

# Marina Coast Water District

*Marina, California*

## Comprehensive Annual Financial Report

For The Fiscal Years Ended

June 30, 2016 and 2015



11 Reservation Road, Marina California 93933





# **Marina Coast Water District**

*Marina, California*

## **Comprehensive Annual Financial Report**

**For The Fiscal Years Ended**

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**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)

TEL: (831) 384-6131 FAX: (831) 883-5995

## DIRECTORS

HOWARD GUSTAFSON  
*President*

THOMAS P. MOORE  
*Vice President*

WILLIAM Y. LEE  
JAN SHRINER

November 21, 2016

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, 2016 and 2015. 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 The Pun Group 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, monitoring wells are 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 20 sewer lift stations.

The District has an authorized staff of 42 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 the 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 6:30 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.

### ***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 is successful 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 and adopted rate increases in 2014 for its Marina and Ord Community service areas for fiscal years 2015 through 2018.

In order take advantage of lower interest rates, on June 30, 2015, the District issued 2015 Senior Lien Enterprise Revenue Refunding Bonds, Tax-Exempt Series A and Federally Taxable Series B (the "Bonds"). The Bonds consisted of Series A tax-exempt bonds in the amount of \$29,840,000 and Series B taxable bonds in the amount of \$1,115,000. The Bonds were issued to refinance the District's outstanding 2006 Certificates of Participation (COPs) which were issued for the purpose of financing improvements to the District's water and wastewater systems and to refinance prior obligations. The Bonds, which closed on July 15, 2015, were an advance refunding of the 2006 COPs as the COPs were not callable until June 1, 2016.

### ***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 2015-16, water and sewer rate increases occurred January 1, 2016 for both the Central Marina and the Ord Community as stated in the Proposition 218 notification in 2014 and approved by the Board through adoption of Resolution No. 2014-20 on May 19, 2014.

### ***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 The Pun Group 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, 2015. This was the eighth 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,

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Keith Van Der Maaten  
General Manager

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Kelly M. Cadiente  
Director of Administrative Services



Government Finance Officers Association

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

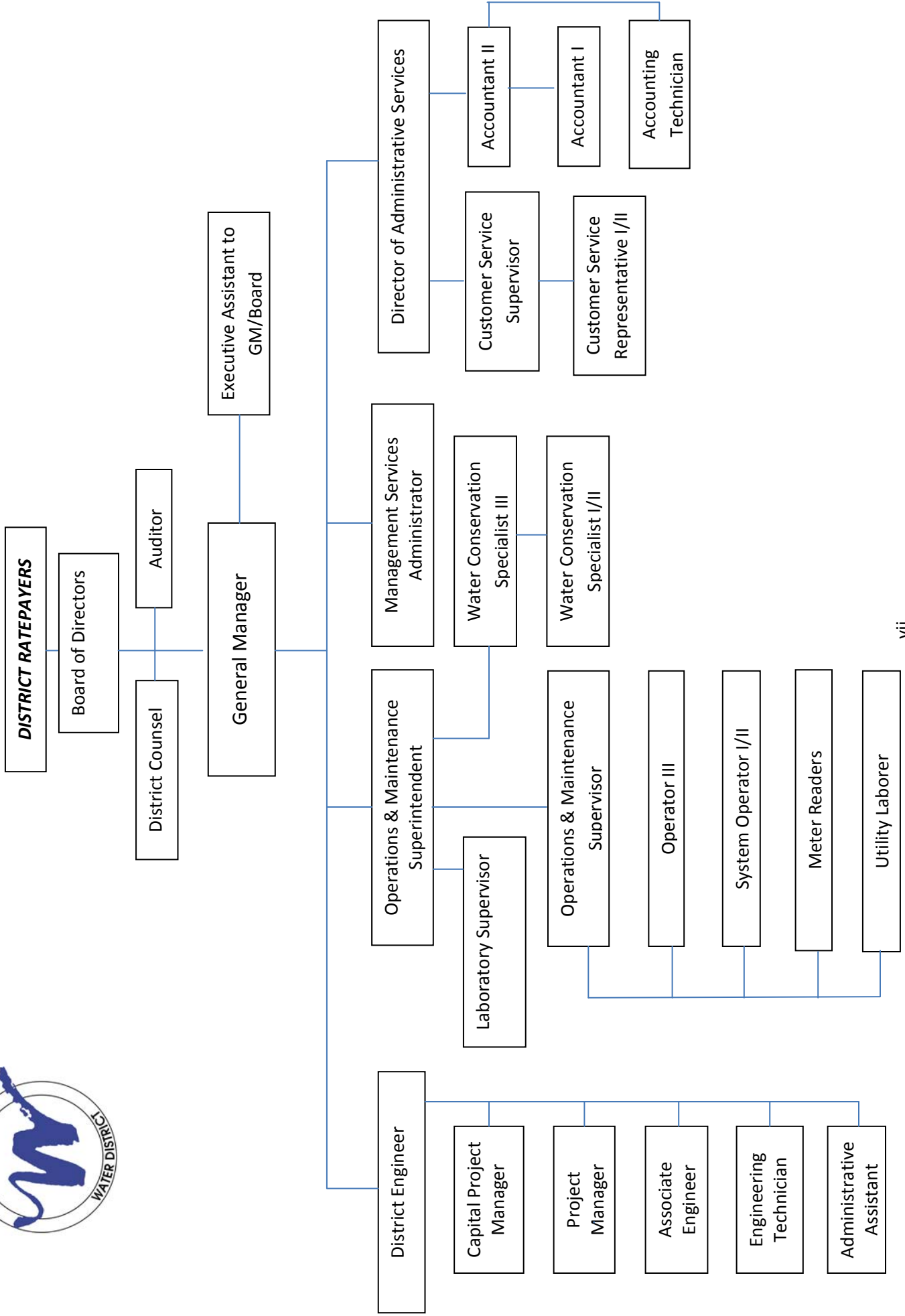
Presented to

**Marina Coast Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO



# Marina Coast Water District

## Directory

### Board of Directors

June 30, 2016

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

### Management Staff

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Keith Van Der Maaten	General Manager
Mike Wegley	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 financial statements of the business-type activities of Marina Coast Water District (the "District"), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of June 30, 2016 and 2015, 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.

## **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 49 to 51 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory and Statistical Sections 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 basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**MARINA COAST WATER DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2016 and 2015**

This section of the Marina Coast Water District's (District) financial statements presents an analysis of the District's financial performance during the fiscal years ended June 30, 2016 and 2015. 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 pension benefits and post-employment benefits to its employees.

**MARINA COAST WATER DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2016 and 2015**

**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 2015-2016**

- At June 30, 2016, the District's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$143.0 million (net position), which is an increase of \$2.8 million or 2.0% over the 2015 fiscal year-end balance. At June 30, 2015, the District's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$140.2 million (net position), which is an increase of \$1.3 million or 0.9% over the 2014 fiscal year-end balance.
- The total long-term debt for the current fiscal year decreased by \$1.0 million or 2.4% from prior year due to the refinancing of the 2006 Certificates of Participation along with the annual debt service payments. The total long-term debt for fiscal year 2015 decreased by \$1.6 million or 3.7% from fiscal year 2014 due to annual debt service payments made without new debt being incurred.
- Capital assets increased by \$6.6 million or 3.9% primarily due to the completion of the BLM Building at the Imjin Office Park. For fiscal year 2015, capital assets increased by \$1.9 million or 1.2% primarily due to increases in several major capital projects.
- Capital contributions increased \$1.1 million or 63.0% in the current year, but decreased \$2.0 million or 52.4% in the prior year primarily due to capacity and connection fees.
- Water revenues decreased \$1.0 million or 10% from prior year due to lower demand. This is a result of the State Water Resources Control Board mandatory water use restrictions and conservation efforts of the community. In the prior year, water sales increased by \$0.5 million or 5.2%.

**MARINA COAST WATER DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2016 and 2015**

**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.

**Condensed Statements of Net Position**

	June 30		As Restated 2014	Change between 2016 and 2015		Change between 2015 and 2014	
	2016	2015					
<b>Assets:</b>							
Current assets	\$ 5,081,656	\$ 5,816,313	\$ 3,798,238	\$ (734,657)	-12.6%	\$ 2,018,075	53.1%
Noncurrent assets	13,371,324	16,860,718	18,025,542	(3,489,394)	-20.7%	(1,164,824)	-6.5%
Capital assets, net	175,903,182	169,293,808	167,364,201	6,609,374	3.9%	1,929,607	1.2%
<b>Total Assets</b>	<b>194,356,162</b>	<b>191,970,839</b>	<b>189,187,981</b>	<b>2,385,323</b>	<b>1.2%</b>	<b>2,782,858</b>	<b>1.5%</b>
Deferred outflows	591,435	227,120	-	364,315	160.4%	227,120	100.0%
<b>Liabilities:</b>							
Current liabilities	6,254,237	5,983,383	5,007,842	270,854	4.5%	975,541	19.5%
Noncurrent liabilities	43,868,838	45,310,245	45,185,358	(1,441,407)	-3.2%	124,887	0.3%
<b>Total Liabilities</b>	<b>50,123,075</b>	<b>51,293,628</b>	<b>50,193,200</b>	<b>(1,170,553)</b>	<b>-2.3%</b>	<b>1,100,428</b>	<b>2.2%</b>
Deferred inflows	1,791,868	657,815	-	1,134,053	172.4%	657,815	100.0%
<b>Net Position:</b>							
Net investment in capital assets	138,965,546	130,072,044	126,769,451	8,893,502	6.8%	3,302,593	2.6%
Restricted for debt service	849,786	3,933,765	3,933,764	(3,083,979)	-78.4%	1	0.0%
Unrestricted	3,217,322	6,240,707	8,291,566	(3,023,385)	-48.4%	(2,050,859)	-24.7%
<b>Total Net Position</b>	<b>\$ 143,032,654</b>	<b>\$ 140,246,516</b>	<b>\$ 138,994,781</b>	<b>\$ 2,786,138</b>	<b>2.0%</b>	<b>\$ 1,251,735</b>	<b>0.9%</b>

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$143.0 million, \$140.2 million and \$139.0 million as of June 30, 2016, 2015 and 2014, respectively.

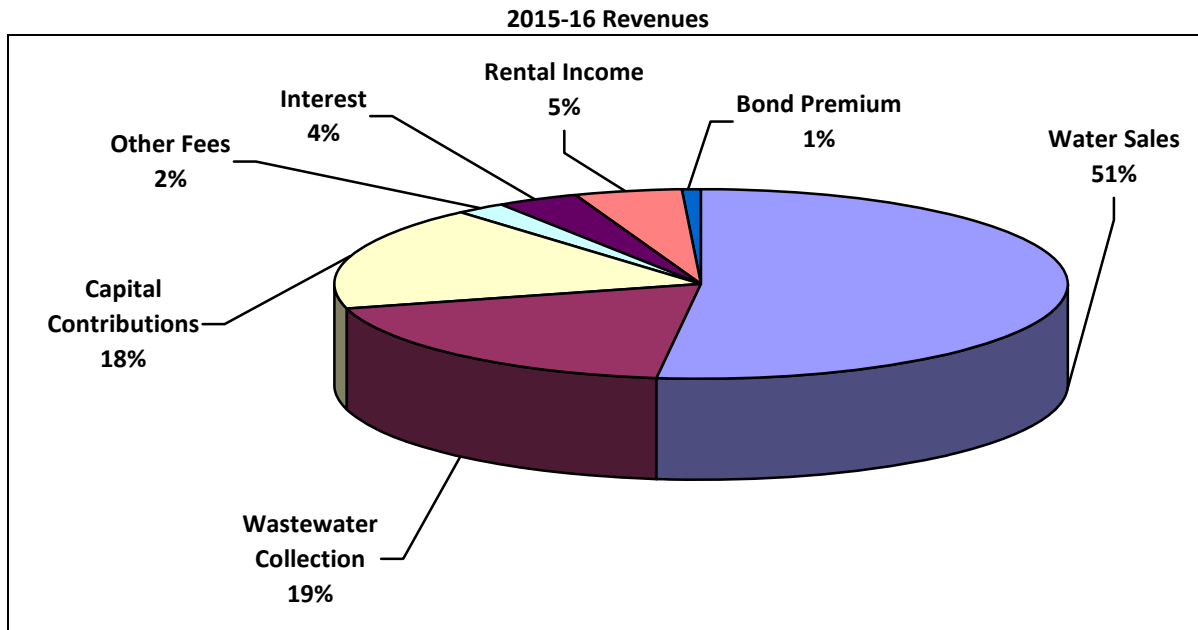
One of the largest portions of the District's net position (97.2%, 92.7% and 91.2% as of June 30, 2016, 2015 and 2014, respectively) reflects the District's net investment in capital assets. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2016, 2015 and 2014, the District showed a positive balance in its unrestricted net position of \$3.2 million, \$6.2 million and \$8.3 million, respectively.

**MARINA COAST WATER DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2016 and 2015**

**Revenue and Expenses**

The District finances its water sales and wastewater collection operations through user fees, and other income. Total revenue for fiscal year 2016 was \$16.6 million, up \$1.5 million or 9.9% from prior year. Total revenue for fiscal year 2015 was \$15.1 million, down \$1.2 million or 7.5% from 2014. Capital contributions increased \$1.1 million or 63.0% in the current year, but decreased \$2.0 million or 52.4% in the prior year primarily due to capacity and connection fees.



