

# Marina Coast Water District

*Marina, California*

## Comprehensive Annual Financial Report

For The Fiscal Years Ended

June 30, 2014 and 2013



11 Reservation Road, Marina California 93933





# **Marina Coast Water District**

*Marina, California*

## **Comprehensive Annual Financial Report**

**For The Fiscal Years Ended**

**June 30, 2014 and 2013**

**11 Reservation Road  
Marina, California 93933**



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**INTRODUCTORY  
SECTION  
(UNAUDITED)**

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# MARINA COAST WATER DISTRICT

11 RESERVATION ROAD, MARINA, CA 93933-2099

Home Page: [www.mcwd.org](http://www.mcwd.org)

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## DIRECTORS

THOMAS P. MOORE  
*President*

WILLIAM Y. LEE  
*Vice President*

HOWARD GUSTAFSON  
JAN SHRINER  
PETER LE

November 25, 2014

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 years ended June 30, 2014 and 2013. The CAFR gives an assessment of the District's financial condition, informs readers about District services, gives details of infrastructure replacement projects, discusses current issues, and provides financial and demographic trend information.

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

The CAFR is believed to be accurate in all material respects, and is presented in a manner designed to fairly set forth the financial position, the changes in financial position and cash flows for the District. All disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activity have been included. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. While the independent auditors have expressed an unmodified ("clean") opinion that MCWD's financial statements are presented in conformity with U.S. 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 eight production wells with an estimated capacity of approximately twenty 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 first and third Monday of each month. Regular meetings are held at 6:00 p.m. at the Marina Council Chambers, 211 Hillcrest Avenue, 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.

Due to scheduling issues of the Proposition 218 process, the Board extended the FY 2013 budget to FY 2014.

### ***Economic Condition and Outlook***

California's water supply continues to be a concern due to projected population increases and current state-wide drought conditions. 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 working on multiple concepts that will provide new water sources to its customers. If each concept bears fruit the District's water portfolio may include groundwater, conservation savings, river water, desalination water and recycled water.

The District continues to align construction projects with current economic growth and is preparing for increased activity by the development community.

### ***Long-term Financial Planning***

The District contracted with Carollo Engineers to prepare a five-year rate study and financial plan (Study) for the District. The Study was completed in September 2013 and identified those resources necessary for the District to properly fund its operations and capital program for the fiscal years 2014 through 2018. The Study provides the appropriate means to obtain the needed resources through a combination of rate increases and project financing. A full version of the Study can be viewed on the District's website [www.mcwd.org](http://www.mcwd.org).

### ***Major Initiatives***

The District completed a five-year rate study and financial plan in September 2013. 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. Based on the recommendations, the District conducted a Proposition 218 notification process to adopt rate increases for its Marina and Ord Community service areas for fiscal years 2015 through 2018. The proposed rates are as follows:

**PROPOSED WATER AND WASTEWATER RATE CHANGES  
FOR THE CENTRAL MARINA SERVICE AREA**

**CENTRAL MARINA MONTHLY WATER RATES**

<b>EXISTING RATE</b>	<b>PROPOSED RATE</b>
<b>Water Consumption Charge</b>	<b>Water Consumption Charge</b>
	Effective July 1, 2014
	\$2.47 per hcf (0-8 hcf)
\$2.29 per hcf (0-8 hcf)	\$2.83 per hcf (9-16 hcf)
\$2.79 per hcf (9-16 hcf)	\$5.00 per hcf (17 + hcf)
\$5.09 per hcf (16 + hcf)	Effective January 1, 2015
	\$2.55 per hcf (0-8 hcf)
	\$2.92 per hcf (9-16 hcf)
	\$5.15 per hcf (16 + hcf)
	Effective January 1, 2016
	\$2.62 per hcf (0-8 hcf)
	\$3.01 per hcf (9-16 hcf)
	\$5.31 per hcf (16 + hcf)
	Effective January 1, 2017
	\$2.70 per hcf (0-8 hcf)
	\$3.10 per hcf (9-16 hcf)
	\$5.47 per hcf (16 + hcf)
	Effective January 1, 2018
	\$2.78 per hcf (0-8 hcf)
	\$3.19 per hcf (9-16 hcf)
	\$5.63 per hcf (16 + hcf)

One hcf, or hundred cubic feet, is 748 gallons

**CENTRAL MARINA MONTHLY WASTEWATER RATES**

<b>EXISTING RATE</b>	<b>PROPOSED RATE</b>
\$9.15 per equivalent dwelling unit	Effective July 1, 2014
	\$10.10 per equivalent dwelling unit
	Effective January 1, 2015
	\$11.11 per equivalent dwelling unit
	Effective January 1, 2016
	\$12.22 per equivalent dwelling unit
	Effective January 1, 2017
	\$13.44 per equivalent dwelling unit
	Effective January 1, 2018
	\$14.78 per equivalent dwelling unit

**CENTRAL MARINA MONTHLY WATER SERVICE FEES**

EXISTING FEE	METER SIZE	PROPOSED FEE (Effective July 1, 2014)	PROPOSED FEE (Effective January 1, 2015)	PROPOSED FEE (Effective January 1, 2016)	PROPOSED FEE (Effective January 1, 2017)	PROPOSED FEE (Effective January 1, 2018)
\$18.85	5/8" or 3/4"	\$19.87	\$20.46	\$21.07	\$21.71	\$22.36
\$47.09	1"	\$32.05	\$33.01	\$34.00	\$35.02	\$36.07
\$94.19	1-1/2"	\$52.36	\$53.94	\$55.55	\$57.22	\$58.94
\$150.68	2"	\$76.73	\$79.04	\$81.41	\$83.85	\$86.36
\$282.52	3"	\$133.64	\$137.65	\$141.78	\$146.03	\$150.41
\$470.87	4"	\$214.85	\$221.30	\$227.93	\$234.77	\$241.82
\$941.75	6"	\$417.96	\$430.50	\$443.41	\$456.71	\$470.42
\$1,883.49	8"	\$824.41	\$849.14	\$874.62	\$900.86	\$927.88
\$86.35	Temporary Water Service	\$87.33	\$89.95	\$92.65	\$95.43	\$98.29

**CENTRAL MARINA MONTHLY FIRE SERVICE FEES**

EXISTING FEE	SERVICE SIZE	PROPOSED FEE (Effective July 1, 2014)	PROPOSED FEE (Effective January 1, 2015)	PROPOSED FEE (Effective January 1, 2016)	PROPOSED FEE (Effective January 1, 2017)	PROPOSED FEE (Effective January 1, 2018)
\$20.00	1"	\$1.49	\$1.53	\$1.58	\$1.63	\$1.68
\$20.00	1-1/2"	\$4.32	\$4.45	\$4.59	\$4.72	\$4.87
\$20.00	2"	\$9.21	\$9.49	\$9.78	\$10.07	\$10.37
\$20.00	2-1/2"	\$16.57	\$17.07	\$17.58	\$18.11	\$18.65
\$20.00	3"	\$26.77	\$27.57	\$28.40	\$29.25	\$30.13
\$20.00	4"	\$57.04	\$58.75	\$60.51	\$62.33	\$64.20
\$20.00	6"	\$165.69	\$170.66	\$175.78	\$181.05	\$186.49
\$20.00	8"	\$353.09	\$363.68	\$374.59	\$385.83	\$397.40

**PROPOSED WATER AND WASTEWATER RATE CHANGES  
FOR THE ORD SERVICE AREA**

**ORD SERVICE AREA MONTHLY WATER RATES**

EXISTING RATE	PROPOSED RATE
<p><b>Water Consumption Charge</b></p> <p>\$2.33 per hcf (0-8 hcf) \$3.27 per hcf (9-16 hcf) \$4.22 per hcf (16 + hcf)</p>	<p><b>Water Consumption Charge</b></p> <p>Effective July 1, 2014 \$2.22 per hcf (0-8 hcf) \$3.40 per hcf (9-16 hcf) \$4.59 per hcf (16 + hcf)</p> <p>Effective January 1, 2015 \$2.60 per hcf (0-8 hcf) \$3.98 per hcf (9-16 hcf) \$5.37 per hcf (16 + hcf)</p> <p>Effective January 1, 2016 \$2.97 per hcf (0-8 hcf) \$4.56 per hcf (9-16 hcf) \$6.14 per hcf (16 + hcf)</p> <p>Effective January 1, 2017 \$3.40 per hcf (0-8 hcf) \$5.22 per hcf (9-16 hcf) \$7.03 per hcf (16 + hcf)</p> <p>Effective January 1, 2018 \$3.68 per hcf (0-8 hcf) \$5.65 per hcf (9-16 hcf) \$7.62 per hcf (16 + hcf)</p>
<p><b>Monthly Flat Rate Billing</b></p> <p>\$84.34 per unit without meter</p>	<p><b>Monthly Flat Rate Billing</b></p> <p>Effective July 1, 2014 \$98.36 per unit without meter</p> <p>Effective January 1, 2015 \$112.65 per unit without meter</p> <p>Effective January 1, 2016 \$127.29 per unit without meter</p> <p>Effective January 1, 2017 \$143.94 per unit without meter</p> <p>Effective January 1, 2018 \$153.99 per unit without meter</p>
<p><b>Monthly Capital Surcharge Billing (for new connection)</b></p> <p>\$20.00 per edu per month</p>	<p><b>Monthly Capital Surcharge Billing (for new connection)</b> Effective each January 1<sup>st</sup> of 2014, 2015, 2016, 2017, 2018</p> <p>\$20.00 per edu per month</p>

One hcf, or hundred cubic feet, is 748 gallons, edu - equivalent dwelling unit

**ORD SERVICE AREA MONTHLY WASTEWATER RATES**

EXISTING RATE	PROPOSED RATE
\$25.56 per equivalent dwelling unit	Effective July 1, 2014 \$26.49 per equivalent dwelling unit Effective January 1, 2015 \$27.55 per equivalent dwelling unit Effective January 1, 2016 \$28.65 per equivalent dwelling unit Effective January 1, 2017 \$29.80 per equivalent dwelling unit Effective January 1, 2018 \$32.18 per equivalent dwelling unit
<b>Monthly Capital Surcharge Billing (for new connection)</b>	<b>Monthly Capital Surcharge Billing (for new connection)</b>
\$5.00 per edu per month	Effective each January 1 <sup>st</sup> of 2014, 2015, 2016, 2017, 2018  \$5.00 per edu per month

**ORD SERVICE AREA MONTHLY WATER SERVICE FEES**

EXISTING FEE	METER SIZE	PROPOSED FEE (Effective July 1, 2014)	PROPOSED FEE (Effective January 1, 2015)	PROPOSED FEE (Effective January 1, 2016)	PROPOSED FEE (Effective January 1, 2017)	PROPOSED FEE (Effective January 1, 2018)
\$17.11	5/8" or 3/4"	\$28.96	\$31.48	\$34.37	\$37.55	\$38.79
\$42.76	1"	\$45.18	\$49.11	\$53.62	\$58.57	\$60.51
\$85.49	1-1/2"	\$72.21	\$78.49	\$85.71	\$93.62	\$96.71
\$136.78	2"	\$104.64	\$113.74	\$124.20	\$135.66	\$140.14
\$256.47	3"	\$180.37	\$196.05	\$214.09	\$233.85	\$241.57
\$427.45	4"	\$288.45	\$313.52	\$342.36	\$373.96	\$386.31
\$854.89	6"	\$558.75	\$607.31	\$663.18	\$724.39	\$748.31
\$1,709.79	8"	\$1,099.66	\$1,195.24	\$1,305.19	\$1,425.66	\$1,472.72
\$82.24	Temporary Water Service	\$96.89	\$110.93	\$125.32	\$141.69	\$151.56

**ORD COMMUNITY SERVICE AREA MONTHLY FIRE SERVICE FEES**

EXISTING FEE	SERVICE SIZE	PROPOSED FEE (Effective July 1, 2014)	PROPOSED FEE (Effective January 1, 2015)	PROPOSED FEE (Effective January 1, 2016)	PROPOSED FEE (Effective January 1, 2017)	PROPOSED FEE (Effective January 1, 2018)
\$20.00	1"	\$1.69	\$1.83	\$2.00	\$2.19	\$2.26
\$20.00	1-1/2"	\$4.90	\$5.33	\$5.82	\$6.35	\$6.56
\$20.00	2"	\$10.44	\$11.35	\$12.40	\$13.54	\$13.99
\$20.00	2-1/2"	\$18.78	\$20.41	\$22.29	\$24.35	\$25.15
\$20.00	3"	\$30.34	\$32.97	\$36.01	\$39.33	\$40.63
\$20.00	4"	\$64.65	\$70.26	\$76.73	\$83.81	\$86.58
\$20.00	6"	\$187.79	\$204.11	\$222.88	\$243.46	\$251.49
\$20.00	8"	\$400.18	\$434.96	\$474.97	\$518.81	\$535.94

### ***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.

During fiscal year 2013-14 there were no changes in water and sewer rates for either Central Marina or the Ord Community due to scheduling issues of the Proposition 218 notification process.

