

Marina Coast Water District

Marina, California

Comprehensive Annual Financial Report

For The Fiscal Year Ended

June 30, 2012



11 Reservation Road, Marina California 93933



Marina Coast Water District

Marina, California

Comprehensive Annual Financial Report

For The Fiscal Year Ended

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**11 Reservation Road
Marina, California 93933**

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INTRODUCTORY SECTION



MARINA COAST WATER DISTRICT

11 RESERVATION ROAD, MARINA, CA 93933-2099

Home Page: www.mcwd.org

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DIRECTORS

DAN BURNS

President

HOWARD GUSTAFSON

Vice President

WILLIAM LEE

KENNETH K. NISHI

JAN SHRINER

December 5, 2012

Board of Directors
Marina Coast Water District
Marina, California

It is a pleasure to submit the Marina Coast Water District's (MCWD or District) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. The CAFR gives an assessment of the District's financial condition, informs readers about District services, gives details of infrastructure replacement projects, discusses current issues, and provides financial and demographic trend information.

The California Government Code requires an annual independent audit of MCWD's financial statements by a Certified Public Accountant (CPA). The District's financial statements have been audited by Pun & McGeady LLP, Certified Public Accountants (auditor). The auditor's opinion is included in the financial section of this CAFR.

The CAFR is believed to be accurate in all material respects, and is presented in a manner designed to fairly set forth the financial position, the changes in financial position and cash flows for the District. All disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activity have been included. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. While the independent auditors have expressed an unqualified ("clean") opinion that MCWD's financial statements are presented in conformity with generally accepted accounting principles (GAAP), responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the District.

District Overview

The District is a special district formed in 1960 under the County Water District Act for the purpose of installing and operating a water supply, water distribution system and wastewater collection system for the City of Marina. The District serves approximately 30,000 residents through 8,000 connections in its Marina and former Fort Ord (Ord Community) service areas.

The District currently pumps all of its supply or approximately 4,000 acre feet of water (both Marina and Ord Community systems) annually from groundwater wells. The District also conveys in excess of two million gallons per day of sewage to the Monterey Regional Water Pollution Control Agency for treatment. The Monterey Regional Water Pollution Control Agency operates the regional wastewater treatment plant.

The District's system encompasses approximately 350 miles of water and sewer pipelines. It owns and operates six production wells with an estimated capacity of approximately sixteen million gallons per day. District water storage includes eight water storage tanks with a combined capacity of eleven million gallons and six booster pump stations. In addition, a monitoring well is strategically located along the coast to monitor water quality and groundwater levels in the aquifers that are the source for the District's water supply. All wells are sampled to identify the presence of chemicals, the threat of salt water intrusion, and to monitor water levels. The District also owns and operates seventeen sewer lift stations.

The District has an authorized staff of 40 full-time employees providing services to its six service area funds: Marina Water, Marina Wastewater, Ord Community Water, Ord Community Wastewater, New Water Project and Regional Desalination Project.

Governance

MCWD is a public agency (special district) governed by a five member independently elected Board of Directors (Board) serving staggered four-year terms elected at-large from within the District's Marina service area. The Ord Community is not annexed into the District's service area and as such Board members are not elected from Ord Community area. Annually, a President and Vice President are chosen among the Board members. MCWD operates under a Board-Manager form of government. The Board of Directors appoints the General Manager who is responsible for the administration of the District. The General Manager organizes and directs District activities in accordance with the Board's policies.

The Board meets in a regular session on the second Tuesday of each month. Regular meetings are held at 6:45 p.m. at the Marina Coast Water District, Board Room, 11 Reservation Road, Marina, California. Board meetings are open to the public.

Budget Process

Annually, the District prepares and adopts an operating budget and updates its five-year Capital Improvement Program (CIP). Both serve as the District's financial planning and fiscal control. Budgets are adopted on a basis consistent with governmental GAAP. Budgetary controls are set at the department level and are maintained to ensure compliance with the budget approved by the Board of Directors. The District's budget is a detailed operating plan that identifies estimated costs in relation to estimated revenues. The budget includes the projects, services and activities to be carried out during the fiscal year and the estimated revenue available to finance these operating and capital costs. The budget represents a process wherein policy decisions made by the Board of Directors are adopted, implemented and controlled. Budget control is maintained through the use of project codes and account appropriations. Actual expenditures are then compared to these appropriations on a monthly basis. The General Manager has the discretion to transfer appropriations between activities. Board approval is required for any overall increase in appropriations or changes to the Capital Improvement Program.

Economic Condition and Outlook

California's water supply continues to be a concern due to projected population increases. This concern has increased interest in conservation and new water sources. The District has led the area in its conservation efforts and will continue to make strides in this area.

The District is also working on providing new water sources to its customers. The District is currently working on the Regional Urban Water Augmentation Project (RUWAP), which will introduce recycled water and desalinated water to its systems.

The District is scaling back on its Capital Improvement Program needs in line with the current development and construction slow down.

Long-term Financial Planning

The District conducted a Request for Proposal Process for a five year rate study and financial plan to be completed in fiscal year 2012-2013. This study will identify those resources necessary for the District to properly fund its operations and capital program for the fiscal years 2014 through 2018. The financial plan will provide the appropriate means to obtain the needed resources, i.e. through rate increases, project financing or a combination thereof.

Major Initiatives

The District completed a five year rate study and financial plan in 2008. The financial plan was to provide the resources that are necessary to properly fund the District as we meet future needs and requirements that are identified in the plan. The District is in its fourth year of the adopted plan. Based on the recommendations in the financial plan, the District adopted a one-year rate increase for its Marina and Ord Community service areas.

Internal Control

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurances that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Investment Policy

The Board of Directors periodically adopts an Investment Policy that conforms to California State Law, District ordinances and resolutions, prudent money management and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity and yield. District funds are normally invested in the State Treasurer's Local Agency Investment Fund (LAIF), Certificates of Deposits, and guaranteed investment contracts (GIC).

Water Rates and District Revenues

District policy direction ensures that all revenues from user charges generated from District customers must support all District operations. Accordingly, water rates are reviewed periodically.

Water rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge and a fixed (readiness-to-serve) charge.

On June 14, 2011, the District increased central Marina water and sewer rates for fiscal year 2011/2012. The Ord Community water and sewer rates for fiscal year 2011/2012 were increased on September 16, 2011. Both increases were in accordance with the five-year rate study.

Independent Audit

State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Pun & McGeady LLP, CPAs has conducted the audit of the District's financial statements. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The firm's report has been included in the financial section of this report.

Other References

More information is contained in the District's management discussion and analysis and the notes to the basic financial statements found in the financial section of this report.

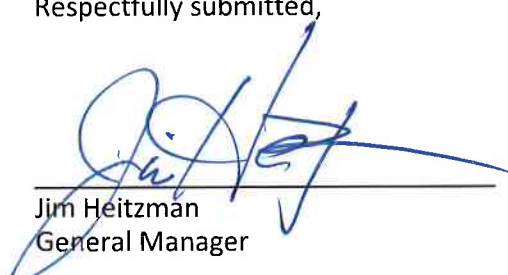
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2011. This was the fourth consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the service of the District's customers. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Marina Coast Water District's fiscal policies.

Respectfully submitted,



Jim Heitzman
General Manager



Kelly M. Cadiente
Director of Administrative Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Marina Coast Water District
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

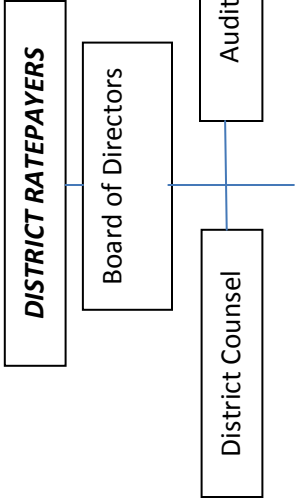


Christopher P. Mouill

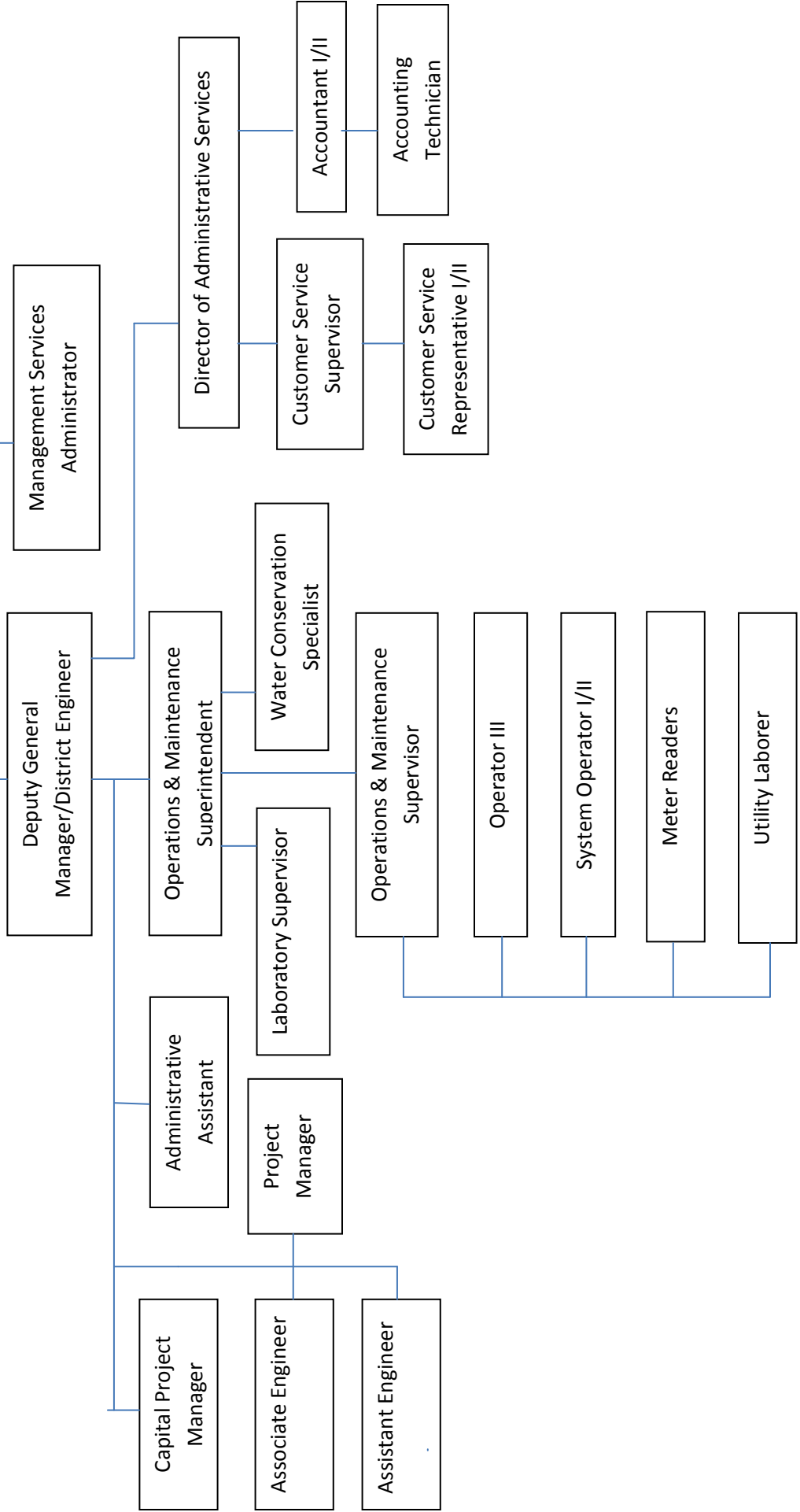
President

Jeffrey R. Emer

Executive Director



ORGANIZATION CHART
 Rev. 3/29/12



Marina Coast Water District

Directory

Board of Directors

June 30, 2012

Dan Burns	President
Howard Gustafson	Vice-President
William Lee	Director
Kenneth K. Nishi	Director
Jan Shriner	Director

Management Staff

Jim Heitzman	General Manager
Carl Niizawa	Deputy General Manager / District Engineer
Kelly Cadiente	Director of Administrative Services
Jean Premutati	Management Services Administrator
James Derbin	Operations & Maintenance Superintendent

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Marina Coast Water District
Marina, California

We have audited the accompanying financial statements of the business-type activities and each major fund of Marina Coast Water District (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

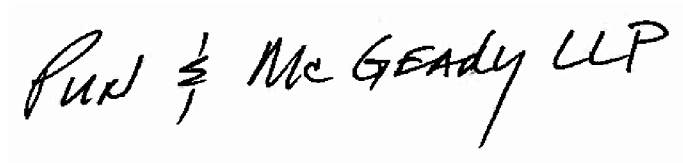
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Funding Progress on pages 3 through 10 and page 38, respectively, be presented to supplement the basic financial statements. Such information, although not a required 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.