**Revenues**

	June 30			Change between 2016 and 2015		Change between 2015 and 2014	
	2016	2015	As Restated 2014				
<b>Operating Revenues:</b>							
Water sales	\$ 8,620,556	\$ 9,581,388	\$ 9,106,401	\$ (960,832)	-10.0%	\$ 474,987	5.2%
Wastewater collection	3,116,103	2,800,880	2,507,048	315,223	11.3%	293,832	11.7%
Other services & fees	363,606	480,094	472,679	(116,488)	-24.3%	7,415	1.6%
Total Operating Revenues	<u>12,100,265</u>	<u>12,862,362</u>	<u>12,086,128</u>	<u>(762,097)</u>	-5.9%	<u>776,234</u>	6.4%
<b>Nonoperating Revenues:</b>							
Rental income	764,986	179,438	179,438	585,548	326.3%	-	0.0%
Interest earned	618,904	192,909	197,277	425,995	220.8%	(4,368)	-2.2%
Bond premium	150,060	47,658	47,658	102,402	214.9%	-	0.0%
Total Nonoperating Revenues	<u>1,533,950</u>	<u>420,005</u>	<u>424,373</u>	<u>1,113,945</u>	265.2%	<u>(4,368)</u>	-1.0%
<b>Capital Contributions:</b>							
	2,948,012	1,808,824	3,800,217	1,139,188	63.0%	(1,991,393)	-52.4%
Total Revenues	<u>\$ 16,582,227</u>	<u>\$ 15,091,191</u>	<u>\$ 16,310,718</u>	<u>\$ 1,491,036</u>	9.9%	<u>\$ (1,219,527)</u>	-7.5%

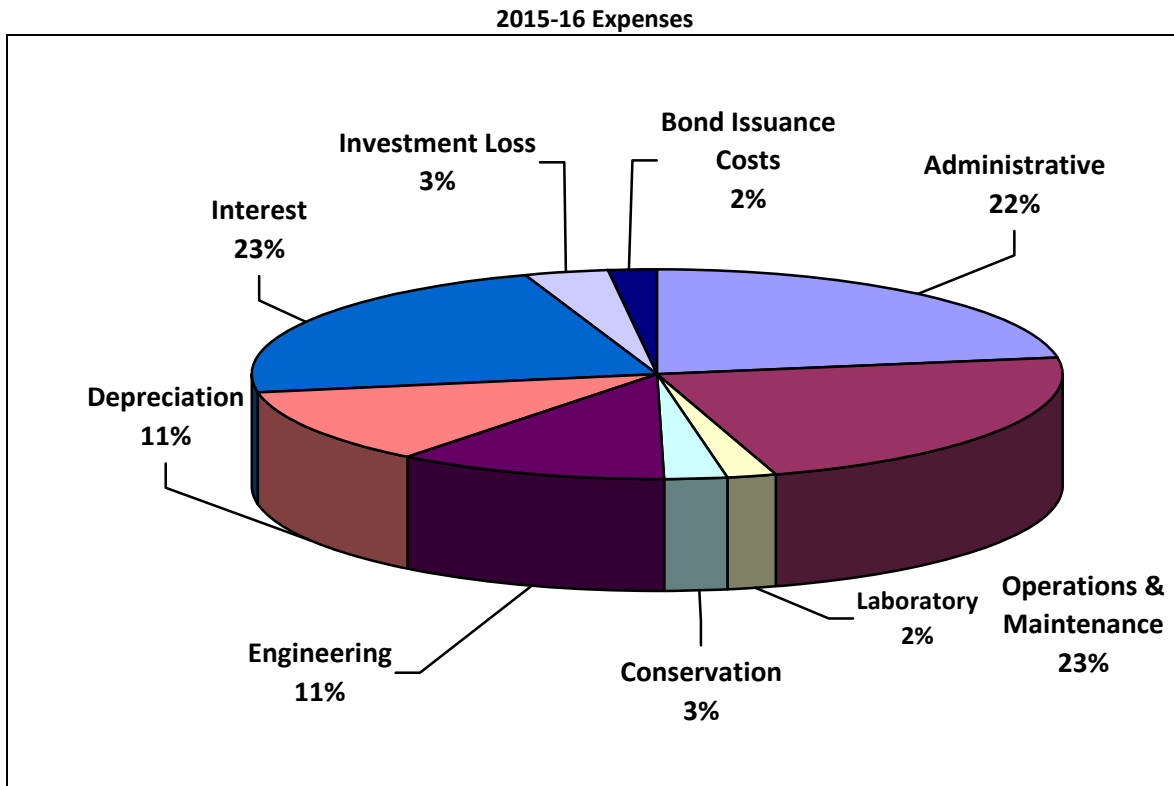


**MARINA COAST WATER DISTRICT  
Management's Discussion and Analysis  
June 30, 2016 and 2015**

**Revenue and Expenses (continued)**

Total expenses for fiscal year 2016 were \$13.8 million, up \$2.3 million or 20.0% from prior year. Interest expense increased \$1.1 million or 52.0% due to the issue of the 2015 bonds which were used to refinance the 2006 Certificates as an advanced refunding, along with interest incurred on the loans for the BLM building. Other nonoperating expenses not present in the prior year include the investment loss of \$0.5 million related to the advanced refunding along with bond issuance costs of \$0.3 million.

Total expenses for fiscal year 2015 were \$11.5 million, similar to fiscal year 2014. Administrative expenses increased \$0.1 million or 3.9% and Engineering expenses increased \$0.2 million or 17.7%, whereas Operations and Maintenance expenses decreased by \$0.1 million or 3.7%. Depreciation expense decreased \$0.2 million or 10.9% due to a portion of infrastructure assets becoming fully depreciated in the prior year.



**MARINA COAST WATER DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2016 and 2015**

**Revenue and Expenses (concluded)**

**Expenses**

	June 30			Change between 2016 and 2015		Change between 2015 and 2014	
	2016	2015	As Restated 2014				
<b>Operating Expenses:</b>							
Administrative	\$ 3,118,186	\$ 2,979,535	\$ 2,868,768	\$ 138,651	4.7%	\$ 110,767	3.9%
Operations and maintenance	3,140,765	3,036,913	3,154,941	103,852	3.4%	(118,028)	-3.7%
Laboratory	238,256	245,496	263,015	(7,240)	-2.9%	(17,519)	-6.7%
Conservation	376,383	319,617	241,849	56,766	17.8%	77,768	32.2%
Engineering	1,494,965	1,280,311	1,087,355	214,654	16.8%	192,956	17.7%
Depreciation and amortization	1,579,973	1,596,605	1,791,439	(16,632)	-1.0%	(194,834)	-10.9%
<b>Total Operating Expenses</b>	<b>9,948,528</b>	<b>9,458,477</b>	<b>9,407,367</b>	<b>490,051</b>	<b>5.2%</b>	<b>51,110</b>	<b>0.5%</b>
<b>Nonoperating Expenses:</b>							
Interest expense	3,104,135	2,042,001	2,113,386	1,062,134	52.0%	(71,385)	-3.4%
Investment loss	474,892	-	-	474,892	100.0%	-	0.0%
Bond issuance costs	268,534	-	-	268,534	100.0%	-	0.0%
<b>Total Nonoperating Expenses</b>	<b>3,847,561</b>	<b>2,042,001</b>	<b>2,113,386</b>	<b>1,805,560</b>	<b>88.4%</b>	<b>(71,385)</b>	<b>-3.4%</b>
<b>Total Expenses</b>	<b>\$ 13,796,089</b>	<b>\$ 11,500,478</b>	<b>\$ 11,520,753</b>	<b>\$ 2,295,611</b>	<b>20.0%</b>	<b>\$ (20,275)</b>	<b>-0.2%</b>

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 \$2.8 million, \$3.6 million and \$4.8 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

**Changes in Net Position**

	June 30			Change between 2016 and 2015		Change between 2015 and 2014	
	2016	2015	2014				
Beginning Net Position, as restated	\$ 140,246,516	\$ 136,655,803	\$ 134,204,816	\$ 3,590,713	2.6%	\$ 2,450,987	1.8%
Income before contributions	(161,874)	1,781,889	989,748	(1,943,763)	-109.1%	792,141	80.0%
Capital contributions	2,948,012	1,808,824	3,800,217	1,139,188	63.0%	(1,991,393)	-52.4%
Change in net position	2,786,138	3,590,713	4,789,965	(804,575)	-22.4%	(1,199,252)	-25.0%
Ending Net Position	\$ 143,032,654	\$ 140,246,516	\$ 138,994,781	\$ 2,786,138	2.0%	\$ 1,251,735	0.9%

**MARINA COAST WATER DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2016 and 2015**

**Capital Assets**

At the end of fiscal years 2016, 2015 and 2014, the District's capital assets amounted to \$175.9 million, \$169.3 million and \$167.4 million, respectively, (net of accumulated depreciation). Capital assets includes land, water/wastewater rights, easements, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles and construction-in-progress.

Changes in capital assets were as follows:

	<b>Capital Assets</b>			Change between 2016 and 2015		Change between 2015 and 2014	
	2016	June 30 2015	2014				
<u>Capital Assets:</u>							
Non-depreciable assets	\$ 144,005,474	\$ 141,240,218	\$ 137,771,670	\$ 2,765,256	2.0%	\$ 3,468,548	2.5%
Depreciable assets	71,533,092	66,120,439	66,081,773	5,412,653	8.2%	38,666	0.1%
Less accumulated depreciation	<u>(39,635,384)</u>	<u>(38,066,849)</u>	<u>(36,489,242)</u>	<u>(1,568,535)</u>	4.1%	<u>(1,577,607)</u>	4.3%
Total Capital Assets, Net	<u>\$ 175,903,182</u>	<u>\$ 169,293,808</u>	<u>\$ 167,364,201</u>	<u>\$ 6,609,374</u>	3.9%	<u>\$ 1,929,607</u>	1.2%

Additional information on the District's capital assets is provided in Note 3 on page 26 of the financial statements.

**Debt Administration**

As of June 30, 2016, the District had \$40.9 million in outstanding debt compared to \$42.0 million as of June 30, 2015 and \$43.6 as of June 30, 2014. 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. These bonds were refinanced with the issue of the 2015 revenue bonds as an advanced refunding and were called on June 1, 2016. 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 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% of the debt service for such fiscal year. The 2010 subordinate enterprise revenue refunding bonds were assigned an "A+" long-term rating at the time of issue and the 2015 revenue refunding bonds were assigned a rating of "AA-". In August 2015, the District obtained a one year construction loan in the amount of \$2.8 million for construction of the BLM building, which is convertible to a 10-year term loan upon finalization.

**MARINA COAST WATER DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2016 and 2015**

Changes in long-term debt amounts were as follows:

	<b>Outstanding Debt at Year End</b>							
	June 30							
	2016	2015	2014	Change between 2016 and 2015		Change between 2015 and 2014		
<b>Long-Term Debt:</b>								
Bonds payable	\$ 34,030,000	\$ 40,115,000	\$ 41,830,000	\$ (6,085,000)	-15.2%	\$ (1,715,000)	-4.1%	
Loans payable	2,776,000	-	-	2,776,000	100.0%	-	0.0%	
Compensated absences	349,436	284,242	276,313	65,194	22.9%	7,929	2.9%	
OPEB liability	883,925	733,300	599,781	150,625	20.5%	133,519	22.3%	
Unamortized premiums, net	2,908,034	825,994	873,651	2,082,040	252.1%	(47,657)	-5.5%	
<b>Total Long-Term Debt</b>	<b>\$ 40,947,395</b>	<b>\$ 41,958,536</b>	<b>\$ 43,579,745</b>	<b>\$ (1,011,141)</b>	<b>-2.4%</b>	<b>\$ (1,621,209)</b>	<b>-3.7%</b>	

Additional information on the District's long-term debt is provided in Note 6 on pages 30-33 of the financial statements.

