

Marina Coast Water District

Marina, California

Comprehensive Annual Financial Report

For The Fiscal Year Ended

June 30, 2011



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

March 8, 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, 2011. 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 R. J. Ricciardi, Inc., 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) and the Regional Desalination Project, 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.

Major Initiatives

The District completed a five year rate study and financial plan in 2007. 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 August 13, 2010, the District increased its water and sewer rates for fiscal year 2010/2011 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 R. J. Ricciardi, Inc., 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, 2010. This was the third 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,

(Not available at time of print)

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, 2010

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.



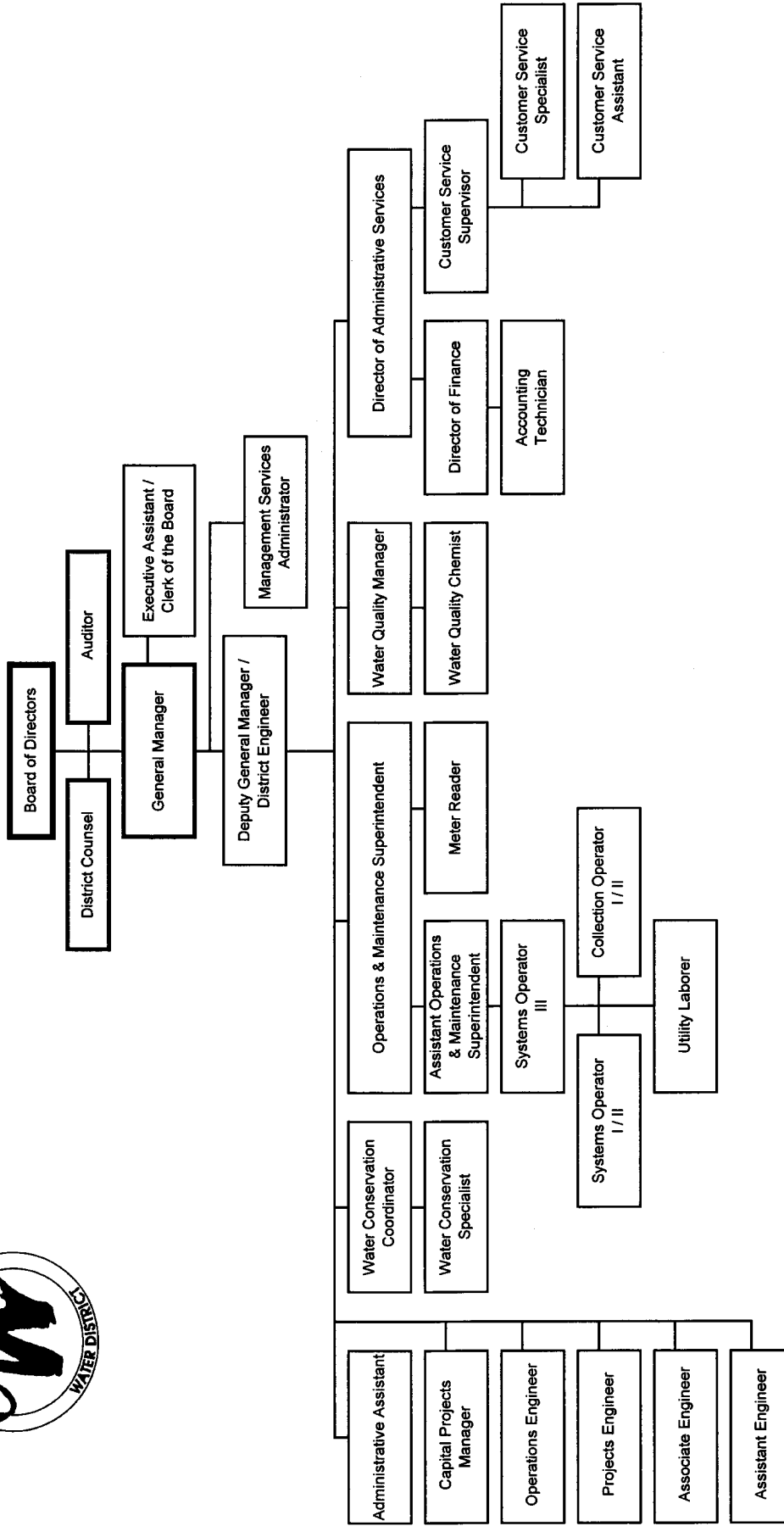
Linda C. Davison


President

Jeffrey R. Emmer

Executive Director

MARINA COAST WATER DISTRICT
06/30/2011




Jim Heitzman, General Manager

Marina Coast Water District

Directory

Board of Directors

June 30, 2011

Bill Lee	President
Dan Burns	Vice-President
Kenneth K. Nishi	Director
Howard Gustafson	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
Evelina Adlawan	Water Quality Manager
James Derbin	Interim Operations & Maintenance Superintendent
Richard Youngblood	Conservation Coordinator

FINANCIAL SECTION

Final Draft will be provided at the March 13th Board Meeting.
Not available at time of print.

DRAFT

3/8/2012

To be used only for management discussion purposes; engagement is incomplete; this draft is subject to final review and possible revision.

INDEPENDENT AUDITORS' REPORT

Board of Directors
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 as of June 30, 2011 and for the fiscal year then ended, as listed in the table of contents. These financial statements are the responsibility of Marina Coast Water District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. 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 Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the business-type activities and each major fund of Marina Coast Water District as of June 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Management's Discussion and Analysis is supplementary information required by the Governmental Accounting Standards Board, but is not part of the financial statements. We have applied certain limited procedures to this information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2012, on our consideration of Marina Coast Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marina Coast Water District's financial statements. The accompanying introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

R. J Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
March 8, 2012

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2011

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, 2011. 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 Other Required Supplementary Information.

Required Financial Statements

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are 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 Statements 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 to a full understanding of the data provided in the basic financial statements.

Other 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 defined benefit pension plan funding progress.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2011

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 2010-2011

- At June 30, 2011, the District's total assets exceeded the total liabilities by \$130.1 million (net assets), which is an increase of \$3.3 million or 2.6% over the 2010 fiscal year end balance.
- Current assets decreased \$1.9 million or 8.4%, which is primarily the result of a decrease in the District's cash and cash equivalents.
- Noncurrent assets, other than capital assets, increased by \$1.8 million or 19.8%, which is primarily the result of an increase in restricted funds.
- Operating revenues increased by \$0.9 million or 7.1% over prior year. Most of the increase was related to water sales to the City of Seaside per the Land Transfer and Water Service Agreement.
- Nonoperating revenues decreased by \$0.3 million or 57.1% from prior year. The decrease resulted primarily from interest income due to no rebate arbitrage earnings in the current year and a reduction in interest rates.
- Operating expenses increased by \$0.6 million or 5.8% over prior year. The increase was primarily due to an increase in operations & maintenance and administrative costs.
- Nonoperating expenses increased by \$0.4 million, or 16.6% over prior year primarily due to the 2010 revenue bond interest costs and the Imjin Office Park interest expense.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2011

Net Assets

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

Net Assets				
June 30				
	2011	2010	Change	Change
Assets:				
Current assets	\$ 20,351,592	\$ 22,208,479	\$ (1,856,887)	-8.4%
Noncurrent assets	11,071,706	9,243,686	1,828,020	19.8%
Capital assets, net	158,836,607	151,637,810	7,198,797	4.7%
Total assets	190,259,905	183,089,975	7,169,930	3.9%
Liabilities:				
Current liabilities	11,797,660	8,192,713	3,604,947	44.0%
Non-current liabilities	48,403,675	48,166,287	237,388	0.5%
Total liabilities	60,201,335	56,359,000	3,842,335	6.8%
Net Assets:				
Net assets invested in capital assets, net of related debt	113,545,277	115,269,154	(1,723,877)	-1.5%
Restricted	3,933,757	3,084,250	849,507	27.5%
Unrestricted	12,579,537	8,377,571	4,201,966	50.2%
Total net assets	\$ 130,058,571	\$ 126,730,975	\$ 3,327,596	2.6%

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 \$130.1 million and \$126.7 million as of June 30, 2011 and 2010, respectively.