### ***Independent Audit***

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

### ***Other References***

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



## ***Awards and Acknowledgements***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2013. This was the sixth 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,

  
\_\_\_\_\_  
Brian Lee  
Interim General Manager/District Engineer

  
\_\_\_\_\_  
Kelly M. Cadiente  
Director of Administrative Services



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Marina Coast Water District  
California**

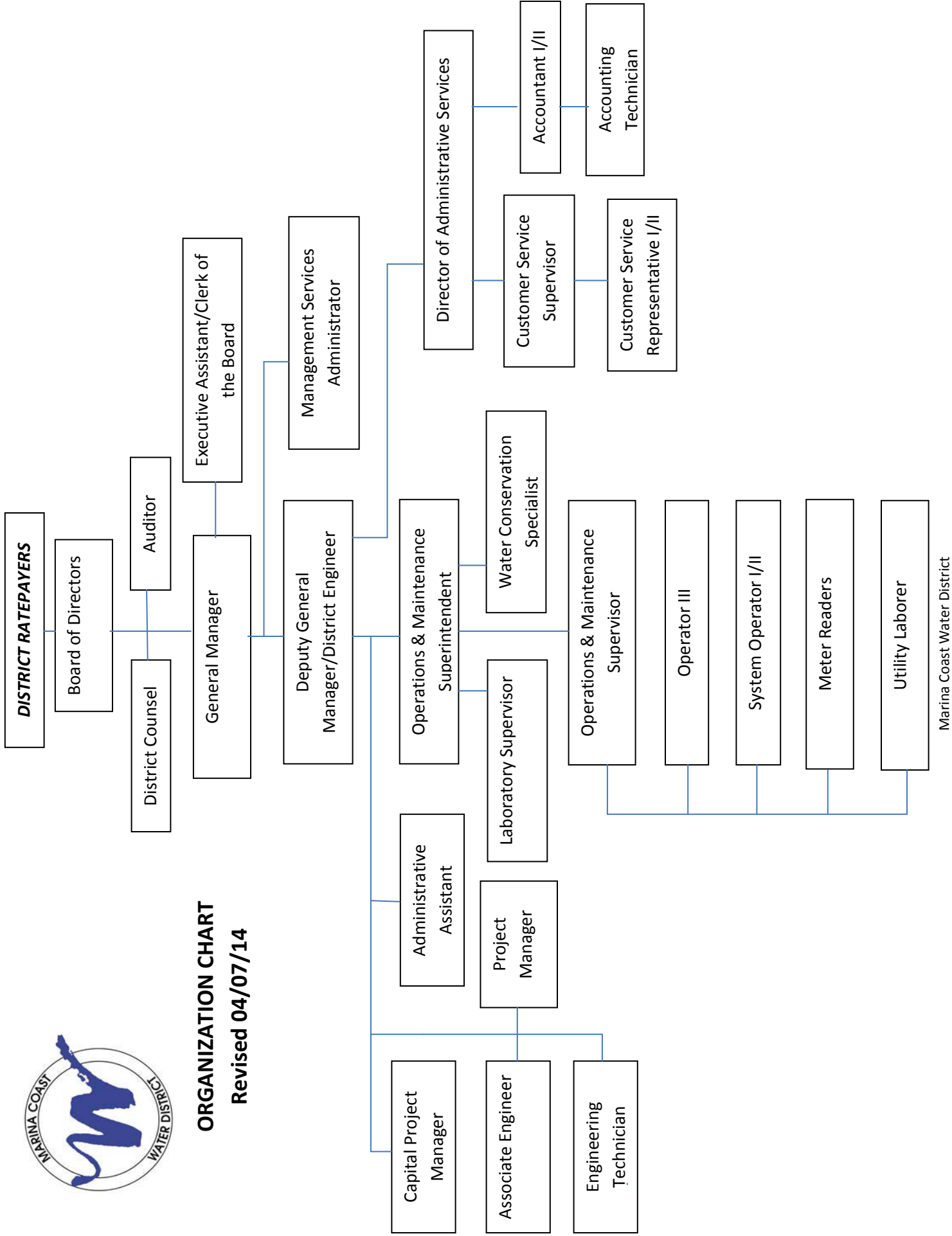
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



**ORGANIZATION CHART**  
**Revised 04/07/14**



# Marina Coast Water District

## Directory

### Board of Directors

June 30, 2014

---

Thomas P. Moore	President
William Y. Lee	Vice-President
Howard Gustafson	Director
Jan Shriner	Director
Peter Le	Director

### Management Staff

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Brian Lee	Interim General Manager
Brian Lee	Deputy General Manager/ District Engineer
Kelly Cadiente	Director of Administrative Services
Jean Premutati	Management Services Administrator
James Derbin	Operations & Maintenance Superintendent

# **FINANCIAL SECTION**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on Financial Statements**

We have audited the accompanying statements of net position of Marina Coast Water District (the "District"), as of and for the years ended June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
of the Marina Coast Water District  
Marina, California  
Page 2

**Emphasis of Matter**

*Implementation of GASB Statement No. 65*

The District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this standard required retrospective application resulting in \$826,313 reduction of previously report net position at July 1, 2013. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Funding Progress on pages 3 to 10 and 38 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements. The introductory section, combining fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the financial statements as a whole.

The Introductory and Statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Handwritten signature in black ink that reads "Paul J. McGeedy" followed by "LLP". The signature is written in a cursive, slightly slanted style.

Walnut Creek, California  
November 25, 2014



**MARINA COAST WATER DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014 and 2013**

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, 2014. This information is presented in conjunction with the transmittal letter in the Introductory Section, and with the basic financial statements and related notes, which follow this section.

**Overview of the District's Financial Statements**

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

**Basic Financial Statements**

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

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

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

**Notes to the Basic Financial Statements**

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

**Required Supplementary Information**

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

**MARINA COAST WATER DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014 and 2013**

**Supplementary Information**

Proprietary fund schedules are presented in Supplementary Information to provide additional details on the financial condition of each fund.

**Financial Analysis of the District**

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position 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 position reflects the difference between assets and liabilities. An increase in net position 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 2013-2014**

- At June 30, 2014, the District's total assets exceeded the total liabilities by \$139.0 million (net position), which is an increase of \$4.0 million or 2.9% over the 2013 fiscal year-end balance.
- The total long-term debt for the current fiscal year decreased by \$1.6 million or 3.5% from prior year due to annual debt service payments made without new debt being incurred.
- Capital assets increased by \$1.0 million or 0.6% primarily due to increases in several major capital projects. The District is continuing to align construction projects with current economic growth, but is also preparing for increased activity by the development community.
- Capital contributions increased \$3.6 million primarily due to capacity and connection fees along with an increase in developer projects.

**MARINA COAST WATER DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014 and 2013**

**Net Position**

A summary of the District's Statement of Net Position is presented below. Balances shown include interfund eliminations. Additional details are provided in the proprietary fund schedules in Supplementary Information.

**Statements of Net Position**

	June 30			Change between		Change between	
	2014	2013	2012	2014 and 2013		2013 and 2012	
<b>Assets:</b>							
Current assets	\$ 11,545,080	\$ 11,213,862	\$ 12,967,172	\$ 331,218	3.0%	\$ (1,753,310)	-13.5%
Noncurrent assets	10,278,700	10,276,027	10,562,081	2,673	0.0%	(286,054)	-2.7%
Capital assets, net	<u>167,364,201</u>	<u>166,314,359</u>	<u>164,917,367</u>	<u>1,049,842</u>	0.6%	<u>1,396,992</u>	0.8%
Total assets	<u>189,187,981</u>	<u>187,804,248</u>	<u>188,446,620</u>	<u>1,383,733</u>	0.7%	<u>(642,372)</u>	-0.3%
<b>Liabilities:</b>							
Current liabilities	5,007,842	5,801,620	5,488,555	(793,778)	-13.7%	313,065	5.7%
Noncurrent liabilities	<u>45,185,358</u>	<u>46,971,499</u>	<u>48,744,282</u>	<u>(1,786,141)</u>	-3.8%	<u>(1,772,783)</u>	-3.6%
Total liabilities	<u>50,193,200</u>	<u>52,773,119</u>	<u>54,232,837</u>	<u>(2,579,919)</u>	-4.9%	<u>(1,459,718)</u>	-2.7%
<b>Net Position:</b>							
Net investment in capital assets	126,769,451	124,274,008	124,124,544	2,495,443	2.0%	149,464	0.1%
Restricted	3,933,764	3,933,549	3,933,752	215	0.0%	(203)	0.0%
Unrestricted	<u>8,291,566</u>	<u>6,823,572</u>	<u>6,155,487</u>	<u>1,467,994</u>	21.5%	<u>668,085</u>	10.9%
Total net position	<u>\$ 138,994,781</u>	<u>\$ 135,031,129</u>	<u>\$ 134,213,783</u>	<u>\$ 3,963,652</u>	2.9%	<u>\$ 817,346</u>	0.6%

As noted earlier, net position may serve over time as a useful indicator of a district's financial position. In the case of the District, assets exceeded liabilities by \$139.0 million, \$135.0 million and \$134.2 million as of June 30, 2014, 2013 and 2012, respectively.

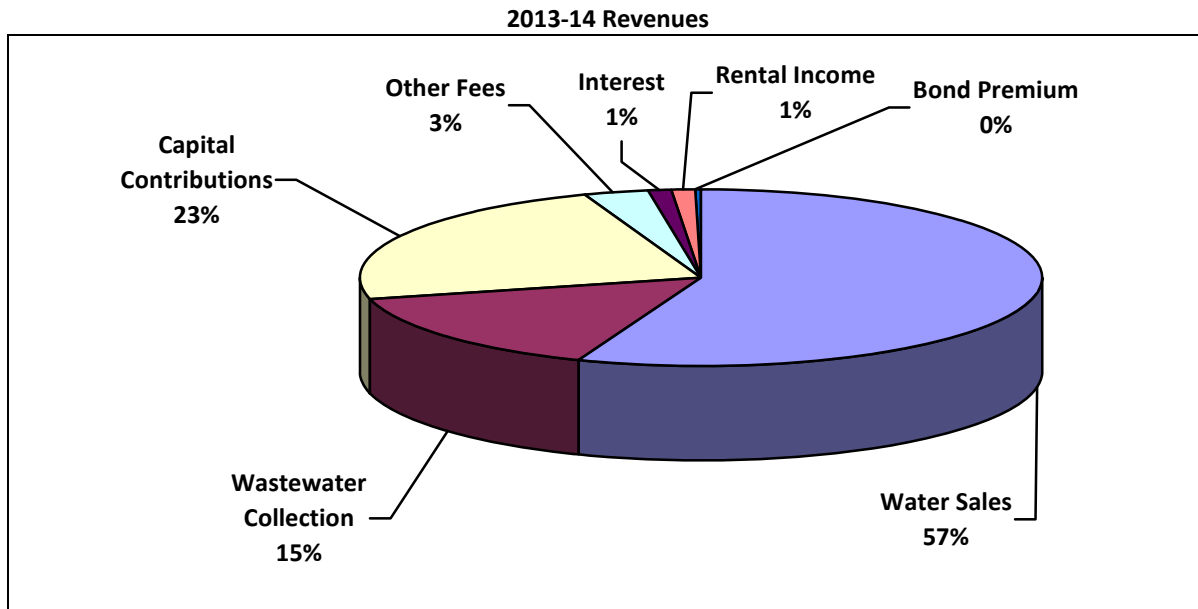
One of the largest portions of the District's assets (91.2%, 92.0%, and 92.5% as of June 30, 2014, 2013 and 2012, respectively) reflects the District's net investment in capital assets. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2014, 2013 and 2012, the District showed a positive balance in its unrestricted net position of \$8.3 million, \$6.8 million and \$6.2 million, respectively.

**MARINA COAST WATER DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014 and 2013**

**Revenue and Expenses**

The District finances its water sales and wastewater collection operations through user fees, and other income. Total revenue for fiscal year 2013-14 was \$16.3 million, up \$3.9 million from prior year. Capital contributions increased \$3.6 million from fiscal year 2012-13 primarily due to an increase in capacity and connection fees. The decrease in capital contributions between fiscal years 2012-13 and 2011-12 was due to a reduction in grants.



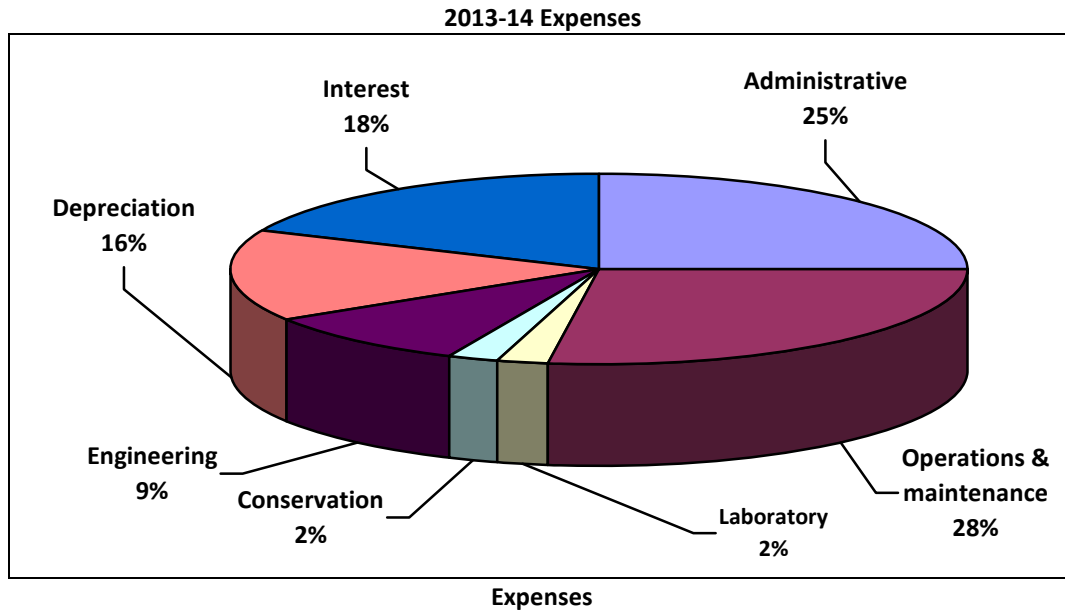
**Revenues**

	June 30			Change between		Change between	
	2014	2013	2012	2014 and 2013		2013 and 2012	
<b>Operating revenues:</b>							
Water sales	\$ 9,106,401	\$ 8,839,268	\$ 9,051,906	\$ 267,133	3.0%	\$ (212,638)	-2.3%
Wastewater collection	2,507,048	2,513,613	2,453,627	(6,565)	-0.3%	59,986	2.4%
Other services & fees	472,679	415,851	352,477	56,828	13.7%	63,374	18.0%
Total operating revenues	<u>12,086,128</u>	<u>11,768,732</u>	<u>11,858,010</u>	<u>317,396</u>	2.7%	<u>(89,278)</u>	-0.8%
<b>Nonoperating revenues:</b>							
Rental income	179,438	179,438	164,485	-	0.0%	14,953	9.1%
Interest earned	197,277	208,531	233,276	(11,254)	-5.4%	(24,745)	-10.6%
Bond premium	47,658	47,657	47,939	1	0.0%	(282)	-0.6%
Total nonoperating revenues	<u>424,373</u>	<u>435,626</u>	<u>445,700</u>	<u>(11,253)</u>	-2.6%	<u>(10,074)</u>	-2.3%
<b>Capital contributions:</b>							
	3,800,217	222,268	1,895,449	3,577,949	1609.7%	(1,673,181)	-88.3%
<b>Total revenues</b>	<u>\$ 16,310,718</u>	<u>\$ 12,426,626</u>	<u>\$ 14,199,159</u>	<u>\$ 3,884,092</u>	31.3%	<u>\$ (1,772,533)</u>	-12.5%

**MARINA COAST WATER DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014 and 2013**

**Revenue and Expenses (continued)**

Total expenses for fiscal year 2013-14 were \$11.5 million, slightly lower than prior years. Operations and maintenance expenses increased \$0.2 million and engineering increased by \$0.1 million. This is offset by a decrease in depreciation expense of \$0.3 million due to a portion of infrastructure assets becoming fully depreciated in the prior year.