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

The Board of Directors adopted the District's 2016-2017 Marina and Ord Community budgets and rates on June 6, 2016. The approval of the budget provides funding for the District's operating, capital and debt service costs for the 2016-2017 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, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 3,041,635	4,210,654
Accounts receivable, net	1,308,453	1,285,784
Interest receivable	10,168	18,067
Other receivable	553,850	31,214
Inventories	109,000	123,048
Deposits	3,612	3,612
Prepaid items	54,938	143,934
Total current assets	5,081,656	5,816,313
Noncurrent assets:		
Restricted cash and investments	13,371,324	16,860,718
Capital assets, net	175,903,182	169,293,808
Total noncurrent assets	189,274,506	186,154,526
<b>TOTAL ASSETS</b>	<b>194,356,162</b>	<b>191,970,839</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	591,435	227,120
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>591,435</b>	<b>227,120</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	1,686,909	780,901
Accrued expenses	338,825	198,085
Interest payable	129,104	164,618
Line of credit	654,400	2,227,979
Customer deposits payable	1,720,077	902,924
Unearned revenue	-	150,792
Current portion of long-term debt	1,714,393	1,694,429
Other current liabilities	10,529	14,447
Total current liabilities	6,254,237	6,134,175
Noncurrent liabilities:		
Long-term debt	38,349,077	39,530,807
Net OPEB obligation	883,925	733,300
Aggregate net pension liability	1,635,836	1,895,347
Other noncurrent liability	3,000,000	3,000,000
Total noncurrent liabilities	43,868,838	45,159,454
<b>TOTAL LIABILITIES</b>	<b>50,123,075</b>	<b>51,293,628</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	1,057,371	657,815
Deferred gains on refunding old debt, net	734,497	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,791,868</b>	<b>657,815</b>
<b>NET POSITION</b>		
Net investment in capital assets	138,965,546	130,072,044
Restricted for debt service	849,786	3,933,765
Unrestricted	3,217,322	6,240,707
<b>TOTAL NET POSITION</b>	<b>\$ 143,032,654</b>	<b>140,246,516</b>

*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, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUES:</b>		
Water services	\$ 8,620,556	\$ 9,581,388
Wastewater services	3,116,103	2,800,880
Other services and fees	363,606	480,094
Total operating revenues	12,100,265	12,862,362
<b>OPERATING EXPENSES:</b>		
Administrative	3,118,186	2,979,535
Operations and maintenance	3,140,765	3,036,913
Laboratory	238,256	245,496
Conservation	376,383	319,617
Engineering	1,494,965	1,280,311
Depreciation and amortization	1,579,973	1,596,605
Total operating expenses	9,948,528	9,458,477
Operating income	2,151,737	3,403,885
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Rental income	764,986	179,438
Interest earned	618,904	192,909
Interest expense	(3,104,135)	(2,042,001)
Investment gain (loss)	(474,892)	-
Bond premium (discount)	150,060	47,658
Bond issuance costs	(268,534)	-
Total nonoperating revenue (expenses)	(2,313,611)	(1,621,996)
Income (loss) before capital contributions	(161,874)	1,781,889
<b>CAPITAL CONTRIBUTIONS:</b>		
Capacity and connection fees	2,270,405	1,129,206
Developer contributions	677,607	679,618
Total capital contributions	2,948,012	1,808,824
Increase in net position	2,786,138	3,590,713
Net position, beginning of year (as previously reported)	140,246,516	138,994,781
Restatement due to Implementation of GASB 68	-	(2,338,978)
Net position, beginning of year (as restated)	140,246,516	136,655,803
Net position, end of year	\$ 143,032,654	\$ 140,246,516

*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, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 11,554,960	\$ 12,684,664
Payments to employees	(4,446,448)	(4,318,820)
Payments to suppliers	(1,381,163)	(2,565,453)
<b>Net cash provided by operating activities</b>	<b>5,727,349</b>	<b>5,800,391</b>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(8,192,009)	(3,526,212)
Developer contributions, capacity and connection receipts	2,948,012	1,808,824
Proceeds from capital debt	37,386,973	-
Principal paid on capital debt	(40,037,452)	(1,714,999)
Bond fees paid on capital debt	(268,534)	-
Interest paid on capital debt	(3,139,649)	(2,047,585)
<b>Net cash (used in) capital and related financing activities</b>	<b>(11,302,658)</b>	<b>(5,479,972)</b>
<b>INVESTING ACTIVITIES:</b>		
Purchase of investment securities	(36,694,892)	-
Proceeds from sales and maturities of investment securities	36,220,000	-
Rental income	764,986	179,438
Interest earnings	626,802	191,741
<b>Net cash provided by investing activities</b>	<b>916,896</b>	<b>371,179</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,658,413)</b>	<b>691,598</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>21,071,372</b>	<b>20,379,774</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 16,412,959</b>	<b>\$ 21,071,372</b>
<b>RECONCILIATION TO STATEMENTS OF NET POSITION:</b>		
Cash and investments	\$ 3,041,635	\$ 4,210,654
Restricted cash and investments	13,371,324	16,860,718
<b>Total cash and cash equivalents</b>	<b>\$ 16,412,959</b>	<b>\$ 21,071,372</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 2,151,737	\$ 3,403,885
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,579,973	1,596,605
(Increase) decrease in accounts receivable	(545,305)	(177,700)
(Increase) decrease in inventories	14,048	2,799
(Increase) decrease in prepaid items	88,996	(7,240)
(Increase) decrease in deposits	-	21,654
(Increase) decrease in deferred outflows of resources	(364,315)	(227,120)
Increase (decrease) in customer deposits	817,153	629,559
Increase (decrease) in accounts payable	908,670	318,699
Increase (decrease) in accrued expenses	140,740	35,674
Increase (decrease) in other current liabilities	(3,918)	14,447
Increase (decrease) in compensated absences	65,194	7,929
Increase (decrease) in net pension liability	(259,511)	(430,695)
Increase (decrease) in deferred inflows related to pension	399,556	657,815
Increase (decrease) in deferred gains on refunding old debt, net	734,497	-
Increase (decrease) in other noncurrent liabilities	(166)	(45,920)
<b>Total adjustments</b>	<b>3,575,612</b>	<b>2,396,506</b>
<b>Net cash provided by operating activities</b>	<b>\$ 5,727,349</b>	<b>\$ 5,800,391</b>

*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, 2016 and 2015**

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 Events

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

***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 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, 2016 and 2015**

***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, 2016 and 2015**

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

D. Statement of Net Position

Net Position consists of the following components:

- **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, 2016 and 2015**

***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.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, this statement defines fair values, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded fair value in the Statement of Net Position, are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

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.

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.



**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

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 and the 2015 Series A revenue refunding bonds are being recorded as a liability. As of June 30, 2016 and 2015, the District's liability was estimated at \$0 for both years.

O. Deficit Fund Balances

At June 30, 2016 and 2015, the New Water fund had a deficit fund balance of \$(6,415,054) and \$(5,739,337), respectively, which will be eliminated through future revenues collected from ratepayers of the regional water project.

P. Interfund Transactions

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

Q. Property Taxes

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

Property tax revenue is recognized in the fiscal year in which taxes are levied. Taxes are collected by Monterey County; 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)

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

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.

S. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefits terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

- Valuation Date: June 30, 2014
- Measurement Date: June 30, 2015
- Measurement Period: June 30, 2014 to June 30, 2015

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

T. Implementation of New GASB Pronouncements

GASB has issued Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement became effective for periods beginning after June 15, 2015 and did not have a significant measurement impact on the District's financial statements for the year ended June 30, 2016.

GASB has issued Statement No. 73, Accounting and Financial reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. This statement became effective for periods beginning after June 15, 2015 and did not have a significant impact on the District's financial statements for the year ended June 30, 2016.

GASB has issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This statement establishes standards relating to the hierarchy of generally accepted accounting principles ("GAAP"). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement became effective for periods beginning after June 15, 2015, and should be applied retroactively. There was no significant impact on the District's financial statements.

GASB has issued Statement No. 79, Certain External Investment Pools and Pool Participants. This statement establishes standards relating to accounting and financial reporting for certain external investment pools and pool participants. This statement became effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. There was no significant impact on the District's financial statements.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

U. Reclassification

Certain prior year accounts have been reclassified to be consistent with current year presentation; there has been no impact to the Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows.

**Note 2 - Cash and Investments**

Cash and investments as of June 30, 2016 and 2015 are classified in the accompanying financial statements as follows:

	<u>2016</u>	<u>2015</u>
Statement of Net Position:		
Cash and investments	\$ 3,041,635	\$ 4,210,654
Restricted cash and investments	<u>13,371,324</u>	<u>16,860,718</u>
Total cash and investments	<u><u>\$ 16,412,959</u></u>	<u><u>\$ 21,071,372</u></u>

Cash and investments as of June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 1,150	\$ 1,150
Deposits with financial institutions	5,558,570	3,479,893
Investments	<u>10,853,239</u>	<u>17,590,329</u>
Total cash and investments	<u><u>\$ 16,412,959</u></u>	<u><u>\$ 21,071,372</u></u>

**Investments Authorized by the District’s Investment Policy**

The District’s investment policy only authorizes investment in money market funds, certificates of deposits, guaranteed investment 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, 2016 and 2015**

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

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy for the investments of the District as of June 30, 2016. The District does not value any of its investments using level 3 inputs.

	Quoted Prices Level 1	Observable Inputs Level 2	Total
Local Agency Investment Fund	\$ 7,473,950		\$ 7,473,950
Money Market Fund	2,264,460		2,264,460
Certificates of Deposit Held by Fiscal Agent	264,901		264,901 -
U.S. Treasury Obligations		849,928	849,928
<b>Total Investments</b>	<b>\$ 10,003,311</b>	<b>\$ 849,928</b>	<b>\$ 10,853,239</b>

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
	2016	2015	
Statement Investment Pool (LAIF)	\$ 7,473,950	\$ 7,447,164	N/A - due on demand
Money Market Fund	2,264,460	2,869,915	N/A - due on demand
Debt Reserve Fund (GIC)	849,928	3,933,773	324 months to maturity
Certificate of Deposits	264,901	3,339,477	6 months to maturity
<b>Total</b>	<b>\$ 10,853,239</b>	<b>\$ 17,590,329</b>	

GIC – Guaranteed Investment Contract

LAIF – Local Agency Investment Fund

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

Disclosures Relating to Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

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).

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

Collateral and Categorization Requirements

On June 30, 2016, the District's carrying amount of demand deposits was \$5,558,570, and the bank account balance was \$5,619,206. The difference of \$60,636 represented outstanding checks and deposits in transit. Of the total deposit balance, \$250,000 was insured by federal depository insurance and \$5,369,206 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, 2015, the District's carrying amount of demand deposits was \$3,479,893, and the bank account balance was \$3,796,589. The difference of \$316,696 represented outstanding checks and deposits in transit. Of the total deposit balance, \$250,000 was insured by federal depository insurance and \$3,546,589 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, 2016 and 2015**

***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, 2016 and 2015, the District had \$7,473,950 and \$7,447,164, respectively invested in LAIF, which had invested 2.81% and 2.08%, 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, 2016 and 2015**

**Note 3 - Capital Assets**

Changes in capital assets for the fiscal year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Additions	Deletions	Transfers/ Reclassifications	Balance at June 30, 2016
<b>Non-depreciable assets:</b>					
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)	31,628,674	7,773,880	(240)	(5,008,384)	34,393,930
Total non-depreciable assets	<u>141,240,218</u>	<u>7,773,880</u>	<u>(240)</u>	<u>(5,008,384)</u>	<u>144,005,474</u>
<b>Depreciable assets:</b>					
Land improvements	38,121	-	-	151,971	190,092
Buildings and improvements	4,425,522	-	-	4,011,631	8,437,153
Equipment	3,034,654	418,129	(13,860)	-	3,438,923
Infrastructure	58,622,142	-	-	844,782	59,466,924
Total depreciable assets	<u>66,120,439</u>	<u>418,129</u>	<u>(13,860)</u>	<u>5,008,384</u>	<u>71,533,092</u>
<b>Less accumulated depreciation:</b>					
Land improvements	(38,121)	(3,238)	-	-	(41,359)
Buildings and improvements	(1,173,724)	(161,894)	-	-	(1,335,618)
Equipment	(2,579,011)	(154,486)	11,438	-	(2,722,059)
Infrastructure	(34,275,993)	(1,260,355)	-	-	(35,536,348)
Total accumulated depreciation	<u>(38,066,849)</u>	<u>(1,579,973)</u>	<u>11,438</u>	<u>-</u>	<u>(39,635,384)</u>
Depreciable assets, net	<u>28,053,590</u>	<u>(1,161,844)</u>	<u>(2,422)</u>	<u>5,008,384</u>	<u>31,897,708</u>
<b>Total capital assets, net</b>	<u><u>\$ 169,293,808</u></u>	<u><u>\$ 6,612,036</u></u>	<u><u>\$ (2,662)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 175,903,182</u></u>

(1) Construction in progress includes capitalized interest in the amount of \$2,610,678 for the year ended June 30, 2016.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

**Note 3 - Capital Assets (continued)**

Changes in capital assets for the fiscal year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance at June 30, 2015
<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)	28,160,126	3,468,548	-	31,628,674
Total non-depreciable assets	<u>137,771,670</u>	<u>3,468,548</u>	<u>-</u>	<u>141,240,218</u>
<u>Depreciable assets:</u>				
Land improvements	38,121	-	-	38,121
Buildings and improvements	4,425,522	-	-	4,425,522
Equipment	2,995,988	57,664	(18,998)	3,034,654
Infrastructure	58,622,142	-	-	58,622,142
Total depreciable assets	<u>66,081,773</u>	<u>57,664</u>	<u>(18,998)</u>	<u>66,120,439</u>
<u>Less accumulated depreciation:</u>				
Land improvements	(38,121)	-	-	(38,121)
Buildings and improvements	(1,041,673)	(132,051)	-	(1,173,724)
Equipment	(2,424,334)	(173,675)	18,998	(2,579,011)
Infrastructure	(32,985,114)	(1,290,879)	-	(34,275,993)
Total accumulated depreciation	<u>(36,489,242)</u>	<u>(1,596,605)</u>	<u>18,998</u>	<u>(38,066,849)</u>
Depreciable assets, net	<u>29,592,531</u>	<u>(1,538,941)</u>	<u>-</u>	<u>28,053,590</u>
Total capital assets, net	<u>\$ 167,364,201</u>	<u>\$ 1,929,607</u>	<u>\$ -</u>	<u>\$ 169,293,808</u>

(1) Construction in progress includes capitalized interest in the amount of \$2,610,678 for the year ended June 30, 2015.