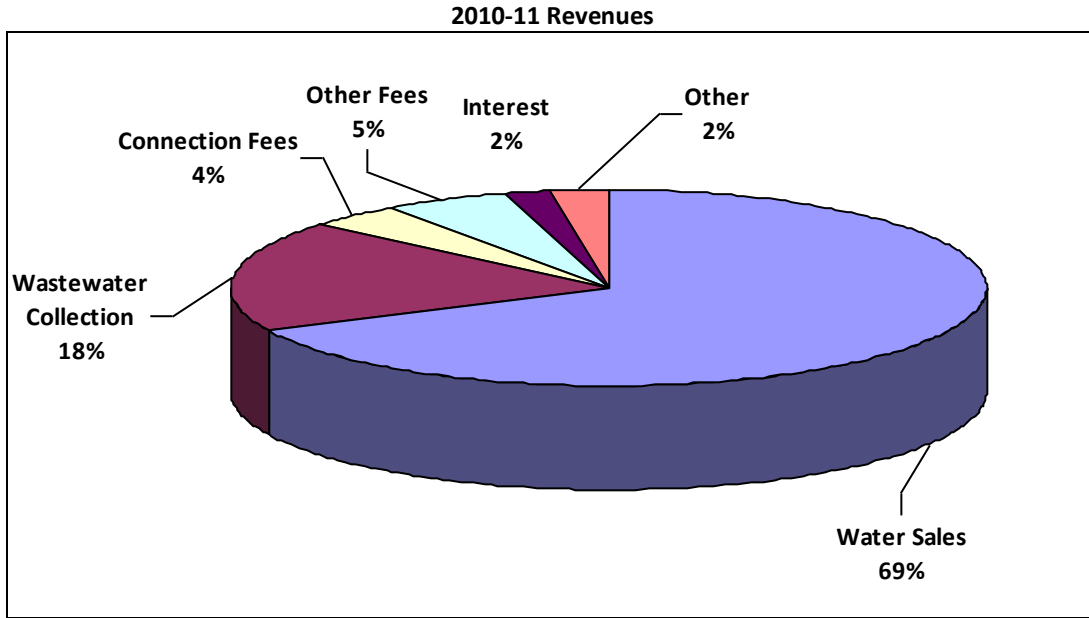
One of the largest portions of the District's assets (87% and 91% as of June 30, 2011 and 2010, respectively) reflects the District's investment in capital assets (net of related debt). The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2011 and 2010, the District showed a positive balance in its unrestricted net assets of \$12.6 million and \$8.4 million, respectively.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2011

Revenue and Expenses

The District finances its water sales and wastewater collection operations through user fees, and other income. Total revenue for fiscal year 2010-11 was \$12.9 million, up \$0.5 million from prior year. The 2010-11 revenue from water sales was higher than prior year due to water sales to the City of Seaside per the Land Transfer and Water Service Agreement.

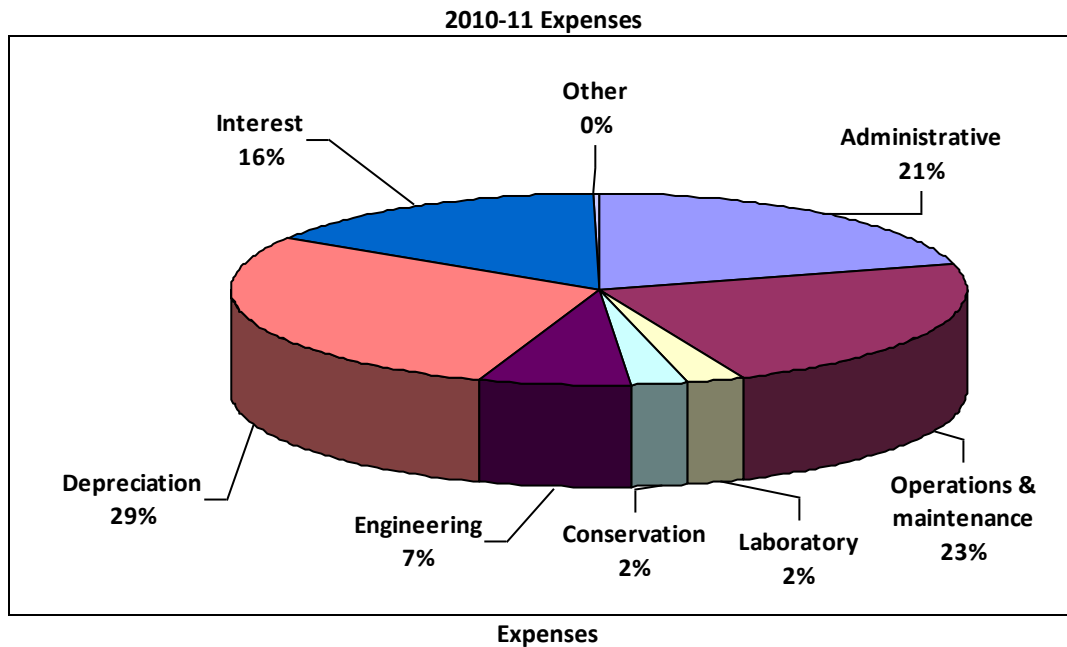


	June 30		Change	Change
	2011	2010		
<u>Operating revenues:</u>				
Water sales	\$ 8,750,650	\$ 7,501,854	\$ 1,248,796	14.3%
Wastewater collection	2,354,013	2,161,443	192,570	8.2%
Capacity & connections fees	544,407	828,777	(284,370)	-52.2%
Other services & fees	670,326	951,185	(280,859)	-41.9%
Total operating revenues	<u>12,319,396</u>	<u>11,443,259</u>	<u>876,137</u>	7.1%
<u>Nonoperating revenues:</u>				
Interest earned	273,267	613,936	(340,669)	-124.7%
Other	314,991	310,031	4,960	1.6%
Total nonoperating revenues	<u>588,258</u>	<u>923,967</u>	<u>(335,709)</u>	-57.1%
Total revenues	<u>\$ 12,907,654</u>	<u>\$ 12,367,226</u>	<u>\$ 540,428</u>	4.2%

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2011

Revenue and Expenses (continued)

Total expenses for the fiscal year 2010-11 were \$13.0 million, up \$1.0 million or 7.6% from prior year. Operating expenses was up \$0.6 million from prior year. The largest increases were \$0.3 million in operations & maintenance and \$0.6 million in administrative costs. These are offset by a decrease of \$0.2 million in depreciation expenses. Nonoperating expenses were up \$0.4 million or 16.6% due to additional interest expense on the 2010 subordinate enterprise revenue refunding bond costs and the Imjin Office Park interest expense.



	June 30		Change	Change
	2011	2010		
Operating expenses:				
Administrative	\$ 2,682,047	\$ 2,129,012	\$ 553,035	20.6%
Operations & maintenance	3,001,131	2,709,949	291,182	9.7%
Laboratory	324,244	325,299	(1,055)	-0.3%
Conservation	318,589	297,283	21,306	6.7%
Engineering	869,790	908,265	(38,475)	-4.4%
Depreciation and amortization	3,699,555	3,891,984	(192,429)	-5.2%
Total operating expenses	10,895,356	10,261,792	633,564	5.8%
Nonoperating expenses:				
Interest expense	2,069,622	1,727,610	342,012	16.5%
Other	39,167	30,121	9,046	23.1%
Total nonoperating expenses	2,108,789	1,757,731	351,058	16.6%
Total expenses	\$ 13,004,145	\$ 12,019,523	\$ 984,622	7.6%

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2011

Revenue and Expenses (concluded)

The Statement of Revenues, Expenses and Changes in Net Assets on page 12 show how the District's net assets changed during the fiscal year. Net assets increased by \$3.3 million and \$0.4 million for the fiscal years ended June 30, 2011 and 2010, respectively.

	Changes in Net Assets			
	June 30		Change	Change
	2011	2010		
Beginning net assets	\$ 126,730,975	\$ 126,350,029	\$ 380,946	0.3%
Income before contributions	2,544,270	347,703	2,196,567	86.3%
Capital contributions	783,326	33,243	750,083	95.8%
Change in net assets	3,327,596	380,946	2,946,650	88.6%
Ending net assets	\$ 130,058,571	\$ 126,730,975	\$ 3,327,596	2.6%

Capital Assets

At the end of fiscal years 2011 and 2010, the District's investment in capital assets amounted to \$158.9 million and \$151.6 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 2011 were as follows:

	Capital Assets			
	June 30		Change	Change
	2011	2010		
Capital assets:				
Non-depreciable assets	\$ 122,619,504	\$ 111,994,014	\$ 10,625,490	9.5%
Depreciable assets	70,228,987	69,956,126	272,861	0.4%
Less accumulated depreciation	(34,011,885)	(30,312,330)	(3,699,555)	12.2%
Total capital assets, net	\$ 158,836,606	\$ 151,637,810	\$ 7,198,796	4.7%

Additional information on the District's capital assets is provided in Note 3 on page 24 of the financial statements.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2011

Debt Administration

As of June 30, 2011, the District had \$49.6 million in outstanding debt compared to \$49.3 million as of June 30, 2010. 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 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, 2011, \$1.0 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
	2011	2010		
Long-term debt:				
Loans payable	\$ 1,474,458	\$ 7,963,663	\$ (6,489,205)	-81.5%
Bonds payable	46,615,000	39,785,000	6,830,000	17.2%
Capital lease	98,039	166,020	(67,981)	-40.9%
Compensated absences	246,756	313,857	(67,101)	-21.4%
Other noncurrent liability	216,690	104,154	112,536	108.0%
Unamortized premiums, net	1,016,905	951,238	65,667	6.9%
	<u>\$ 49,667,848</u>	<u>\$ 49,283,932</u>	<u>\$ 383,916</u>	0.8%

Additional information on the District's long-term debt is provided in Note 5 on page 25 of the financial statements.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2011