To the Board of Directors
of the Marina Coast Water District
Marina, California
Page: Two

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The Introductory and Statistical Sections are presented for purposes of additional analysis, are not a required part of the financial statements, and 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.

A handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive style with a large initial "P" and "M".

Irvine, California
December 5, 2012

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2012

This section of the Marina Coast Water District's (District) financial statements presents an analysis of the District's financial performance during the fiscal year ended June 30, 2012. This information is presented in conjunction with the transmittal letter in the Introductory Section, and with the basic financial statements and related notes, which follow this section.

Overview of the District's Financial Statements

The financial statements consist of the following three parts: Management's Discussion and Analysis, Basic Financial Statements and related Notes and Required Supplementary Information.

Basic Financial Statements

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles generally accepted in the United States of America.

The Statement of Net Assets includes information on the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities).

The Statement of Revenues, Expenses and Changes in Net Assets identify the District's revenues and expenses for the fiscal year. This statement provides information on the District's operations for the fiscal year and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges.

The Statement of Cash Flows provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statement of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash and cash equivalents balance for the fiscal year.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning the District's progress in funding its obligation to provide pension benefits and post-employment benefits to its employees.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2012

Financial Analysis of the District

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide an indication of the District's financial condition and also indicate whether the financial condition of the District improved over time. The District's net assets reflect the difference between assets and liabilities. An increase in net assets over time typically indicates an improvement in financial condition. However, considerations should be made for other non-financial factors such as changes in economic conditions, population growth, new or changed government legislation, such as changes in Federal and State water quality standards.

Financial Highlights for Fiscal Year 2011-2012

- At June 30, 2012, the District's total assets exceeded the total liabilities by \$132.6 million (net assets), which is an increase of \$2.5 million or 1.9% over the 2011 fiscal year end balance.
- Current Liabilities increased \$1.2 million or 10.1% from prior year due to an increase in the Rabobank Line of Credit, which was used to complete Imjin Office Park.
- Nonoperating revenues decreased by \$1.5 million or 47.3% from prior year. The decrease resulted from a reduction in developer fees related to the regional project.
- Operating expenses decreased \$1.6 million or 14.3% from prior year. With the District focusing on cost saving strategies, all departments experienced a substantial decrease in operating expenses with the exception of Engineering, which increased \$0.1 million or 11.5%.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2012

Net Assets

A summary of the District's Statement of Net Assets is presented below.

Statements of Net Assets				
June 30				
	2012	2011	Change	Change
Assets:				
Current assets	\$ 20,470,423	\$ 20,351,592	\$ 118,831	0.6%
Noncurrent assets	10,941,744	11,071,706	(129,962)	-1.2%
Capital assets, net	163,296,637	158,836,607	4,460,030	2.8%
Total assets	194,708,804	190,259,905	4,448,899	2.3%
Liabilities:				
Current liabilities	12,991,806	11,797,660	1,194,146	10.1%
Non-current liabilities	49,123,945	48,403,675	720,270	1.5%
Total liabilities	62,115,751	60,201,335	1,914,416	3.2%
Net Assets:				
Net assets invested in capital assets, net of related debt	122,503,815	113,545,277	8,958,538	7.9%
Restricted	3,933,752	3,933,757	(5)	0.0%
Unrestricted	6,155,487	12,579,537	(6,424,050)	-51.1%
Total net assets	\$ 132,593,054	\$ 130,058,571	\$ 2,534,483	1.9%

As noted earlier, net assets may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$132.6 million and \$130.1 million as of June 30, 2012 and 2011, respectively.

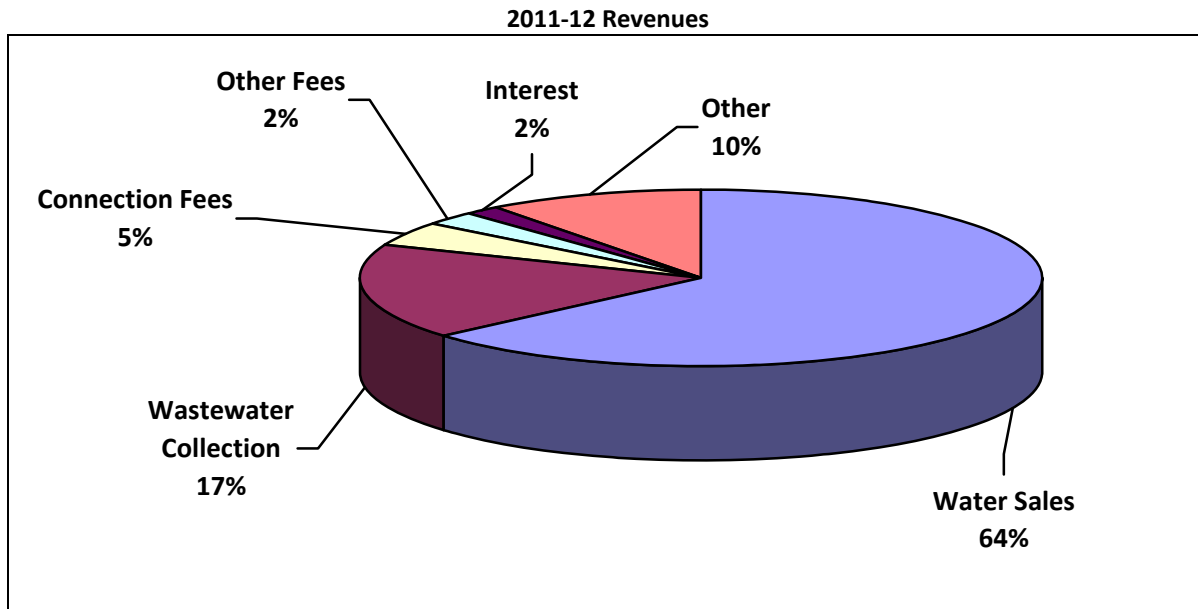
One of the largest portions of the District's assets (92% and 87% as of June 30, 2012 and 2011, respectively) reflects the District's investment in capital assets (net of related debt). The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2012 and 2011, the District showed a positive balance in its unrestricted net assets of \$6.2 million and \$12.6 million, respectively.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2012

Revenue and Expenses

The District finances its water sales and wastewater collection operations through user fees, and other income. Total revenue for fiscal year 2011-12 was \$14.2 million, down \$1.3 million from prior year. The 2011-12 non-operating revenue from developer fees decreased \$1.5 million due to suspended activity with the regional project. Operating revenues increased slightly from fiscal year 2010-2011 by \$0.2 million or 1.5%.

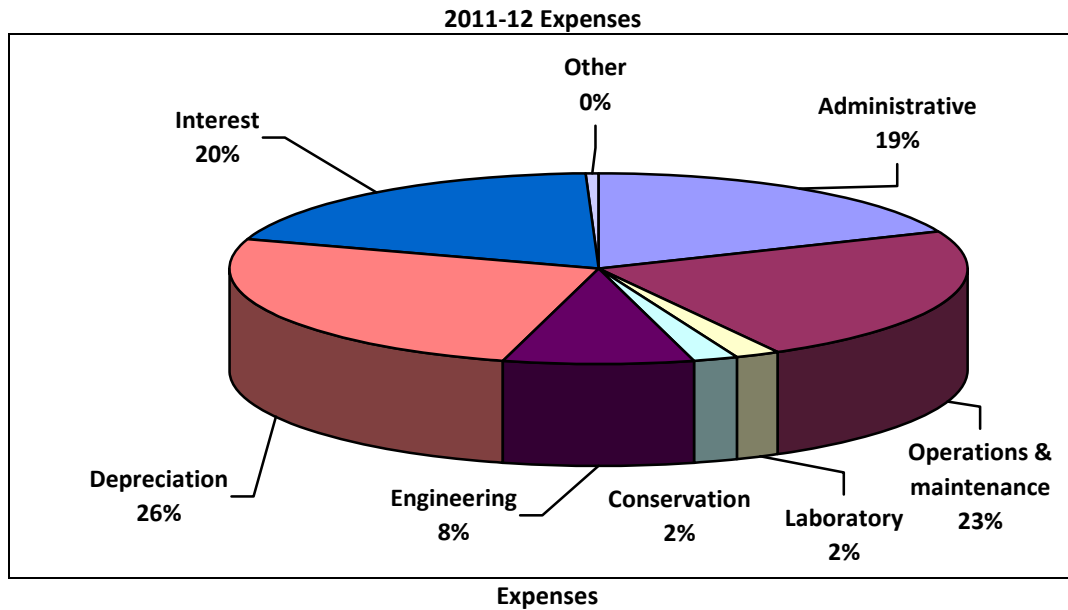


	June 30		Change	Change
	2012	2011		
Operating revenues:				
Water sales	\$ 9,051,906	\$ 8,750,650	\$ 301,256	3.4%
Wastewater collection	2,453,627	2,354,013	99,614	4.2%
Capacity & connections fees	640,191	544,407	95,784	17.6%
Other services & fees	352,477	670,326	(317,849)	-47.4%
Total operating revenues	<u>12,498,201</u>	<u>12,319,396</u>	<u>178,805</u>	1.5%
Nonoperating revenues:				
Interest earned	233,276	273,267	(39,991)	-14.6%
Other	1,467,682	2,955,752	(1,488,070)	-50.3%
Total nonoperating revenues	<u>1,700,958</u>	<u>3,229,019</u>	<u>(1,528,061)</u>	-47.3%
Total revenues	<u>\$ 14,199,159</u>	<u>\$ 15,548,415</u>	<u>\$ (1,349,256)</u>	-8.7%

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2012

Revenue and Expenses (continued)

Total expenses for fiscal year 2011-12 were \$11.7 million, down \$1.3 million or 10.3% from prior year. Operating expenses decreased across the board, notably Administration by \$0.5 million and Operations & Maintenance by \$0.3 million and depreciation expense decreased \$0.7 million due to a portion of infrastructure assets becoming fully depreciated in the prior year. This is offset by an increase of \$0.1 million in Engineering, which is due to an increase in consulting services.



	June 30		Change	Change
	2012	2011		
Operating expenses:				
Administrative	\$ 2,181,147	\$ 2,682,047	\$ (500,900)	-18.7%
Operations & maintenance	2,722,037	3,001,131	(279,094)	-9.3%
Laboratory	216,448	324,244	(107,796)	-33.2%
Conservation	214,378	318,589	(104,211)	-32.7%
Engineering	969,643	869,790	99,853	11.5%
Depreciation and amortization	3,029,324	3,699,555	(670,231)	-18.1%
Total operating expenses	9,332,977	10,895,356	(1,562,379)	-14.3%
Nonoperating expenses:				
Interest expense	2,281,489	2,069,622	211,867	10.2%
Other	50,211	39,167	11,044	28.2%
Total nonoperating expenses	2,331,700	2,108,789	222,911	10.6%
Total expenses	\$ 11,664,677	\$ 13,004,145	\$ (1,339,468)	-10.3%

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2012

Revenue and Expenses (concluded)

The Statement of Revenues, Expenses and Changes in Net Assets on page 13 show how the District's net assets changed during the fiscal year. Net assets increased by \$2.5 million and \$3.3 million for the fiscal years ended June 30, 2012 and 2011, respectively.

	Changes in Net Assets			
	June 30		Change	Change
	2012	2011		
Beginning net assets	\$ 130,058,571	\$ 126,730,975	\$ 3,327,596	2.6%
Income before contributions	2,534,483	2,544,270	(9,787)	-0.4%
Capital contributions	-	783,326	(783,326)	-100.0%
Change in net assets	<u>2,534,483</u>	<u>3,327,596</u>	<u>(793,113)</u>	-23.8%
Ending net assets	<u>\$ 132,593,054</u>	<u>\$ 130,058,571</u>	<u>\$ 2,534,483</u>	1.9%

Capital Assets

At the end of fiscal years 2012 and 2011, the District's investment in capital assets amounted to \$163.3 million and \$158.8 million, respectively, (net of accumulated depreciation). This investment in capital assets includes land, water/wastewater rights, easements, transmission and distribution systems, wells, tanks, reservoirs, pumps, building and structures, equipment, vehicles and construction-in-progress.