	June 30			Change between		Change between		
	2014	2013	2012	2014 and 2013		2013 and 2012		
<b>Operating expenses:</b>								
Administrative	\$ 2,868,768	\$ 2,919,025	\$ 2,181,146	\$ (50,257)	-1.7%	\$ 737,879	33.8%	
Operations and maintenance	3,154,941	2,970,097	2,722,037	184,844	6.2%	248,060	9.1%	
Laboratory	263,015	225,119	216,448	37,896	16.8%	8,671	4.0%	
Conservation	241,849	219,964	214,378	21,885	9.9%	5,586	2.6%	
Engineering	1,087,355	983,105	969,643	104,250	10.6%	13,462	1.4%	
Depreciation and amortization	1,791,439	2,062,451	3,029,324	(271,012)	-13.1%	(966,873)	-31.9%	
<b>Total operating expenses</b>	<b>9,407,367</b>	<b>9,379,761</b>	<b>9,332,976</b>	<b>27,606</b>	<b>0.3%</b>	<b>46,785</b>	<b>0.5%</b>	
<b>Nonoperating expenses:</b>								
Interest expense	2,113,386	2,180,345	2,281,489	(66,959)	-3.1%	(101,144)	-4.4%	
Other	-	49,174	50,211	(49,174)	-100.0%	(1,037)	-2.1%	
<b>Total nonoperating expenses</b>	<b>2,113,386</b>	<b>2,229,519</b>	<b>2,331,700</b>	<b>(116,133)</b>	<b>-5.2%</b>	<b>(102,181)</b>	<b>-4.4%</b>	
<b>Total expenses</b>	<b>\$ 11,520,753</b>	<b>\$ 11,609,280</b>	<b>\$ 11,664,676</b>	<b>\$ (88,527)</b>	<b>-0.8%</b>	<b>\$ (55,396)</b>	<b>-0.5%</b>	

**MARINA COAST WATER DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014 and 2013**

**Revenue and Expenses (concluded)**

The Statement of Revenues, Expenses and Changes in Net Position on page 12 show how the District's net position changed during the fiscal year. Net position increased by \$4.0 million, \$0.8 million, and \$2.5 million for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

**Changes in Net Position**

	June 30			Change between 2014 and 2013	Change between 2013 and 2012		
	2014	2013	2012				
Beginning net position, as restated	\$ 134,204,816	\$ 134,213,783	\$ 131,679,300	\$ (8,967)	0.0%	\$ 2,534,483	1.9%
Income before contributions	989,748	595,078	639,034	394,670	66.3%	(43,956)	-6.9%
Capital contributions	3,800,217	222,268	1,895,449	3,577,949	1609.7%	(1,673,181)	-88.3%
Change in net position	4,789,965	817,346	2,534,483	3,972,619	486.0%	(1,717,137)	-67.8%
Ending net position	\$ 138,994,781	\$ 135,031,129	\$ 134,213,783	\$ 3,963,652	2.9%	\$ 817,346	0.6%

**Capital Assets**

At the end of fiscal years 2014, 2013 and 2012, the District's capital assets amounted to \$167.4 million, \$166.3 million, and \$164.9 million, respectively, (net of accumulated depreciation). 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 were as follows:

**Capital Assets**

	June 30			Change between 2014 and 2013	Change between 2013 and 2012		
	2014	2013	2012				
<b>Capital assets:</b>							
Non-depreciable assets	\$ 137,771,670	\$ 135,047,744	\$ 129,353,545	\$ 2,723,926	2.0%	\$ 5,694,199	4.4%
Depreciable assets	66,081,773	66,074,916	68,367,848	6,857	0.0%	(2,292,932)	-3.4%
Less accumulated depreciation	(36,489,242)	(34,808,301)	(32,804,026)	(1,680,941)	4.8%	(2,004,275)	6.1%
Total capital assets, net	\$ 167,364,201	\$ 166,314,359	\$ 164,917,367	\$ 1,049,842	0.6%	\$ 1,396,992	0.8%

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

**MARINA COAST WATER DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014 and 2013**

**Debt Administration**

As of June 30, 2014, the District had \$43.6 million in outstanding debt compared to \$45.1 million as of June 30, 2013 and \$46.7 million as of June 30, 2012. Revenue certificates of participation in the amount of \$42.3 million were issued in August 2006 to fund costs associated with several major capital improvement projects and were also used to refund the District's existing outstanding debt obligations. The District bought land in 2009 and 2010, securing both purchases with a promissory note. In 2010 subordinate enterprise revenue refunding bonds in the amount of \$8.5 million were issued to refinance the promissory note associated with the Armstrong Ranch land purchase. The District has a line of credit (LOC) in the amount of \$3.5 million secured by a \$3.3 million certificate of deposit. As of June 30, 2014, \$2.2 million of the LOC had been used to fund construction projects related to the Imjin Office Park. 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 & 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. Both ratings were affirmed in November 2013 by Standard & Poor's Ratings Services.

Changes in long-term debt amounts were as follows:

	<b>Outstanding Debt at Year End</b>			Change between 2014 and 2013		Change between 2013 and 2012	
	2014	June 30 2013	2012				
<u>Long-term debt:</u>							
Loans payable	\$ -	\$ 21,224	\$ 49,520	\$ (21,224)	-100.0%	\$ (28,296)	-57.1%
Bonds payable	41,830,000	43,480,000	45,080,000	(1,650,000)	-3.8%	(1,600,000)	-3.5%
Capital lease	-	-	26,407	-	0.0%	(26,407)	-100.0%
Compensated absences	276,313	250,646	264,755	25,667	10.2%	(14,109)	-5.3%
OPEB liability	599,781	468,058	337,816	131,723	28.1%	130,242	38.6%
Unamortized premiums, net	873,651	921,309	968,966	(47,658)	-5.2%	(47,657)	-4.9%
Total long-term debt	<u>\$ 43,579,745</u>	<u>\$ 45,141,237</u>	<u>\$ 46,727,464</u>	<u>\$ (1,561,492)</u>	-3.5%	<u>\$ (1,586,227)</u>	-3.4%

Additional information on the District's long-term debt is provided in Note 6 on pages 27-29 of the financial statements.

**MARINA COAST WATER DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014 and 2013**

**Economic Factors and Next Year's Budget and Rates**

The Board of Directors adopted the District's 2014-2015 Marina and Ord Community budgets and rates on June 27, 2014. The approval of the budget provides funding for the District's operating, capital and debt service costs for the 2014-15 fiscal year. The District's water and wastewater rates are reviewed by staff on an annual basis.

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

**Requests for Information**

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



## ***BASIC FINANCIAL STATEMENTS***



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**MARINA COAST WATER DISTRICT**  
**Statements of Net Position**  
**June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 10,101,074	\$ 9,843,147
Accounts receivable, net	1,138,161	1,064,349
Interest receivable	16,900	17,619
Other receivable	1,138	35,507
Inventories	125,847	120,492
Deposits	25,266	3,612
Prepaid items	136,694	129,136
Total current assets	<u>11,545,080</u>	<u>11,213,862</u>
Noncurrent assets:		
Restricted cash and investments	10,278,700	9,449,715
Unamortized bond issuance costs	-	826,312
Capital assets, net	<u>167,364,201</u>	<u>166,314,359</u>
Total noncurrent assets	<u>177,642,901</u>	<u>176,590,386</u>
<b>TOTAL ASSETS</b>	<u>189,187,981</u>	<u>187,804,248</u>
 <b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	462,204	1,143,849
Accrued expenses	149,475	245,170
Interest payable	170,202	175,619
Line of credit	2,227,979	2,227,979
Customer deposits payable	273,365	329,596
Current portion of long-term debt	<u>1,724,617</u>	<u>1,679,407</u>
Total current liabilities	<u>5,007,842</u>	<u>5,801,620</u>
Noncurrent liabilities:		
Long-term debt	41,255,347	42,993,772
Unearned revenue	330,230	509,669
Net OPEB obligation	599,781	468,058
Other noncurrent liability	<u>3,000,000</u>	<u>3,000,000</u>
Total noncurrent liabilities	<u>45,185,358</u>	<u>46,971,499</u>
<b>TOTAL LIABILITIES</b>	<u>50,193,200</u>	<u>52,773,119</u>
 <b>NET POSITION</b>		
Net investment in capital assets	126,769,451	124,274,008
Restricted for debt service	3,933,764	3,933,549
Unrestricted	<u>8,291,566</u>	<u>6,823,572</u>
<b>TOTAL NET POSITION</b>	<u>\$ 138,994,781</u>	<u>\$ 135,031,129</u>

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

**MARINA COAST WATER DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For The Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Water services	\$ 9,106,401	\$ 8,839,268
Wastewater services	2,507,048	2,513,613
Other services and fees	472,679	415,851
Total operating revenues	<u>12,086,128</u>	<u>11,768,732</u>
OPERATING EXPENSES:		
Administrative	2,868,768	2,919,025
Operations and maintenance	3,154,941	2,970,097
Laboratory	263,015	225,119
Conservation	241,849	219,964
Engineering	1,087,355	983,105
Depreciation and amortization	1,791,439	2,062,451
Total operating expenses	<u>9,407,367</u>	<u>9,379,761</u>
Operating income	<u>2,678,761</u>	<u>2,388,971</u>
NONOPERATING REVENUES (EXPENSES):		
Rental income	179,438	179,438
Interest earned	197,277	208,531
Interest expense	(2,113,386)	(2,180,345)
Bond premium (discount)	47,658	47,657
Bond issuance costs	-	(49,174)
Total nonoperating revenue (expenses)	<u>(1,689,013)</u>	<u>(1,793,893)</u>
Income before capital contributions	989,748	595,078
CAPITAL CONTRIBUTIONS:		
Grants	-	11,680
Capacity and connection fees	3,197,978	210,588
Developer contributions	602,239	-
Total capital contributions	<u>3,800,217</u>	<u>222,268</u>
Increase in net position	4,789,965	817,346
Net position, beginning of year	135,031,129	134,213,783
Restatement due to Adoption of GASBS 65 (Note 1)	(826,313)	-
Net position, end of year	<u>\$ 138,994,781</u>	<u>\$ 135,031,129</u>

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

**MARINA COAST WATER DISTRICT**  
**Statements of Cash Flows**  
**For The Years Ended June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 12,046,684	\$ 12,470,455
Payments to employees	(4,211,827)	(4,331,481)
Payments to suppliers	(4,294,294)	(2,737,055)
Net cash provided by operating activities	3,540,563	5,401,919
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(3,667,589)	(3,459,446)
Proceeds from grants	-	11,680
Developer contributions, capacity and connection receipts	3,800,217	210,588
Principal paid on capital debt	(1,671,224)	(1,654,705)
Interest paid on capital debt	(1,292,492)	(2,185,375)
Net cash used for capital and related financing activities	(2,831,088)	(7,077,258)
<b>INVESTING ACTIVITIES:</b>		
Rental income	179,438	179,438
Interest earnings	197,999	213,152
Net cash provided by investing activities	377,437	392,590
Net increase (decrease) in cash and cash equivalents	1,086,912	(1,282,749)
Cash and cash equivalents, beginning of year	19,292,862	20,575,611
Cash and cash equivalents, end of year	\$ 20,379,774	\$ 19,292,862
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>		
Cash and investments	\$ 10,101,074	\$ 9,843,147
Restricted cash and investments	10,278,700	9,449,715
Cash and cash equivalents at end of year	\$ 20,379,774	\$ 19,292,862
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 2,678,761	\$ 2,388,971
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	1,791,439	2,062,452
(Increase) decrease in accounts receivable	(39,449)	701,725
(Increase) decrease in inventories	(5,355)	46,063
(Increase) decrease in prepaid items	(7,558)	(51,299)
(Increase) decrease in deposits	(21,654)	6,332
Increase (decrease) in customer deposits	(56,231)	62,638
Increase (decrease) in accounts payable	(681,646)	203,303
Increase (decrease) in accrued expenses	(95,695)	45,038
Increase (decrease) in compensated absences	25,667	(14,108)
Increase (decrease) in other noncurrent liabilities	(47,716)	(49,196)
Total adjustments	861,802	3,012,948
Net cash provided by operating activities	\$ 3,540,563	\$ 5,401,919

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



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**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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

Note 1 - Summary of Significant Accounting Policies

Note 2 - Cash and Investments

Note 3 - Capital Assets

Note 4 - Receivables

Note 5 - Line of Credit

Note 6 - Long-Term Debt

Note 7 - Operating Leases

Note 8 - Defined Benefit Pension Plan

Note 9 - Post Employment Benefits

Note 10 - Risk Management

Note 11 - Commitments and Contingencies

Note 12 - Subsequent Event



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**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

***Note 1 – Summary of Significant Accounting Policies***

A. Reporting Entity

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

B. Basis of Presentation

The accounts of the District are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, 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 operating income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District presents comparative financial statements in the accompanying financial statements to improve financial reporting for the District. In addition, the District presents the following funds in the accompanying Supplementary Information:

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.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

***Note 1 – Summary of Significant Accounting Policies (continued)***

B. Basis of Presentation (concluded)

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 nonoperating 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. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities, in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

C. Measurement Focus and Basis of Accounting

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

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**Note 1 – Summary of Significant Accounting Policies (continued)**

D. Statement of Net Position

In 2013, the Government Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, created two new elements to the statement of financial position, i.e. Deferred Outflows of Resources and Deferred Inflows of Resources, and re-named “Net Assets” to “Net Position”. In addition, the “Invested in Capital Assets, net of related debt” was re-named to “Net Investment in Capital Assets”. The District has implemented GASB Statement No. 63 in the accompanying financial statements.