Economic Factors and Next Year's Budget and Rates

The Board of Directors adopted the District's 2011-2012 Marina and the Ord Community budgets and rates on June 14, 2011 and September 16, 2011, respectively. The approval of the budget provides funding for the District's operating, capital and debt service costs for the 2011-2012 fiscal year. The District's water and wastewater rates are reviewed by staff on an annual basis. For fiscal year 2011-2012, the District approved a 4.9% rate increase for Marina and Ord Community 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 Finance, 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, 2011

	Marina		Marina		Ord		Sewer Fund		New		Regional		Totals
	Water Fund	Sewer Fund	Water Fund	Sewer Fund	Water Fund	Sewer Fund	Water Fund	Sewer Fund	Water Fund	Sewer Fund	Project	Project	
ASSETS													
Current assets:													
Cash and cash equivalents	\$ 7,306,607	\$ 2,037,975	\$ 2,615,652	\$ 3,072,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,032,304
Accounts receivable, net	180,105	35,755	491,820	205,220	-	-	-	-	-	-	-	-	912,900
Interest receivable	9,187	2,580	12,500	6,418	1,100	-	-	-	1,100	-	-	-	31,785
Due from other funds	-	-	3,568,950	382	-	-	-	-	-	-	-	-	3,569,332
Other receivable	-	-	659,978	-	-	-	-	-	-	-	-	-	659,978
Inventories	71,267	-	-	-	-	-	-	-	-	-	-	-	71,267
Deposits	2,295	507	3,166	886	-	-	-	-	-	-	-	-	6,854
Prepaid items	17,954	3,512	28,306	17,391	9	-	-	-	9	-	-	-	67,172
Total current assets	7,587,415	2,080,329	7,380,372	3,302,367	1,109	-	-	-	1,109	-	-	-	20,351,592
Noncurrent assets:													
Restricted cash and cash equivalents	2,633,405	884,876	3,865,902	2,072,098	204,725	-	-	-	204,725	-	-	-	9,661,006
Other receivable, net	2,666	-	102	8,510	-	-	-	-	-	-	-	-	11,278
Unamortized bond issuance costs	155,888	53,271	487,572	182,411	46,555	-	-	-	46,555	-	-	-	925,697
Advances to other funds	473,725	-	-	-	-	-	-	-	-	-	-	-	473,725
Capital assets, net	10,190,293	4,539,256	96,960,194	32,956,288	5,970,914	-	-	-	5,970,914	-	-	-	158,836,607
Total noncurrent assets	13,455,977	5,477,403	101,313,770	35,219,307	6,222,194	-	-	-	6,222,194	-	-	-	169,908,313
Total assets	21,043,392	7,557,732	108,694,142	38,521,674	6,223,303	-	-	-	6,223,303	-	-	-	190,259,905

continued

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Totals
LIABILITIES							
Current liabilities:							
Accounts payable	108,817	2,029	1,371,362	14,358	21,192	1,367,546	2,885,304
Accrued expenses	35,905	11,271	149,292	49,153	-	-	245,621
Interest payable	16,653	8,104	78,111	33,796	20,532	-	157,196
Compensated absences - current	12,719	1,034	19,964	1,772	-	-	35,489
Capital lease - current	10,779	13,643	18,324	25,913	-	-	68,659
Loans payable - current	35,550	6,912	41,475	14,813	-	-	98,750
Revenue bonds payable - current	565,600	91,600	612,500	265,300	-	-	1,535,000
Due to other funds	-	-	382	-	2,163,981	1,404,969	3,569,332
Customer deposits payable	100,014	-	102,295	-	-	3,000,000	3,202,309
Total current liabilities	886,037	134,593	2,393,705	405,105	2,205,705	5,772,515	11,797,660
Noncurrent liabilities:							
Compensated absences	67,313	12,034	111,287	20,633	-	-	211,267
Capital lease, net	1,978	7,113	5,406	14,883	-	-	29,380
Loans payable, net	454,562	115,251	630,108	175,787	-	-	1,375,708
Revenue bonds payable, net	5,788,269	2,584,590	22,199,918	7,325,306	8,198,822	-	46,096,905
Advances from other funds	-	-	299,343	174,382	-	-	473,725
Other noncurrent liability	65,326	23,060	101,311	26,993	-	-	216,690
Total noncurrent liabilities	6,377,448	2,742,048	23,347,373	7,737,984	8,198,822	-	48,403,675
Total liabilities	7,263,485	2,876,641	25,741,078	8,143,089	10,404,527	5,772,515	60,201,335
NET ASSETS							
Invested in capital assets, net of related debt	4,837,910	2,292,474	74,147,776	26,275,363	(2,227,908)	8,219,662	113,545,277
Restricted for debt service	645,932	225,404	2,089,673	768,022	204,726	-	3,933,757
Unrestricted	8,296,065	2,163,213	6,715,615	3,335,200	(2,158,041)	(5,772,515)	12,579,537
Total net assets	13,779,907	4,681,091	82,953,064	30,378,585	(4,181,223)	2,447,147	130,058,571

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, 2011

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Totals
Operating revenues:							
Water services	\$ 3,566,051	\$ -	\$ 5,184,599	\$ -	\$ -	\$ -	\$ 8,750,650
Wastewater services	-	717,356	-	1,636,657	-	-	2,354,013
Capacity and connection fees	118,219	34,457	351,099	40,632	-	-	544,407
Other services and fees	88,486	6,492	518,376	35,121	21,780	71	670,326
Total operating revenues	3,772,756	758,305	6,054,074	1,712,410	21,780	71	12,319,396
Operating expenses:							
Administrative	994,405	148,640	1,280,705	258,212	85	-	2,682,047
Operations and maintenance	960,508	317,834	1,380,200	342,589	-	-	3,001,131
Laboratory	142,190	-	182,054	-	-	-	324,244
Conservation	147,540	-	171,049	-	-	-	318,589
Engineering	190,380	160,568	216,981	170,632	131,229	-	869,790
Depreciation and amortization	678,802	226,196	1,268,719	430,904	1,094,934	-	3,699,555
Total operating expenses	3,113,825	853,238	4,499,708	1,202,337	1,226,248	-	10,895,356
Operating income (loss)	658,931	(94,933)	1,554,366	510,073	(1,204,468)	71	1,424,040
Nonoperating revenues (expenses):							
Other nonoperating revenue	-	-	-	-	471,485	2,442,543	2,914,028
Interest earned	80,983	19,003	101,571	52,998	14,179	4,533	273,267
Interest expense	(279,507)	(121,467)	(1,090,959)	(331,320)	(246,369)	-	(2,069,622)
Bond premium (discount)	4,965	2,330	22,567	8,561	3,301	-	41,724
Bond issuance costs	(6,854)	(2,308)	(20,571)	(7,584)	(1,850)	-	(39,167)
Total nonoperating revenue (expenses)	(200,413)	(102,442)	(987,392)	(277,345)	240,746	2,447,076	1,120,230
Income before contributions and transfers	458,518	(197,375)	566,974	232,728	(963,722)	2,447,147	2,544,270
Capital contributions - proceeds from grants	-	-	783,326	-	-	-	783,326
Change in net assets	458,518	(197,375)	1,350,300	232,728	(963,722)	2,447,147	3,327,596
Total net assets - beginning	13,321,389	4,878,466	81,602,764	30,145,857	(3,217,501)	-	126,730,975
Total net assets - ending	13,779,907	4,681,091	82,953,064	30,378,585	(4,181,223)	2,447,147	130,058,571

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, 2011

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Totals
CASH FLOWS PROVIDED BY (USED FOR)							
OPERATING ACTIVITIES							
Receipts from customers and users	3,796,051	749,651	5,978,372	1,681,424	21,780	71	12,227,349
Payments to employees	(1,193,156)	(452,477)	(1,685,816)	(508,846)	(128,036)	-	(3,968,331)
Payments to suppliers	(1,154,216)	(166,073)	(509,336)	(265,284)	(921,173)	4,367,546	1,351,464
Net cash provided (used)	1,448,679	131,101	3,783,220	907,294	(1,027,429)	4,367,617	9,610,482
NONCAPITAL FINANCING ACTIVITIES							
Loan receivable activity	431,266	-	(637,260)	-	-	-	(205,994)
Other nonoperating revenue	-	-	-	-	471,485	2,442,543	2,914,028
Interfund activity	87,252	-	959,225	(32,118)	(2,419,328)	1,404,969	(0)
Net cash provided (used)	518,518	-	321,965	(32,118)	(1,947,843)	3,847,512	2,708,034
CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(1,006,799)	(210,608)	(3,863,082)	(497,919)	2,899,719	(8,219,662)	(10,898,351)
Proceeds from grants	-	-	783,326	-	-	-	783,326
Proceeds from debt issuance	2,666,549	751,993	4,745,530	1,314,415	-	-	9,478,487
Principal paid on capital debt	(2,681,171)	(705,841)	(3,340,737)	(2,678,274)	307,742	-	(9,098,281)
Interest paid on capital debt	(330,119)	(135,723)	(1,180,127)	(356,569)	(246,368)	-	(2,248,906)
Net cash provided (used)	(1,351,540)	(300,179)	(2,855,090)	(2,218,347)	2,961,093	(8,219,662)	(11,983,725)
INVESTING ACTIVITIES							
Interest earnings	83,846	19,695	104,711	54,171	14,179	4,533	281,135
Net cash provided (used)	83,846	19,695	104,711	54,171	14,179	4,533	281,135
Net increase (decrease) in cash and cash equivalents	699,503	(149,383)	1,354,806	(1,289,000)	0	0	615,926
Cash and cash equivalents, beginning of year	9,240,509	3,072,234	5,126,748	6,433,168	204,725	-	24,077,384
Cash and cash equivalents, end of year	9,940,012	2,922,851	6,481,554	5,144,168	204,725	0	24,693,310