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, 2016 and 2015 totaled \$1,579,973 and \$1,596,605, respectively.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

***Note 4 – Receivables***

At June 30, 2016 and 2015, accounts receivable consisted of utility customer receivables of \$1,437,539 and \$1,300,815, respectively, and receivables from agreements with local developers in the amount of \$454,406 and \$568,531, respectively. The allowance for uncollectible accounts related to utility customers was \$128,912 and \$106,668, respectively, and for local developers was \$454,580 and \$476,894, respectively.

Other receivable balance, net of allowance for doubtful accounts, currently outstanding at June 30, 2016 and 2015 was \$553,850 and \$31,214, 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 later extended to December 1, 2015. The terms of the LOC consisted of interest only payments at an interest rate of 1.90% (CD rate + 1.5% margin). \$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 was intended to be used for tenant improvements once the vacant portion of the building was leased out. However, since the vacant portion was not leased, the District used the CD to pay off the LOC on December 1, 2015.

On November 17, 2014, the Board adopted Resolution No. 2014-46 authorizing the construction of Building E at 940 Imjin Office Parkway to house the Bureau of Land Management Regional Office. On May 9, 2015, the Board adopted Resolution No. 2015-21 to approve the financing of the construction by Rabobank, N.A. Included in the financing was a one year cash-secured non-revolving line of credit in the amount of \$264,800 with an automatic six month extension option and a one year commercial loan in the amount of \$389,600 with an automatic sixth month extension option secured by the assignment of the GSA's obligation to reimburse the District for tenant improvements upon BLM occupancy. The automatic term extension was exercised on both in August 2016 due to the District not receiving final notice of completion and final certificate of occupancy from the City of Marina by the original term date. At June 30, 2016, the outstanding line of credit balance was \$264,800 and the outstanding commercial loan balance was \$389,600.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

**Note 6 - Long-Term Debt**

Changes in long-term liability activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2006 Certificates of Participation	\$ 35,170,000	\$ -	\$ (35,170,000)	\$ -	\$ -
plus unamortized premiums	769,473	-	(769,473)	-	-
Net 2006 Certificates of Participation	35,939,473	-	(35,939,473)	-	-
2010 Revenue Bonds	4,945,000	-	(755,000)	4,190,000	785,000
plus unamortized premiums	56,521	-	(11,304)	45,217	-
Net 2010 Revenue Bonds	5,001,521	-	(766,304)	4,235,217	785,000
2015 Series A Bonds	-	29,840,000	-	29,840,000	905,000
plus unamortized premiums	-	2,999,142	(136,325)	2,862,817	-
Net 2015 Series A Bonds	-	32,839,142	(136,325)	32,702,817	905,000
2015 Series B Bonds	-	1,115,000	(1,115,000)	-	-
plus unamortized premiums	-	2,431	(2,431)	-	-
Net 2015 Series B Bonds	-	1,117,431	(1,117,431)	-	-
BLM construction loan	-	2,776,000	-	2,776,000	-
Compensated absences	284,242	361,880	(296,686)	349,436	24,393
OPEB liability	733,300	150,625	-	883,925	-
Totals	<u>\$ 41,958,536</u>	<u>\$ 37,245,078</u>	<u>\$ (38,256,219)</u>	<u>\$ 40,947,395</u>	<u>\$ 1,714,393</u>

Changes in long-term liability activity for the fiscal year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2006 Certificates of Participation	\$ 36,160,000	\$ -	\$ (990,000)	\$ 35,170,000	\$ 930,000
plus unamortized premiums	805,826	-	(36,353)	769,473	-
Net 2006 Certificates of Participation	36,965,826	-	(1,026,353)	35,939,473	930,000
2010 Revenue Bonds Payable	5,670,000	-	(725,000)	4,945,000	755,000
plus unamortized premiums	67,825	-	(11,304)	56,521	-
Net 2010 Revenue Bonds Payable	5,737,825	-	(736,304)	5,001,521	755,000
Compensated absences	276,313	250,047	(242,118)	284,242	9,429
OPEB liability	599,781	133,519	-	733,300	-
Totals	<u>\$ 43,579,745</u>	<u>\$ 383,566</u>	<u>\$ (2,004,775)</u>	<u>\$ 41,958,536</u>	<u>\$ 1,694,429</u>

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

A. BLM Construction Loan

On November 17, 2014, the Board adopted Resolution No. 2014-46 authorizing a construction of Building E at 940 Imjin Office Parkway to house the Bureau of Land Management Regional Office. On May 9, 2015, the Board adopted Resolution No. 2015-21 to approve the financing of the construction by Rabobank, N.A., which closed on August 7, 2015.

Construction costs were funded by a one-year construction loan in the amount of \$2,776,000 convertible to a 10-year term loan upon occupancy by BLM. At building completion, the interest rate would be based on 10-year LIBOR SWAP index + 2.5% amortized over 25 years with no prepayment penalty and an automatic six-month extension option. The automatic term extension was exercised in August 2016 due to the District not receiving final notice of completion and final certificate of occupancy from the City of Marina by the original term date of the loans. Once the final documents are received, the construction loan will convert to the 10-year term loan.

B. 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. On July 15, 2015, the bonds were refinanced with the issue of the 2015 Series A & B revenue bonds.

C. 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, 2016, the outstanding balance was \$4,190,000.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

C. 2010 Revenue Bonds (continued)

Future payments are as follows:

Year Ending June 30,	2010 Subordinate Enterprise Revenue Refunding Bonds		
	Principal	Interest	Total
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>\$ 4,190,000</u>	<u>\$ 587,900</u>	<u>\$ 4,777,900</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.

D. 2015 Series A & B Revenue Bonds

On June 30, 2015, the District issued 2015 Senior Lien Enterprise Revenue Refunding Bonds, Tax-Exempt Series A in the amount of \$29,840,000 and Federally Taxable Series B in the amount of \$1,115,000 (the "Bonds"). The Bonds were issued to refinance the District's outstanding 2006 Certificates of Participation (COPs) which were issued for the purpose of financing improvements to the District's water and wastewater systems and to refinance prior obligations. The Bonds, which closed on July 15, 2015, were an advance refunding of the 2006 COPs as the COPs were not callable until June 1, 2016. An escrow account, funded with treasury securities, was set up and used to pay the 2006 COPs. A portion of the 2006 COPs were utilized to refinance prior obligations on an advance basis. As a result, the Taxable Series B were required to refund a portion of the 2006 COPs. The cash flows required to service the 2006 COP debt was \$52,402,343 and the cash flows required to service the 2015 Senior Lien Refunding Revenue Bonds was \$49,573,943 for an economic gain of \$2,829,400 with a net present value of \$2,644,483. The deferred gain as a result of the refunding debt amounted to \$734,497. The true interest cost, which includes all annualized costs, is 3.712% for the Series A Bonds and 1.544% for the Series B Bonds. As of June 30, 2016, the outstanding balance was \$29,840,000.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

D. 2015 Series A & B Revenue Bonds (concluded)

Future payments are as follows:

Year Ending June 30,	2015 Series A Revenue Refunding Bonds		
	Principal	Interest	Total
2017	\$ 905,000	\$ 1,347,600	\$ 2,252,600
2018	930,000	1,320,450	2,250,450
2019	960,000	1,292,550	2,252,550
2020	995,000	1,254,150	2,249,150
2021	1,035,000	1,214,350	2,249,350
2022-2026	5,945,000	5,312,150	11,257,150
2027-2031	7,525,000	3,724,500	11,249,500
2032-2036	9,400,000	1,853,263	11,253,263
2037	2,145,000	107,250	2,252,250
	<u>\$ 29,840,000</u>	<u>\$ 17,426,263</u>	<u>\$ 47,266,263</u>

E. Bond Premiums

Bond premiums are netted against the related debt and included in bonds payable. Amortization expense for the years ended June 30, 2016 and 2015 was \$150,060 and \$47,657, respectively.

F. 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, 2016 and 2015 was \$349,436 and \$284,242, respectively.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

***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>	
2017	\$ 3,798
2018	2,166
2019	2,166
2020	2,166
2021	1,083
Total	<u>\$ 11,379</u>

The District's total operating lease expense for the years ended June 30, 2016 and 2015 was \$25,025 and \$28,262, respectively.



**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

**Note 8 - Defined Benefit Pension Plan**

A. General Information

Plan Description

The Miscellaneous Plan of the Marina Coast Water District (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.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2016 and 2015 are summarized as follows:

	Miscellaneous	
	Prior to July 1, 2015	On or After July 1, 2015
Hire Date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63+	52-67+
Monthly benefits, as a % of eligible compensation	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	7.163%	6.237%

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

A. General Information (concluded)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2016 and 2015, the contributions for the Plan were as follows:

<b>Classic Miscellaneous Plan</b>	<u>2016</u>	<u>2015</u>
Contributions - employer	\$ 206,402	\$ 227,120
Contributions - employee (paid by employer)	<u>201,358</u>	<u>184,517</u>
Total	<u><u>\$ 407,760</u></u>	<u><u>\$ 411,637</u></u>
 <b>PEPRA Miscellaneous Plan</b>		
Contributions - employer	\$ 10,561	\$ -
Contributions - employee	<u>10,599</u>	<u>-</u>
Total	<u><u>\$ 21,160</u></u>	<u><u>\$ -</u></u>

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016 and 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	2016	2015
Classic Miscellaneous Plan	\$ 1,317,515	\$ 1,895,347
PEPRA Miscellaneous Plan	\$ (26)	\$ -

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan at June 30, 2016 is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For 2015, the District's net pension liability for the Plan was measured as the proportionate share of the net pension liability. The net pension liability of the Plan was measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources  
 Related to Pensions (continued)

For the year ended June 30, 2016, the District recognized pension expense of \$223,424 for the Classic Miscellaneous Plan and reported deferred outflows of resources and deferred inflows of resources from the following sources:

<b>Classic Miscellaneous Plan</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 14,320	\$ -
Contributions made after Measurement Date	206,402	-
Changes of Assumptions	-	(135,478)
ER Contributions in excess/(under) proportionated contributions	(11,191)	(46,315)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	347,257	(382,155)
Adjustment due to Differences in Proportions	-	(353,326)
<b>Total</b>	<b>\$ 556,788</b>	<b>\$ (917,274)</b>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2016	\$ (234,752)
2017	(232,409)
2018	(186,542)
2019	86,815
2020	-
Thereafter	-

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources  
 Related to Pensions (continued)

For the year ended June 30, 2016, the District recognized pension expense of \$4,821 for the PEPRA Miscellaneous Plan and reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>PEPRA Miscellaneous Plan</b>		
Differences between Expected and Actual Experience	\$ 309	\$ -
Contributions made after Measurement Date	10,561	-
Changes of Assumptions	-	(2,923)
ER Contributions in excess/(under) proportionated contributions	-	(999)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	7,493	-
Adjustment due to Differences in Proportions	-	(3,293)
<b>Total</b>	<b>\$ 18,363</b>	<b>\$ (7,215)</b>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2016	\$ (594)
2017	(594)
2018	(99)
2019	1,874
2020	-
Thereafter	-

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources  
 Related to Pensions (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability determined in the June 30, 2014 actuarial accounting valuation. The June 30, 2015 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The mortality rate table includes 20 years of mortality improvements using Society of Actuaries Scale BB. Please refer to the 2014 experience study report for more information.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources  
Related to Pensions (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans would run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are available in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS' website under the GASB 68 section.