Changes in capital assets amounts for 2012 were as follows:

	Capital Assets			
	June 30		Change	Change
	2012	2011		
Capital assets:				
Non-depreciable assets	\$ 126,936,892	\$ 122,619,504	\$ 4,317,388	3.5%
Depreciable assets	73,400,954	70,228,987	3,171,967	4.5%
Less accumulated depreciation	<u>(37,041,209)</u>	<u>(34,011,885)</u>	<u>(3,029,324)</u>	8.9%
Total capital assets, net	<u>\$ 163,296,637</u>	<u>\$ 158,836,606</u>	<u>\$ 4,460,031</u>	2.8%

Additional information on the District's capital assets is provided in Note 3 on page 25 of the financial statements.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2012

Debt Administration

As of June 30, 2012, the District had \$46.7 million in outstanding debt compared to \$49.7 million as of June 30, 2011. Revenue certificates of participation in the amount of \$42.3 million were issued in August 2006 to fund costs associated with several major capital improvement projects and were also used to refund the District's existing outstanding debt obligations. The District bought land in 2009 and 2010, securing both purchases with a Promissory Note. In 2010 subordinate enterprise revenue refunding bonds in the amount of \$8.5 million were issued to refinance the Promissory Note associated with the Armstrong Ranch land purchase. The District has a Line of Credit in the amount of \$3.5 million secured by a \$3.3 million Certificate of Deposit. As of June 30, 2012, \$2.2 million of the Line of Credit had been used to fund construction projects related to the Imjin Office Park. The District has entered into lease agreements as a lessee for financing the acquisition of sewer jetter equipment and document scanning & storage system. The lease agreement qualifies as a capital lease. The District has covenanted that it will fix, prescribe and collect rates, fees and charges for use of the District's water system during each fiscal year which is at least sufficient to yield in each fiscal year net revenues equal to 125 percent of the debt service for such fiscal year. At the time of the 2006 revenue certificates of participation bond, Standard and Poor's gave the District an "A-" rating. In April 2009, the District's rating was increased to "A+" and again in December 2010 to "AA-". The 2010 subordinate enterprise revenue refunding bonds were assigned an "A+" long-term rating at the time of issue.

Changes in long-term debt amounts for the year were as follows:

	Outstanding Debt at Year End			
	June 30		Change	Change
	2012	2011		
Long-term debt:				
Loans payable	\$ 49,520	\$ 1,474,458	\$ (1,424,938)	-96.6%
Bonds payable	45,080,000	46,615,000	(1,535,000)	-3.3%
Capital lease	26,407	98,039	(71,632)	-73.1%
Compensated absences	264,754	246,756	17,998	7.3%
Other post-employment benefits	337,816	216,690	121,126	55.9%
Unamortized premiums, net	968,967	1,016,905	(47,938)	-4.7%
Total long-term debt	<u>\$ 46,727,464</u>	<u>\$ 49,667,848</u>	<u>\$ (2,940,384)</u>	-5.9%

Additional information on the District's long-term debt is provided in Note 6 on pages 26-29 of the financial statements.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2012

Economic Factors and Next Year's Budget and Rates

The Board of Directors adopted the District's 2012-2013 Marina budget and rates on June 12, 2012. The Ord Community budget and rates are pending approval. The approval of the budget provides funding for the District's operating, capital and debt service costs for the 2012-2013 fiscal year. The District's water and wastewater rates are reviewed by staff on an annual basis. For fiscal year 2012-2013, the District approved a 5.0% rate increase for Marina water and wastewater.

Water augmentation cost center does not generate revenues and is created to capture accruing costs related to water augmentation projects.

Requests for Information

This financial report is designed to provide the District's elected officials, customers, investors, creditors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Director of Administrative Services, Marina Coast Water District, 11 Reservation Road, Marina, California 93933.

BASIC FINANCIAL STATEMENTS

MARINA COAST WATER DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Major Funds							Business-Type Activities
	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Interfund Eliminations	
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 3,703,077	\$ 2,148,765	\$ 1,452,945	\$ 3,584,230	\$ -	\$ -	\$ -	\$ 10,889,017
Accounts receivable, net	233,427	42,904	461,014	204,978	-	-	-	942,323
Interest receivable	4,645	2,149	10,121	4,475	850	-	-	22,240
Due from other funds	4,952,841	-	2,550,028	382	-	-	(7,503,251)	-
Other receivable	-	-	833,726	25,530	-	-	-	859,256
Inventories	88,004	2,208	72,873	3,470	-	-	-	166,555
Deposits	5,385	507	3,166	886	-	-	-	9,944
Prepaid items	20,885	5,743	37,410	13,799	-	-	-	77,837
Total current assets	9,008,264	2,202,276	5,421,283	3,837,750	850	-	(7,503,251)	12,967,173
Noncurrent assets:								
Restricted cash and cash equivalents	2,642,563	887,997	3,872,986	2,078,323	204,725	-	-	9,686,594
Unamortized bond issuance costs	146,599	50,217	461,329	172,940	44,402	-	-	875,487
Advances to other funds	379,663	-	-	-	-	-	(379,663)	-
Capital assets, net	10,184,291	4,424,850	99,943,565	32,764,754	5,291,726	10,687,451	-	163,296,637
Total noncurrent assets	13,353,116	5,363,064	104,277,880	35,016,017	5,540,853	10,687,451	(379,663)	173,858,718
Total assets	22,361,380	7,565,340	109,699,163	38,853,767	5,541,703	10,687,451	(7,882,914)	186,825,890

continued

Major Funds

	Marina		Ord		Sewer Fund		New		Regional		Interfund		Business-Type	
	Water Fund	Sewer Fund	Water Fund	Sewer Fund	Water Fund	Sewer Fund	Water Fund	Sewer Fund	Project	Eliminations	Activities	Eliminations	Activities	
LIABILITIES														
Current liabilities:														
Accounts payable	137,177	19,783	367,957	66,201	68,318	281,111	-	-	940,547	-	-	-	-	940,547
Accrued expenses	173,667	500	25,358	607	-	-	-	-	200,132	-	-	-	-	200,132
Interest payable	22,773	10,076	90,338	36,932	20,531	-	-	-	180,650	-	-	-	-	180,650
Line of Credit	636,407	171,952	1,120,276	299,344	-	-	-	-	2,227,979	-	-	-	-	2,227,979
Due to other funds	-	-	382	-	2,550,028	4,952,841	(7,503,251)	-	-	-	-	-	-	-
Customer deposits payable	93,119	-	173,839	-	-	-	-	-	266,958	-	-	-	-	266,958
Current portion of long-term debt	604,663	108,712	670,837	288,077	-	-	-	-	1,672,289	-	-	-	-	1,672,289
Total current liabilities	1,667,806	311,023	2,448,987	691,161	2,638,877	5,233,952	(7,503,251)	-	5,488,555	-	-	-	-	5,488,555
Noncurrent liabilities:														
Long-term debt	5,274,064	2,499,808	21,677,501	7,073,464	8,195,521	-	-	-	44,717,359	-	-	-	-	44,717,359
Advances from other funds	-	-	239,906	139,757	-	-	-	-	(379,663)	-	-	-	-	-
Unearned Revenue	192,950	55,128	344,554	96,475	-	-	-	-	689,107	-	-	-	-	689,107
Net OPEB Obligation	102,434	33,508	160,401	41,473	-	-	-	-	337,816	-	-	-	-	337,816
Other noncurrent liability	-	-	-	-	-	3,000,000	-	-	3,000,000	-	-	-	-	3,000,000
Total noncurrent liabilities	5,566,449	2,588,444	22,422,362	7,351,169	8,195,521	3,000,000	(379,663)	-	48,744,282	-	-	-	-	48,744,282
Total liabilities	7,234,255	2,899,467	24,871,349	8,042,330	10,834,398	8,233,952	(7,882,914)	-	54,232,837	-	-	-	-	54,232,837
NET ASSETS														
Invested in capital assets, net of related debt	5,409,252	2,274,655	77,769,321	26,363,136	-	10,687,451	-	-	122,503,815	-	-	-	-	122,503,815
Restricted for debt service	645,931	225,404	2,089,671	768,021	204,725	-	-	-	3,933,752	-	-	-	-	3,933,752
Unrestricted	9,071,943	2,165,814	4,968,822	3,680,280	(5,497,420)	(8,233,952)	-	-	6,155,487	-	-	-	-	6,155,487
Total net assets	\$ 15,127,126	\$ 4,665,873	\$ 84,827,814	\$ 30,811,437	\$ (5,292,695)	\$ 2,453,499	\$ -	\$ -	\$ 132,593,054	\$ -	\$ -	\$ -	\$ -	\$ 132,593,054

The notes to the basic financial statements are an integral part of this statement concluded

MARINA COAST WATER DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For The Year Ended June 30, 2012

	Major Funds						Business-Type Activities
	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	
Operating revenues:							
Water services	\$ 3,852,488	\$ -	\$ 5,199,418	\$ -	\$ -	\$ -	\$ 9,051,906
Wastewater services	-	759,959	-	1,693,668	-	-	2,453,627
Capacity and connection fees	14,127	6,915	472,476	146,673	-	-	640,191
Other services and fees	76,828	5,542	214,982	50,125	5,000	-	352,477
Total operating revenues	3,943,443	772,416	5,886,876	1,890,466	5,000	-	12,498,201
Operating expenses:							
Administrative	580,968	134,768	1,261,155	201,223	3,033	-	2,181,147
Operations and maintenance	929,053	263,301	1,175,018	354,665	-	-	2,722,037
Laboratory	87,279	-	129,169	-	-	-	216,448
Conservation	104,187	-	110,191	-	-	-	214,378
Engineering	228,525	66,418	442,753	151,891	80,056	-	969,643
Depreciation and amortization	464,740	223,405	1,182,873	360,253	798,053	-	3,029,324
Total operating expenses	2,394,752	687,892	4,301,159	1,068,032	881,142	-	9,332,977
Operating income (loss)	1,548,691	84,524	1,585,717	822,434	(876,142)	-	3,165,224
Nonoperating revenues (expenses):							
Other nonoperating revenue	46,056	13,159	1,334,063	23,028	-	3,438	1,419,744
Interest earned	59,226	16,288	99,277	45,680	9,891	2,914	233,276
Interest expense	(304,169)	(128,961)	(1,143,740)	(458,250)	(246,369)	-	(2,281,489)
Bond premium (discount)	6,705	2,827	25,675	9,431	3,301	-	47,939
Bond issuance costs	(9,290)	(3,055)	(26,242)	(9,471)	(2,153)	-	(50,211)
Total nonoperating revenue (expenses)	(201,472)	(99,742)	289,033	(389,582)	(235,330)	6,352	(630,741)
Change in net assets	1,347,219	(15,218)	1,874,750	432,852	(1,111,472)	6,352	2,534,483
Total net assets - beginning	13,779,907	4,681,091	82,953,064	30,378,585	(4,181,223)	2,447,147	130,058,571
Total net assets - ending	\$ 15,127,126	\$ 4,665,873	\$ 84,827,814	\$ 30,811,437	\$ (5,292,695)	\$ 2,453,499	\$ 132,593,054

The notes to the basic financial statements are an integral part of this statement

MARINA COAST WATER DISTRICT
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2012