- **Net Investment in Capital Assets** – This component consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same component as the unspent proceeds.
- **Restricted** – This component consists of 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** – This component consists of those components that do not meet the definition of “restricted” or “net investment in capital assets”. Amounts included as unrestricted net assets are available for designation for specific purposes established by the District’s Board of Directors.

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

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

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

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

***Note 1 – Summary of Significant Accounting Policies (continued)***

F. Budget

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

G. Cash, Cash Equivalents, and Investments

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

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

H. Accounts Receivables

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

Management evaluates all accounts receivable and if it is determined that they are uncollectible they are written off as bad debt expense. Also, management provides an allowance for uncollectible accounts related to utility customers and local developers.

I. Inventories

Inventories are stated at cost, determined on a first-in, first-out basis.

J. Restricted Assets

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

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

***Note 1 – Summary of Significant Accounting Policies (continued)***

K. Bond Premiums

Bond premiums are netted against the related debt and included in bonds payable.

L. Capital Assets

The District's capital assets are stated at historical cost or estimated historical cost when original cost was not available, net of accumulated depreciation. Contributed capital assets are recorded at estimated fair value at the time assets are received. The District's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$5,000. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets which range from 30 to 60 years for the plant and pipelines, and 5 to 10 years for other equipment.

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

M. Compensated Absences

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

N. Rebate Arbitrage

Rebate arbitrage earnings related to the 2006 certificates of participation are being recorded as a liability. As of June 30, 2014 and 2013, the District's liability was estimated at \$0 and \$0, respectively.

O. Deficit Fund Balances

At June 30, 2014, the New Water fund had a deficit fund balance of \$(5,358,749), which will be eliminated through future revenues collected from ratepayers of the regional water project.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

***Note 1 – Summary of Significant Accounting Policies (continued)***

P. Interfund Transactions

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

Q. Property Taxes

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

Property tax revenue is recognized in the fiscal year in which taxes are levied. Taxes are collected by Monterey County; however, the District does not currently receive tax revenue.

The property tax calendar is as follows:

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

R. Use of Estimates

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

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

***Note 1 – Summary of Significant Accounting Policies (concluded)***

S. Adoption of New GASB Pronouncements and Restatements

GASB has issued Statement No. 65, Items Previously Reported as Assets and Liabilities. The requirements of this statement improve financial reporting by clarifying the appropriate use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting and to recognize as outflows of resources or inflows of resources certain items that were previously reported as assets and liabilities. This statement became effective for periods beginning after December 15, 2012. The implementation of GASBS 65 required the write-off of deferred bond issuance costs that were previously classified as assets, therefore, the District's beginning net position has been restated.

GASB has issued Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62. The requirements of this statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This statement became effective for periods beginning after December 15, 2012 and did not have a significant impact on the District's financial statements for year ended June 30, 2014.

GASB has issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The requirements of this statement enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This statement also enhances the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This statement also augments the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. This statement became effective for period beginning after June 15, 2013 and did not have a significant impact on the District's financial statements for the year ended June 30, 2014.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**Note 2 - Cash and Investments**

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

	2014	2013
Statement of Net Position:		
Cash and investments	\$ 10,101,074	\$ 9,843,147
Restricted cash and investments	10,278,700	9,449,715
Total cash and investments	\$ 20,379,774	\$ 19,292,862

Cash and investments as of June 30, 2014 consist of the following:

	2014	2013
Cash on hand	\$ 1,150	\$ 1,150
Deposits with financial institutions	2,432,712	1,387,502
Investments	17,945,912	17,904,210
Total cash and investments	\$ 20,379,774	\$ 19,292,862

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 contracts (GIC), and the local government investment pool administered by the State of California's Local Agency Investment Fund (LAIF). The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

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



**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**Note 2 - Cash and Investments (continued)**

Disclosures Relating to Interest Rate Risk

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

	Fair Value		Maturity
	2014	2013	
Statement Investment Pool (LAIF)	\$ 7,429,000	\$ 7,410,173	N/A - due on demand
Money Market Fund	3,026,589	3,017,742	N/A - due on demand
Debt Reserve Fund (GIC)	3,933,772	3,933,553	324 months to maturity
Certificate of Deposits	3,556,551	3,542,742	6 months to maturity
Total	<u>\$ 17,945,912</u>	<u>\$ 17,904,210</u>	

GIC – Guaranteed Investment Contract  
LAIF – Local Agency Investment Fund

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that is in excess of five percent of the District's total investments.

Custodial Credit Risk

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

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

***Note 2 - Cash and Investments (continued)***

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government agency will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Collateral and Categorization Requirements

On June 30, 2014, the District's carrying amount of demand deposits was \$2,432,712, and the bank account balance was \$2,594,852. The difference of \$162,140 represented outstanding checks and deposits in transit. Of the total deposit balance, \$250,000 was insured by federal depository insurance and \$2,344,852 was collateralized 110% in accordance with California Government Code requirements by securities held by the pledging financial institution in the District's name.

On June 30, 2013, the District's carrying amount of demand deposits was \$1,387,502, and the bank account balance was \$1,423,769. The difference of \$36,267 represented outstanding checks and deposits in transit. Of the total deposit balance, \$250,000 was insured by federal depository insurance and \$1,173,769 was collateralized 110% in accordance with California Government Code requirements by securities held by the pledging financial institution in the District's name.

Investment in State Investment Pool

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

The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

***Note 2 - Cash and Investments (concluded)***

The District's investments with LAIF included a portion of the pooled funds invested in medium-term and short-term structured notes and asset-backed securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

The Local Investment Advisory Board provides oversight for LAIF. The Board consists of five members as designated by statute. The State Treasurer, as Chairman, or his designated representative appoints two members qualified by training and experience in the field of investment or finance, and two members who are treasurers, finance or fiscal officers or business managers employed by any county, city or local district or municipal corporation of this state.

As of June 30, 2014 and 2013, the District had \$7,429,000 and \$7,410,173, respectively invested in LAIF, which had invested 1.86% and 1.88%, respectively, of the pooled investment funds in short-term and medium-term structured notes and asset-backed securities. The fair value of the District's position in the pool is the same as the value of the pool shares.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**Note 3 - Capital Assets**

Changes in capital assets for the fiscal year ended June 30, 2014, is as follows:

	Balance June 30, 2013	Additions	Deletions	Balance at June 30, 2014
<u>Non-depreciable assets:</u>				
Land	\$ 9,582,134	\$ -	\$ -	\$ 9,582,134
Property easement	24,900,000	-	-	24,900,000
Water/sewer rights	75,129,410	-	-	75,129,410
Construction in progress (1)	25,436,200	2,723,926	-	28,160,126
Total non-depreciable assets	135,047,744	2,723,926	-	137,771,670
<u>Depreciable assets:</u>				
Land improvements	38,121	-	-	38,121
Buildings and improvements	4,425,522	-	-	4,425,522
Equipment	2,989,131	126,027	(119,170)	2,995,988
Infrastructure	58,622,142	-	-	58,622,142
Total depreciable assets	66,074,916	126,027	(119,170)	66,081,773
<u>Less accumulated depreciation:</u>				
Land improvements	(38,121)	-	-	(38,121)
Buildings and improvements	(909,622)	(132,051)	-	(1,041,673)
Equipment	(2,324,222)	(210,610)	110,498	(2,424,334)
Infrastructure	(31,536,336)	(1,448,778)	-	(32,985,114)
Total accumulated depreciation	(34,808,301)	(1,791,439)	110,498	(36,489,242)
Depreciable assets, net	31,266,615	(1,665,412)	(8,672)	29,592,531
Total capital assets, net	\$ 166,314,359	\$ 1,058,514	\$ (8,672)	\$ 167,364,201

(1) Construction in progress includes capitalized interest in the amount of \$2,610,678 and \$2,611,826 for the years ended June 30, 2014 and 2013, respectively.

Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The depreciation expense for the years ended June 30, 2014 and 2013 totaled \$1,791,439 and \$2,062,451, respectively.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

***Note 4 – Receivables***

At June 30, 2014 and 2013, accounts receivable consisted of utility customer receivables of \$1,164,055 and \$1,147,525, respectively, and receivables from agreements with local developers in the amount of \$527,966 and \$429,000, respectively. The allowance for uncollectible accounts related to utility customers was \$91,564 and \$83,176, respectively and for local developers was \$462,296 and \$429,000, respectively.

Other receivable balance, net of allowance for doubtful accounts, currently outstanding at June 30, 2014 and 2013 was \$1,138 and \$35,507, respectively.

***Note 5 – Line of Credit***

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

Construction costs were funded through a certificate of deposit secured non-revolving line of credit (LOC) with Rabobank. The original loan commenced on December 2, 2010, was due to mature on December 1, 2011, and has been extended to December 1, 2014. The District intends to extend the line of credit to December 1, 2015. The terms of the LOC are interest only payments at an interest rate of 1.90% (CD rate + 1.5% margin). As of June 30, 2014, \$2,227,979 of the LOC has been used to construct the building. Currently, the building is partially occupied by FORA. The remaining available balance of the line of credit of \$1,048,021 will be used for tenant improvements once the vacant portion of the building is leased out.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**Note 6 - Long-Term Debt**

Long-term liability activity for the fiscal year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2006 Certificates of Participation	\$ 37,110,000	\$ -	\$ (950,000)	\$ 36,160,000	\$ 990,000
plus unamortized premiums	842,179	-	(36,353)	805,826	-
Net 2006 Certificates of Participation	<u>37,952,179</u>	<u>-</u>	<u>(986,353)</u>	<u>36,965,826</u>	<u>990,000</u>
2010 Revenue Bonds Payable	6,370,000	-	(700,000)	5,670,000	725,000
plus unamortized premiums	79,130	-	(11,305)	67,825	-
Net 2010 Revenue Bonds Payable	<u>6,449,130</u>	<u>-</u>	<u>(711,305)</u>	<u>5,737,825</u>	<u>725,000</u>
Promissory note - Fort Ord Reuse Authority	21,224	-	(21,224)	-	-
Compensated absences	250,646	241,304	(215,637)	276,313	9,617
OPEB liability	468,058	131,723	-	599,781	-
Totals	<u>\$ 45,141,237</u>	<u>\$ 373,027</u>	<u>\$ (1,934,519)</u>	<u>\$ 43,579,745</u>	<u>\$ 1,724,617</u>

A. 2006 Certificates of Participation

On August 23, 2006, the District issued certificates of participation revenue bonds (2006 COP Bonds) in the amount of \$42,310,000 due in semi-annual installments on December 1 and June 1 through 2037 at a weighted average interest rate of 4.795% per annum. A portion of the proceeds from the bond issue was used to refund the 1996 LaSalle National Bank note, the 1997 Cypress Bank note, and the 2003 City National Bank loan. The remaining balance of the proceeds will be used to fund the District's capital improvement projects. The 2006 COP Bonds are payable solely from, and secured by, the revenues received from the operation of the District's water and wastewater systems. As of June 30, 2014 and 2013, the outstanding balance was \$36,160,000 and \$37,110,000, respectively.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**Note 6 - Long-Term Debt (continued)**

A. 2006 Certificates of Participation (concluded)

Future payments are as follows:

Year Ending June 30,	2006 Enterprise Revenue Certificates of Participation		
	Principal	Interest	Total
2015	\$ 990,000	\$ 1,743,562	\$ 2,733,562
2016	930,000	1,703,962	2,633,962
2017	970,000	1,666,763	2,636,763
2018	1,010,000	1,627,963	2,637,963
2019	1,050,000	1,587,563	2,637,563
2020-2024	6,430,000	7,117,200	13,547,200
2025-2029	7,610,000	5,470,500	13,080,500
2030-2034	9,715,000	3,369,000	13,084,000
2035-2037	7,455,000	776,500	8,231,500
	<u>\$ 36,160,000</u>	<u>\$ 25,063,013</u>	<u>\$ 61,223,013</u>

B. 2010 Revenue Bonds

On December 16, 2010, the District issued refunding revenue bonds in the amount of \$8,495,000 due in semi-annual installments on December 1 and June 1 through 2020 at a weighted average interest rate of 4.340% per annum. The proceeds from the bond issue were used to refinance the Armstrong Ranch Promissory Note. The 2010 bonds are payable solely from, and secured by, the revenues received from the operation of the District's water and wastewater systems. As of June 30, 2014 and 2013, the outstanding balance was \$5,670,000 and \$6,370,000, respectively.