According to paragraph 68 of GASB Statement 68, the long-term expected rate of return should be determined without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources  
 Related to Pensions (continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10 (a)</b>	<b>Real Return Years 11+ (b)</b>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period



**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources  
 Related to Pensions (continued)

The changes in the net pension liability for the Classic Miscellaneous Plan are as follows:

Miscellaneous Risk Pool	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance at: June 30, 2014</b> <b>(Valuation Date)</b>	\$ 11,167,983	\$ 9,272,636	\$ 1,895,347
<b>Changes Recognized for the</b> <b>Measurement Period:</b>			
Service Cost	254,641	-	254,641
Interest on the Total Pension Liability	742,508	-	742,508
Changes of Benefit Terms	369	-	369
Changes of Assumptions	(183,863)	-	(183,863)
Differences between Expected and Actual Experience	19,434	-	19,434
Plan to Plan Resource Movement	-	49,715	(49,715)
Contributions from the Employer	-	286,280	(286,280)
Contributions from Employees (paid by employer)	-	117,058	(117,058)
Net Investment Income	-	182,741	(182,741)
Benefit Payments, including Refunds of Employee Contributions	(125,392)	(125,392)	-
Administrative Expenses	-	(9,289)	9,289
Recognized difference in proportion	-	466,084	(466,084)
<b>Net Changes</b>	<b>\$ 707,697</b>	<b>\$ 967,197</b>	<b>\$ (259,500)</b>
<b>Balance at: June 30, 2015</b> <b>(Measurement Date)</b>	<b>\$ 11,875,680</b>	<b>\$ 10,239,833</b>	<b>\$ 1,635,847</b>

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources  
 Related to Pensions (continued)

The changes in the net pension liability for the PEPRA Miscellaneous Plan are as follows:

Miscellaneous Risk Pool	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance at: June 30, 2014</b> (Valuation Date)	\$ -	\$ -	\$ -
<b>Changes Recognized for the</b> <b>Measurement Period:</b>			
Service Cost	5,495	-	5,495
Interest on the Total Pension Liability	16,022	-	16,022
Changes of Benefit Terms	8	-	8
Changes of Assumptions	(3,967)	-	(3,967)
Differences between Expected and Actual Experience	419	-	419
Plan to Plan Resource Movement	-	1,073	(1,073)
Contributions from the Employer	-	6,177	(6,177)
Contributions from Employees	-	2,526	(2,526)
Net Investment Income	-	3,943	(3,943)
Benefit Payments, including Refunds of Employee Contributions	(17,377)	(17,377)	-
Administrative Expenses	-	(200)	200
Recognized difference in proportion	-	4,469	(4,469)
<b>Net Changes</b>	<u>\$ 600</u>	<u>\$ 611</u>	<u>\$ (11)</u>
<b>Balance at: June 30, 2015</b> (Measurement Date)	<u>\$ 600</u>	<u>\$ 611</u>	<u>\$ (11)</u>

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources  
 Related to Pensions (concluded)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

**Classic Miscellaneous Plan**

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability/ (Asset)	\$ 2,743,430	\$ 1,635,847	\$ 721,409

**PEPRA Miscellaneous Plan**

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability/ (Asset)	\$ (18)	\$ (11)	\$ (5)

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance, and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

C. Payable to the Pension Plan

At June 30, 2016 and 2015, the District reported a payable of \$17,610 and \$21,040, respectively, for the outstanding amount of contributions to the pension plan required for year end.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

**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 \$16,877 in post employment benefits for four retired employees who were eligible for benefits during the fiscal year ended June 30, 2016.

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.

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.

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

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 on a closed basis. A closed amortization period of 30 years was established as of July 1, 2010. The remaining amortization period at June 30, 2016 was 24 years.

As of July 1, 2015, the underfunded actuarial accrued liability was \$1,740,074.

The annual OPEB cost and the net OPEB obligation at June 30, 2016 and 2015 was as follows:

	2016	2015
Annual required contribution	\$ 171,043	\$ 158,057
Interest on net OPEB obligation	32,999	26,665
Adjustment to annual required contribution	(36,541)	(28,509)
Annual OPEB cost (expense)	167,501	156,213
Contributions made	(16,877)	(15,472)
Increase in net OPEB obligation	150,624	140,741
Net OPEB obligation - beginning of year	733,300	592,559
Net OPEB obligation - end of year	\$ 883,924	\$ 733,300

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

D. Annual Cost (concluded)

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
2014	131,339	6,838	5%	592,559
2015	156,213	15,472	10%	733,300
2016	167,501	16,877	10%	883,924

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

***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 and \$1,000 for property insurance. There is no retention for general liability insurance. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, and employee health and accident insurance. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

***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, 2016 and 2015**

***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. On November 17, 2014, the Sixth Appellate District reversed the superior court’s order awarding attorney’s fees but remanded the matter to allow the superior court to determine whether ALT was entitled to an award of attorney’s fees under a different legal theory. In the superior court, the District timely moved to disqualify the trial judge whose attorney’s fees order had been reversed, but the trial judge denied the motion. On March 13, 2015, the District filed in the Sixth Appellate District a petition for a writ of mandate compelling the superior court to grant the disqualification motion. On June 18, 2015, the superior court stayed proceedings on remand from the attorney’s fees appeal until resolution of the petition for a writ of mandate. On September 28, 2015, the Sixth Appellate District filed an order denying the petition for a writ of mandate. On October 8, 2015, the District filed in the California Supreme Court a petition for review of the Sixth Appellate District’s order denying the petition for a writ of mandate, but that petition was also summarily denied. Thereafter, the issue of ALT’s entitlement to attorney fees under a catalyst theory was litigated before the trial judge and on July 14, 2016, the court entered an order granting ALT’s request for such fees and reinstated its earlier fee award. On July 29, 2016, the District filed a notice of appeal from that order, and the appeal is now pending before the Court of Appeal for the Sixth Appellate District. The appeal has not yet been briefed or orally argued. 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.



**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

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

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. 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.

The trial court entered a judgment during April, 2015 following trial finding that certain of the RDP Agreements, including the Water Purchase Agreement were subject to the Validating Acts, but still could be rendered invalid due to the application of the four year statute of limitations which is concerned with contractual conflicts of interest violations. That Judgment was timely appealed by the District and the Court of Appeal affirmed the court's decision. The District filed a Petition for Review before the California Supreme Court which had not ruled on whether it would grant the Petition.

A lawsuit seeking damages due to the failure of the Regional Desalinization Project has been filed by the District against CAW and MCWRA and those entities have brought suit seeking damages against the District on the same subject matter. These suits have been deemed to be complex by the Superior Court in San Francisco and assigned to the same Judge who administered the declaratory relief case discussed above.

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	\$ 16,473,961
Total liabilities	<u>(14,020,702)</u>
Total net position	<u><u>\$ 2,453,259</u></u>

**MARINA COAST WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

***Note 12 - Subsequent Events***

In 2009, the District entered into a lease agreement with the Fort Ord Reuse Authority (FORA) to lease the District's to-be-built office building located at 920 2nd Avenue within the Imjin Office Park. The term of the lease was 57 months which aligned with the initial sunset date of FORA and the estimated completion date of the building. However, construction of the building was not completed until August 2011 at which time FORA took occupancy and started the lease term of the agreement. Subsequently, FORA's sunset date was extended to June 30, 2020, however, the lease term expired in April, 2016. The District is in the process of amending the lease to extend the term to June 30, 2020 which is scheduled to be completed in December 2016. In the interim, FORA has continued to pay its rent to the District on a monthly basis.

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



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**MARINA COAST WATER DISTRICT  
Required Supplementary Information  
For the Year Ended June 30, 2016 and 2015**

**Marina Coast Water District Miscellaneous Plan 5340  
Schedule of The District's Proportionate Share of The Net Pension Liability  
Last 10 Years \***

	<u>FY 2015</u>	<u>FY 2014</u>
Proportion of the net pension liability	0.02383%	0.03046%
Proportionate share of the net pension liability	\$ 1,635,847	\$ 1,895,347
Covered - employee payroll	\$ 2,635,956	\$ 2,714,872
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.06%	69.81%
Plan fiduciary net position as a percentage of the total pension liability	88.48%	83.03%

\* Fiscal year 2014 was the 1<sup>st</sup> year of implementation, therefore only two years are shown.

**Marina Coast Water District Miscellaneous Plan 26674  
Schedule of The District's Proportionate Share of The Net Pension Liability  
Last 10 Years \***

	<u>FY 2015</u>
Proportion of the net pension liability	-0.00000016%
Proportionate share of the net pension liability	\$ (11)
Covered - employee payroll	\$ 86,849
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	-0.01%
Plan fiduciary net position as a percentage of the total pension liability	104.50%

\* Fiscal year 2016 was the 1<sup>st</sup> year for the plan, therefore only one year is shown.

**MARINA COAST WATER DISTRICT  
Required Supplementary Information  
For the Year Ended June 30, 2016 and 2015**

**Marina Coast Water District Miscellaneous Plan 5340  
Schedule of Contributions  
Last 10 Years \*\***

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
Actuarially Determined Contribution	\$ 206,402	\$ 227,120	\$ 228,140
Contributions in Relation to the Actuarially Determined Contribution	<u>(206,402)</u>	<u>(227,120)</u>	<u>(228,140)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 2,876,550	\$ 2,635,956	\$ 2,714,872
Contributions as a Percentage of Covered-Employee Payroll	7.18%	8.62%	8.40%

\*\* Fiscal year 2014 was the 1<sup>st</sup> year of implementation, therefore only three years are shown.

**Marina Coast Water District Miscellaneous Plan 26674  
Schedule of Contributions  
Last 10 Years \*\***

	<u>FY 2016</u>
Actuarially Determined Contribution	\$ 10,561
Contributions in Relation to the Actuarially Determined Contribution	<u>(10,561)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 169,455
Contributions as a Percentage of Covered-Employee Payroll	6.23%

\*\* Fiscal year 2016 was the 1<sup>st</sup> year for the plan, therefore only one year is shown.

**MARINA COAST WATER DISTRICT**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2016 and 2015**

**Other Post Employment Benefits (OPEB) Plan – Schedule of Funding Progress**

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%

GASB 45 was implemented in 2010; therefore only two actuarial valuations are shown.



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***SUPPLEMENTARY INFORMATION***



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**MARINA COAST WATER DISTRICT**  
**Schedule of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	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	\$ 1,632,353	\$ 515,859	\$ 557,540	\$ 335,883	\$ -	\$ -	\$ -	\$ 3,041,635
Accounts receivable, net	240,587	48,520	752,088	267,258	-	-	-	1,308,453
Interest receivable	3,138	1,937	3,884	1,209	-	-	-	10,168
Due from other funds	9,655,000	546,690	-	6,665,597	-	-	(16,867,287)	-
Other receivable	140,016	40,005	297,986	75,843	-	-	-	553,850
Inventories	33,085	3,365	66,783	5,767	-	-	-	109,000
Deposits	3,612	-	-	-	-	-	-	3,612
Prepaid items	12,901	3,926	30,066	8,045	-	-	-	54,938
Total current assets	11,720,692	1,160,302	1,708,347	7,359,602	-	-	(16,867,287)	5,081,656
Noncurrent assets:								
Restricted cash and investments	3,215,782	1,108,032	7,842,610	1,204,877	23	-	-	13,371,324
Capital assets, net	12,017,096	5,089,899	102,867,919	33,792,998	5,661,309	16,473,961	-	175,903,182
Total noncurrent assets	15,232,878	6,197,931	110,710,529	34,997,875	5,661,332	16,473,961	-	189,274,506
<b>TOTAL ASSETS</b>	26,953,570	7,358,233	112,418,876	42,357,477	5,661,332	16,473,961	(16,867,287)	194,356,162
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Deferred outflows related to pensions	164,229	43,672	314,835	68,699	-	-	-	591,435
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	164,229	43,672	314,835	68,699	-	-	-	591,435

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	438,896	103,972	318,123	706,906	-	119,012	-	1,686,909
Accrued expenses	295,111	14,409	26,887	2,418	-	-	-	338,825
Interest payable	13,689	6,959	62,306	20,321	25,829	-	-	129,104
Line of credit	183,232	52,352	327,200	91,616	-	-	-	654,400
Due to other funds	-	-	1,503,378	-	4,462,219	10,901,690	(16,867,287)	-
Customer deposits payable	98,245	1,750	911,016	709,066	-	-	-	1,720,077
Current portion of long-term debt	299,273	110,001	839,587	257,382	208,150	-	-	1,714,393
Other current liability	10,529	-	-	-	-	-	-	10,529
Total current liabilities	1,338,975	289,443	3,988,497	1,787,709	4,696,198	11,020,702	(16,867,287)	6,254,237
Noncurrent liabilities:								
Long-term debt	4,384,445	2,110,543	18,550,256	5,990,335	7,313,498	-	-	38,349,077
Advances from other funds	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-
Net OPEB obligation	266,338	84,281	419,722	113,584	-	-	-	883,925
Net pension liability	479,583	133,461	845,444	177,348	-	-	-	1,635,836
Other noncurrent liability	-	-	-	-	-	3,000,000	-	3,000,000
Total noncurrent liabilities	5,130,366	2,328,285	19,815,422	6,281,267	7,313,498	3,000,000	-	43,868,838
<b>TOTAL LIABILITIES</b>	6,469,341	2,617,728	23,803,919	8,068,976	12,009,696	14,020,702	(16,867,287)	50,123,075
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred inflows related to pensions	298,646	80,594	557,824	120,307	-	-	-	1,057,371
Deferred gains on refunding old debt, net	69,929	38,398	401,703	157,777	66,690	-	-	734,497
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	368,575	118,992	959,527	278,084	66,690	-	-	1,791,868
<b>NET POSITION</b>								
Net investment in capital assets	8,215,078	3,115,966	85,052,958	27,967,922	(1,860,399)	16,473,961	-	138,965,546
Restricted for debt service	237,940	67,983	424,893	118,970	-	-	-	849,786
Unrestricted (Deficit)	11,826,865	1,481,236	2,492,414	5,992,224	(4,554,715)	(14,020,702)	-	3,217,322
<b>TOTAL NET POSITION</b>	\$ 20,279,883	\$ 4,665,185	\$ 87,970,265	\$ 34,079,116	\$ (6,415,054)	\$ 2,453,259	\$ -	\$ 143,032,654
								concluded