	Major Funds						Business-Type Activities
	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	
CASH FLOWS PROVIDED BY (USED FOR):							
OPERATING ACTIVITIES							
Receipts from customers and users	\$ 3,890,121	\$ 765,266	\$ 5,917,683	\$ 1,890,708	\$ 5,000	\$ -	\$ 12,468,778
Payments to employees	(1,183,451)	(353,734)	(1,790,260)	(476,160)	(78,173)	-	(3,881,778)
Payments to suppliers	(382,582)	(39,122)	(2,048,764)	(113,601)	42,220	(1,086,435)	(3,628,284)
Net cash provided (used)	2,324,088	372,410	2,078,659	1,300,947	(30,953)	(1,086,435)	4,958,716
NONCAPITAL FINANCING ACTIVITIES							
Loan receivable activity	2,666	-	(173,646)	(17,020)	-	-	(188,000)
Other nonoperating revenue	46,056	13,159	148,751	23,029	-	3,438	234,433
Interfund activity	(4,858,780)	-	959,486	(34,625)	386,046	3,547,873	-
Net cash provided (used)	(4,810,058)	13,159	934,591	(28,616)	386,046	3,551,311	46,433
CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(458,740)	(108,997)	(4,166,244)	(168,719)	(118,865)	(2,467,790)	(7,489,355)
Proceeds from grants	-	-	1,185,312	-	-	-	1,185,312
Proceeds from capital debt	348,458	99,559	622,246	174,229	-	-	1,244,492
Principal paid on capital debt	(763,839)	(151,948)	(780,330)	(351,965)	-	-	(2,048,082)
Interest paid on capital debt	(298,049)	(126,990)	(1,131,513)	(455,114)	(246,369)	-	(2,258,035)
Net cash provided (used)	(1,172,170)	(288,376)	(4,270,529)	(801,569)	(365,234)	(2,467,790)	(9,365,668)
INVESTING ACTIVITIES							
Interest earnings	63,768	16,719	101,656	47,623	10,141	2,914	242,821
Net cash provided (used)	63,768	16,719	101,656	47,623	10,141	2,914	242,821
Net increase (decrease) in cash and cash equivalents	(3,594,372)	113,912	(1,155,623)	518,385	-	-	(4,117,698)
Cash and cash equivalents, beginning of year	9,940,012	2,922,850	6,481,554	5,144,168	204,725	-	24,693,309
Cash and cash equivalents, end of year	6,345,640	3,036,762	5,325,931	5,662,553	204,725	-	20,575,611
RECONCILIATION TO STATEMENT OF NET ASSETS:							
Cash and cash equivalents	3,703,077	2,148,765	1,452,945	3,584,230	-	-	10,889,017
Restricted cash and cash equivalents	2,642,563	887,997	3,872,986	2,078,323	204,725	-	9,686,594
Total cash and cash equivalents reported on Statement of Net Assets	6,345,640	3,036,762	5,325,931	5,662,553	204,725	-	20,575,611

continued

**RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED (USED) BY OPERATING
ACTIVITIES:**

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Business-Type Activities
Operating income	1,548,691	84,524	1,585,717	822,434	(876,142)	-	3,165,224
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation and amortization	464,740	223,405	1,182,873	360,253	798,053	-	3,029,324
(Increase) decrease in accounts receivable	(53,322)	(7,150)	30,806	242	-	-	(29,424)
(Increase) decrease in inventories	(16,736)	(2,208)	(72,873)	(3,470)	-	-	(95,287)
(Increase) decrease in prepaid items	(2,932)	(2,231)	(9,104)	3,592	9	-	(10,666)
(Increase) decrease in deposits	(3,090)	-	-	-	-	-	(3,090)
Increase (decrease) in customer deposits	(6,895)	-	71,544	-	-	(3,000,000)	(2,935,351)
Increase (decrease) in accounts payable	28,361	17,755	(1,003,405)	51,842	47,127	(1,086,435)	(1,944,755)
Increase (decrease) in accrued expenses	137,763	(10,771)	(123,934)	(48,547)	-	-	(45,489)
Increase (decrease) in compensated absences	(2,550)	3,510	13,391	3,647	-	-	17,998
Increase (decrease) in other noncurrent liabilities	230,058	65,576	403,644	110,954	-	3,000,000	3,810,232
Total adjustments	775,397	287,886	492,942	478,513	845,189	(1,086,435)	1,793,492
Net cash provided by operating activities	\$ 2,324,088	\$ 372,410	\$ 2,078,659	\$ 1,300,947	\$ (30,953)	\$ (1,086,435)	\$ 4,958,716

The notes to the basic financial statements are an integral part of this statement

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

The notes to the basic financial statements include a summary of significant accounting policies and other information considered essential to fully disclose and fairly present the transactions and financial position of the District, as follows:

- Note 1 - Summary of Significant Accounting Policies
- Note 2 - Cash and Investments
- Note 3 - Capital Assets
- Note 4 - Other Receivables
- Note 5 - Line of Credit
- Note 6 - Long-Term Debt
- Note 7 - Operating Leases
- Note 8 - Defined Benefit Pension Plan
- Note 9 - Postemployment Benefits
- Note 10 - Risk Management
- Note 11 - Commitments and Contingencies

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Marina Coast Water District (District) is organized for the purpose of providing water distribution services as well as wastewater collection for the residents and businesses of the City of Marina and the former Fort Ord (Ord Community) area. The District's former name was Marina County Water District, and in July 1993, the name was changed by the Board of Directors (Board) to Marina Coast Water District.

B. Basis of Presentation

The accounts of the District are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses.

All activities of the District are accounted for within proprietary (enterprise) funds. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through users charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District reports the following major proprietary (enterprise) funds:

The **Marina Water fund** accounts for operations of the water system within the central Marina service area.

The **Marina Sewer fund** accounts for operations of the wastewater collection system within the central Marina service area.

The **Ord Water or Ord Community Water fund** accounts for operations of the water system within the former Fort Ord service area.

The **Ord Sewer or Ord Community Sewer fund** accounts for operations of the wastewater collection system within the former Fort Ord service area.

The **New Water fund** accounts for operations of the recycled or augmented water system within the District service area.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (concluded)

The **Regional Project fund** accounts for operations of the Regional Desalination Project.

Proprietary 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 a proprietary fund's principal ongoing operation. The principal operating revenues of the District are charges to customers for sales and services. The District's operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities, in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Assets. The Statement of Revenue, Expenses, and Changes in Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses when a liability is incurred, regardless of the timing of the related cash flows.

D. Statement of Net Assets

GASB Statement No. 34 of the Government Accounting Standards Board, "*Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments,*" established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

D. Statement of Net Assets (concluded)

- **Invested in Capital Assets, Net of Related Debt** – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- **Restricted Net Assets** – This component of net assets consists of constraints placed on net assets used through external constraints imposed by creditors, grantors, contributors or laws or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of “restricted” or “investment in capital assets, net of related debt”. Amounts included as unrestricted net assets are available for designation for specific purposes established by the District’s Board of Directors.

E. Statement of Revenues, Expenses, and Changes in Net Assets

Operating revenues, such as charges for services (water sales, wastewater sales, and capacity and connection fees) result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives approximately equal value. Nonoperating revenues, such as interest earned, result from nonexchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) approximately equal value.

Operating expenses include the cost of sales and services, administration, operations and maintenance, laboratory, conservation, engineering, and depreciation. All expenses not meeting these categories are reported as nonoperating.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

F. Budget

Budget integration is employed as a management control device. Budgets are formally adopted by the Board of Directors and take effect the starting July 1 of each year. The budgets are used as a management tool and are not a legal requirement.

G. Cash, Cash Equivalents and Investments

For purposes of the statement of cash flows, the District considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash and cash equivalents. The short-term investments include the California Local Investment Fund.

All investments are stated at fair value. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

H. Accounts Receivables

The District extends credit to customers in the normal course of operations, and accounts for potential losses using the allowance method. Accounts receivable consists of utility customer receivables of \$1,025,534 and receivables of \$429,000 from agreements with local developers to provide water from its desalination plant.

Management evaluates all accounts receivable and if it is determined that they are uncollectible they are written off as bad debt expense. At June 30, 2012, the allowance for uncollectible accounts related to utility customer was \$83,211, and \$429,000 related to the local developers.

I. Inventory

Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

J. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as construction of improvements and financing of debt obligations. These assets are for the benefit of a distinct group and as such are legally or contractually restricted.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

K. Bond Issuance Costs and Bond Premiums

Bond issuance costs are capitalized and amortized using the straight-line method over the life of the related debt. Amortization expense for the year ended June 30, 2012, was \$50,211.

Bond premiums of \$968,967 are netted against the related debt and included in bonds payable. Amortization expense for the year ended June 30, 2012, was \$47,939.

L. Capital Assets

The District's capital assets are stated at historical cost or estimated historical cost when original cost is not available, net of accumulated depreciation. Contributed capital assets are recorded at estimated fair value at the time assets are received. The District's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$5,000. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets which range from 30 to 60 years for the plant and pipelines, and five to ten years for other equipment.

Interest cost is capitalized for all projects during construction. Interest capitalized for the year ended June 30, 2012, was \$14,501.

The cost of routine maintenance and repairs that do not increase the value or extend the life of a capital asset are not capitalized.

M. Compensated Absences

All earned vacation hours accumulated up to 260 hours, holiday, and compensation time, is payable upon termination or retirement and accrued as compensated absences.

N. Rebate Arbitrage

Rebate arbitrage earnings related to the 2006 certificates of participation are being recorded as a liability. As of June 30, 2012, the District's liability was estimated at \$0.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

O. Deficit Fund Balances

At June 30, 2012, the New Water fund had a deficit fund balance of \$(5,292,695), which will be eliminated through future revenues collected from ratepayers of the regional water project.

P. Interfund Transactions

Interfund transactions may result from loans or transfers. “Due to” and “due from” balances are generally used to reflect short-term interfund receivables and payables where as “advance to” and “advance from” balances are for long-term.

Q. Property Taxes

Property taxes in California are levied in accordance with Article XIII A of the State Constitution at 1% of countywide assessed valuations. This levy is allocated pursuant to state law to the appropriate units of local governments.

Property tax revenue is recognized in the fiscal year in which taxes are levied. Taxes are collected by Monterey County and are remitted to the District periodically.

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	November 10 (First Installment) February 10 (Second Installment)
Delinquent Date:	December 11 (First Installment) April 11 (Second Installment)

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (concluded)

R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Note 2 - Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 10,889,017
Restricted Cash and investments	<u>9,686,594</u>
Total cash and investments	<u>\$ 20,575,611</u>

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 1,150
Deposits with financial institutions	967,640
Investments	<u>19,606,821</u>
Total cash and investments	<u>\$ 20,575,611</u>

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in money market funds, certificates of deposits, guaranteed investment contract (GIC), and the local government investment pool administered by the State of California's Local Agency Investment Fund (LAIF). The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

As part of the 2006 revenue certificates of participation bond, the District also entered into separate Guaranteed Investment Contracts (GIC) with MBIA, Inc. and Trinity Funding Company, LLC.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 2 - Cash and Investments (continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

	<u>Fair Value</u>	<u>Maturity Date</u>
State investment pool (LAIF)	\$ 8,879,380	N/A – due on demand
Money Market Fund	3,263,599	N/A – due on demand
Debt Reserve Fund (GIC)	3,933,752	324 months to maturity
Certificate of Deposits	<u>3,530,090</u>	6 months to maturity
Total	<u>\$ 19,606,821</u>	

GIC – Guaranteed Investment Contract

LAIF – Local Agency Investment Fund

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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

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. There are no investments in any one issuer that is in excess of five percent of the District's total investments.

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 agency 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 California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 2 - Cash and Investments (concluded)

California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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 agency 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 do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Collateral and Categorization Requirements

On June 30, 2012, the District's carrying amount of demand deposits was \$967,640, and the bank account balance was \$1,112,512. The difference of \$144,872 represented outstanding checks and deposits in transit. Of the total deposit balance, \$100,000 was insured by federal depository insurance and \$1,012,512 was collateralized 110% in accordance with California Government Code requirements by securities held by the pledging financial institution in the District's name.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by the California Government Code Section 16429 and under the day to day administration of the State Treasurer.

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.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 3 - Capital Assets

Changes in capital assets for the year ended June 30, 2012, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable assets:				
Land	\$ 8,728,541	\$ 853,592	\$ -	\$ 9,582,133
Property easement	24,900,000	-	-	24,900,000
Water/Sewer rights	72,750,000	-	-	72,750,000
Construction in progress (1)	16,240,963	6,399,784	(2,935,988)	19,704,759
Total non-depreciable assets	<u>122,619,504</u>	<u>7,253,376</u>	<u>(2,935,988)</u>	<u>126,936,892</u>
Depreciable assets:				
Water/Sewer rights	2,379,410	-	-	2,379,410
Building & Improvements	1,718,081	2,935,988	-	4,654,069
Equipment	3,052,399	232,129	-	3,284,528
Infrastructure	63,079,097	3,850	-	63,082,947
Total depreciable assets	<u>70,228,987</u>	<u>3,171,967</u>	<u>-</u>	<u>73,400,954</u>
Less accumulated depreciation:				
Water/Sewer rights	(666,499)	(47,588)	-	(714,087)
Building & Improvements	(706,444)	(149,511)	-	(855,955)
Equipment	(2,248,859)	(251,185)	-	(2,500,044)
Infrastructure	(30,390,083)	(2,581,040)	-	(32,971,123)
Total accumulated depreciation	<u>(34,011,885)</u>	<u>(3,029,324)</u>	<u>-</u>	<u>(37,041,209)</u>
Depreciable assets, net	<u>36,217,102</u>	<u>142,643</u>	<u>-</u>	<u>36,359,745</u>
Total capital assets, net	<u>\$ 158,836,606</u>	<u>\$ 7,396,019</u>	<u>\$ (2,935,988)</u>	<u>\$ 163,296,637</u>

(1) Construction in progress includes capitalized interest in the amount of \$2,610,678.

Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The depreciation expense for the year ended June 30, 2012 totaled \$3,029,324.