Future payments are as follows:

Year Ending June 30,	2010 Subordinate Enterprise Revenue Refunding Bonds		
	Principal	Interest	Total
2015	\$ 725,000	\$ 260,850	\$ 985,850
2016	755,000	231,850	986,850
2017	785,000	201,650	986,650
2018	820,000	170,250	990,250
2019	850,000	129,250	979,250
2020	1,735,000	86,750	1,821,750
	<u>\$ 5,670,000</u>	<u>\$ 1,080,600</u>	<u>\$ 6,750,600</u>

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

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**Note 6 - Long-Term Debt (concluded)**

C. Bond Premiums

Bond premiums are netted against the related debt and included in bonds payable. Amortization expense for the year ended June 30, 2014 and 2013, was \$47,658 and \$47,657, respectively.

D. Compensated Absences

District employees accumulate earned, but unused, vacation and sick pay benefits which can be converted to cash at termination of employment. The compensated absences balance at June 30, 2014 and 2013 was \$276,313 and \$250,646, respectively.

**Note 7 – Operating Leases**

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

Minimum lease payments under the obligations are as follows:

<u>Year ending June 30,</u>	
2015	\$ 769
Total	<u>\$ 769</u>

The District's total operating lease expense for the years ended June 30, 2014 and 2013 was \$25,894 and \$28,452, respectively.



**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

***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), provides 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 and Funding Progress

In fiscal year ended June 30, 2004, CalPERS established a risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed include other participants within the same pool. Therefore, stand-alone information of the schedule of funding progress for the District is no longer available, nor disclosed.

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 years 2013-14 was 8.486% and 2012-2013 was 7.84% for Miscellaneous Plan employees. The contribution requirements of the plan are established by state statute and the employer contribution rates established may be amended by CalPERS.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**Note 8 - Defined Benefit Pension Plan (concluded)**

D. Annual Pension Cost

For fiscal year 2013-14, the District's annual pension cost was \$419,580 and the District actually contributed \$419,580. The District paid the required member contributions of 7% referred to in paragraph (C) by transferring assets from its employer account to the individual accounts of its employees. The required contribution for fiscal year 2013-14 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) a 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.30% to 14.20% depending on age, service, and type of employment, (c) an inflation rate of 2.75%, (d) a payroll growth rate of 3.00%, and (e) individual salary growth – a merit scale varying by duration of employment coupled with an assumed annual inflation growth rate of 2.75% and an annual production growth of 0.25%.

For fiscal year 2012-13, the District's annual pension cost was \$413,374 and the District actually contributed \$413,374. The District paid the required member contributions of 7% referred to in paragraph (C) by transferring assets from its employer account to the individual accounts of its employees. The required contribution for fiscal year 2012-13 was determined as part of the June 30, 2010 actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) a 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.55% to 14.45% depending on age, service, and type of employment, (c) an inflation rate of 3.00%, (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.

Miscellaneous Plan			
Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$384,946	100%	\$0
2013	\$413,374	100%	\$0
2014	\$419,580	100%	\$0

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**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 \$6,838 in post employment benefits for three retired employees who were eligible for benefits during the fiscal year ended June 30, 2014.

B. Funding Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,350,449, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,350,449. The covered payroll (annual payroll of active employees covered by the plan) was \$2,593,249, and the ratio of the UAAL to the covered payroll was 52%.

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

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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

C. Funding Policy

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

D. Annual Cost

The annual required contribution (ARC) was determined by an actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 4.5% investment rate of return, and (b) annual increases in healthcare premiums grading from a current rate of 6.7% down to 5.0% per year in 2020 and later.

Projections of benefits for financial reporting purposes are based on the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of any plan assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a period of 30 years on a closed basis. As of July 1, 2013, the underfunded actuarial accrued liability was \$1,473,088.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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

D. Annual Cost (concluded)

The annual OPEB cost and the net OPEB obligation at June 30, 2014 was as follows:

	2014	2013
Annual required contribution	\$ 132,042	\$ 138,808
Interest on net OPEB obligation	20,738	15,202
Adjustment to annual required contribution	<u>(21,441)</u>	<u>(15,222)</u>
Annual OPEB cost (expense)	131,339	138,788
Contributions made	<u>(6,838)</u>	<u>(8,546)</u>
Increase in net OPEB obligation	124,501	130,242
Net OPEB obligation - beginning of year	468,058	337,816
Net OPEB obligation - end of year	<u>\$ 592,559</u>	<u>\$ 468,058</u>

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

Year Ending June 30,	Annual OPEB Cost	Actual Contributions (pay-as-you-go)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$126,499	\$5,373	5%	\$337,816
2013	\$138,788	\$8,546	5%	\$468,058
2014	\$131,339	\$6,838	5%	\$592,559

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

***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.

**Regional Desalination Project**

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

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

***Note 11 - Commitments and Contingencies (continued)***

On April 5, 2010, Ag Land Trust ("ALT") filed a Petition of Writ of Mandate and Complaint for Declaratory Relief against the District in the Monterey Superior Court. In February 2012, the Superior Court found that the District violated the California Environmental Quality Act ("CEQA") and ordered the District to set aside its approval of a land purchase agreement and its project agreements with MCWRA and CAW, and to prepare a new Environmental Impact Report. In March 2012, ALT dismissed its remaining declaratory relief causes of action, and in April 2012, judgment was entered in favor of ALT on the CEQA claims. The District timely appealed the judgment to the Sixth Appellate District Court of Appeal. In February 2013, the superior court entered an order granting ALT an award of attorneys' fees in the amount of \$1.285 million. The District timely appealed the attorneys' fees order to the Sixth Appellate District Court of Appeal in a separate appeal. On August 26, 2013, the Sixth Appellate District issued an opinion declaring the case to be moot, reversing the superior court's judgment in favor of ALT, and ordering the superior court to dismiss the case. On October 4, 2013, ALT filed a petition for review in the California Supreme Court challenging the Sixth Appellate District's decision, and on October 22, 2013, the District filed an answer to the petition for review. On November 13, 2013, the California Supreme Court denied the petition for review. On November 18, 2013, the Sixth Appellate District issued the remittitur, rendering the reversal of the judgment against the District final. On March 7, 2014, the superior court entered its order dismissing the Petition for Writ of Mandate as Moot. The attorneys' fees appeal is fully briefed before the Sixth District Court of Appeal and is scheduled to be orally argued before a panel of that Court on November 12, 2014. A decision is likely within the next few months. The District has not recognized a recovery amount, if any, in the accompanying financial statements related to the litigation until the appeals process has been exhausted and a final court decision has been made.

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

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

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

***Note 11 - Commitments and Contingencies (concluded)***

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

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

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

The assets, liabilities and net position of the RDP are represented in the Statement of Net Position, Proprietary Funds in Supplementary Information as the Regional Project fund. A summary is as follows:

Total assets	\$ 13,137,759
Total liabilities	<u>10,684,260</u>
Total net position	<u><u>\$ 2,453,499</u></u>

***Note 12 - Subsequent Event***

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pension Plans (an amendment of GASB Statement No. 27). This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses of pension plans. This statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Management is evaluating the impact of the adoption of this standard on the financial statements and believes that its impact, when adopted, may be substantial to the District. GASB Statement No. 68 will be implemented effective with the fiscal year 2014-2015 financial statements.



**REQUIRED SUPPLEMENTARY INFORMATION**  
**(UNAUDITED)**



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**MARINA COAST WATER DISTRICT**  
**Required Supplementary Information**  
**For the Years Ended June 30, 2014 and 2013**

***Schedule of Funding Progress***

**Other Post Employment Benefits Plan**

Actuarial Valuation Date June 30,	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	Funded Ratio (b) / (a)	Annual Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(a) - (b)] / (c)
2010	\$858,168	\$0	(\$858,168)	0%	\$2,378,746	36%
2013	\$1,350,449	\$0	(\$1,350,449)	0%	\$2,593,249	52%



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***SUPPLEMENTARY INFORMATION***



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**MARINA COAST WATER DISTRICT**  
**Schedule of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Interfund Eliminations	Total
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$ 3,439,081	\$ 1,944,557	\$ 3,577,806	\$ 1,139,630	\$ -	\$ -	\$ -	\$ 10,101,074
Accounts receivable, net	268,599	40,485	632,176	196,901	-	-	-	1,138,161
Interest receivable	2,958	1,435	8,476	3,181	850	-	-	16,900
Due from other funds	7,400,000	186,647	121,016	3,100,000	-	-	(10,807,663)	-
Other receivable, net	67	45	909	117	-	-	-	1,138
Inventories	44,514	2,635	75,477	3,221	-	-	-	125,847
Deposits	10,121	1,923	10,840	2,382	-	-	-	25,266
Prepaid items	71,341	5,872	44,166	15,315	-	-	-	136,694
Total current assets	11,236,681	2,183,599	4,470,866	4,460,747	850	-	(10,807,663)	11,545,080
Noncurrent assets:								
Restricted cash and cash equivalents	2,656,549	771,842	4,089,622	2,555,962	204,725	-	-	10,278,700
Advances to other funds	38,046	-	-	-	-	-	(38,046)	-
Capital assets, net	10,574,224	4,230,389	100,731,922	32,823,764	5,866,143	13,137,759	-	167,364,201
Total noncurrent assets	13,268,819	5,002,231	104,821,544	35,379,726	6,070,868	13,137,759	(38,046)	177,642,901
<b>TOTAL ASSETS</b>	24,505,500	7,185,830	109,292,410	39,840,473	6,071,718	13,137,759	(10,845,709)	189,187,981

continued

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Interfund Eliminations	Total
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable	86,146	10,973	231,058	36,414	-	97,613	-	462,204
Accrued expenses	126,882	425	21,377	791	-	-	-	149,475
Interest payable	18,954	9,434	86,124	35,159	20,531	-	-	170,202
Line of credit	636,407	171,952	1,120,276	299,344	-	-	-	2,227,979
Due to other funds	-	-	-	-	3,221,016	7,586,647	(10,807,663)	-
Customer deposits payable	67,865	-	26,601	178,899	-	-	-	273,365
Current portion of long-term debt	450,885	103,866	872,309	297,557	-	-	-	1,724,617
Total current liabilities	1,387,139	296,650	2,357,745	848,164	3,241,547	7,684,260	(10,807,663)	5,007,842
Noncurrent liabilities:								
Long-term debt	4,212,523	2,294,323	20,085,616	6,473,965	8,188,920	-	-	41,255,347
Advances from other funds	-	-	23,957	14,089	-	-	(38,046)	-
Unearned revenue	85,287	22,830	165,115	56,998	-	-	-	330,230
Net OPEB obligation	182,976	59,014	284,003	73,788	-	-	-	599,781
Other noncurrent liability	-	-	-	-	-	3,000,000	-	3,000,000
Total noncurrent liabilities	4,480,786	2,376,167	20,558,691	6,618,840	8,188,920	3,000,000	(38,046)	45,185,358
TOTAL LIABILITIES	5,867,925	2,672,817	22,916,436	7,467,004	11,430,467	10,684,260	(10,845,709)	50,193,200
<b>NET POSITION</b>								
Net investment in capital assets	7,008,733	2,167,343	79,916,247	26,862,146	(2,322,777)	13,137,759	-	126,769,451
Restricted for debt service	645,935	225,405	2,089,676	768,023	204,725	-	-	3,933,764
Unrestricted	10,982,907	2,120,265	4,370,051	4,743,300	(3,240,697)	(10,684,260)	-	8,291,566
TOTAL NET POSITION	\$ 18,637,575	\$ 4,513,013	\$ 86,375,974	\$ 32,373,469	\$ (5,358,749)	\$ 2,453,499	\$ -	\$ 138,994,781