**MARINA COAST WATER DISTRICT**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For The Year Ended June 30, 2016**

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Total
<b>OPERATING REVENUES:</b>							
Water services	\$ 3,457,070	\$ -	\$ 5,163,486	\$ -	\$ -	\$ -	\$ 8,620,556
Wastewater services	-	1,026,006	-	2,090,097	-	-	3,116,103
Other services and fees	72,455	3,170	267,321	20,660	-	-	363,606
Total operating revenues	3,529,525	1,029,176	5,430,807	2,110,757	-	-	12,100,265
<b>OPERATING EXPENSES:</b>							
Administrative	708,383	201,907	1,841,832	365,824	-	240	3,118,186
Operations and maintenance	924,684	283,047	1,366,682	566,352	-	-	3,140,765
Laboratory	76,354	-	161,902	-	-	-	238,256
Conservation	172,164	-	204,219	-	-	-	376,383
Engineering	230,324	43,378	965,761	255,502	-	-	1,494,965
Depreciation and amortization	342,988	188,101	708,947	193,912	146,025	-	1,579,973
Total operating expenses	2,454,897	716,433	5,249,343	1,381,590	146,025	240	9,948,528
Operating income (loss)	1,074,628	312,743	181,464	729,167	(146,025)	(240)	2,151,737
<b>NONOPERATING REVENUES (EXPENSES):</b>							
Rental income	214,196	61,199	382,493	107,098	-	-	764,986
Interest earned	61,961	35,832	292,196	98,396	130,519	-	618,904
Interest expense	(295,082)	(166,656)	(1,542,718)	(578,542)	(521,137)	-	(3,104,135)
Investment gain (loss)	(37,991)	(23,745)	(227,948)	(75,983)	(109,225)	-	(474,892)
Bond premium (discount)	14,266	7,842	72,255	23,783	31,914	-	150,060
Bond issuance costs	(21,483)	(13,427)	(128,896)	(42,965)	(61,763)	-	(268,534)
Total nonoperating revenue (expenses)	(64,133)	(98,955)	(1,152,618)	(468,213)	(529,692)	-	(2,313,611)
Income (loss) before capital contributions	1,010,495	213,788	(971,154)	260,954	(675,717)	(240)	(161,874)
<b>CAPITAL CONTRIBUTIONS:</b>							
Capacity and connection fees	10,555	10,891	1,599,812	649,147	-	-	2,270,405
Developer contributions	-	-	498,525	179,082	-	-	677,607
Total capital contributions	10,555	10,891	2,098,337	828,229	-	-	2,948,012
Increase (decrease) in net position	1,021,050	224,679	1,127,183	1,089,183	(675,717)	(240)	2,786,138
Net position, beginning of year	19,258,833	4,440,506	86,843,082	32,989,933	(5,739,337)	2,453,499	140,246,516
Net position, end of year	\$ 20,279,883	\$ 4,665,185	\$ 87,970,265	\$ 34,079,116	\$ (6,415,054)	\$ 2,453,259	\$ 143,032,654

**MARINA COAST WATER DISTRICT**  
**Schedule of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended June 30, 2016**

	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	\$ 3,380,596	\$ 981,502	\$ 5,139,286	\$ 2,053,576	\$ -	\$ -	\$ 11,554,960
Payments to employees	(1,266,477)	(380,430)	(2,151,644)	(647,897)	-	-	(4,446,448)
Payments to suppliers	(300,898)	(8,387)	(1,564,342)	619,074	63,856	(190,466)	(1,381,163)
<b>Net cash provided by (used in) operating activities</b>	<u>1,813,221</u>	<u>592,685</u>	<u>1,423,300</u>	<u>2,024,753</u>	<u>63,856</u>	<u>(190,466)</u>	<u>5,727,349</u>
<b>NONCAPITAL FINANCING ACTIVITIES:</b>							
Due from other funds	(1,055,000)	23,504	-	(2,872,116)	-	-	(3,903,612)
Due to other funds	-	-	1,167,168	-	1,004,948	1,731,496	3,903,612
<b>Net cash provided by (used in) noncapital financing</b>	<u>(1,055,000)</u>	<u>23,504</u>	<u>1,167,168</u>	<u>(2,872,116)</u>	<u>1,004,948</u>	<u>1,731,496</u>	<u>-</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Acquisition and construction of capital assets	(2,010,474)	(1,189,613)	(2,107,927)	(1,256,974)	(85,991)	(1,541,030)	(8,192,009)
Developer contributions, capacity and connection receipts	10,555	10,891	2,098,337	828,229	-	-	2,948,012
Proceeds from capital debt	3,677,038	1,972,261	18,014,355	5,913,308	7,810,012	-	37,386,973
Principal paid on capital debt	(3,660,266)	(2,158,329)	(19,454,856)	(6,321,932)	(8,442,069)	-	(40,037,452)
Bond fees paid on capital debt	(21,483)	(13,427)	(128,896)	(42,965)	(61,763)	-	(268,534)
Interest paid on capital debt	(298,319)	(168,788)	(1,564,278)	(592,425)	(515,839)	-	(3,139,649)
<b>Net cash (used in) capital and related financing activities</b>	<u>(2,302,948)</u>	<u>(1,547,005)</u>	<u>(3,143,265)</u>	<u>(1,472,760)</u>	<u>(1,295,650)</u>	<u>(1,541,030)</u>	<u>(11,302,658)</u>
<b>INVESTING ACTIVITIES:</b>							
Purchase of investment securities	(2,935,591)	(1,834,745)	(17,613,548)	(5,871,183)	(8,439,825)	-	(36,694,892)
Proceeds from sales and maturities of investment securities	2,897,600	1,811,000	17,385,600	5,795,200	8,330,600	-	36,220,000
Rental income	214,196	61,199	382,493	107,098	-	-	764,986
Interest earnings	62,141	35,552	297,234	100,507	131,369	-	626,802
<b>Net cash provided by investing activities</b>	<u>238,346</u>	<u>73,006</u>	<u>451,779</u>	<u>131,622</u>	<u>22,144</u>	<u>-</u>	<u>916,896</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(1,306,381)</u>	<u>(857,810)</u>	<u>(101,019)</u>	<u>(2,188,501)</u>	<u>(204,702)</u>	<u>-</u>	<u>(4,658,413)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>6,154,516</u>	<u>2,481,701</u>	<u>8,501,169</u>	<u>3,729,261</u>	<u>204,725</u>	<u>-</u>	<u>21,071,372</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 4,848,135</u>	<u>\$ 1,623,891</u>	<u>\$ 8,400,150</u>	<u>\$ 1,540,760</u>	<u>\$ 23</u>	<u>\$ -</u>	<u>\$ 16,412,959</u>

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 investments	\$ 1,632,353	\$ 515,859	\$ 557,540	\$ 335,883	\$ -	\$ -	\$ 3,041,635
Restricted cash and investments	3,215,782	1,108,032	7,842,610	1,204,877	23	-	13,371,324
Total cash and cash equivalents	\$ 4,848,135	\$ 1,623,891	\$ 8,400,150	\$ 1,540,760	\$ 23	\$ -	\$ 16,412,959

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

Operating income	\$ 1,074,628	\$ 312,743	\$ 181,464	\$ 729,167	\$ (146,025)	\$ (240)	\$ 2,151,737
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:							
Depreciation and amortization	342,988	188,101	708,947	193,912	146,025	-	1,579,973
(Increase) decrease in accounts receivable	(148,929)	(47,674)	(291,521)	(57,181)	-	-	(545,305)
(Increase) decrease in inventories	8,869	(687)	7,951	(2,085)	-	-	14,048
(Increase) decrease in prepaid items	24,243	8,363	41,021	15,369	-	-	88,996
(Increase) decrease in deferred outflow of resources	(98,364)	(25,502)	(196,733)	(43,716)	-	-	(364,315)
Increase (decrease) in customer deposits	21,940	1,500	429,098	364,615	-	-	817,153
Increase (decrease) in accounts payable	337,978	87,885	34,888	640,979	(2,834)	(190,226)	908,670
Increase (decrease) in accrued expenses	124,291	14,263	(14)	2,200	-	-	140,740
Increase (decrease) in other current liabilities	(3,918)	-	-	-	-	-	(3,918)
Increase (decrease) in compensated absences	19,115	4,974	34,266	6,839	-	-	65,194
Increase (decrease) in pension liability	(70,068)	(18,166)	(140,136)	(31,141)	-	-	(259,511)
Increase (decrease) in deferred inflows related to pension	107,880	27,969	215,760	47,947	-	-	399,556
Increase (decrease) in deferred gains on refunding old debt, net	69,929	38,398	401,703	157,777	66,690	-	734,497
Increase (decrease) in other noncurrent liabilities	2,639	518	(3,394)	71	-	-	(166)
Total adjustments	738,593	279,942	1,241,836	1,295,586	209,881	(190,226)	3,575,612
Net cash provided by operating activities	\$ 1,813,221	\$ 592,685	\$ 1,423,300	\$ 2,024,753	\$ 63,856	\$ (190,466)	\$ 5,727,349

concluded



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**STATISTICAL  
SECTION  
(UNAUDITED)**

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**MARINA COAST WATER DISTRICT**  
**Statistical Section**

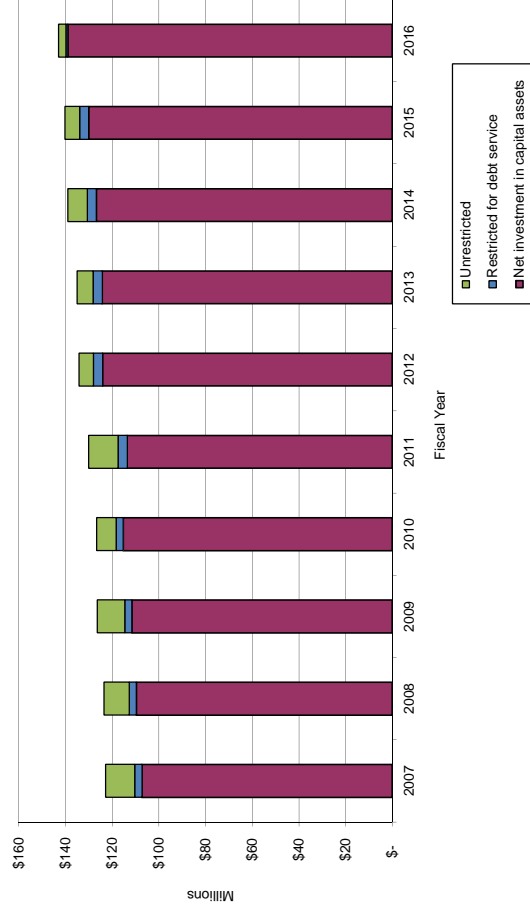
This part of the District’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the District’s overall financial health.

**Contents**

Financial Trends	61-63
These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	
Revenue Capacity	64-67
These schedules contain information to help the reader assess the District’s most significant revenue sources, water sales and wastewater collection.	
Debt Capacity	68-69
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	70-71
This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	
Operating Information	72-73
These schedules contains service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the service the District provides.	

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

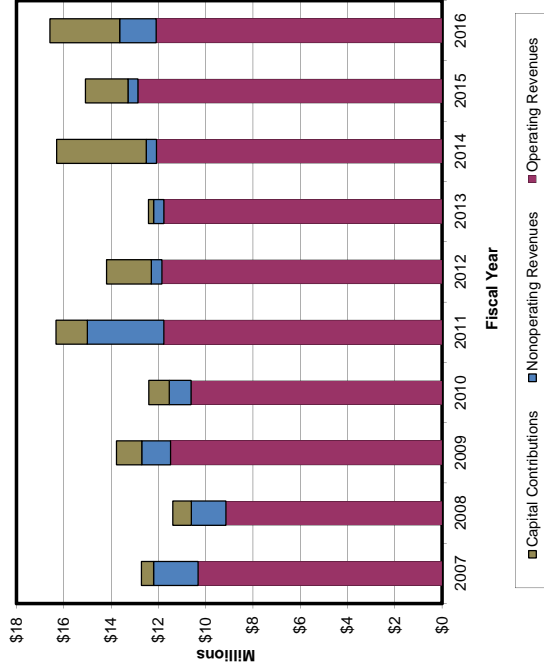
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Changes in net position:										
Operating revenues	\$ 10,326,060	\$ 9,150,611	\$ 11,485,437	\$ 10,614,482	\$ 11,774,989	\$ 11,858,010	\$ 11,768,732	\$ 12,086,128	\$ 12,862,362	\$ 12,100,265
Operating expenses	(8,722,235)	(9,443,488)	(9,382,017)	(10,261,792)	(10,895,356)	(9,332,976)	(9,379,761)	(9,407,367)	(9,458,477)	(9,948,528)
Operating income (loss)	1,603,825	(292,877)	2,103,420	352,690	879,633	2,525,034	2,388,971	2,678,761	3,403,885	2,151,737
Non-operating revenues (expenses)	1,386,589	109,478	(313,310)	(833,764)	1,120,230	(1,886,000)	(1,793,893)	(1,689,013)	(1,621,996)	(2,313,611)
Net income before capital contributions	2,990,414	(183,399)	1,790,110	(481,074)	1,999,863	639,034	595,078	989,748	1,781,889	(161,874)
Capital contributions	512,346	782,478	1,062,104	862,020	1,327,733	1,895,449	222,268	3,800,217	1,808,824	2,948,012
Changes in net position	3,502,760	599,079	2,852,214	380,946	3,327,596	2,534,483	817,346	4,789,965	3,590,713	2,786,138
Net position, beginning of year	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	140,246,516
Prior period adjustments	-	-	-	-	-	1,620,729	-	(826,313)	(2,338,978)	-
Net position, end of year	\$ 122,898,736	\$ 123,497,815	\$ 126,350,029	\$ 126,730,975	\$ 130,058,571	\$ 134,213,783	\$ 135,031,129	\$ 138,994,781	\$ 140,246,516	\$ 143,032,654
Net position by component:										
Net investment in capital assets	\$ 107,262,871	\$ 109,656,979	\$ 111,548,505	\$ 115,269,154	\$ 113,545,277	\$ 124,124,544	\$ 124,274,008	\$ 126,769,451	\$ 130,072,044	\$ 138,965,546
Restricted for debt service	3,084,330	3,084,281	3,084,250	3,084,250	3,933,757	3,933,752	3,933,549	3,933,764	3,933,765	849,786
Unrestricted	12,551,535	10,756,555	11,717,274	8,377,571	12,579,537	6,155,487	6,823,572	8,291,566	6,240,707	3,217,322
Total net position	\$ 122,898,736	\$ 123,497,815	\$ 126,350,029	\$ 126,730,975	\$ 130,058,571	\$ 134,213,783	\$ 135,031,129	\$ 138,994,781	\$ 140,246,516	\$ 143,032,654