Note 4 – Other Receivables

Other receivable balance, net of allowance for doubtful accounts, currently outstanding at June 30, 2012 was \$859,256, which included a grant receivable from Monterey County Water Resources Agency in the amount of \$722,064.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 5 – Line of Credit

On May 12, 2009, the Board adopted Resolution No. 2009-34 approving an agreement with the Fort Ord Reuse Authority (FORA) to purchase property and lease back space of the to-be-built building within the Imjin Office Park. On July 24, 2009, the District successfully closed escrow and obtained ownership to the FORA portion of the Imjin Office Park Property. The total cost of site improvements and building construction was estimated at \$3,276,000.

Construction costs were funded through a Certificate of Deposit Secured Non-Revolving Line of Credit (LOC) with Rabobank. The original loan commenced on December 2, 2010, was due to mature on December 1, 2011, and was extended to December 1, 2012. The District intends to extend the line of credit to December 1, 2013. The terms of the LOC are interest only payments at an interest rate of 1.81% (CD rate + 1.5% margin). As of June 30, 2012, \$2,227,979 of the LOC has been used to construct the building. Currently, the building is partially occupied by FORA. The remaining available balance of the line of credit of \$1,048,021 will be used for tenant improvements once the vacant portion of the building is leased out.

Note 6 - Long-Term Debt

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2006 Certificates of Participation	\$ 38,925,000	\$ -	\$ (890,000)	\$ 38,035,000	\$ 925,000
Plus unamortized premiums	914,885	-	(36,353)	878,532	-
Net 2006 Certificates of Participation	39,839,885	-	(926,353)	38,913,532	925,000
2010 Revenue Bonds Payable	7,690,000	-	(645,000)	7,045,000	675,000
Plus unamortized premiums	102,020	-	(11,586)	90,434	-
Net 2010 Revenue Bonds Payable	7,792,020	-	(656,586)	7,135,434	675,000
Loan payable - Rabobank, N.A.	1,396,642		(1,396,642)	-	-
Promissory note - Fort Ord Reuse Authority	77,816	-	(28,296)	49,520	28,296
Capital lease	98,039	-	(71,632)	26,407	26,407
Compensated absences	246,756	256,091	(238,092)	264,755	17,586
OPEB liability	216,690	121,126	-	337,816	-
Totals	<u>\$ 49,667,848</u>	<u>\$ 377,217</u>	<u>\$ (3,317,601)</u>	<u>\$ 46,727,464</u>	<u>\$ 1,672,289</u>

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 6 - Long-Term Debt (continued)

A. 2006 Certificates of Participation

On August 23, 2006, the District issued certificates of participation revenue bonds (2006 COP Bonds) in the amount of \$42,310,000 due in semi-annual installments on December 1 and June 1 through 2037 at a weighted average interest rate of 4.795% per annum. A portion of the proceeds from the bond issue was used to refund the 1996 LaSalle National Bank note, the 1997 Cypress Bank note, and the 2003 City National Bank loan. The remaining balance of the proceeds will be used to fund the District's capital improvement projects. The 2006 COP Bonds are payable solely from, and secured by, the revenues received from the operation of the District's water and wastewater systems. As of June 30, 2012, the outstanding balance was \$38,035,000.

Future payments are as follows:

Year ending June 30,	2006 Enterprise Revenue Certificates of Participation		
	Principal	Interest	Total
2013	\$ 925,000	\$ 1,818,562	\$ 2,743,562
2014	950,000	1,781,562	2,731,562
2015	990,000	1,743,563	2,733,563
2016	930,000	1,703,963	2,633,963
2017	970,000	1,666,763	2,636,763
2018-2022	5,930,000	7,661,225	13,591,225
2023-2027	6,905,000	6,178,000	13,083,000
2028-2032	8,805,000	4,271,750	13,076,750
2033-2037	11,630,000	1,837,750	13,467,750
	<u>\$ 38,035,000</u>	<u>\$ 28,663,138</u>	<u>\$ 66,698,138</u>

B. 2010 Revenue Bonds

On December 16, 2010, the District issued refunding revenue bonds in the amount of \$8,495,000 due in semi-annual installments on December 1 and June 1 through 2020 at a weighted average interest rate of 4.340% per annum. The proceeds from the bond issue were used to refinance the Armstrong Ranch Promissory Note. The 2010 bonds are payable solely from, and secured by, the revenues received from the operation of the District's water and wastewater systems. As of June 30, 2012, the outstanding balance was \$7,045,000.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 6 - Long-Term Debt (continued)

B. 2010 Revenue Bonds (concluded)

Future payments are as follows:

Year ending June 30,	2010 Subordinate Enterprise Revenue Refunding Bonds		
	Principal	Interest	Total
2013	\$ 675,000	\$ 315,850	\$ 990,850
2014	700,000	288,850	988,850
2015	725,000	260,850	985,850
2016	755,000	231,850	986,850
2017	785,000	201,650	986,650
2018-2020	3,405,000	386,250	3,791,250
	<u>\$ 7,045,000</u>	<u>\$ 1,685,300</u>	<u>\$ 8,730,300</u>

The purpose of the debt was to change the rate of interest from a variable rate to a fixed rate. The District did not calculate the difference in the debt service payments or the economic gain or loss.

C. Note Payable

On June 24, 2009, the District entered into a note payable for \$134,408 payable to Fort Ord Reuse Authority. Principal and interest payments are due monthly. There is no stated interest rate. As of June 30, 2012, the outstanding principal balance was \$49,520.

Future payments are as follows:

Year ending June 30,	Fort Ord Reuse Authority Promissory Note		
	Principal	Interest	Total
2013	\$ 28,296	\$ -	\$ 28,296
2014	21,224	-	21,224
	<u>\$ 49,520</u>	<u>\$ -</u>	<u>\$ 49,520</u>

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 6 - Long-Term Debt (concluded)

D. Capital Leases

The District entered into lease agreements to finance the acquisition of sewer jetter equipment, and a document scanning and storage system. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been included in capital assets at the present value of their future minimum lease payments as of the date of the lease agreements.

The assets acquired through capital leases are as follows:

Asset:	
Sewer jetter equipment	\$ 151,657
Document scanning & storage system	103,591
Less: Accumulated depreciation	<u>(156,583)</u>
Total	<u><u>\$ 98,665</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, are as follows:

<u>Year ending June 30,</u>	
2013	\$ 33,279
Less: amount representing interest	<u>(6,872)</u>
Present value of minimum lease payments	<u><u>\$ 26,407</u></u>

E. Compensated Absences

District employees accumulate earned, but unused, vacation and sick pay benefits which can be converted to cash at termination of employment. The compensated absences balance at June 30, 2012 was \$264,754. Of this amount, \$17,586 is estimated to be due within one year.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 7 – Operating Leases

The District entered into operating lease agreements in connection with the lease of an office copier, postage machine, and phone equipment. The District’s postage machine is a cancelable lease. The other leases, for the office copier and phone equipment, are non-cancelable leases.

Minimum lease payments under the obligations are as follows:

Year ending June 30,		
2013	\$	4,619
2014		4,619
2015		769
Total	\$	10,007

The District’s total operating lease expense for the year ended June 30, 2012 was \$29,538.

Note 8 - Defined Benefit Pension Plan

A. Plan Description

The District’s defined benefit pension plan, the Miscellaneous Plan of the Marina Coast Water District (Miscellaneous Plan), provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. Menus of benefit provisions as well as other requirements are established by State statutes within the Public Employees’ Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS’ annual financial report may be obtained from CalPERS Executive Office - 400 Q Street - Sacramento, CA 95811.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 8 - Defined Benefit Pension Plan (continued)

B. Funding Status and Funding Progress

In fiscal year ended June 30, 2004, PERS established a risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed include other participants within the same pool. Therefore, stand-alone information of the schedule of funding progress for the District is no longer available nor disclosed. The District, however, has elected to report the information that is available in the Required Supplementary Information section because we believe that this is important to financial statement users.

C. Funding Policy

The District contributes for active plan members in the Miscellaneous Plan, 7% of their annual covered salaries. The District also is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2011-2012 was 7.579% for Miscellaneous Plan employees. The contribution requirements of the plan are established by State statute and the employer contribution rates established may be amended by CalPERS.

D. Annual Pension Cost

For fiscal year 2011-2012, the District's annual pension cost was \$384,946 and the District actually contributed \$384,946. The District paid the required member contributions of 7% referred to in paragraph (C) above by transferring assets from its employer account to the individual accounts of its employees. The required contribution for fiscal year 2011-2012 was determined as part of the June 30, 2009 actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) a 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.55% to 14.45% depending on age, service, and type of employment, (c) an inflation rate of 3.0%, (d) a payroll growth rate of 3.25%, and (e) individual salary growth – a merit scale varying by duration of employment coupled with an assumed annual inflation growth rate of 3.00% and an annual production growth of 0.25%.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 8 - Defined Benefit Pension Plan (concluded)

D. Annual Pension Cost (concluded)

The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period depending on the size of investment gains and losses. The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis.

Three-Year Trend Information			
Miscellaneous Plan			
Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$318,110	100%	\$0
2011	\$382,217	100%	\$0
2012	\$384,946	100%	\$0

Note 9 – Other Post Employment Benefits (OPEB)

A. Plan Description

The District provides post-employment benefits to eligible employees in the form of partial reimbursement for post-employment health insurance premiums. Eligibility requirements include a minimum of 20 years employment with the District and minimum retirement age of 55 years. For eligible employees, the District will pay 50% of the retired employee's health insurance premiums. The obligation of the District to provide these benefits is determined by agreements with various employee bargaining groups. The District's contributions are financed on a pay-as-you-go basis. The District paid \$5,373 in post-employment benefits for two retired employees who were eligible for benefits during the fiscal year ended June 30, 2012.

B. Funding Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$858,168, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$858,168. The covered payroll (annual payroll of active employees covered by the plan) was \$2,378,746, and the ratio of the UAAL to the covered payroll was 36%.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 9 – Other Post-Employment Benefits (OPEB) (continued)

B. Funding Status and Funding Progress (concluded)

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding interest rates. Amounts determined regarding the funded status of the plan and the annual pension costs are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing over time relative to the actuarial accrued liability.

C. Funding Policy

The contribution requirements of the plan members and the District are established and may be amended by the District's Board of Directors, and/or employee associations. Currently, contributions from plan members are not required.

D. Annual Cost

The annual required contribution (ARC) was determined by an actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 4.5% investment rate of return, and (b) annual increases in healthcare premiums grading from a current rate of 7.5% down to 5.5% per year in 2019 and later.

Projections of benefits for financial reporting purposes are based on the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of any Plan assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a period of 30 years on a closed basis. As of July 1, 2011, the underfunded actuarial accrued liability was \$1,080,009.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 9 – Other Post-Employment Benefits (OPEB) (concluded)

D. Annual Cost (concluded)

The annual OPEB cost and the net OPEB obligation at June 30, 2012 was as follows:

Annual required contribution	\$ 126,217
Interest on net OPEB Obligation	9,751
Adjustment to Annual Required Contribution	<u>(9,469)</u>
Annual OPEB Cost (Expense)	126,499
Contributions Made	<u>(5,373)</u>
Increase in Net OPEB Obligation	121,126
Net OPEB Obligation - Beginning of the Year	<u>216,690</u>
Net OPEB Obligation - End of the Year	<u><u>\$ 337,816</u></u>

The District has calculated and recorded the net OPEB liability, representing the difference between the annual OPEB cost and actual contributions, as presented below:

Year Ending June 30,	Annual OPEB Cost	Actual Contributions (pay-as-you-go)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 109,684	\$ 5,481	5%	\$ 104,203
2011	\$ 118,411	\$ 5,924	5%	\$ 216,690
2012	\$ 126,499	\$ 5,373	5%	\$ 337,816

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 10 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA), a public entity risk pool currently operating as a common risk carrier management and insurance program for member agencies. The purpose of ACWA-JPIA is to spread the adverse effect of losses among the members and to purchase excess insurance as a group, thereby reducing its expenses. The District pays an annual premium to the ACWA-JPIA for its general liability, automobile, and property coverage. The formation agreement of the ACWA-JPIA provides that the ACWA-JPIA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The District has a self-insured retention (similar to a deductible) of \$500 for automobile insurance, \$5,000 for general liability insurance, and \$1,000 for property insurance. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, and employee health and accident insurance.

Note 11 - Commitments and Contingencies

In the normal course of operations, various claims have been filed against the District. In the opinion of the District's management and legal counsel, the claims will not have a material impact on the basic financial statements.

