
9	Monarch Beach Resort (former St. Regis)	City of Dana Point	800	6.74%
10	Coldwell Banker	City of Mission Viejo	740	1.48%

FY 2011^{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	4.31%
2	Mission Hospital Regional Medical Center	City of Mission Viejo	1,349	2.65%
3	Saddleback Memorial Medical Center	City of Laguna Hills	1,020	6.22%
4	Unisys Corporation	City of Mission Viejo	1,000	1.96%
5	Fluor Industrial Services	City of Aliso Viejo	1,000	4.96%
6	US Technology Resources	City of Aliso Viejo	1,000	4.96%
7	Qlogic Switch Products	City of Aliso Viejo	900	4.46%
8	Quest Software Inc.	City of Aliso Viejo	607	3.01%
9	Costco Wholesale Corporation	City of Laguna Niguel	500	3.51%
10	Fluor Daniel Construction Co.	City of Aliso Viejo	500	2.48%

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

² The District used data from the FYE 2010 - 2019 CAFRs for the cities of Aliso Viejo, Laguna Niguel, Mission Viejo, Laguna Hills, Mission Viejo and Dana Point.

Moulton Niguel Water District

Full Time Employees by Function Last Ten Fiscal Years

<u>Function</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>	<u>2020</u>
Office of the General Manager	3	2	3	6	6	7	6	6	8	7
Human Resources	1	2	2	2	2	2	2	2	2	3
Customer Service - Admin	2	2	3	2	1	1	1	1	1	1
Utility Billing	7	7	7	6	-	-	-	-	-	-
Customer Service - Field	17	18	19	16	16	16	16	16	16	16
Customer Accounts	6	7	5	6	12	12	13	13	14	14
Engineering - Admin	7	9	14	11	9	8	10	10	4	4
Engineering									12	12
Inspection	9	8	9	12	11	12	13	13	13	13
Purchasing	2	2	2	3	3	3	3	4	2	2
Information Technology	3	3	3	3	3	4	6	6	7	7
Finance & Planning	3	2	2	2	3	3	3	3	4	4
Accounting	5	7	7	7	6	6	6	6	6	6
Operations - Admin	6	6	6	4	6	8	6	6	2	2
Operations - Facilities	9	10	11	17	18	19	16	16	19	20
Operations - Utilities	24	22	20	18	19	22	28	28	28	31
Water Efficiency	-	-	-	-	3	6	9	9	8	10
Wastewater Treatment Plant Operations	-	-	-	-	-	-	-	-	6	6
Total	104	107	113	115	118	129	138	139	152	158

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
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	~1,300	August	39.94	29.10	11.2	24.03	13
2016	54,849	~1,300	June	31.66	24.75	11.2	20.72	13
2017	55,030	~1,300	September	37.32	24.28	10.9	22.47	9
2018	55,067	~1,300	September	35.44	26.28	10.8	22.94	9
2019	55,108	~1,300	August	38.34	23.69	10.6	21.30	9
2020	55,135	~1,300	August	35.85	22.67	10.7	20.80	11

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					
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
2020	9	25	17	11	28	7,159	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.

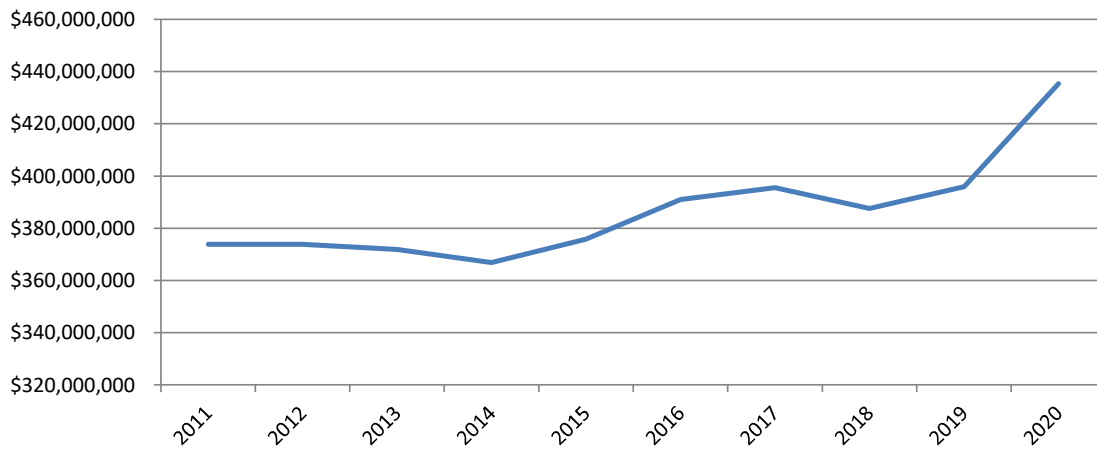
Moulton Niguel Water District

Capital Asset Statistics Last Ten Fiscal Years

Fiscal Year	Water Systems	Capacity Rights	Buildings	Automobiles & Equipment	Intangible Asset ¹	Land	Construction in Progress	Capital Assets, Net of Depreciation
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
2020	260,332,469	115,164,617	1,469,712	7,156,153	1,880,958	1,091,910	48,266,048	435,361,867

¹ The District implemented GASB 87, Leases, during Fiscal Year 2019-20, and recognized an intangible asset for the right to use leased assets.

Capital Assets, Net of Depreciation



Source: Moulton Niguel Water District Accounting Department