concluded



**MARINA COAST WATER DISTRICT**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For The Year Ended June 30, 2014**

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Total
<b>OPERATING REVENUES:</b>							
Water services	\$ 4,000,146	\$ -	\$ 5,106,255	\$ -	\$ -	\$ -	\$ 9,106,401
Wastewater services	-	805,035	-	1,702,013	-	-	2,507,048
Other services and fees	78,945	5,728	337,973	50,033	-	-	472,679
Total operating revenues	<u>4,079,091</u>	<u>810,763</u>	<u>5,444,228</u>	<u>1,752,046</u>	<u>-</u>	<u>-</u>	<u>12,086,128</u>
<b>OPERATING EXPENSES:</b>							
Administrative	676,989	206,871	1,670,415	314,438	55	-	2,868,768
Operations and maintenance	910,478	260,608	1,526,776	457,079	-	-	3,154,941
Laboratory	103,496	-	159,519	-	-	-	263,015
Conservation	121,517	-	120,332	-	-	-	241,849
Engineering	227,012	59,473	678,523	122,347	-	-	1,087,355
Depreciation and amortization	375,365	186,952	882,846	194,123	152,153	-	1,791,439
Total operating expenses	<u>2,414,857</u>	<u>713,904</u>	<u>5,038,411</u>	<u>1,087,987</u>	<u>152,208</u>	<u>-</u>	<u>9,407,367</u>
Operating income (loss)	<u>1,664,234</u>	<u>96,859</u>	<u>405,817</u>	<u>664,059</u>	<u>(152,208)</u>	<u>-</u>	<u>2,678,761</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>							
Rental income	53,832	16,149	89,719	19,738	-	-	179,438
Interest earned	40,138	13,226	96,035	37,752	10,126	-	197,277
Interest expense	(246,587)	(118,757)	(1,070,126)	(431,548)	(246,368)	-	(2,113,386)
Bond premium (discount)	6,626	2,805	25,534	9,392	3,301	-	47,658
Total nonoperating revenue (expenses)	<u>(145,991)</u>	<u>(86,577)</u>	<u>(858,838)</u>	<u>(364,666)</u>	<u>(232,941)</u>	<u>-</u>	<u>(1,689,013)</u>
Income (loss) before capital contributions	<u>1,518,243</u>	<u>10,282</u>	<u>(453,021)</u>	<u>299,393</u>	<u>(385,149)</u>	<u>-</u>	<u>989,748</u>
<b>CAPITAL CONTRIBUTIONS:</b>							
Capacity and connection fees	75	296	2,301,548	896,059	-	-	3,197,978
Developer contributions	28,440	-	506,307	67,492	-	-	602,239
Total capital contributions	<u>28,515</u>	<u>296</u>	<u>2,807,855</u>	<u>963,551</u>	<u>-</u>	<u>-</u>	<u>3,800,217</u>
Increase (decrease) in net position	<u>1,546,758</u>	<u>10,578</u>	<u>2,354,834</u>	<u>1,262,944</u>	<u>(385,149)</u>	<u>-</u>	<u>4,789,965</u>
Net position, beginning of year	<u>17,227,751</u>	<u>4,549,544</u>	<u>84,456,900</u>	<u>31,274,483</u>	<u>(4,931,048)</u>	<u>2,453,499</u>	<u>135,031,129</u>
Restatement due to Adoption of GASBS 65 (Note 1)	<u>(136,934)</u>	<u>(47,109)</u>	<u>(435,760)</u>	<u>(163,958)</u>	<u>(42,552)</u>	<u>-</u>	<u>(826,313)</u>
Net position, end of year	<u>\$ 18,637,575</u>	<u>\$ 4,513,013</u>	<u>\$ 86,375,974</u>	<u>\$ 32,373,469</u>	<u>\$ (5,358,749)</u>	<u>\$ 2,453,499</u>	<u>\$ 138,994,781</u>

**MARINA COAST WATER DISTRICT**  
**Schedule of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended June 30, 2014**

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Total
<b>OPERATING ACTIVITIES:</b>							
Receipts from customers and users	\$ 4,067,590	\$ 821,527	\$ 5,380,816	\$ 1,776,751	\$ -	\$ -	\$ 12,046,684
Payments to employees	(1,263,443)	(388,200)	(2,013,200)	(546,984)	-	-	(4,211,827)
Payments to suppliers	(1,011,371)	(179,330)	(2,468,316)	(257,637)	(55)	(377,585)	(4,294,294)
Net cash provided by (used for) operating activities	1,792,776	253,997	899,300	972,130	(55)	(377,585)	3,540,563
<b>NONCAPITAL FINANCING ACTIVITIES:</b>							
Due from other funds	423	(186,647)	1,363,689	(3,100,000)	-	-	(1,922,535)
Due to other funds	-	-	-	-	236,311	1,686,224	1,922,535
Advances to other funds	266,528	-	-	-	-	-	266,528
Advances from other funds	-	-	(168,501)	(98,027)	-	-	(266,528)
Net cash provided by (used for) noncapital financing	266,951	(186,647)	1,195,188	(3,198,027)	236,311	1,686,224	-
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Acquisition and construction of capital assets	(279,426)	(125,435)	(1,641,706)	(269,831)	(42,552)	(1,308,639)	(3,667,589)
Developer contributions, capacity and connection receipts	28,515	296	2,807,855	963,551	-	-	3,800,217
Principal paid on capital debt	(606,377)	(402,415)	(675,612)	(286,820)	-	-	(1,671,224)
Interest paid on capital debt	(111,638)	(71,985)	(636,550)	(268,502)	(203,817)	-	(1,292,492)
Net cash used for capital and related financing activities	(968,926)	(299,539)	(146,013)	138,398	(246,369)	(1,308,639)	(2,831,088)
<b>INVESTING ACTIVITIES:</b>							
Rental income	53,832	16,149	89,719	19,738	-	-	179,438
Interest earnings	40,395	13,392	96,279	37,820	10,113	-	197,999
Net cash provided by investing activities	94,227	29,541	185,998	57,558	10,113	-	377,437
Net increase (decrease) in cash and cash equivalents	1,185,028	(202,648)	2,134,473	(2,029,941)	-	-	1,086,912
Cash and cash equivalents, beginning of year	4,910,602	2,919,047	5,532,955	5,725,533	204,725	-	19,292,862
Cash and cash equivalents, end of year	\$ 6,095,630	\$ 2,716,399	\$ 7,667,428	\$ 3,695,592	\$ 204,725	\$ -	\$ 20,379,774

continued

**RECONCILIATION TO STATEMENT OF NET POSITION:**

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Total
Cash and cash equivalents	\$ 3,439,081	\$ 1,944,557	\$ 3,577,806	\$ 1,139,630	\$ -	\$ -	\$ 10,101,074
Restricted cash and cash equivalents	2,656,549	771,842	4,089,622	2,555,962	204,725	-	10,278,700
Cash and cash equivalents at end of year	\$ 6,095,630	\$ 2,716,399	\$ 7,667,428	\$ 3,695,592	\$ 204,725	\$ -	\$ 20,379,774

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

Operating income	\$ 1,664,234	\$ 96,859	\$ 405,817	\$ 664,059	\$ (152,208)	\$ -	\$ 2,678,761
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation and amortization	375,365	186,952	882,846	194,123	152,153	-	1,791,439
(Increase) decrease in accounts receivable	(11,501)	10,762	(63,412)	24,702	-	-	(39,449)
(Increase) decrease in inventories	(2,428)	574	(4,202)	701	-	-	(5,355)
(Increase) decrease in prepaid items	(711)	573	(6,489)	(931)	-	-	(7,558)
(Increase) decrease in deposits	(6,509)	(1,923)	(10,840)	(2,382)	-	-	(21,654)
Increase (decrease) in customer deposits	(26,124)	-	(191,272)	161,165	-	-	(56,231)
Increase (decrease) in accounts payable	(205,810)	(38,248)	(104,306)	(69,795)	-	(263,487)	(681,646)
Increase (decrease) in accrued expenses	12,140	397	5,122	744	-	-	(95,695)
Increase (decrease) in compensated absences	7,787	2,199	12,996	2,685	-	-	25,667
Increase (decrease) in other noncurrent liabilities	(13,667)	(4,148)	(26,960)	(2,941)	-	-	(47,716)
Total adjustments	128,542	157,138	493,483	308,071	152,153	(377,585)	861,802
Net cash provided by operating activities	\$ 1,792,776	\$ 253,997	\$ 899,300	\$ 972,130	\$ (55)	\$ (377,585)	\$ 3,540,563

Net cash provided by operating activities concluded



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**STATISTICAL  
SECTION  
(UNAUDITED)**

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**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 supplementary information says about the District’s overall financial health.

**Contents**

Financial Trends	44-46
These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	
Revenue Capacity	47-50
These schedules contain information to help the reader assess the District’s most significant revenue sources, water sales and wastewater collection.	
Debt Capacity	51-52
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	53-54
This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	
Operating Information	55-56
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.	

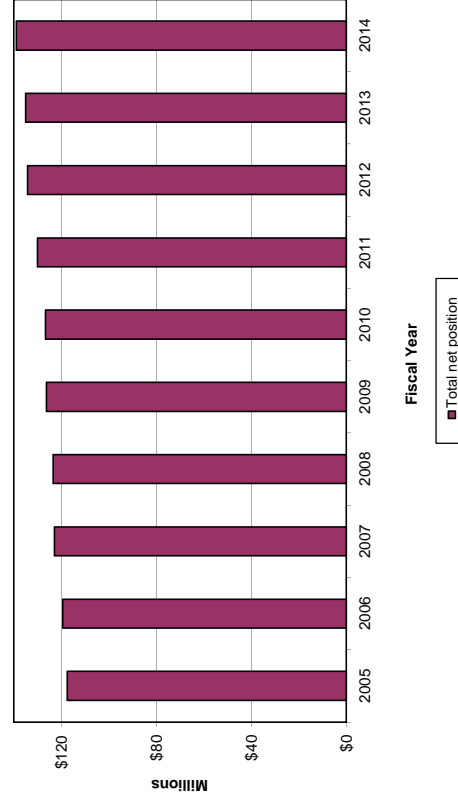


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**MARINA COAST WATER DISTRICT**  
**Changes in Net Position and Net Position by Component**  
**Last Ten Fiscal Years**  
**Schedule 1**

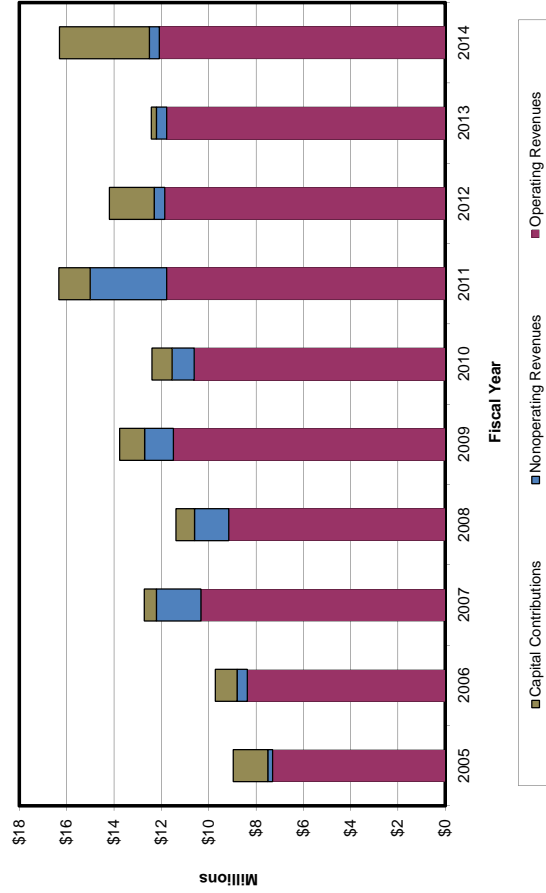
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Changes in net position:</b>										
Operating revenues	\$ 7,301,263	\$ 8,370,774	\$ 10,326,060	\$ 9,150,611	\$ 11,485,437	\$ 10,614,482	\$ 11,774,989	\$ 11,858,010	\$ 11,768,732	\$ 12,086,128
Operating expenses	(6,925,744)	(7,480,070)	(8,722,235)	(9,443,488)	(9,382,017)	(10,261,792)	(10,895,356)	(9,332,976)	(9,379,761)	(9,407,367)
Operating income (loss)	375,519	890,704	1,603,825	(292,877)	2,103,420	352,690	879,633	2,525,034	2,388,971	2,678,761
Non-operating revenues (expenses)	(106,106)	19,271	1,386,589	109,478	(313,310)	(833,764)	1,120,230	(1,886,000)	(1,793,893)	(1,689,013)
Net income before capital contributions	269,413	909,975	2,990,414	(183,399)	1,790,110	(481,074)	1,999,863	639,034	595,078	989,748
Capital contributions	1,457,651	910,968	512,346	782,478	1,062,104	862,020	1,327,733	1,895,449	222,268	3,800,217
Changes in net position	1,727,044	1,820,943	3,502,760	599,079	2,852,214	380,946	3,327,596	2,534,483	817,346	4,789,965
Net position, beginning of year	115,847,989	117,575,033	119,395,976	122,898,736	123,497,815	126,350,029	126,730,975	130,058,571	134,213,783	135,031,129
Prior period adjustments	-	-	-	-	-	-	-	1,620,729	-	(826,313)
Net position, end of year	\$ 117,575,033	\$ 119,395,976	\$ 122,898,736	\$ 123,497,815	\$ 126,350,029	\$ 126,730,975	\$ 130,058,571	\$ 134,213,783	\$ 135,031,129	\$ 138,994,781
<b>Net position by component:</b>										
Net investment in capital assets	\$ 109,094,377	\$ 110,853,880	\$ 107,262,871	\$ 109,656,979	\$ 111,548,505	\$ 115,269,154	\$ 113,545,277	\$ 124,124,544	\$ 124,274,008	\$ 126,769,451
Restricted for debt service	243,991	241,825	3,084,330	3,084,281	3,084,250	3,084,250	3,933,757	3,933,752	3,933,549	3,933,764
Unrestricted	8,236,665	8,300,271	12,551,535	10,756,555	11,717,274	8,377,571	12,579,537	6,155,487	6,823,572	8,291,566
Total net position	\$ 117,575,033	\$ 119,395,976	\$ 122,898,736	\$ 123,497,815	\$ 126,350,029	\$ 126,730,975	\$ 130,058,571	\$ 134,213,783	\$ 135,031,129	\$ 138,994,781