Source: Marina Coast Water District, Audited Financial Statements

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

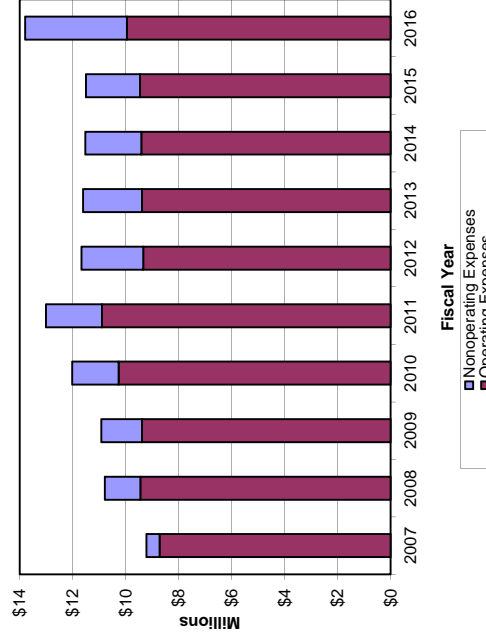
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Operating revenues:</b>										
Water sales	\$ 6,707,039	\$ 6,686,916	\$ 7,344,555	\$ 7,501,854	\$ 8,750,650	\$ 9,051,906	\$ 8,839,268	\$ 9,106,401	\$ 9,581,388	\$ 8,620,556
Wastewater services	1,881,978	1,888,433	1,965,102	2,161,443	2,354,013	2,453,627	2,513,613	2,507,048	2,800,880	3,116,103
Other services and fees	1,737,043	575,262	2,175,780	951,185	670,326	352,477	415,851	472,679	480,094	363,606
<b>Total operating revenues</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>12,862,362</b>	<b>12,100,265</b>
<b>Nonoperating revenues:</b>										
Interest earned	1,882,864	1,417,375	1,185,594	613,936	273,267	233,276	208,531	197,277	192,909	618,904
Bond premium	-	36,353	36,353	36,353	41,724	47,939	47,657	47,658	47,658	150,060
Rental income	-	-	-	273,678	2,914,028	164,485	179,438	179,438	179,438	754,986
<b>Total nonoperating revenues</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>420,005</b>	<b>1,533,950</b>
<b>Capital contributions:</b>										
Grant revenue	25,641	361,068	47,568	33,243	783,326	1,185,312	11,680	-	-	-
Capacity and connection fees	486,705	421,410	1,014,536	828,777	544,407	640,191	210,588	3,197,978	1,129,206	2,270,405
Developer contributions	-	-	-	-	-	69,946	-	602,239	679,618	677,607
<b>Total capital contributions</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>1,808,824</b>	<b>2,948,012</b>
<b>Total revenues</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>	<b>\$ 15,091,191</b>	<b>\$ 16,582,227</b>



Source: Marina Coast Water District, Audited Financial Statements

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

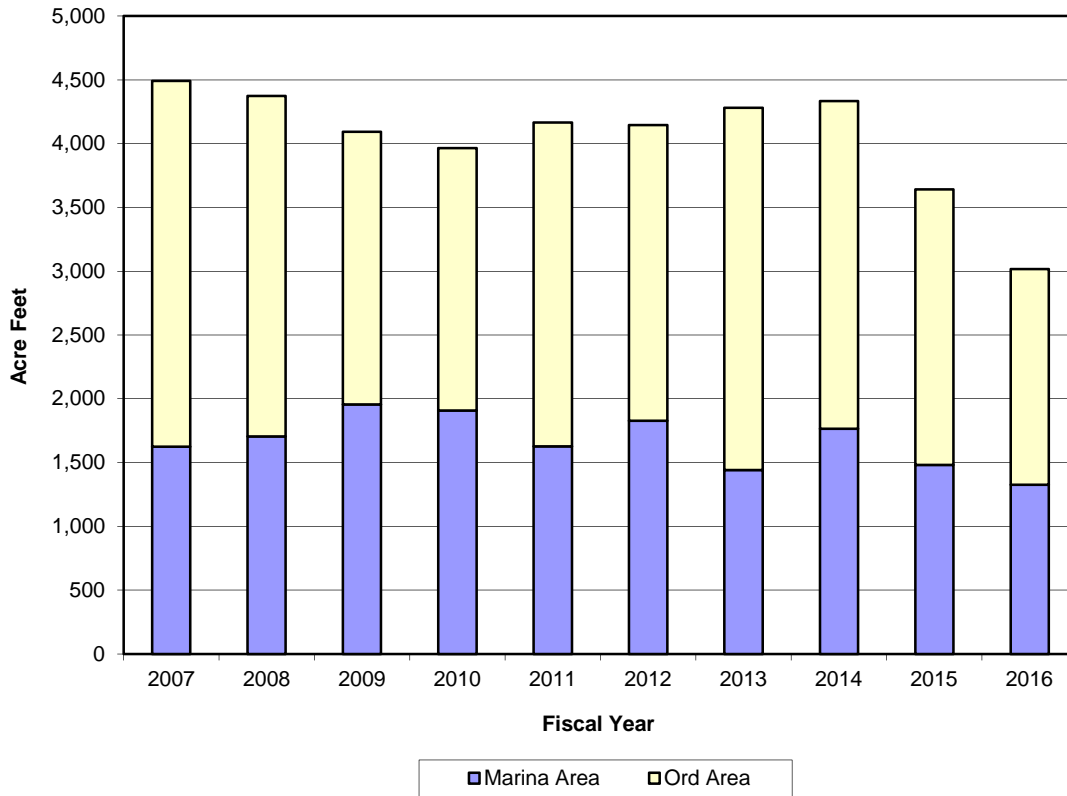
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Operating expenses:</b>										
Administrative	\$ 1,825,843	\$ 2,274,611	\$ 2,129,232	\$ 2,129,012	\$ 2,682,047	\$ 2,181,146	\$ 2,919,025	\$ 2,868,768	\$ 2,979,535	\$ 3,118,186
Operations and maintenance	2,272,393	2,158,993	2,216,202	2,709,949	3,001,131	2,722,037	2,970,097	3,154,941	3,036,913	3,140,765
Laboratory	278,641	295,452	312,140	325,299	324,244	216,448	225,119	263,015	245,496	238,256
Conservation	201,110	255,024	264,490	297,283	318,589	214,378	219,964	241,849	319,617	376,383
Engineering	1,664,900	1,376,436	1,024,390	908,265	869,790	969,643	983,105	1,087,355	1,280,311	1,494,965
Depreciation	2,479,348	3,082,972	3,435,564	3,891,984	3,699,555	3,029,324	2,062,451	1,791,439	1,596,605	1,579,973
<b>Total operating expenses</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>9,458,477</b>	<b>9,948,528</b>
<b>Nonoperating expenses</b>										
Interest expense	496,275	1,314,153	1,505,137	1,727,610	2,069,622	2,281,489	2,180,345	2,113,386	2,042,001	3,104,135
Investment loss	-	-	-	-	-	-	-	-	-	474,892
Bond issuance costs	-	30,097	30,120	30,121	39,167	50,211	49,174	-	-	268,534
<b>Total nonoperating expenses</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>2,042,001</b>	<b>3,847,561</b>
<b>Total expenses</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>	<b>\$ 11,500,478</b>	<b>\$ 13,796,089</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)
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
2015	1,483	2,159	3,642
2016	1,327	1,691	3,018



*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	2016		2015		2014	Fiscal Year						
	1/1/2016	7/1/2015	1/1/2015	7/1/2014		2013	2012	2011	2010	2009	2008	2007
0-8 hcf	\$ 2.62	\$ 2.55	\$ 2.55	\$ 2.47	\$ 2.29	\$ 2.29	\$ 2.18	\$ 2.08	\$ 1.93	\$ 1.79	\$ 1.70	\$ 1.70
9-16 hcf	3.01	2.92	2.92	2.83	2.79	2.79	2.66	2.53	2.35	2.18	2.39	2.39
16+ hcf	5.31	5.15	5.15	5.00	5.09	5.09	4.85	4.62	4.29	3.98	3.08	3.08
0-12 hcf											\$ 1.79	\$ 1.79
13+ hcf											2.80	2.80

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

Meter Size	2016		2015		2014	Fiscal Year						
	1/1/2016	7/1/2015	1/1/2015	7/1/2014		2013	2012	2011	2010	2009	2008	2007
5/8" - 3/4"	\$ 21.07	\$ 20.46	\$ 20.46	\$ 19.87	\$ 18.85	\$ 18.85	\$ 17.95	\$ 17.11	\$ 15.87	\$ 14.72	\$ 14.18	\$ 14.18
1"	34.00	33.01	33.01	32.05	47.09	47.09	44.85	42.75	39.66	36.79	35.44	35.44
1 1/2"	55.55	53.94	53.94	52.36	94.19	94.19	89.70	85.51	79.32	73.58	70.88	70.88
2"	81.41	79.04	79.04	76.73	150.68	150.68	143.50	136.80	126.90	117.72	113.40	113.40
3"	141.78	137.65	137.65	133.64	282.52	282.52	269.07	256.50	237.94	220.73	212.63	212.63
4"	227.93	221.30	221.30	214.85	470.87	470.87	448.45	427.50	396.57	367.88	354.38	354.38
6"	443.41	430.50	430.50	417.96	941.75	941.75	896.90	855.00	793.14	735.75	708.76	708.76
8"	874.62	849.14	849.14	824.41	1,883.49	1,883.49	1,793.80	1,710.01	1,586.28	1,471.50	1,417.52	1,417.52
Sewer (EDU)	12.22	11.11	11.11	10.10	9.15	9.15	8.71	8.30	7.70	7.14	6.88	6.88

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

Description	2016		2015		2014	Fiscal Year						
	1/1/2016	7/1/2015	1/1/2015	7/1/2014		2013	2012	2011	2010	2009	2008	2007
0-8 hcf	\$ 2.97	\$ 2.60	\$ 2.60	\$ 2.22	\$ 2.33	\$ 2.33	\$ 2.33	\$ 2.22	\$ 2.06	\$ 1.87	\$ 1.70	\$ 1.70
9-16 hcf	4.56	3.98	3.98	3.40	3.27	3.27	3.27	3.12	2.89	2.63	2.39	2.39
16+ hcf	6.14	5.37	5.37	4.59	4.22	4.22	4.22	4.02	3.73	3.39	3.08	3.08
0-12 hcf												
13+ hcf												
Flat Rate	127.29	112.65	112.65	98.36	84.34	84.34	84.34	80.40	74.58	67.76	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	20.00	20.00	20.00
CCC <sup>2</sup> - Water												

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

Description	2016		2015		2014	Fiscal Year						
	1/1/2016	7/1/2015	1/1/2015	7/1/2014		2013	2012	2011	2010	2009	2008	2007
5/8" - 3/4"	\$ 34.37	\$ 31.48	\$ 31.48	\$ 28.96	\$ 17.11	\$ 17.11	\$ 17.11	\$ 16.31	\$ 15.13	\$ 13.75	\$ 12.50	\$ 12.50
1"	53.62	49.11	49.11	45.18	42.76	42.76	42.76	40.76	37.81	34.38	31.25	31.25
1 1/2"	85.71	78.49	78.49	72.21	85.49	85.49	85.49	81.50	75.60	68.73	62.50	62.50
2"	124.20	113.74	113.74	104.64	136.78	136.78	136.78	130.39	120.96	109.96	100.00	100.00
3"	214.09	196.05	196.05	180.37	256.47	256.47	256.47	244.49	226.80	206.18	187.50	187.50
4"	342.36	313.52	313.52	288.45	427.45	427.45	427.45	407.48	378.00	343.63	312.50	312.50
6"	663.18	607.31	607.31	558.75	854.89	854.89	854.89	814.96	755.99	687.27	625.00	625.00
8"	1,305.19	1,195.24	1,195.24	1,099.66	1,709.79	1,709.79	1,709.79	1,629.93	1,511.99	1,374.53	1,250.00	1,250.00
Sewer (EDU)	28.65	27.55	27.55	26.49	25.56	25.56	25.56	24.36	22.60	20.97	20.20	20.20
CS <sup>1</sup> - Sewer	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
CCC <sup>2</sup> - Sewer												