The District has received state grants for specific purposes that are subject to review and audit by the state government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

In conjunction with the 2006 COP bond issue, the District agreed to construct projects from which the revenues derived from these infrastructure additions would generate revenues which would be used to repay the bonds. Due to current economic conditions and decrease in new housing developments, the District has elected to slow down committing these bond proceeds for the construction of water and sewer infrastructure. The District expects to generate investment earnings from these bond proceeds which may be subject to arbitrage in the future. At June 30, 2012, the District had ongoing construction commitments that totaled approximately \$343,000.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 11 - Commitments and Contingencies (continued)

Regional Desalination Project

In fiscal year 2010/11, the District entered into a Water Purchase Agreement, Settlement Agreement, Reimbursement Agreement, CAW Credit Line Agreement and Regional Desalination Project Management Agreement (“RDP Agreements”) with the Monterey County Water Resources Agency (the “MCWRA”), and the California-America Water Company (the “CAW”) to develop, finance, and construct a Regional Desalination Project (the “RDP”). The purpose of the RDP was to replace existing Monterey Peninsula water supplies that are substantially constrained by California regulatory decisions and to provide a new water supply for the approved redevelopment of the former Fort Ord area within Marina Coast Water District’s Ord Community Service Area. Due to the nature of the project, the California Public Utilities Commission (the “CPUC”) was considered the governmental oversight and approval agency.

On April 5, 2010, Ag Land Trust (the “ALT”) filed a Petition of Writ of Mandate and Complaint for Declaratory Relief from the District. In February 2012, the Superior Court of Monterey County found that the District violated the California Environmental Quality Act and ordered the District to set aside its approval of the land purchase agreement and the agreements with MCWRA and CAW. The District has appealed this decision with the Sixth Appellate District. In March 2012, the declaratory relief causes of action were dismissed. A hearing is scheduled for December 14, 2012, to determine a motion by ALT for attorney’s fees of approximately \$1 million. The District has not recognized in the accompanying financial statements any amount related to the litigation until the appeals process has been exhausted and a final court decision has been made.

In July 2011, MCWRA declared that the RDP Agreements were invalid due to an alleged conflict of interest and repudiated the agreements. As a result of MCWRA’s actions, CAW gave notice in September 2011 and January 2012 of its intent to withdrawal from the project. In July 2012, the CPUC issued a decision approving CAW’s withdrawal from the project and stated that CAW may seek to recover RDP related costs from the District. No such claim has been made, nor has litigation commenced related to those costs.

On September 18, 2012, CAW presented a claim to the District related to project costs pursuant to the California Government Claims Act, Government Code Section 810. No range for the claim was provided, nor has a suit been filed for this claim.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 11 - Commitments and Contingencies (concluded)

On October 4, 2012, CAW filed an action against the District and MCWRA seeking a declaratory judgment, but no damages, concerning the validity of the RDP Agreements and the lawfulness of MCWRA's repudiation of the RDP Agreements. The District has filed a cross-complaint for declaratory relief, but no damages, against CAW and MCWRA. The District maintains that the RDP Agreements remain valid and enforceable under California law. None of these actions has been adjudicated.

CAW and MCWRA have presented written breach of contract and tort claims for damages against the District. In response, the District has presented claims for breach of contract and tort claims for damages against CAW and MCWRA.

The District intends to vigorously defend all claims and judgments against it, and actively pursue its position against all other parties. Based on the latest information, the District is unable to estimate a potential range of loss, or the likelihood of the outcome of litigation regarding these matters. However, if final judgments are made against the District, the losses, individually and in the aggregate, could have a material effect to the financial statements. Further, results of the actions could have a material effect on the carrying value of the capital assets and liabilities presented in the Statement of Net Assets.

The assets, liabilities and nets assets of the RDP are represented in the Statement of Net Assets as the Regional Project Fund. A summary is as follows:

Total Assets	<u><u>\$ 10,687,451</u></u>
Total Liabilities	<u><u>\$ 8,233,952</u></u>
Total Net Assets	<u><u>\$ 2,453,499</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

MARINA COAST WATER DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2012

Schedule of Funding Progress

Defined Benefit Pension Plan

In fiscal year ended June 30, 2004, PERS established a risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed include other participants within the same pool. Therefore, stand-alone information of the schedule of funding progress for the District is no longer available nor disclosed. The District, however, has elected to report the information that is available in the Required Supplementary Information section because we believe that this is important to financial statement users.

<u>Miscellaneous 2% at 60 Risk Pool</u>	Actuarial Valuation Date - Year Ended		
	June 30, 2008	June 30, 2009	June 30, 2010
Accrued Liabilities	\$ 532,483,463	\$ 582,841,869	\$ 624,423,437
Actuarial Value of Assets	513,147,099	553,953,526	594,492,164
Unfunded Liabilities	19,336,364	28,888,343	29,931,273
Funded Ratio	96.4%	95.0%	95.2%
Annual Covered Payroll	183,387,608	184,319,666	186,777,830
UL as a Percentage of Payroll	10.5%	15.7%	16.0%

Note - Details of the defined benefit pension plan can be found in Note 8 to the financial statements.

Other Post-Employment Benefits Plan

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percent of Covered Payroll
June 30,	(a)	(b)	(a) - (b)	(b) / (a)	(c)	[(a) - (b)] / (c)
2009	\$ 858,168	\$ -	\$ 858,168	0%	\$ 2,378,746	36%

STATISTICAL SECTION

MARINA COAST WATER DISTRICT
Statistical Section

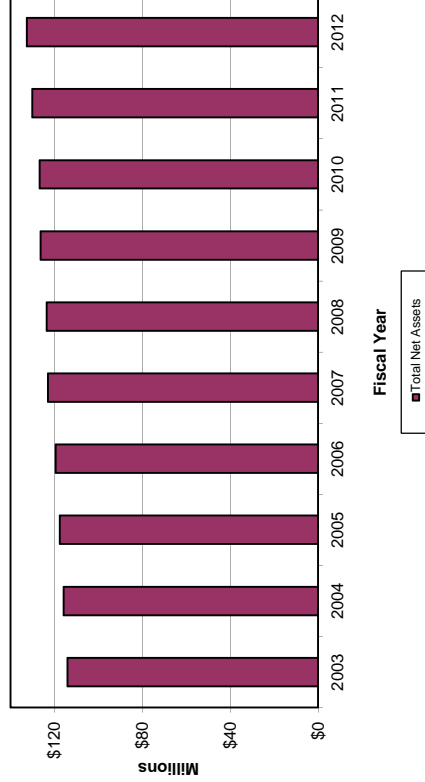
This part of the District’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

Contents

Financial Trends	39-41
These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	
Revenue Capacity	42-45
These schedules contain information to help the reader assess the District’s most significant revenue sources, water sales and wastewater collection.	
Debt Capacity	46-47
These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.	
Demographic Information	48-49
This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	
Operating Information	50-51
These schedules contains service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the service the District provides.	

MARINA COAST WATER DISTRICT
Changes in Net Assets and Net Assets by Component
Last Ten Fiscal Years
Schedule 1

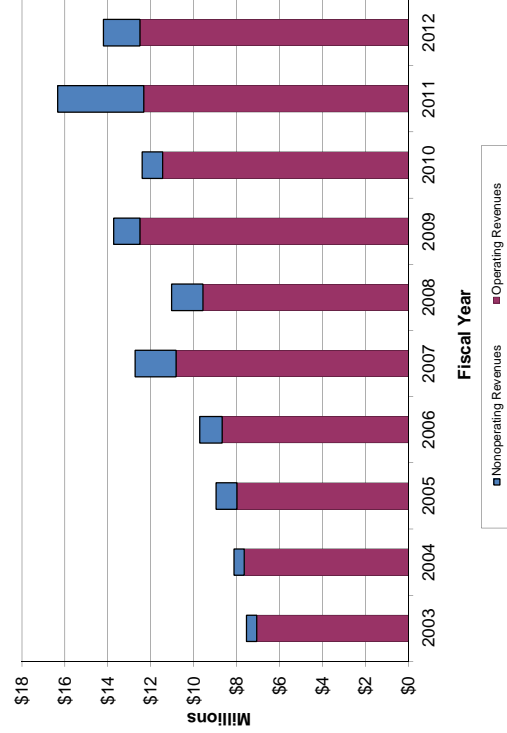
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in net assets:										
Operating revenues	\$ 7,064,564	\$ 7,639,996	\$ 7,981,735	\$ 8,665,529	\$ 10,812,765	\$ 9,572,021	\$ 12,499,973	\$ 11,443,259	\$ 12,319,396	\$ 12,498,201
Operating expenses	(5,774,700)	(6,149,888)	(6,925,744)	(7,480,070)	(8,722,235)	(9,443,488)	(9,382,017)	(10,261,792)	(10,895,356)	(9,332,977)
Operating income (loss)	1,289,864	1,490,108	1,055,991	1,185,459	2,090,530	128,533	3,117,956	1,181,467	1,424,040	3,165,224
Non-operating revenues (expenses)	263,393	260,203	671,053	635,484	1,412,230	109,478	(313,310)	(833,764)	1,120,230	(630,741)
Net income before capital contributions	1,553,257	1,750,311	1,727,044	1,820,943	3,502,760	238,011	2,804,646	347,703	2,544,270	2,534,483
Capital contributions	-	-	-	-	-	361,068	47,568	33,243	783,326	-
Changes in net assets	1,553,257	1,750,311	1,727,044	1,820,943	3,502,760	599,079	2,852,214	380,946	3,327,596	2,534,483
Net assets beginning of year	112,544,421	114,097,678	115,847,989	117,575,033	119,395,976	122,898,736	123,497,815	126,350,029	126,730,975	130,058,571
Net assets end of year	114,097,678	115,847,989	117,575,033	119,395,976	122,898,736	123,497,815	126,350,029	126,730,975	130,058,571	132,593,054
Net assets by component:										
Invested in capital assets, net of related debt	109,150,271	109,889,714	109,094,377	110,853,880	107,262,871	109,656,979	111,548,505	115,269,154	113,545,277	122,503,815
Restricted for debt service	234,385	231,047	243,991	241,825	3,084,330	3,084,281	3,084,250	3,084,250	3,933,757	3,933,752
Unrestricted	4,713,022	5,727,228	8,236,665	8,300,271	12,551,535	10,756,555	11,717,274	8,377,571	12,579,537	6,155,487
Total Net Assets	\$ 114,097,678	\$ 115,847,989	\$ 117,575,033	\$ 119,395,976	\$ 122,898,736	\$ 123,497,815	\$ 126,350,029	\$ 126,730,975	\$ 130,058,571	\$ 132,593,054



Source: Marina Coast Water District, Audited Financial Statements

MARINA COAST WATER DISTRICT
Revenues by Source
Last Ten Fiscal Years
Schedule 2

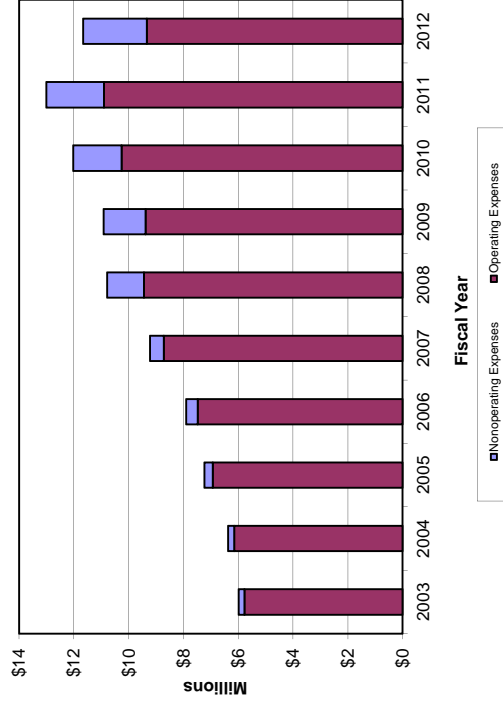
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating revenues:										
Water sales	\$ 4,730,112	\$ 5,367,925	\$ 5,102,546	\$ 6,022,326	\$ 6,707,039	\$ 6,686,916	\$ 7,344,555	\$ 7,501,854	\$ 8,750,650	\$ 9,051,906
Wastewater services	1,303,927	1,380,335	1,647,288	1,811,916	1,881,978	1,888,433	1,965,102	2,161,443	2,354,013	2,453,627
Capacity and connection fees	563,609	44,787	680,472	294,755	486,705	421,410	1,014,536	828,777	544,407	640,191
Other services and fees	466,916	846,949	551,429	536,532	1,737,043	575,262	2,175,780	951,185	670,326	352,477
Total operating revenues	7,064,564	7,639,996	7,981,735	8,665,529	10,812,765	9,572,021	12,499,973	11,443,259	12,319,396	12,498,201
Nonoperating revenues										
Grant revenue	383,330	402,139	777,159	616,213	25,641	-	-	33,243	783,326	1,185,312
Interest earned	80,180	79,532	201,906	433,146	1,882,864	1,417,375	1,185,594	613,936	273,267	233,276
Bond premium (discount)	-	-	-	-	-	36,353	36,353	36,353	41,724	47,939
Other revenue	5,150	-	-	-	-	-	-	273,678	2,914,028	234,432
Total nonoperating revenues	468,660	481,671	979,065	1,049,359	1,908,505	1,453,728	1,221,947	957,210	4,012,345	1,700,959
Total revenues	\$ 7,533,224	\$ 8,121,667	\$ 8,960,800	\$ 9,714,888	\$ 12,721,270	\$ 11,025,749	\$ 13,721,920	\$ 12,400,469	\$ 16,331,741	\$ 14,199,160