Source: Marina Coast Water District, Audited Financial Statements

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

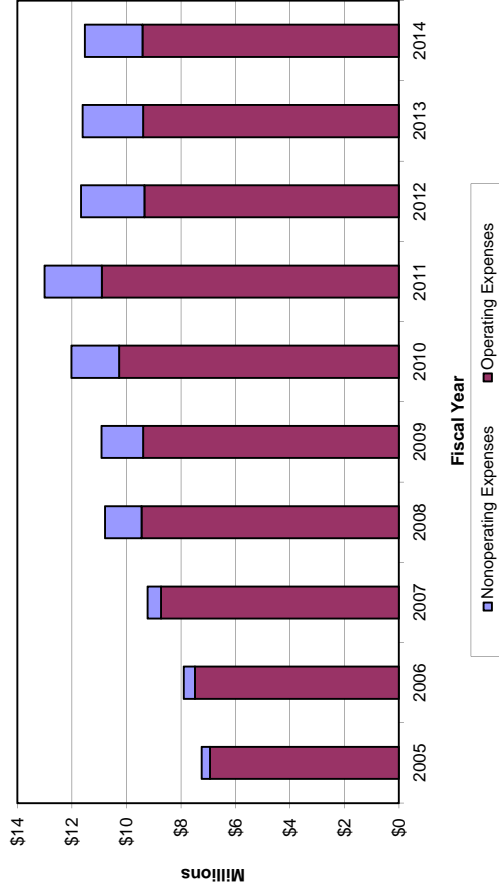
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Operating revenues:</b>										
Water sales	\$ 5,102,546	\$ 6,022,326	\$ 6,707,039	\$ 6,686,916	\$ 7,344,555	\$ 7,501,854	\$ 8,750,650	\$ 9,051,906	\$ 8,839,268	\$ 9,106,401
Wastewater services	1,647,288	1,811,916	1,881,978	1,888,433	1,965,102	2,161,443	2,354,013	2,453,627	2,513,613	2,507,048
Other services and fees	551,429	536,532	1,737,043	575,262	2,175,780	951,185	670,326	352,477	415,851	472,679
<b>Total operating revenues</b>	<b>7,301,263</b>	<b>8,370,774</b>	<b>10,326,060</b>	<b>9,150,611</b>	<b>11,485,437</b>	<b>10,614,482</b>	<b>11,774,989</b>	<b>11,858,010</b>	<b>11,768,732</b>	<b>12,086,128</b>
<b>Nonoperating revenues:</b>										
Interest earned	201,906	433,146	1,882,864	1,417,375	1,185,594	613,936	273,267	233,276	208,531	197,277
Bond premium (discount)	-	-	-	36,353	36,353	36,353	41,724	47,939	47,657	47,658
Rental income	-	-	-	-	-	273,678	2,914,028	164,485	179,438	179,438
<b>Total nonoperating revenues</b>	<b>201,906</b>	<b>433,146</b>	<b>1,882,864</b>	<b>1,453,728</b>	<b>1,221,947</b>	<b>923,967</b>	<b>3,229,019</b>	<b>445,700</b>	<b>435,626</b>	<b>424,373</b>
<b>Capital contributions:</b>										
Grant revenue	777,159	616,213	25,641	361,068	47,568	33,243	783,326	1,185,312	11,680	-
Capacity and connection fees	680,472	294,755	486,705	421,410	1,014,536	828,777	544,407	640,191	210,588	3,197,978
Developer contributions	-	-	-	-	-	-	-	69,946	-	602,239
<b>Total capital contributions</b>	<b>1,457,631</b>	<b>910,968</b>	<b>512,346</b>	<b>782,478</b>	<b>1,062,104</b>	<b>862,020</b>	<b>1,327,733</b>	<b>1,895,449</b>	<b>222,268</b>	<b>3,800,217</b>
<b>Total revenues</b>	<b>\$ 8,960,800</b>	<b>\$ 9,714,888</b>	<b>\$ 12,721,270</b>	<b>\$ 11,386,817</b>	<b>\$ 13,769,488</b>	<b>\$ 12,400,469</b>	<b>\$ 16,331,741</b>	<b>\$ 14,199,159</b>	<b>\$ 12,426,626</b>	<b>\$ 16,310,718</b>



Source: Marina Coast Water District, Audited Financial Statements

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

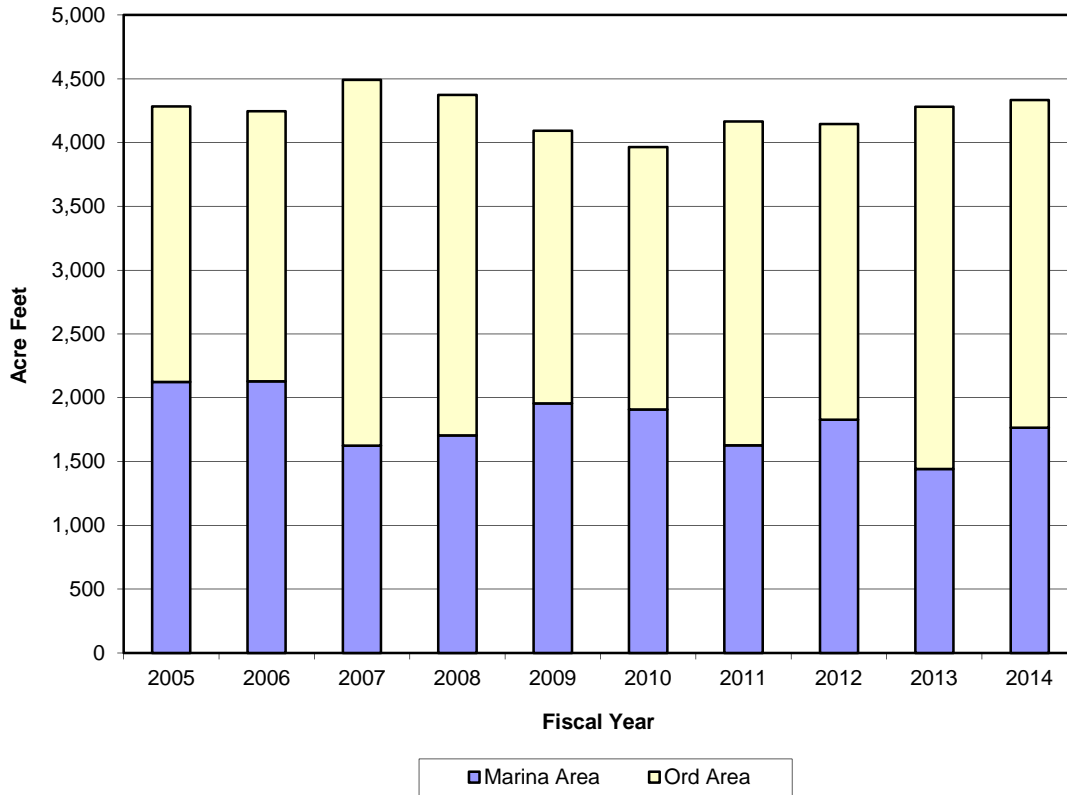
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Operating expenses:</b>										
Administrative	\$ 2,028,428	\$ 1,563,799	\$ 1,825,843	\$ 2,274,611	\$ 2,129,232	\$ 2,129,012	\$ 2,682,047	\$ 2,181,146	\$ 2,919,025	\$ 2,868,768
Operations and maintenance	1,999,061	2,088,928	2,272,393	2,158,993	2,216,202	2,709,949	3,001,131	2,722,037	2,970,097	3,154,941
Laboratory	305,346	296,526	278,641	295,452	312,140	325,299	324,244	216,448	225,119	263,015
Conservation	192,956	183,875	201,110	255,024	264,490	297,283	318,589	214,378	219,964	241,849
Engineering	777,570	1,401,603	1,664,900	1,376,436	1,024,390	908,265	869,790	969,643	983,105	1,087,355
Depreciation	1,622,383	1,945,339	2,479,348	3,082,972	3,435,564	3,891,984	3,699,555	3,029,324	2,062,451	1,791,439
<b>Total operating expenses</b>	<b>6,925,744</b>	<b>7,480,070</b>	<b>8,722,235</b>	<b>9,443,488</b>	<b>9,382,017</b>	<b>10,261,792</b>	<b>10,895,356</b>	<b>9,332,976</b>	<b>9,379,761</b>	<b>9,407,367</b>
<b>Nonoperating expenses</b>										
Interest expense	308,012	413,875	496,275	1,314,153	1,505,137	1,727,610	2,069,622	2,281,489	2,180,345	2,113,386
Bond issuance costs	-	-	-	30,097	30,120	30,121	39,167	50,211	49,174	-
<b>Total nonoperating expenses</b>	<b>308,012</b>	<b>413,875</b>	<b>496,275</b>	<b>1,344,250</b>	<b>1,535,257</b>	<b>1,757,731</b>	<b>2,108,789</b>	<b>2,331,700</b>	<b>2,229,519</b>	<b>2,113,386</b>
<b>Total expenses</b>	<b>\$ 7,233,756</b>	<b>\$ 7,893,945</b>	<b>\$ 9,218,510</b>	<b>\$ 10,787,738</b>	<b>\$ 10,917,274</b>	<b>\$ 12,019,523</b>	<b>\$ 13,004,145</b>	<b>\$ 11,664,676</b>	<b>\$ 11,609,280</b>	<b>\$ 11,520,753</b>



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)
2005	2,124	2,161	4,285
2006	2,130	2,117	4,247
2007	1,624	2,868	4,492
2008	1,705	2,669	4,374
2009	1,957	2,137	4,094
2010	1,908	2,058	3,966
2011	1,626	2,540	4,167
2012	1,827	2,318	4,145
2013	1,441	2,841	4,282
2014	1,764	2,570	4,334



*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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
0-8 hcf	\$ 2.29	\$ 2.29	\$ 2.18	\$ 2.08	\$ 1.93	\$ 1.79	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.00
9-16 hcf	2.79	2.79	2.66	2.53	2.35	2.18	2.39	2.39	2.39	1.69
16+ hcf	5.09	5.09	4.85	4.62	4.29	3.98	3.08	3.08	3.08	2.38
0-12 hcf							\$ 1.79	\$ 1.79	\$ 1.72	\$ 1.64
13+ hcf							2.80	2.80	2.69	2.56

**Marina Service Area Water & Sewer Service Charges (monthly)**

Meter Size	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
5/8" - 3/4"	\$ 18.85	\$ 18.85	\$ 17.95	\$ 17.11	\$ 15.87	\$ 14.72	\$ 14.18	\$ 14.18	\$ 13.63	\$ 12.98
1"	47.09	47.09	44.85	42.75	39.66	36.79	35.44	35.44	34.08	32.45
1 1/2"	94.19	94.19	89.70	85.51	79.32	73.58	70.88	70.88	68.15	64.90
2"	150.68	150.68	143.50	136.80	126.90	117.72	113.40	113.40	109.04	103.84
3"	282.52	282.52	269.07	256.50	237.94	220.73	212.63	212.63	204.45	194.70
4"	470.87	470.87	448.45	427.50	396.57	367.88	354.38	354.38	340.75	324.50
6"	941.75	941.75	896.90	855.00	793.14	735.75	708.76	708.76	681.50	649.00
8"	1,883.49	1,883.49	1,793.80	1,710.01	1,586.28	1,471.50	1,417.52	1,417.52	1,363.00	1,298.00
Sewer (EDU)	9.15	9.15	8.71	8.30	7.70	7.14	6.88	6.88	6.62	6.30

**Ord Service Area Water Consumption Rates (hcf)**

Description	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
0-8 hcf	\$ 2.33	\$ 2.33	\$ 2.33	\$ 2.22	\$ 2.06	\$ 1.87	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.00
9-16 hcf	3.27	3.27	3.27	3.12	2.89	2.63	2.39	2.39	2.39	1.69
16+ hcf	4.22	4.22	4.22	4.02	3.73	3.39	3.08	3.08	3.08	2.38
0-12 hcf										
13+ hcf										
Flat Rate	84.34	84.34	84.34	80.40	74.58	67.76	52.10	52.10	52.10	52.10
CS <sup>1</sup> - Water	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	
CCC <sup>2</sup> - Water										0.70

**Ord Service Area Water & Sewer Service Charges (monthly)**

Description	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
5/8" - 3/4"	\$ 17.11	\$ 17.11	\$ 17.11	\$ 16.31	\$ 15.13	\$ 13.75	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50
1"	42.76	42.76	42.76	40.76	37.81	34.38	31.25	31.25	31.25	31.25
1 1/2"	85.49	85.49	85.49	81.50	75.60	68.73	62.50	62.50	62.50	62.50
2"	136.78	136.78	136.78	130.39	120.96	109.96	100.00	100.00	100.00	100.00
3"	256.47	256.47	256.47	244.49	226.80	206.18	187.50	187.50	187.50	187.50
4"	427.45	427.45	427.45	407.48	378.00	343.63	312.50	312.50	312.50	312.50
6"	854.89	854.89	854.89	814.96	755.99	687.27	625.00	625.00	625.00	625.00
8"	1,709.79	1,709.79	1,709.79	1,629.93	1,511.99	1,374.53	1,250.00	1,250.00	1,250.00	1,250.00
Sewer (EDU)	25.56	25.56	25.56	24.36	22.60	20.97	20.20	20.20	20.20	12.90
CS <sup>1</sup> - Sewer	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
CCC <sup>2</sup> - Sewer										7.30

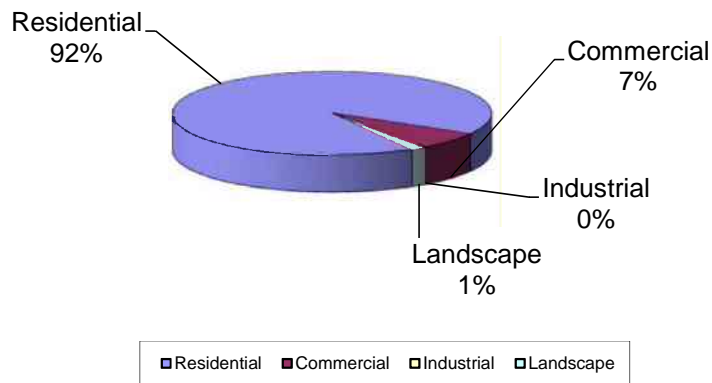
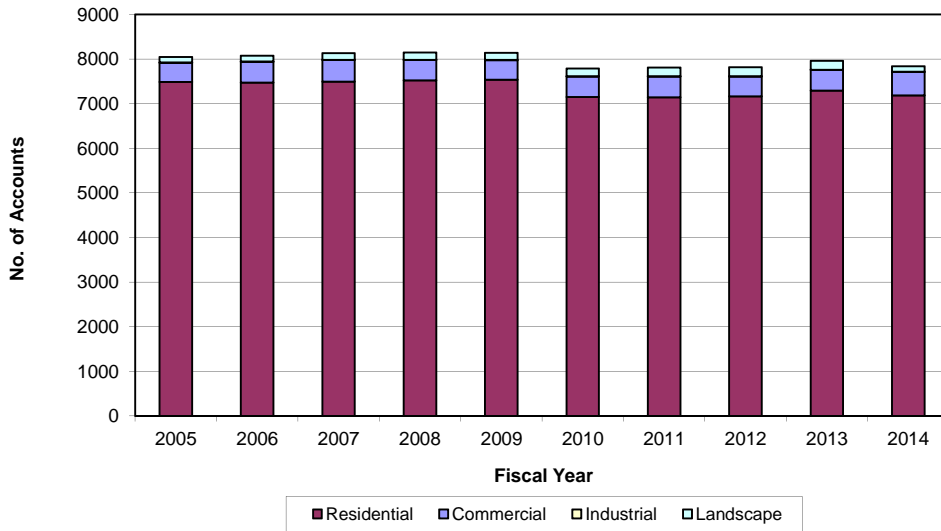
Note: (1) CS = Monthly Capital Surcharge for new EDU's.