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	Totals
Operating income	658,931	(94,933)	1,554,366	510,073	(1,204,468)	71	1,424,040
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation and amortization	678,802	226,196	1,268,719	430,904	1,094,934	-	3,699,555
(Increase) decrease in accounts receivable	23,294	(8,654)	(75,702)	(30,986)	-	-	(92,048)
(Increase) decrease in inventories	(16,282)	-	-	-	-	-	(16,282)
(Increase) decrease in prepaid items	(3,955)	184	(5,536)	(5,089)	-	-	(14,396)
(Increase) decrease in deposits	1,400	-	-	-	-	-	1,400
Increase (decrease) in customer deposits	17,487	-	60,000	-	-	3,000,000	3,077,487
Increase (decrease) in accounts payable	54,853	(4,484)	979,991	(7,676)	(917,894)	1,367,546	1,472,336
Increase (decrease) in accrued expenses	20,934	3,600	(13,440)	1,862	-	-	12,956
Increase (decrease) in compensated absences	(21,145)	(3,176)	(36,758)	(6,022)	-	-	(67,101)
Increase (decrease) in other noncurrent liabilities	34,360	12,368	51,579	14,229	-	-	112,536
Total adjustments	789,748	226,034	2,228,853	397,222	177,040	4,367,546	8,186,443
Net cash provided by operating activities	<u>1,448,679</u>	<u>131,101</u>	<u>3,783,219</u>	<u>907,295</u>	<u>(1,027,428)</u>	<u>4,367,617</u>	<u>9,610,483</u>

RECONCILIATION TO STATEMENT OF NET ASSETS:

Cash and cash equivalents	7,306,607	2,037,975	2,615,652	3,072,070	-	-	15,032,304
Restricted cash and cash equivalents	2,633,405	884,876	3,865,902	2,072,098	204,725	-	9,661,006
Total cash and cash equivalents reported on Statement of Net Assets	<u>9,940,012</u>	<u>2,922,851</u>	<u>6,481,554</u>	<u>5,144,168</u>	<u>204,725</u>	<u>-</u>	<u>24,693,310</u>

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

concluded

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

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 - Significant Accounting Policies
- Note 2 - Cash and Investments
- Note 3 - Capital Assets
- Note 4 - Other Receivables
- Note 5 - Long-Term Debt
- Note 6 - Deferred Charges
- Note 7 - Leases
- Note 8 - Defined Benefit Pension Plan
- Note 9 - Postemployment Benefits
- Note 10 - Risk Management
- Note 11 - Commitments and Contingencies
- Note 12 - Subsequent Events

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

Note 1 - 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.

The District's basic financial statements include the operations of all funds for which the District Board of Directors exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

B. Basis of Presentation

The accompanying financial statements are presented on the basis set forth in Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, No. 36, *Recipient Reporting for Certain Non-exchange Revenues, an Amendment of GASB Statement No. 33*, No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*.

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.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

Note 1 - Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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.

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.

GASB Statements require that the financial statements described below be presented.

Statement of Net Assets

The statement of net assets is designed to display the combined financial position of the District. The District's fund equity is segregated into three categories defined as below:

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

Note 1 - Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

- **Invested in Capital Assets, Net of Related Debt** – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets. These net assets are considered non-expendable.
- **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.

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of activities and statement of revenues, expenses, and changes in net assets are the operating statements for proprietary funds. Revenues are reported by major source. These statements distinguish between operating and non-operating revenues and expenses and present a separate subtotal for operating revenues, operating expenses, and operating income.

C. Basis of Accounting

Proprietary funds are accounted for on a flow of *economic resources measurement focus*, using the *accrual basis* of accounting. Under this method, all assets and liabilities associated with operations are included on the statement of net assets, and revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

The financial statements of the District are prepared in accordance with the United States generally accepted accounting principles (GAAP).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The District has elected not to follow subsequent private-sector guidance.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

Note 1 - Significant Accounting Policies (continued)

D. 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.

E. Cash and Cash Equivalents

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.

F. 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.

G. Receivables

Accounts receivable and other receivables are presented net of allowance for doubtful accounts as of the end of each fiscal year. At June 30, 2011, the allowance for doubtful accounts was \$437,815.

H. Inventory

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

I. Capital Assets

The District's capital assets purchased or constructed are stated at historical cost or estimated historical cost when original cost is not available. 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.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

Note 1 - Significant Accounting Policies (continued)

J. 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. The compensated absences liability is calculated in accordance with GASB Statement No. 16.

K. Bond Issuance Costs

Bond issuance costs and original issue discounts related to the 2006 certificates of participation bond are being amortized to expense using the bonds outstanding method over the life of the debt.

L. Rebate Arbitrage

Rebate arbitrage earnings related to the 2006 certificates of participation are being recorded as a liability. As of June 30, 2011, the District's liability was estimated at \$0. However, should the District have any liability in future, a payment to the United States Treasury is not required until September 29, 2012. The payment made at that time must be no less than 90 percent of the liability at that time.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants (AICPA), 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.

N. Net Assets

GASB Statement No. 34 requires that the difference between assets and liabilities be reported as net assets. Net assets are classified as either invested in capital assets-net of related debt, restricted, or unrestricted.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

Note 1 - Significant Accounting Policies (continued)

N. Net Assets (continued)

Net assets that are invested in capital assets-net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted net assets.

O. Deficit Fund Balances

At June 30, 2011, the New Water fund had a deficit fund balance of \$4,181,223. The New Water fund deficit will be eliminated through future revenues collected from ratepayers of the regional water project.

P. Major Funds

In accordance with GASB Stmt. No. 34, paragraph 76, the District has elected to report all its special revenue funds as major funds because we believe these funds are particularly important to financial statement users.

Q. Effects of New Pronouncements

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

Note 2 - Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 15,032,304
Cash and investments, restricted	<u>9,661,006</u>
Total cash and investments	<u>\$ 24,693,310</u>

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 1,150
Deposits with financial institutions	158,436
Investments	<u>24,533,724</u>
Total cash and investments	<u>\$ 24,693,310</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 separate Guaranteed Investment Contracts (GIC) with MBIA, Inc. and Trinity Funding Company, LLC.

Debt Reserve Fund Contract – This reserve fund held with MBIA, Inc. has to be maintained throughout the 30 year term of the 2006 revenue certificates of participation bond.

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:

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

Note 2 - Cash and Investments (continued)

Disclosures Relating to Interest Rate Risk (continued)

	<u>Fair Value</u>	<u>Maturity Date</u>
State investment pool (LAIF)	\$ 12,828,817	233 days average maturity
Money Market Fund	4,169,670	N/A – due on demand
Debt Reserve Fund (GIC)	3,933,757	324 months to maturity
Certificate of Deposits	<u>3,601,480</u>	6 months to maturity
Total	<u>\$ 24,533,724</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. 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.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

Note 2 - Cash and Investments (concluded)

Custodial Credit Risk (continued)

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, 2011, the District's carrying amount of demand deposits was \$158,436, and the bank account balance was \$925,436. The difference of \$767,000 represented outstanding checks and deposits in transit. Of the total deposit balance, \$100,000 was insured by federal depository insurance and \$825,436 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. As of June 30, 2011, LAIF had approximately \$66.4 billion in investments.

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
June 30, 2011

Note 3 - Capital Assets

Capital assets at June 30, 2011, consists of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable assets:				
Land	\$ 8,727,895	\$ 646	\$ -	\$ 8,728,541
Property easement	24,900,000	-	-	24,900,000
Water/Sewer rights	72,812,500	-	(62,500)	72,750,000
Construction in progress (1)	5,553,619	10,687,344	-	16,240,963
Total non-depreciable assets	<u>111,994,014</u>	<u>10,687,990</u>	<u>(62,500)</u>	<u>122,619,504</u>
Depreciable assets:				
Water/Sewer rights	2,379,410	-	-	2,379,410
Building & Improvements	1,718,727	-	(646)	1,718,081
Equipment	2,778,892	273,507	-	3,052,399
Infrastructure	63,079,097	-	-	63,079,097
Total depreciable assets	<u>69,956,126</u>	<u>273,507</u>	<u>(646)</u>	<u>70,228,987</u>
Less accumulated depreciation:				
Water/Sewer rights	(618,911)	(47,588)	-	(666,499)
Building & Improvements	(607,563)	(98,881)	-	(706,444)
Equipment	(2,008,661)	(240,198)	-	(2,248,859)
Infrastructure	(27,077,195)	(3,312,888)	-	(30,390,083)
Total accumulated depreciation	<u>(30,312,330)</u>	<u>(3,699,555)</u>	<u>-</u>	<u>(34,011,885)</u>
Depreciable assets, net	<u>39,643,796</u>	<u>(3,426,048)</u>	<u>(646)</u>	<u>36,217,102</u>
Total capital assets, net	<u>\$ 151,637,810</u>	<u>\$ 7,261,942</u>	<u>\$ (63,146)</u>	<u>\$ 158,836,606</u>

(1) Construction in progress includes capitalized interest in the amount of \$2,596,177.