Source: Marina Coast Water District, Audited Financial Statements

MARINA COAST WATER DISTRICT
Expenses by Function
Last Ten Fiscal Years
Schedule 3

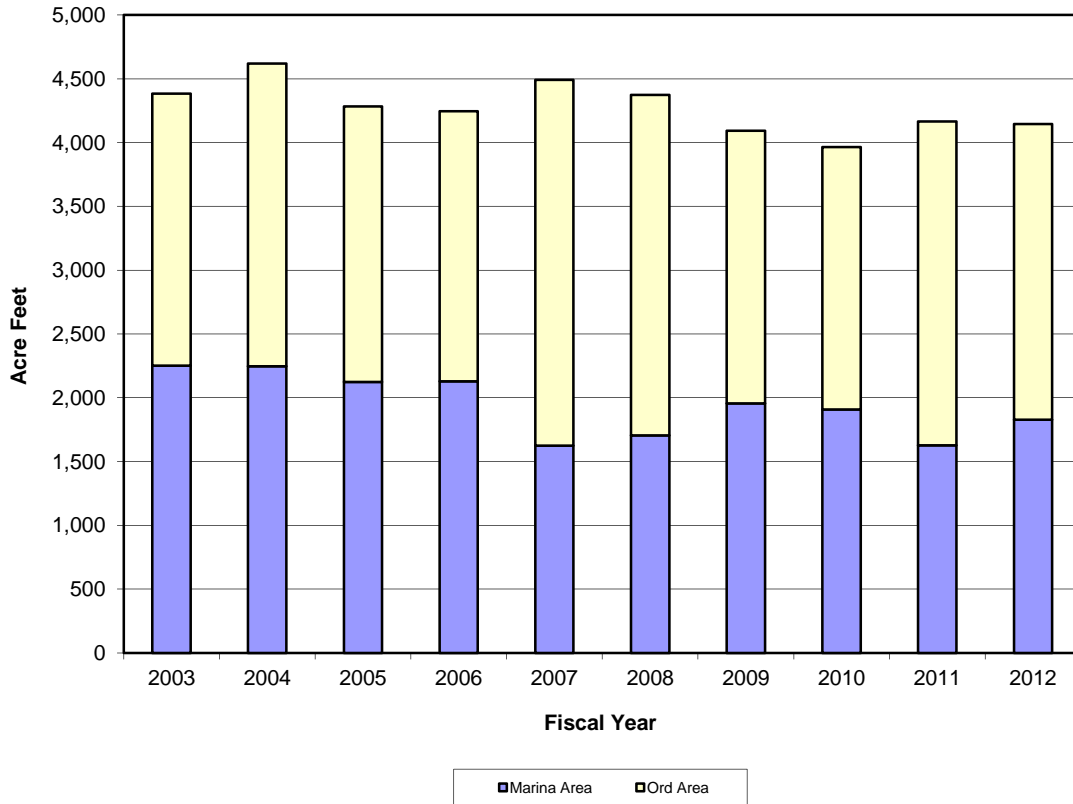
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating expenses:										
Administrative	\$ 1,719,838	\$ 1,452,921	\$ 2,028,428	\$ 1,563,799	\$ 1,825,843	\$ 2,274,611	\$ 2,129,232	\$ 2,129,012	\$ 2,682,047	\$ 2,181,147
Operations & maintenance	1,949,945	2,150,666	1,999,061	2,088,928	2,272,393	2,158,993	2,216,202	2,709,949	3,001,131	2,722,037
Laboratory	242,402	274,717	305,346	296,526	278,641	295,452	312,140	325,299	324,244	216,448
Conservation	103,385	131,098	192,956	183,875	201,110	255,024	264,490	297,283	318,589	214,378
Engineering	485,095	779,466	777,570	1,401,603	1,664,900	1,376,436	1,024,390	908,265	869,790	969,643
Depreciation	1,274,035	1,361,020	1,622,383	1,945,339	2,479,348	3,082,972	3,435,564	3,891,984	3,699,555	3,029,324
Total operating expenses	5,774,700	6,149,888	6,925,744	7,480,070	8,722,235	9,443,488	9,382,017	10,261,792	10,895,356	9,332,977
Nonoperating expenses										
Interest expense	205,267	221,468	308,012	413,875	496,275	1,314,153	1,505,137	1,727,610	2,069,622	2,281,489
Bond issuance costs	-	-	-	-	-	30,097	30,120	30,121	39,167	50,211
Total nonoperating expenses	205,267	221,468	308,012	413,875	496,275	1,344,250	1,535,257	1,757,731	2,108,789	2,331,700
Total expenses	\$ 5,979,967	\$ 6,371,356	\$ 7,233,756	\$ 7,893,945	\$ 9,218,510	\$ 10,787,738	\$ 10,917,274	\$ 12,019,523	\$ 13,004,145	\$ 11,664,677



Source: Marina Coast Water District, Audited Financial Statements

MARINA COAST WATER DISTRICT
Water Production by Service Area
Last Ten Fiscal Years
Schedule 4

Fiscal Year	Marina Area	Ord Area	Water Production (acre feet)
2003	2,253	2,130	4,383
2004	2,246	2,373	4,619
2005	2,124	2,161	4,285
2006	2,130	2,117	4,247
2007	1,624	2,868	4,492
2008	1,705	2,669	4,374
2009	1,957	2,137	4,094
2010	1,908	2,058	3,966
2011	1,626	2,540	4,167
2012	1,827	2,318	4,145



Note: See Schedule 2 "Operating Revenue by Source" for information regarding water revenues.

Source: Marina Coast Water District's Finance Department

MARINA COAST WATER DISTRICT
Rates, Fees & Charges
Last Ten Fiscal Years
Schedule 5

Marina Service Area Water Consumption Rates (hcf)

Description	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
0-8 hcf	\$ 2.18	\$ 2.08	\$ 1.93	\$ 1.79	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.00	\$ -	\$ -
9-16 hcf	2.66	2.53	2.35	2.18	2.39	2.39	2.39	1.69		
16+ hcf	4.85	4.62	4.29	3.98	3.08	3.08	3.08	2.38		
0-12 hcf					\$ 1.79	\$ 1.79	\$ 1.72	\$ 1.64	\$ 1.55	\$ 1.45
13+ hcf					2.80	2.80	2.69	2.56	2.42	2.26

Marina Service Area Water & Sewer Service Charges (monthly)

Meter Size	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
5/8" - 3/4"	\$ 17.95	\$ 17.11	\$ 15.87	\$ 14.72	\$ 14.18	\$ 14.18	\$ 13.63	\$ 12.98	\$ 12.25	\$ 11.45
1"	44.85	42.75	39.66	36.79	35.44	35.44	34.08	32.45	30.63	28.62
1 1/2"	89.70	85.51	79.32	73.58	70.88	70.88	68.15	64.90	61.25	57.24
2"	143.50	136.80	126.90	117.72	113.40	113.40	109.04	103.84	98.00	91.58
3"	269.07	256.50	237.94	220.73	212.63	212.63	204.45	194.70	183.75	171.72
4"	448.45	427.50	396.57	367.88	354.38	354.38	340.75	324.50	306.25	286.20
6"	896.90	855.00	793.14	735.75	708.76	708.76	681.50	649.00	612.50	572.40
8"	1,793.80	1,710.01	1,586.28	1,471.50	1,417.52	1,417.52	1,363.00	1,298.00	1,225.00	1,144.80
Sewer (EDU)	8.71	8.30	7.70	7.14	6.88	6.88	6.62	6.30	5.95	5.56

Ord Service Area Water Consumption Rates (hcf)

Description	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
0-8 hcf	\$ 2.33	\$ 2.22	\$ 2.06	\$ 1.87	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.00	\$ -	\$ -
9-16 hcf	3.27	3.12	2.89	2.63	2.39	2.39	2.39	1.69		
16+ hcf	4.22	4.02	3.73	3.39	3.08	3.08	3.08	2.38		
0-12 hcf									1.00	0.83
13+ hcf									1.69	1.03
Flat Rate	84.34	80.40	74.58	67.76	52.10	52.10	52.10	52.10	47.50	43.00
CS ¹ - Water	20.00	20.00	20.00	20.00	20.00	20.00	20.00			
CCC ² - Water								0.70	0.70	0.80

Ord Service Area Water & Sewer Service Charges (monthly)

Description	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
5/8" - 3/4"	\$ 17.11	\$ 16.31	\$ 15.13	\$ 13.75	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50
1"	42.76	40.76	37.81	34.38	31.25	31.25	31.25	31.25	31.25	31.25
1 1/2"	85.49	81.50	75.60	68.73	62.50	62.50	62.50	62.50	62.50	62.50
2"	136.78	130.39	120.96	109.96	100.00	100.00	100.00	100.00	100.00	100.00
3"	256.47	244.49	226.80	206.18	187.50	187.50	187.50	187.50	187.50	187.50
4"	427.45	407.48	378.00	343.63	312.50	312.50	312.50	312.50	312.50	312.50
6"	854.89	814.96	755.99	687.27	625.00	625.00	625.00	625.00	625.00	625.00
8"	1,709.79	1,629.93	1,511.99	1,374.53	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00
Sewer (EDU)	25.56	24.36	22.60	20.97	20.20	20.20	20.20	12.90	11.00	11.00
CS ¹ - Sewer	5.00	5.00	5.00	5.00	5.00	5.00	5.00			
CCC ² - Sewer								7.30	6.00	6.00

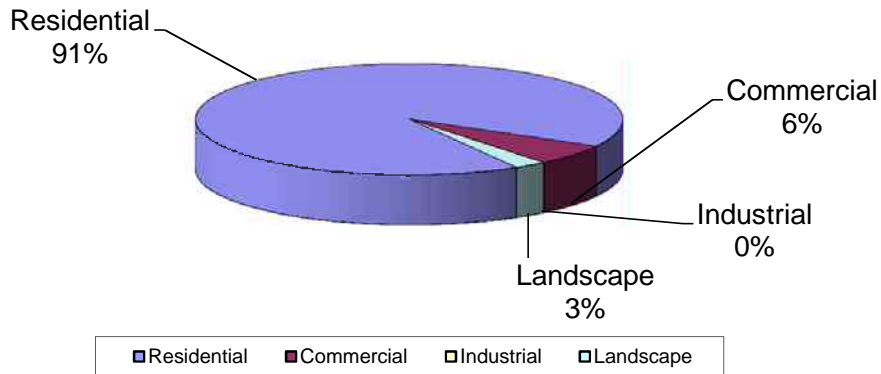
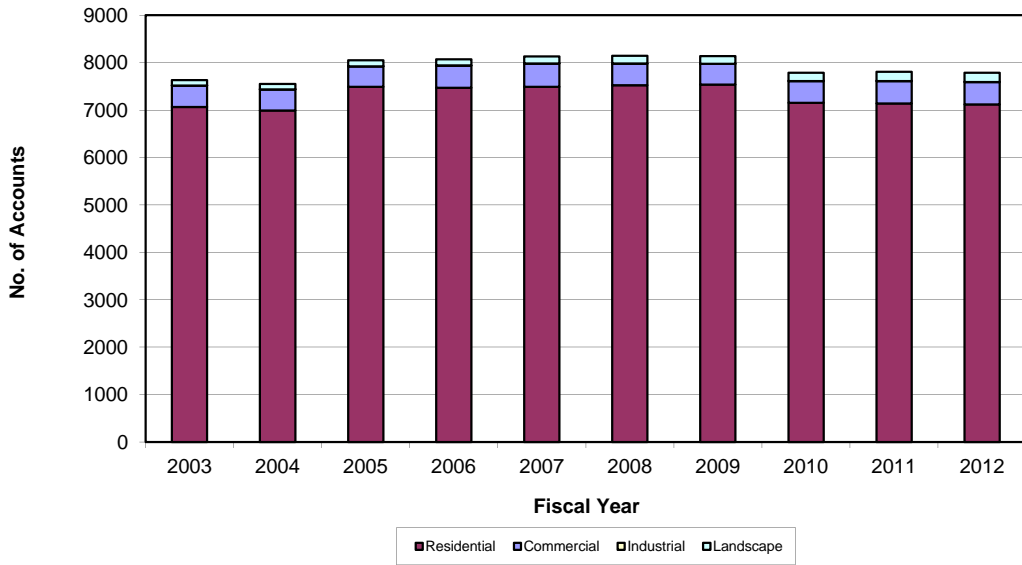
Note: (1) CS = Monthly Capital Surcharge for new EDU's.