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

Source: Marina Coast Water District's Finance Department

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water customer accounts										
Residential	7,488	7,472	7,492	7,523	7,536	7,152	7,142	7,162	7,295	7,184
Commercial	431	466	488	454	438	458	467	448	461	527
Industrial	3	3	3	3	3	3	3	3	3	3
Landscape	126	130	151	163	162	174	197	203	203	125
<b>Total water accounts</b>	<b>8,048</b>	<b>8,071</b>	<b>8,134</b>	<b>8,143</b>	<b>8,139</b>	<b>7,787</b>	<b>7,809</b>	<b>7,816</b>	<b>7,962</b>	<b>7,839</b>



Source: Marina Coast Water District's Finance Department

**MARINA COAST WATER DISTRICT**  
**Principal Water Users**  
**Fiscal Years Ended June 30, 2005 and June 30, 2014**  
**Schedule 7**

Customer	2005		2014		
	Water Usage (acre feet)	Percentage of Water Sold	Customer	Water Usage (acre feet)	Percentage of Water Sold
CSU Monterey Bay	558	14.38%	Monterey Bay Military Housing	536	13.55%
Monterey Bay Military Housing	436	11.23%	Bayonet/Blackhorse Club House	522	13.20%
KB Bakewell LLC	372	9.60%	University Corporation at Monterey Bay	200	5.06%
Alliance Residential Company	93	2.39%	CSU Monterey Bay	165	4.17%
Bay View Mobile Home Park	84	2.17%	Bay View Mobile Home Park	90	2.26%
City of Marina	79	2.04%	City of Marina	58	1.46%
Sun Bay Apartments	65	1.68%	Sun Bay Apartments	57	1.45%
MPUSD - Seaside High School	57	1.47%	Seaside Highlands H.O. Association	52	1.33%
United States Army	54	1.39%	LV44 Ltd Partnership	47	1.18%
Salinas Property Management	30	0.76%	MPUSD - Seaside High School	34	0.86%
Total Principal Water Users	1,827	47.11%	Total Principal Water Users	1,761	44.51%
Total All Users	3,879	100.00%	Total All Users	3,956	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**

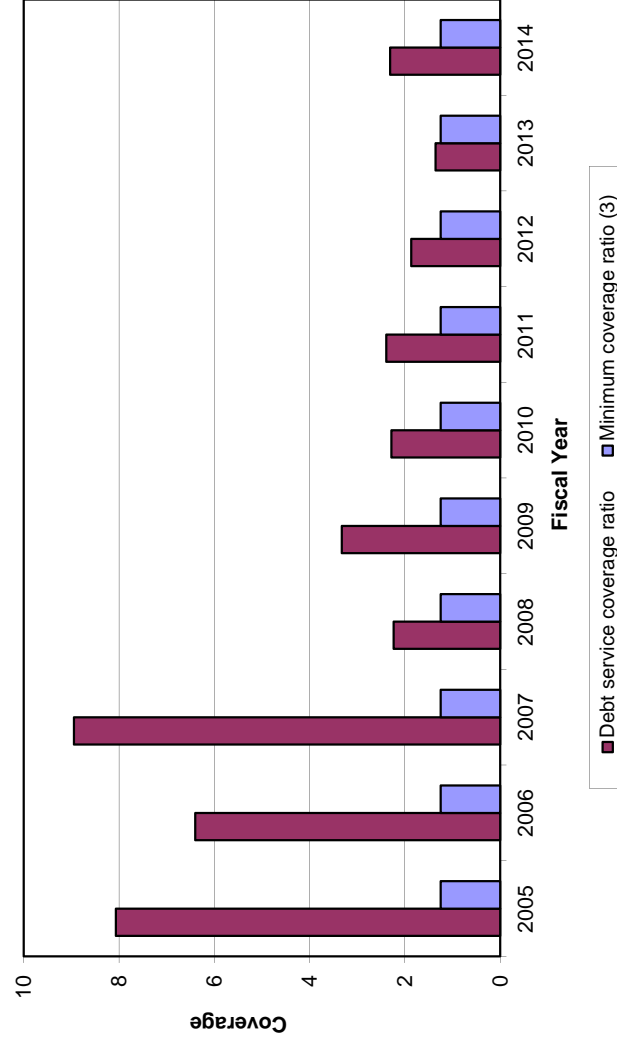
Fiscal Year	Loans Payable	Notes Payable	Bonds Payable	Capital Leases	Debt	Total Accounts	Total Debt per Account
2005	5,158,364	2,666,401	-	-	7,824,765	8,048	972
2006	6,443,597	2,430,148	-	-	8,873,745	8,071	1,099
2007	749,933	-	42,035,000	-	42,784,933	8,134	5,260
2008	673,854	-	41,335,000	138,221	42,147,075	8,143	5,176
2009	592,529	-	40,610,000	110,356	41,312,885	8,139	5,076
2010	7,963,663	-	39,785,000	166,020	47,914,683	7,787	6,153
2011	490,971	-	46,615,000	98,039	47,204,010	7,809	6,045
2012	49,520	-	45,080,000	26,407	45,155,927	7,816	5,777
2013	21,224	-	43,480,000	-	43,501,224	7,962	5,464
2014	-	-	41,830,000	-	41,830,000	7,839	5,336

Source: Marina Coast Water District, Audited Financial Statements



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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt service coverage										
Gross revenues (1)	8,960,800	9,714,888	12,721,270	11,025,749	13,721,920	12,400,469	16,331,741	14,199,159	12,426,626	16,310,718
Operating expenses (2)	(5,303,361)	(5,534,731)	(6,242,887)	(6,360,516)	(5,946,453)	(6,369,808)	(7,195,801)	(6,303,652)	(7,317,310)	(7,615,928)
Net available revenues	3,657,439	4,180,157	6,478,383	4,665,233	7,775,467	6,030,661	9,135,940	7,895,507	5,109,316	8,694,790
Debt service										
Principal	293,449	303,261	542,669	776,079	834,190	911,764	1,757,615	1,948,155	1,600,000	1,650,000
Interest	159,871	349,733	181,277	1,314,153	1,505,137	1,727,610	2,069,622	2,281,489	2,180,345	2,113,386
	453,320	652,994	723,946	2,090,232	2,339,327	2,639,374	3,827,237	4,229,644	3,780,345	3,763,386
Debt service coverage ratio	8.07	6.40	8.95	2.23	3.32	2.28	2.39	1.87	1.35	2.31
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 nonoperating 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)
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	421,898	17,355,940	41,138	33.0	12.4%
2012	426,762	18,365,298	43,034	33.0	11.4%
2013	**	**	**	**	**

Source: Monterey County CAFR Report (Fiscal Year Ended June 30, 2013)

\*\* Data not available at time of print.

**MARINA COAST WATER DISTRICT  
Principal Employers - City of Marina  
2012 Business Analysis  
Schedule 11**

<b>Employer</b>	<b>2012</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Wal-Mart Stores, Inc.	275	1	5.56%
Monterey Peninsula Unified School District	263	2	5.31%
The Hearst Corporation	247	3	4.99%
Target Corporation	177	4	3.58%
Kohl's Corporation	123	5	2.49%
Kohl's Department Stores, Inc.	112	6	2.26%
Albertson's LLC	100	7	2.02%
Pacific Sales Kitchen and Bath Centers, Inc.	99	8	2.00%
Best Buy Co., Inc.	99	9	2.00%
City of Marina	90	10	1.82%
Collins Electrical Company, Inc.	77	11	1.56%
Save Mart Supermarkets	75	12	1.52%
Total	<u>1,737</u>		<u>35.10%</u>
Total employees working in Marina	<u>4,949</u>		

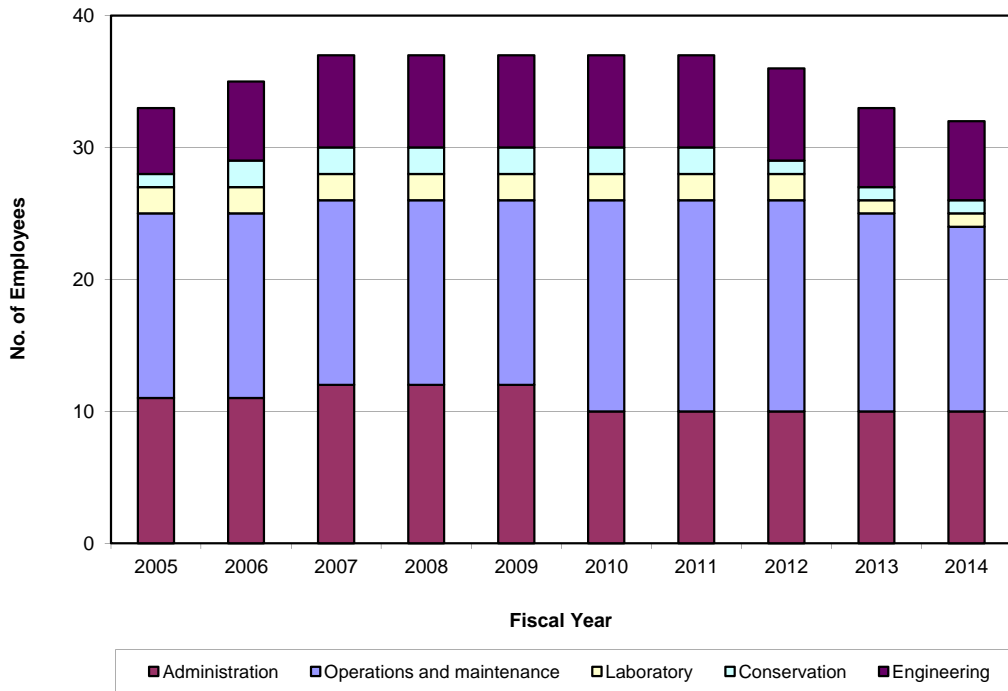
*Note: Total employees does not account for double-counting due to employees holding multiple jobs*

*Source: The Association of Monterey Bay Area Governments*

*Data not available for 2005 and 2014*

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Employees by department										
Administration	11	11	12	12	12	10	10	10	10	10
Operations and maintenance	14	14	14	14	14	16	16	16	15	14
Laboratory	2	2	2	2	2	2	2	2	1	1
Conservation	1	2	2	2	2	2	2	1	1	1
Engineering	5	6	7	7	7	7	7	7	6	6
<b>Total employees</b>	<b>33</b>	<b>35</b>	<b>37</b>	<b>37</b>	<b>37</b>	<b>37</b>	<b>37</b>	<b>36</b>	<b>33</b>	<b>32</b>



Source: Marina Coast Water District's Finance Department

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Facilities</b>										
Distribution pipeline (miles)	212	212	280	284	320	320	320	320	320	320
Storage capacity (mg)(1)	12	12	12	12	12	11	11	11	11	11
System capacity (mgd)(2)	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6
<b>Water produced</b>										
Water produced - Marina (mg)(1)	692	694	529	556	638	622	530	595	470	575
Average per day (mgd)(2)	1.9	1.9	1.4	1.5	1.7	1.7	1.5	1.6	1.3	1.6
Water produced - Ord (mg)(1)	704	690	935	870	696	671	828	755	926	837
Average per day (mgd)(2)	1.9	1.9	2.6	2.4	1.9	1.8	2.3	2.1	2.5	2.3
Total water produced (mg)(1)	1,396	1,384	1,464	1,425	1,334	1,292	1,357	1,351	1,395	1,412
Average per day (mgd)(2)	3.8	3.8	4.0	3.9	3.7	3.5	3.7	3.7	3.8	3.9

(1) mg = million gallons

(2) mgd = million gallons per day

Source: Marina Coast Water District's Finance Department