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, 2011 totaled \$3,699,555.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

Note 4 – Other Receivables

The District entered into an agreement with local Developers agreeing to provide water from its Desalination Plant. The developers agreed to pay \$198,000 in standby charges per year. The developers have accrued \$429,000 in outstanding charges and have defaulted on the agreement, thereby causing the agreement to be in suspension status as of June 30, 2011. The \$429,000 has been recorded as Bad Debt Expense and Allowance for Doubtful Accounts FY 2010-2011, however the receivable will continue to be outstanding in the event the developers pay the fees to re-activate the agreement.

Other receivable balance, net of allowance for doubtful accounts, currently outstanding at June 30, 2011 was \$671,256, which included a grant receivable from Monterey County Water Resources Agency in the amount of \$659,978.

Note 5 - Long-Term Debt

A. Compensated Absences

District employees accumulate earned, but unused, vacation and sick pay benefits which can be converted to cash at termination of employment. Since no means exists to reasonably estimate the amount that might be liquidated with expendable currently available financial resources, compensated absences are reported as a long-term debt on the Statement of Net Assets. The compensated absences balance at June 30, 2011 was \$246,756. Of this amount, \$35,489 is estimated to be due within one year.

B. Loans Payable

Rabobank, N.A.

Loan payable to Rabobank, N.A., dated May 04, 2005, due in monthly installments at an annual interest rate of 6.495%. As of June 30, 2011, the outstanding balance was \$413,149 with future payments as follows:

Year ending June 30,	Rabobank, N.A. Loan		
	Principal	Interest	Total
2012	98,750	24,030	122,780
2013	105,422	17,358	122,780
2014	112,477	10,304	122,781
2015	96,500	2,860	99,360
	<u>\$ 413,149</u>	<u>\$ 54,552</u>	<u>\$ 467,701</u>

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

C. Loan Payable (Promissory Note)

Promissory Note in the amount of \$134,408 payable to Fort Ord Reuse Authority, dated June 24, 2009, due in monthly installments at zero percent interest rate. As of June 30, 2011, the outstanding balance was \$77,816.

Future payments are as follows:

Year ending June 30,	Fort Ord Reuse Authority Promissory Note		
	Principal	Interest	Total
2012	28,296	-	28,296
2013	28,296	-	28,296
2014	21,224	-	21,224
	<u>\$ 77,816</u>	<u>\$ -</u>	<u>\$ 77,816</u>

D. Loan Payable (Promissory Note)

Promissory Note in the amount of \$7,351,786 payable to Sandhills as Nominee, dated June 25, 2010, due in semi-annual installments at prime interest rate. With the issuance of the 2010 Subordinate Enterprise Revenue Refunding Bonds, this Promissory Note was refinanced in full.

E. Notes Payable

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, 2011, the outstanding balance was \$38,925,000.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

Note 5 - Long-Term Debt (continued)

E. Notes Payable (continued)

Future payments are as follows:

Year ending June 30,	2006 Enterprise Revenue Certificates of Participation		
	Principal	Interest	Total
2012	890,000	1,851,938	2,741,938
2013	925,000	1,818,563	2,743,563
2014	950,000	1,781,562	2,731,562
2015	990,000	1,743,563	2,733,563
2016-2020	5,500,000	8,130,500	13,630,500
2021-2025	6,270,000	6,811,950	13,081,950
2026-2030	7,985,000	5,090,000	13,075,000
2031-2035	10,200,000	2,883,250	13,083,250
2036-2037	5,215,000	403,750	5,618,750
	<u>\$ 38,925,000</u>	<u>\$ 30,515,074</u>	<u>\$ 69,440,074</u>

2010 Refunding 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, 2011, the outstanding balance was \$7,690,000.

Future payments are as follows:

Year ending June 30,	2010 Subordinate Enterprise Revenue Refunding Bonds		
	Principal	Interest	Total
2012	645,000	341,650	986,650
2013	675,000	315,850	990,850
2014	700,000	288,850	988,850
2015	725,000	260,850	985,850
2016-2020	4,945,000	819,750	5,764,750
	<u>\$ 7,690,000</u>	<u>\$ 2,026,950</u>	<u>\$ 9,716,950</u>

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

F. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2006 Revenue bonds payable	\$ 39,785,000	\$ -	\$ (860,000)	\$ 38,925,000	\$ 890,000
Plus unamortized premiums	951,238	-	(36,353)	914,885	-
2010 Revenue Bonds Payable		8,495,000	(805,000)	7,690,000	645,000
Plus unamortized premiums	-	107,392	(5,371)	102,021	
Total bonds payable	<u>40,736,238</u>	<u>8,602,392</u>	<u>(1,706,724)</u>	<u>47,631,906</u>	
Loan payable - Rabobank, N.A.	505,765	-	(92,610)	413,155	98,750
Loan payable - Rabobank, N.A.	-	983,487		983,487	-
Promissory note - Fort Ord Reuse Authority	106,112	-	(28,296)	77,816	28,296
Promissory note - Sandhills as Nominee	7,351,786	-	(7,351,786)	-	-
Capital lease	166,020	-	(67,981)	98,039	32,830
Compensated absences	313,857	247,226	(314,327)	246,756	35,489
OPEB liability	104,154	112,536	-	216,690	-
Totals	<u>\$ 49,283,932</u>	<u>\$ 9,945,641</u>	<u>\$ (9,561,724)</u>	<u>\$ 49,667,849</u>	<u>\$ 1,730,365</u>

Note 6 - Deferred Charges

Bond issuance costs, bond discounts, and the difference between the reacquisition price and the net carrying value of proprietary refunded debt are capitalized and amortized over the terms of the respective debt using the loan amortization years of the underlying debt.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

Note 7 - Leases

A. 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:

<u>Year ending June 30,</u>	<u>Amount</u>
2012	9,740
2013	4,619
2014	4,619
2015	769
Total	<u>\$ 19,747</u>

The District's total operating lease expense for the year ended June 30, 2011 was \$23,398.

B. Capital Leases

The District entered into a lease agreement as a lessee for financing the acquisition of sewer jetter equipment. The District has also financed the acquisition of document scanning & storage system by means of a lease. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset:	<u>Amount</u>
Sewer jetter equipment	\$ 151,657
Document scanning & storage system	103,591
Less: Accumulated depreciation	(135,865)
Total	<u>\$ 119,383</u>

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

Note 7 – Leases (continued)

B. Capital Leases (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, are as follows:

Year ending June 30,	Amount
2012	72,708
2013	33,279
Total minimum lease payments	105,987
Less: amount representing interest	(7,948)
Present value of minimum lease payments	\$ 98,039

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.

B. Funding Status

Because the District has less than 100 employees, it is required to participate in a risk pool. Therefore, no required supplementary information is required regarding the funded status of the District’s plan. However, the District has elected to report this information in the Required Supplementary Information section because we believe that this is important to financial statement users.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

Note 8 - Defined Benefit Pension Plan (continued)

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 2010-2011 was 5.811% for Miscellaneous Plan employees. The contribution requirements of the plan are established by State statute and the employer contribution rates established and may be amended by CalPERS.

D. Annual Pension Cost

For fiscal year 2010-2011, the District's annual pension cost was \$382,217 and the District actually contributed \$382,217. The District paid the required member contributions of 7% referred to in paragraph (B) above by transferring assets from its employer account to the individual accounts of its employees. The required contribution for fiscal year 2010-2011 was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial 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 3.25% 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%.

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.

Ending June 30,	Pension Cost (APC)	of APC Contributed	Pension Obligation
2009	\$263,266	100%	\$0
2010	\$318,110	100%	\$0
2011	\$382,217	100%	\$0

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

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 \$5,924 in post employment benefits for the two retired employees who were eligible for benefits during the fiscal year ended June 30, 2011.

During the fiscal year ended June 30, 2010, the District implemented the provisions of the Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing other postemployment benefits (OPEB). As part of the implementation, the District at this time has decided not to establish an irrevocable trust to provided funding and has chosen to fund it on a pay-as-you-go basis.

B. Funding Policy and Actuarial Assumptions

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. 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. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a period of 30 years. As of July 1, 2010, the underfunded actuarial accrued liability was \$965,418.

Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the actuarial accrued liability when such assets are placed in an irrevocable trust or equivalent arrangement. The District has calculated and recorded the net OPEB liability, representing the difference between the ARC, amortization and contributions, as presented below:

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

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

B. Funding Policy and Actuarial Assumptions (continued)

Year Ending June 30,	Annual Required Contribution (ARC)	Actual Contributions (includes pay- as-you-go)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 109,684	\$ 5,481	5%	\$ 104,203
2011	\$ 119,335	\$ 5,924	5%	\$ 113,411

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.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2011

Note 11 - Commitments and Contingencies (continued)

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 the slow down in the 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, 2011, the District had ongoing construction commitments that totaled approximately \$1.77 million.

Note 12 - Subsequent Events

The District is currently applying for annexation of the Ord Community into the District which could give customers from the Ord Community representation on the District Board and no longer require FORA approval of the Ord Community Cost Center annual budgets.

The Regional Desalination Project partners are in mediation regarding the progress of the project.

REQUIRED SUPPLEMENTARY INFORMATION

MARINA COAST WATER DISTRICT
Required Supplementary Information
June 30, 2011

Schedule of Funding Progress

Defined Benefit Pension Plan

Because the District's individual plan consists of less than 100 members, it is required by CalPERS to participate in a risk pool. The following valuation reports the activity of the risk pools as a whole, and not the specific activity of individual members such as the District. Because the District is required to participate in a risk pool, supplementary information is not required GASB, however, the District has elected to report this information because we believe that this is important to financial statement users.

<u>Miscellaneous 2% at 60 Risk Pool</u>	Actuarial Valuation Date - Year Ended		
	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>
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.

STATISTICAL SECTION

MARINA COAST WATER DISTRICT
Statistical Section

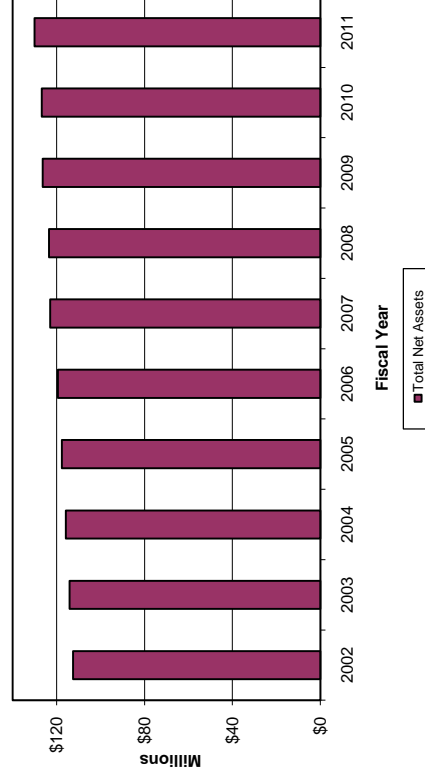
This part of the District’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

Contents

Financial Trends	36-38
These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	
Revenue Capacity	39-42
These schedules contain information to help the reader assess the District’s most significant revenue sources, water sales and wastewater collection.	
Debt Capacity	43-44
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	45-46
This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	
Operating Information	47-48
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

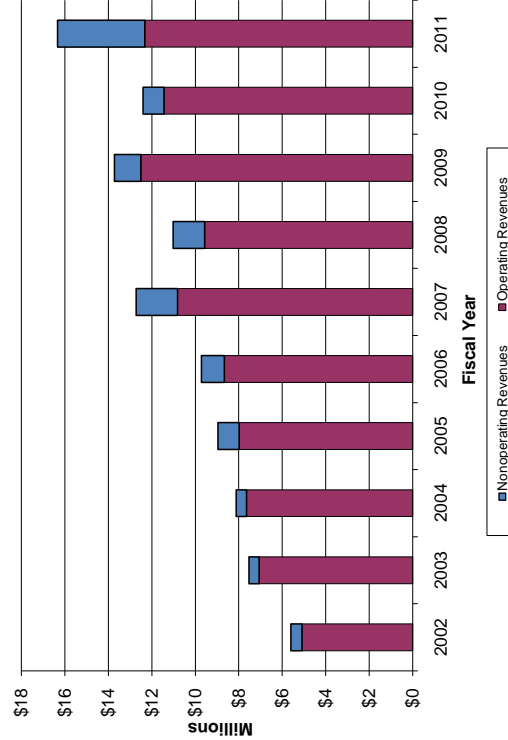
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in net assets:										
Operating revenues	\$ 5,088,507	\$ 7,064,564	\$ 7,639,996	\$ 7,981,735	\$ 8,665,529	\$ 10,812,765	\$ 9,572,021	\$ 12,499,973	\$ 11,443,259	\$ 12,319,396
Operating expenses	(5,285,992)	(5,774,700)	(6,149,888)	(6,925,744)	(7,480,070)	(8,722,235)	(9,443,488)	(9,382,017)	(10,261,792)	(10,895,356)
Operating income (loss)	(197,485)	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
Non-operating revenues (expenses)	287,672	263,393	260,203	671,053	635,484	1,412,230	109,478	(313,310)	(833,764)	1,120,230
Net income before capital contributions	90,187	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
Capital contributions	100,278,000						361,068	47,568	33,243	783,326
Changes in net assets	100,368,187	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
Net assets beginning of year	12,176,234	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
Net assets end 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 by component:										
Invested in capital assets, net of related debt	109,341,392	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
Restricted for debt service	260,946	234,385	231,047	243,991	241,825	3,084,330	3,084,281	3,084,250	3,084,250	3,933,757
Unrestricted	2,942,083	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
Total Net Assets	\$ 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



Source: Marina Coast Water District, Audited Financial Statements

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

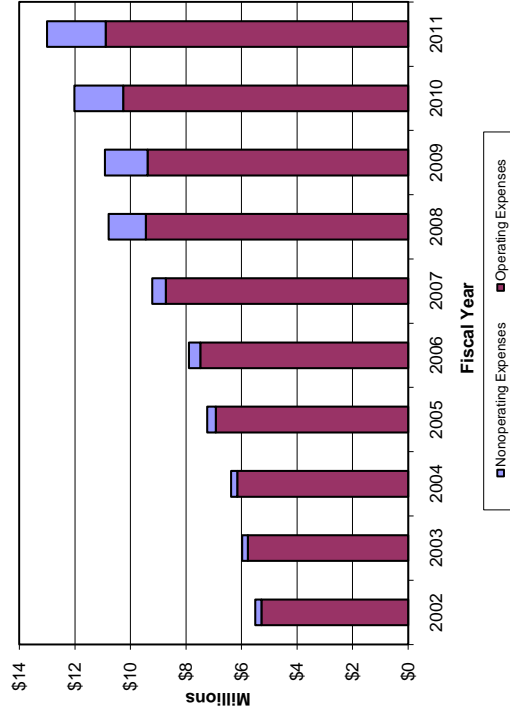
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating revenues:										
Water sales	\$ 3,680,310	\$ 4,730,112	\$ 5,367,925	\$ 5,102,546	\$ 6,022,326	\$ 6,707,039	\$ 6,686,916	\$ 7,344,555	\$ 7,501,854	\$ 8,750,650
Wastewater services	1,022,358	1,303,927	1,380,335	1,647,288	1,811,916	1,881,978	1,888,433	1,965,102	2,161,443	2,354,013
Capacity and connection fees	182,127	563,609	44,787	680,472	294,755	486,705	421,410	1,014,536	828,777	544,407
Other services and fees	203,712	466,916	846,949	551,429	536,532	1,737,043	575,262	2,175,780	951,185	670,326
Total operating revenues	5,088,507	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
Nonoperating revenues										
Grant revenue	-	383,330	402,139	777,159	616,213	25,641	-	-	33,243	783,326
Interest earned	101,095	80,180	79,532	201,906	433,146	1,882,864	1,417,375	1,185,594	613,936	273,267
Bond premium (discount)	-	-	-	-	-	-	36,353	36,353	36,353	41,724
Other revenue	408,358	5,150	-	-	-	-	-	-	273,678	2,914,028
Total nonoperating revenues	509,453	468,660	481,671	979,065	1,049,359	1,908,505	1,453,728	1,221,947	957,210	4,012,345
Total revenues	\$ 5,597,960	\$ 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