(2) CCC = Capital Component Charge (per hcf) in lieu of Capacity Charge

Source: Marina Coast Water District's Finance Department

MARINA COAST WATER DISTRICT
Water Accounts by Type of Customer
Last Ten Fiscal Years
Schedule 6

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Water customer accounts										
Residential	7,064	6,987	7,488	7,472	7,492	7,523	7,536	7,152	7,142	7,116
Commercial	452	447	431	466	488	454	438	458	467	474
Industrial	3	3	3	3	3	3	3	3	3	3
Landscape	114	113	126	130	151	163	162	174	197	191
Total water accounts	7,633	7,550	8,048	8,071	8,134	8,143	8,139	7,787	7,809	7,784



Source: Marina Coast Water District's Finance Department

MARINA COAST WATER DISTRICT
Principal Water Users
Current Fiscal Year and Ten Years Ago
Schedule 7

Customer	2003		2012	
	Water Usage (acre feet)	Percentage of Water Sold	Water Usage (acre feet)	Percentage of Water Sold
CSU Monterey Bay	511	13.73%	622	15.34%
Monterey Bay Military Housing	396	10.63%	435	10.72%
Bay View Mobile Home Park	95	2.55%	244	6.03%
Sun Bay Apartments	75	2.02%	158	3.90%
MPUSD - Seaside High School	58	1.57%	87	2.14%
City of Marina	56	1.50%	70	1.72%
United States Army	51	1.38%	63	1.54%
Alliance Residential Company	35	0.93%	55	1.35%
Fort Ord Reuse Authority	32	0.87%	54	1.33%
Cypress Sands Apartments	32	0.85%	46	1.14%
Total Principal Water Users	1,342	36.04%	1,833	45.21%
Total All Users	3724	100.00%	4055	100.00%

Source: Marina Coast Water District's Finance Department

MARINA COAST WATER DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Schedule 8

Fiscal Year	Loans Payable	Notes Payable	Bonds Payable	Capital Leases	Debt	Personal Income (1)	As a Percent of Personal Income
2003	1,303,312	3,102,379	274,816	-	4,680,507	13,380,948	0.03%
2004	2,758,203	2,890,139	141,568	-	5,789,910	14,096,150	0.04%
2005	5,158,364	2,666,401	-	-	7,824,765	14,771,776	0.05%
2006	6,443,597	2,430,148	-	-	8,873,745	15,667,000	0.06%
2007	749,933	-	42,035,000	-	42,784,933	15,586,498	0.27%
2008	673,854	-	41,335,000	138,221	42,147,075	17,205,000	0.24%
2009	592,529	-	40,610,000	110,356	41,312,885	17,381,644	0.24%
2010	7,963,663	-	39,785,000	166,020	47,914,683	17,574,000	0.27%
2011	490,971	-	46,615,000	98,039	47,204,010	17,355,940	0.27%
2012	49,520	-	45,080,000	26,407	45,155,927	17,355,940 *	0.26%

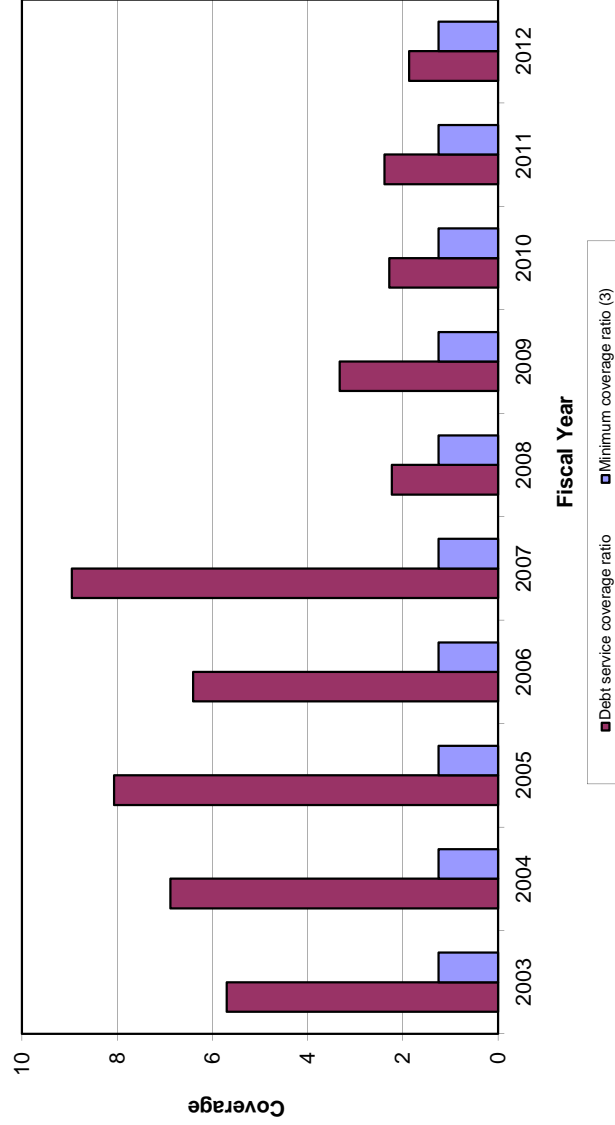
(1) U.S Department of Commerce, Bureau of Economic Analysis, in Thousands

* Data not available for 2012

Source: Marina Coast Water District, Audited Financial Statements

MARINA COAST WATER DISTRICT
Debt Service Coverage
Last Ten Fiscal Years
Schedule 9

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt service coverage										
Gross revenues (1)	7,533,224	8,121,667	8,960,800	9,714,888	12,721,270	11,025,749	13,721,920	12,400,469	16,331,741	14,199,160
Operating expenses (2)	(4,500,665)	(4,788,868)	(5,303,361)	(5,534,731)	(6,242,887)	(6,360,516)	(5,946,453)	(6,369,808)	(7,195,801)	(6,303,653)
Net available revenues	3,032,559	3,332,799	3,657,439	4,180,157	6,478,383	4,665,233	7,775,467	6,030,661	9,135,940	7,895,507
Debt service										
Principal	326,583	277,855	293,449	303,261	542,669	776,079	834,190	911,764	1,757,615	1,948,155
Interest	205,267	206,354	159,871	349,733	181,277	1,314,153	1,505,137	1,727,610	2,069,622	2,281,489
	531,850	484,209	453,320	652,994	723,946	2,090,232	2,339,327	2,639,374	3,827,237	4,229,644
Debt service coverage ratio	5.70	6.88	8.07	6.40	8.95	2.23	3.32	2.28	2.39	1.87
Minimum coverage ratio (3)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25



Notes:

- (1) Gross revenues includes all operating revenue, interest income, other non-operating revenue and connection fees.
- (2) Operating expenses exclude depreciation and amortization.
- (3) Minimum coverage ratio requirement per debt covenants.

MARINA COAST WATER DISTRICT
Demographic and Economic Statistics - Monterey County
Last Ten Years
Schedule 10

Calendar Year Ended December 31	Population (1)	Personal Income (2)	Per Capita Income (3)	Median Age (4)	Unemployment Rate (5)
2002	518,237	12,676,027	30,800	31.0	9.0%
2003	422,389	13,455,580	32,469	32.7	9.0%
2004	423,754	14,074,798	33,952	34.5	8.4%
2005	424,482	14,519,770	34,172	36.1	7.3%
2006	410,206	15,667,000	38,193	31.9	5.7%
2007	407,637	15,586,498	38,373	32.1	6.6%
2008	408,238	17,205,000	42,144	32.2	8.5%
2009	410,370	17,381,644	42,356	32.4	12.0%
2010	415,057	17,574,000	42,176	32.8	12.8%
2011	**	**	**	**	**

Source: Monterey County CAFR Report (Fiscal Year Ended June 30, 2011)

** Data not available at time of print.

**MARINA COAST WATER DISTRICT
Principal Employers - City of Marina
2009 Business Analysis
Schedule 11**

Employer	2009		
	Employees	Rank	Percentage of Total City Employment
Walmart	200	1	4.29%
Monterey Regional Waste Management	135	2	2.89%
Sunset Pacific	130	3	2.79%
Monterey Peninsula Engineering	120	4	2.57%
Marina City Senior Citizen Center	100	5	2.14%
Marina City Hall	100	6	2.14%
Marina City Council Secretary	100	7	2.14%
City of Marina	100	8	2.14%
Save Mart	75	9	1.61%
Monterey Regional Water Pollution Control Agency	65	10	1.39%
Total	1125		24.12%
Total Employees working in Marina	4665		

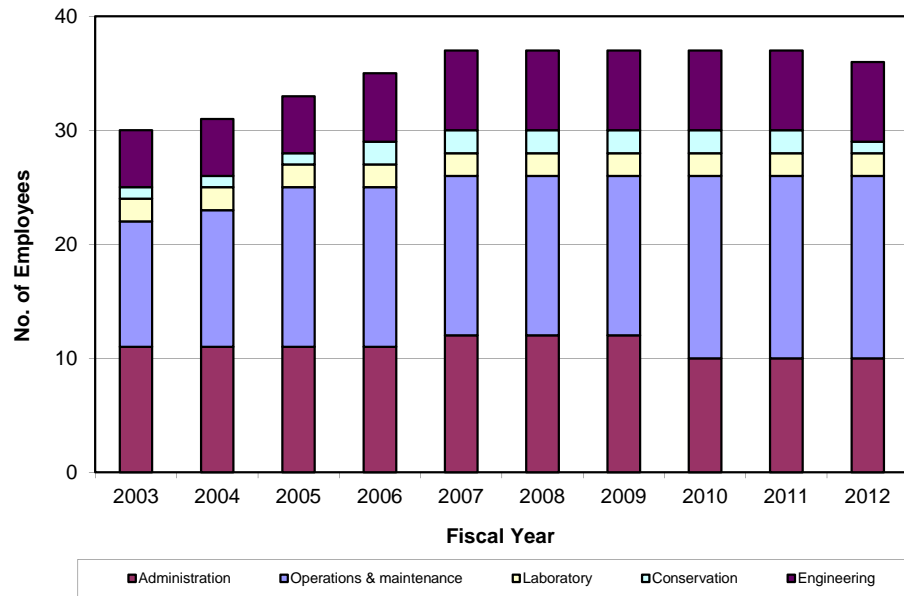
Note: Total employees does not account for double-counting due to employees holding multiple jobs

** Data not available for 2010 and 2011*

Source: The Association of Monterey Bay Area Governments

MARINA COAST WATER DISTRICT
Personnel Trends by Department
Last Ten Fiscal Years
Schedule 12

Employees by department	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administration	11	11	11	11	12	12	12	10	10	10
Operations & maintenance	11	12	14	14	14	14	14	16	16	16
Laboratory	2	2	2	2	2	2	2	2	2	2
Conservation	1	1	1	2	2	2	2	2	2	1
Engineering	5	5	5	6	7	7	7	7	7	7
Total Employees	30	31	33	35	37	37	37	37	37	36



MARINA COAST WATER DISTRICT
Operating and Capacity Indicators
Last Ten Fiscal Years
Schedule 13

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Facilities										
Distribution pipeline (miles)	212	212	212	212	280	284	320	320	320	320
Storage capacity (mg)(1)	12	12	12	12	12	12	12	11	11	11
System capacity (mgd)(2)	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6
Water produced										
Water produced - Marina (mg)(1)	734	732	692	694	529	556	638	622	530	595
Average per day (mgd)(2)	2.0	2.0	1.9	1.9	1.4	1.5	1.7	1.7	1.5	1.6
Water produced - Ord (mg)(1)	694	773	704	690	935	870	696	671	828	755
Average per day (mgd)(2)	1.9	2.1	1.9	1.9	2.6	2.4	1.9	1.8	2.3	2.1
Total water produced (mg)(1)	1,428	1,505	1,396	1,384	1,464	1,425	1,334	1,292	1,357	1,351
Average per day (mgd)(2)	3.9	4.1	3.8	3.8	4.0	3.9	3.7	3.5	3.7	3.7

(1) mg = million gallons

(2) mgd = million gallons per day

Source: Marina Coast Water District's Finance Department