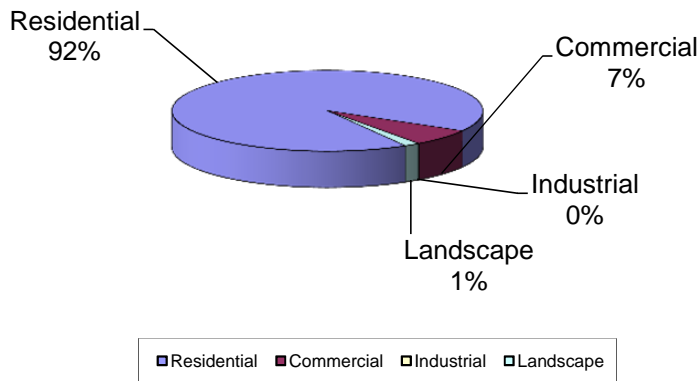
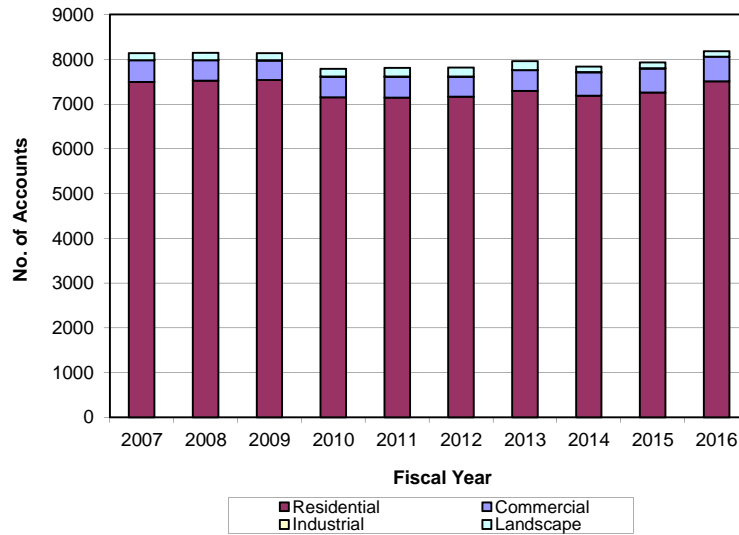
Note: (1) CS = Monthly Capital Surcharge for new EDU's.

(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**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water customer accounts										
Residential	7,492	7,523	7,536	7,152	7,142	7,162	7,295	7,184	7,255	7,509
Commercial	488	454	438	458	467	448	461	527	542	551
Industrial	3	3	3	3	3	3	3	3	3	3
Landscape	151	163	162	174	197	203	203	125	128	121
<b>Total water accounts</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>	<b>7,928</b>	<b>8,184</b>



Source: Marina Coast Water District's Finance Department



**MARINA COAST WATER DISTRICT**  
**Principal Water Users**  
**Fiscal Years Ended June 30, 2007 and June 30, 2016**  
**Schedule 7**

Customer	2007		2016		
	Water Usage (acre feet)	Percentage of Water Sold	Customer	Water Usage (acre feet)	Percentage of Water Sold
Monterey Bay Military Housing	565	15.20%	Monterey Bay Military Housing	431	15.19%
CSU Monterey Bay	520	13.99%	University Corporation at Monterey Bay	182	6.41%
Sun Bay Apartments	62	1.67%	California State Univ Mtry Bay	88	3.11%
Monterey Peninsula Engineering	51	1.37%	Sun Bay Apartments	56	1.97%
Seaside Highlands H.O. Association	45	1.21%	LV44 Ltd Partnership	41	1.46%
KB Bakewell LLC	41	1.10%	Bay View Mobile Home Park	39	1.39%
United States Army	34	0.91%	Seaside Highlands H.O. Association	36	1.27%
MPUSD - Seaside High School	32	0.86%	City of Marina	26	0.91%
Granite Construction Co.	31	0.83%	Monterey Peninsula Engineering	23	0.82%
MPUSD - Marina High School	24	0.65%	United States Army	21	0.74%
<b>Total Principal Water Users</b>	<b>1,405</b>	<b>37.80%</b>	<b>Total Principal Water Users</b>	<b>943</b>	<b>33.26%</b>
<b>Total All Users</b>	<b>3,717</b>	<b>100.00%</b>	<b>Total All Users</b>	<b>2,836</b>	<b>100.00%</b>

Source: Marina Coast Water District's Finance Department

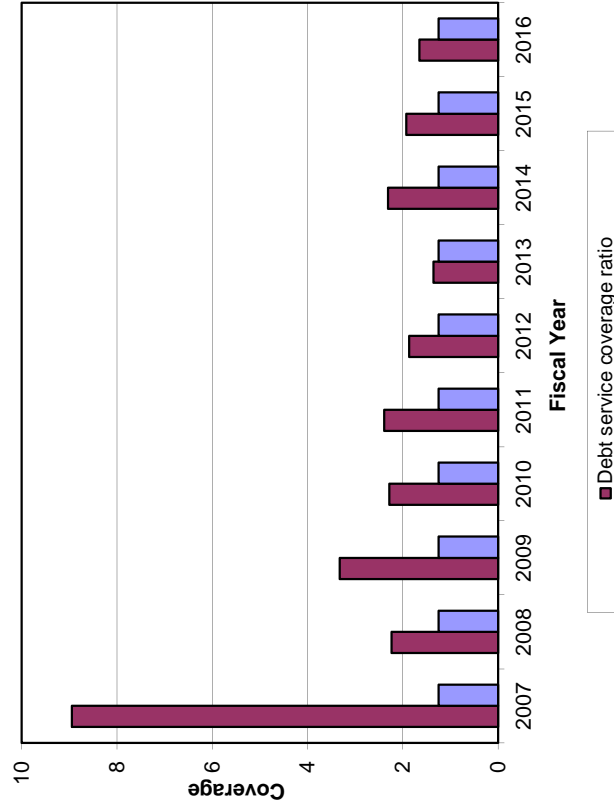
**MARINA COAST WATER DISTRICT**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**Schedule 8**

Fiscal Year	Loans Payable	Notes Payable	Bonds Payable	Capital Leases	Debt	Total Accounts	Total Debt per Account
2007	749,933	-	43,095,297	-	43,845,230	8,134	5,390
2008	673,854	-	42,358,944	138,221	43,171,019	8,143	5,302
2009	592,529	-	41,597,591	110,356	42,300,476	8,139	5,197
2010	7,963,663	-	40,736,238	166,020	48,865,921	7,787	6,275
2011	490,971	-	47,631,905	98,039	48,220,915	7,809	6,175
2012	49,520	-	46,048,967	26,407	46,124,894	7,816	5,901
2013	21,224	-	44,401,309	-	44,422,533	7,962	5,579
2014	-	-	42,703,651	-	42,703,651	7,839	5,448
2015	-	-	40,940,994	-	40,940,994	7,928	5,164
2016	2,776,000	-	36,938,034	-	39,714,034	8,184	4,853

Source: Marina Coast Water District, Audited Financial Statements

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt service coverage										
Gross revenues (1)	12,721,270	11,025,749	13,721,920	12,400,469	16,331,741	14,199,159	12,426,626	16,310,718	15,091,191	16,582,227
Operating expenses (2)	(6,242,887)	(6,360,516)	(5,946,453)	(6,369,808)	(7,195,801)	(6,303,652)	(7,317,310)	(7,615,928)	(7,861,872)	(8,368,555)
Net available revenues	6,478,383	4,665,233	7,775,467	6,030,661	9,135,940	7,895,507	5,109,316	8,694,790	7,229,319	8,213,672
Debt service										
Principal	542,669	776,079	834,190	911,764	1,757,615	1,948,155	1,600,000	1,650,000	1,715,000	1,870,000
Interest	181,277	1,314,153	1,505,137	1,727,610	2,069,622	2,281,489	2,180,345	2,113,386	2,042,001	3,104,135
	723,946	2,090,232	2,339,327	2,639,374	3,827,237	4,229,644	3,780,345	3,763,386	3,757,001	4,974,135
Debt service coverage ratio	8.95	2.23	3.32	2.28	2.39	1.87	1.35	2.31	1.92	1.65
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)
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	428,826	19,233,171	44,851	33.4	10.1%
2014	431,344	19,889,054	46,109	33.7	9.1%
2015	**	**	**	**	**

Source: Monterey County CAFR Report (Fiscal Year Ended June 30, 2015)

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

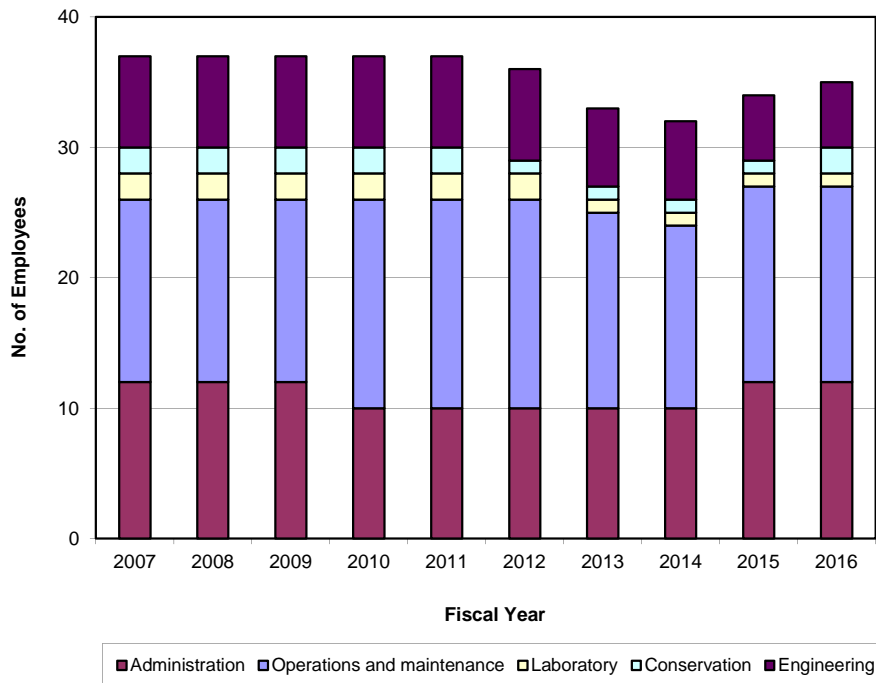
**MARINA COAST WATER DISTRICT**  
**Employment by Industry - Monterey County**  
**Prior Year and Ten Years Ago**  
**Schedule 11**

2015				2006			
Employer	Employees	Rank	Percentage of Total Employment Listed	Employer	Employees	Rank	Percentage of Total City Employment Listed
Agriculture	54,100	1	28.84%	Agriculture	40,400	1	23.72%
Government	31,100	2	16.58%	Government	30,600	2	17.97%
Leisure and Hospitality	23,400	3	12.47%	Leisure and Hospitality	20,700	3	12.16%
Educational and Health Services	18,500	4	9.86%	Retail Trade	16,800	4	9.86%
Retail Trade	16,400	5	8.74%	Educational and Health Services	14,600	5	8.57%
Professional and Business Services	12,900	6	6.88%	Professional and Business Services	12,400	6	7.28%
Manufacturing	5,600	7	2.99%	Natural Resources, Mining and Construction	7,400	7	4.35%
Wholesale Trade	5,400	8	2.88%	Financial Activities	6,200	8	3.64%
Natural Resources, Mining and Construction	5,400	9	2.88%	Manufacturing	6,100	9	3.58%
Other Services	5,000	10	2.67%	Wholesale Trade	5,000	10	2.94%
Transportation, Warehousing and Utilities	4,400	11	2.35%	Other Services	4,500	11	2.64%
Financial Activities	4,100	12	2.19%	Transportation, Warehousing and Utilities	3,400	12	2.00%
Information	1,300	13	0.69%	Information	2,200	13	1.29%
Total	<u>187,600</u>		<u>100.00%</u>	Total	<u>170,300</u>		<u>100.00%</u>

Source: State of California Employment Development Department

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Employees by department										
Administration	12	12	12	10	10	10	10	10	12	12
Operations and maintenance	14	14	14	16	16	16	15	14	15	15
Laboratory	2	2	2	2	2	2	1	1	1	1
Conservation	2	2	2	2	2	1	1	1	1	2
Engineering	7	7	7	7	7	7	6	6	5	5
<b>Total employees</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>	<b>34</b>	<b>35</b>



Source: Marina Coast Water District's Finance Department

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Facilities</b>										
Distribution pipeline (miles)	124	126	142	142	142	142	142	142	147	147
Storage capacity (mg)(1)	12	12	12	11	11	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)	529	556	638	622	530	595	470	575	483	432
Average per day (mgd)(2)	1.4	1.5	1.7	1.7	1.5	1.6	1.3	1.6	1.3	1.2
Water produced - Ord (mg)(1)	935	870	696	671	828	755	926	837	703	551
Average per day (mgd)(2)	2.6	2.4	1.9	1.8	2.3	2.1	2.5	2.3	1.9	1.5
Total water produced (mg)(1)	1,464	1,425	1,334	1,292	1,357	1,351	1,395	1,412	1,187	983
Average per day (mgd)(2)	4.0	3.9	3.7	3.5	3.7	3.7	3.8	3.9	3.3	2.7

(1) mg = million gallons

(2) mgd = million gallons per day

Source: Marina Coast Water District's Finance Department