Source: Marina Coast Water District, Audited Financial Statements

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

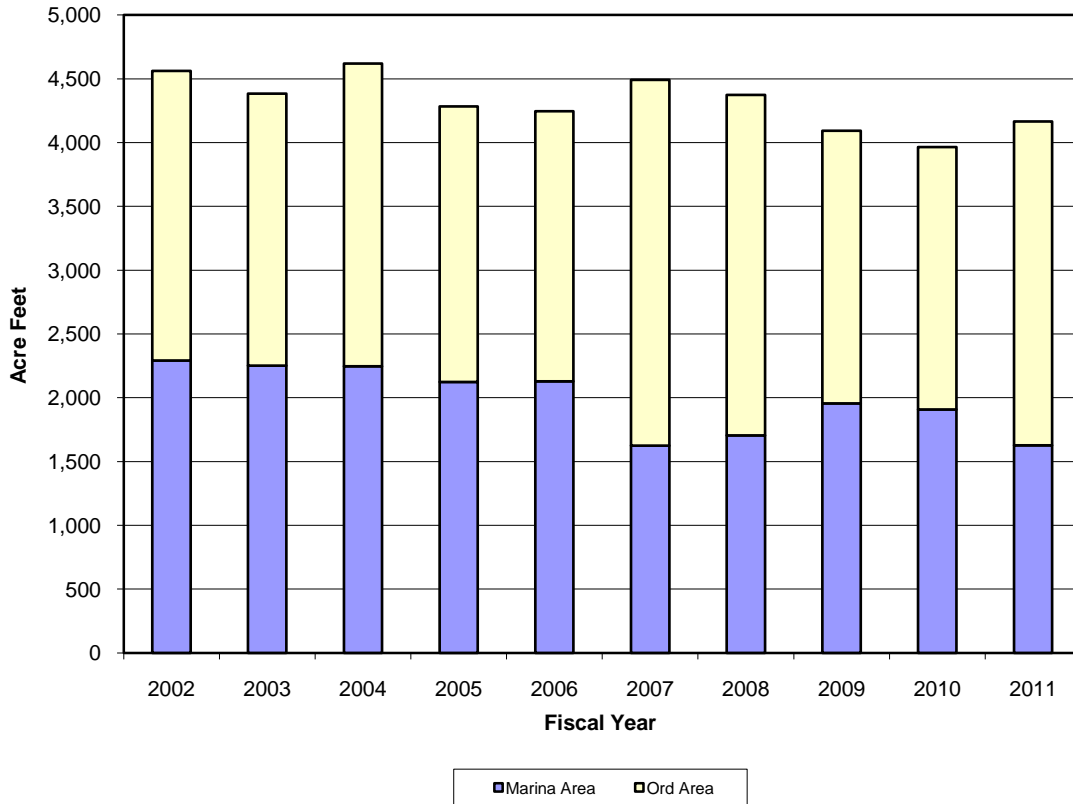
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating expenses:										
Administrative	\$ 1,389,439	\$ 1,719,838	\$ 1,452,921	\$ 2,028,428	\$ 1,563,799	\$ 1,825,843	\$ 2,274,611	\$ 2,129,232	\$ 2,129,012	\$ 2,682,047
Operations & maintenance	1,627,140	1,949,945	2,150,666	1,999,061	2,088,928	2,272,393	2,158,993	2,216,202	2,709,949	3,001,131
Laboratory	243,125	242,402	274,717	305,346	296,526	278,641	295,452	312,140	325,299	324,244
Conservation	98,462	103,385	131,098	192,956	183,875	201,110	255,024	264,490	297,283	318,589
Engineering	315,073	485,095	779,466	777,570	1,401,603	1,664,900	1,376,436	1,024,390	908,265	869,790
Depreciation	1,612,753	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
Total operating expenses	5,285,992	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
Nonoperating expenses										
Interest expense	221,781	205,267	221,468	308,012	413,875	496,275	1,314,153	1,505,137	1,727,610	2,069,622
Bond issuance costs	-	-	-	-	-	-	30,097	30,120	30,121	39,167
Total nonoperating expenses	221,781	205,267	221,468	308,012	413,875	496,275	1,344,250	1,535,257	1,757,731	2,108,789
Total expenses	\$ 5,507,773	\$ 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



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)
2002	2,291	2,270	4,561
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



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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
0-8 hcf	\$ 2.08	\$ 1.93	\$ 1.79	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.00	\$ -	\$ -	\$ -
9-16 hcf	2.53	2.35	2.18	2.39	2.39	2.39	1.69			
16+ hcf	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	\$ 1.34
13+ hcf				2.80	2.80	2.69	2.56	2.42	2.26	2.05

Marina Service Area Water & Sewer Service Charges (monthly)

Meter Size	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
5/8" - 3/4"	\$ 17.11	\$ 15.87	\$ 14.72	\$ 14.18	\$ 14.18	\$ 13.63	\$ 12.98	\$ 12.25	\$ 11.45	\$ 10.60
1"	42.75	39.66	36.79	35.44	35.44	34.08	32.45	30.63	28.62	25.00
1 1/2"	85.51	79.32	73.58	70.88	70.88	68.15	64.90	61.25	57.24	49.00
2"	136.80	126.90	117.72	113.40	113.40	109.04	103.84	98.00	91.58	78.00
3"	256.50	237.94	220.73	212.63	212.63	204.45	194.70	183.75	171.72	158.00
4"	427.50	396.57	367.88	354.38	354.38	340.75	324.50	306.25	286.20	248.00
6"	855.00	793.14	735.75	708.76	708.76	681.50	649.00	612.50	572.40	520.00
8"	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	520.00
Sewer (EDU)	8.30	7.70	7.14	6.88	6.88	6.62	6.30	5.95	5.56	5.15

Ord Service Area Water Consumption Rates (hcf)

Description	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
0-8 hcf	\$ 2.22	\$ 2.06	\$ 1.87	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.00	\$ -	\$ -	\$ -
9-16 hcf	3.12	2.89	2.63	2.39	2.39	2.39	1.69			
16+ hcf	4.02	3.73	3.39	3.08	3.08	3.08	2.38			
0-12 hcf								1.00	0.83	0.83
13+ hcf								1.69	1.03	1.03
Flat Rate	80.40	74.58	67.76	52.10	52.10	52.10	52.10	47.50	43.00	40.00
CS ¹ - Water	20.00	20.00	20.00	20.00	20.00	20.00				
CCC ² - Water							0.70	0.70	0.80	0.60

Ord Service Area Water & Sewer Service Charges (monthly)

Description	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
5/8" - 3/4"	\$ 16.31	\$ 15.13	\$ 13.75	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.00
1"	40.76	37.81	34.38	31.25	31.25	31.25	31.25	31.25	31.25	25.00
1 1/2"	81.50	75.60	68.73	62.50	62.50	62.50	62.50	62.50	62.50	49.00
2"	130.39	120.96	109.96	100.00	100.00	100.00	100.00	100.00	100.00	78.00
3"	244.49	226.80	206.18	187.50	187.50	187.50	187.50	187.50	187.50	158.00
4"	407.48	378.00	343.63	312.50	312.50	312.50	312.50	312.50	312.50	248.00
6"	814.96	755.99	687.27	625.00	625.00	625.00	625.00	625.00	625.00	520.00
8"	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	520.00
Sewer (EDU)	24.36	22.60	20.97	20.20	20.20	20.20	12.90	11.00	11.00	11.00
CS ¹ - Sewer	5.00	5.00	5.00	5.00	5.00	5.00				
CCC ² - Sewer							7.30	6.00	6.00	4.50

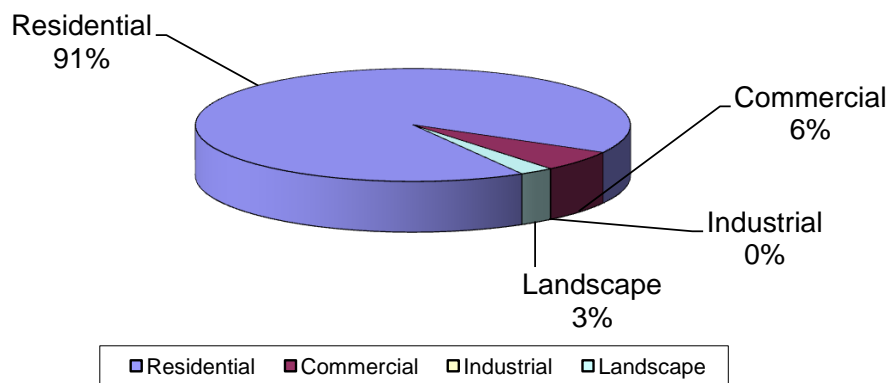
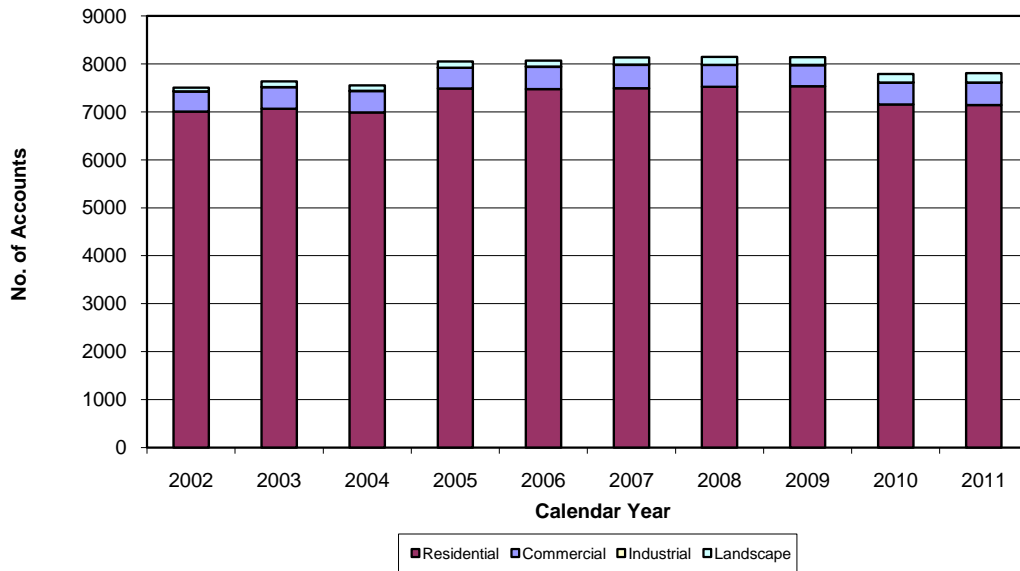
Note: (1) CS = Monthly Capital Surcharge for new EDU's.

(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 Years
Schedule 6

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Water customer accounts										
Residential	7,008	7,064	6,987	7,488	7,472	7,492	7,523	7,536	7,152	7,142
Commercial	419	452	447	431	466	488	454	438	458	467
Industrial	3	3	3	3	3	3	3	3	3	3
Landscape	74	114	113	126	130	151	163	162	174	197
Total water accounts	7,504	7,633	7,550	8,048	8,071	8,134	8,143	8,139	7,787	7,809



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	2002		2011	
	Water Usage (acre feet)	Percentage of Water Sold	Water Usage (acre feet)	Percentage of Water Sold
CSU Monterey Bay	544	14.61%	647	15.46%
Monterey Bay Military Housing	396	10.63%	384	9.19%
Bay View Mobile Home Park	115	3.09%	265	6.33%
Sun Bay Apartments	79	2.13%	137	3.28%
MPUSD - Seaside High School	58	1.56%	65	1.55%
United States Army	50	1.35%	64	1.52%
City of Marina	47	1.27%	63	1.51%
MPUSD - Roger S. Fitch Middle School	28	0.74%	60	1.43%
Cypress Sands Apartments	26	0.68%	56	1.34%
Housing Authority of Monterey County	25	0.68%	55	1.32%
Total Principal Water Users	1,369	36.74%	1,795	42.93%
Total All Users	3726	100.00%	4181	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

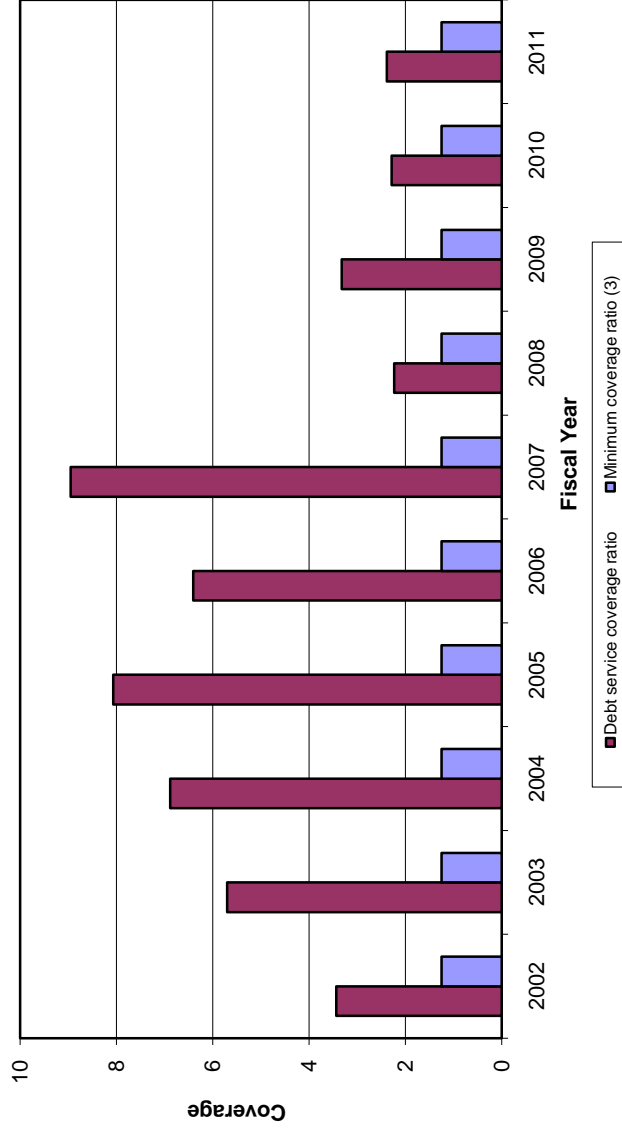
Fiscal Year	Loans Payable	Notes Payable	Bonds Payable	Capital Leases	Debt	Personal Income (1)	As a Percent of Personal Income
2002	-	3,303,546	400,232	-	3,703,778	12,676,027	0.03%
2003	1,303,312	3,102,379	274,816	-	4,680,507	13,380,948	0.03%
2004	2,758,203	2,890,139	141,568	-	5,789,910	14,096,150	0.04%
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	17,381,644 *	0.28%
2011	7,209,572	-	46,615,000	101,488	53,926,060	17,381,644 *	0.31%

(1) U.S Department of Commerce, Bureau of Economic Analysis, in Thousands
* Data not available for 2010 & 2011

Source: Marina Coast Water District, Audited Financial Statements

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt service coverage										
Gross revenues (1)	5,597,960	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
Operating expenses (2)	(3,673,239)	(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)
Net available revenues	1,924,721	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
Debt service										
Principal	338,723	326,583	277,855	293,449	303,261	542,669	776,079	834,190	911,764	1,757,615
Interest	221,781	205,267	206,354	159,871	349,733	181,277	1,314,153	1,505,137	1,727,610	2,069,622
	560,504	531,850	484,209	453,320	652,994	723,946	2,090,232	2,339,327	2,639,374	3,827,237
Debt service coverage ratio	3.43	5.70	6.88	8.07	6.40	8.95	2.23	3.32	2.28	2.39
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	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable

Sources:

1. Monterey County CAFR Report 06302011

**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		

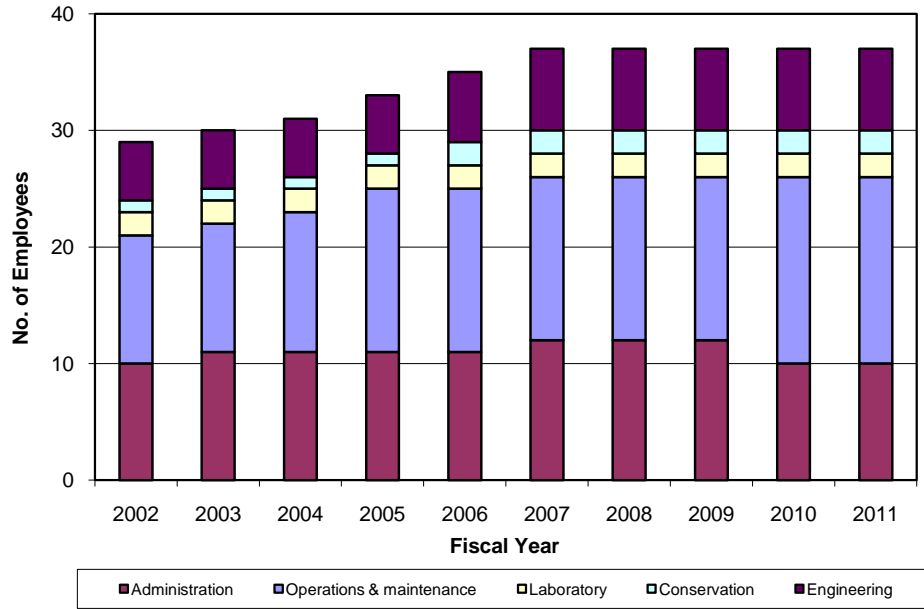
Note: Total employees does not account for double-counting due to employees holding multiple jobs

** 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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Employees by department										
Administration	10	11	11	11	11	12	12	12	10	10
Operations & maintenance	11	11	12	14	14	14	14	14	16	16
Laboratory	2	2	2	2	2	2	2	2	2	2
Conservation	1	1	1	1	2	2	2	2	2	2
Engineering	5	5	5	5	6	7	7	7	7	7
Total Employees	29	30	31	33	35	37	37	37	37	37



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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Facilities										
Distribution pipeline (miles)	212	212	212	212	212	280	284	320	320	320
Storage capacity (mg)(1)	12	12	12	12	12	12	12	12	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)	747	734	732	692	694	529	556	638	622	530
Average per day (mgd)(2)	2.0	2.0	2.0	1.9	1.9	1.4	1.5	1.7	1.7	1.5
Water produced - Ord (mg)(1)	740	694	773	704	690	935	870	696	671	828
Average per day (mgd)(2)	2.0	1.9	2.1	1.9	1.9	2.6	2.4	1.9	1.8	2.3
Total water produced (mg)(1)	1,486	1,428	1,505	1,396	1,384	1,464	1,425	1,334	1,292	1,358
Average per day (mgd)(2)	4.1	3.9	4.1	3.8	3.8	4.0	3.9	3.7	3.5	3.7

(1) mg = million gallons

(2) mgd = million gallons per day

Source: Marina Coast Water District's Finance Department