

Marina Coast Water District

Marina, California

Comprehensive Annual Financial Report

For The Fiscal Year Ended

June 30, 2010



MARINA COAST WATER DISTRICT

50th Anniversary

of Service to our Community

1960 - 2010



11 Reservation Road, Marina California 93933



Marina Coast Water District

Marina, California

Comprehensive Annual Financial Report

For The Fiscal Year Ended

June 30, 2010

**11 Reservation Road
Marina, California 93933**

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INTRODUCTORY SECTION



MARINA COAST WATER DISTRICT

11 RESERVATION ROAD, MARINA, CA 93933-2099

Home Page: www.mcwd.org

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DIRECTORS
HOWARD GUSTAFSON
President

WILLIAM LEE
Vice President

THOMAS P. MOORE
KENNETH K. NISHI
DAN BURNS

November 9, 2010

Board of Directors
Marina Coast Water District
Marina, California

It is a pleasure to submit the Marina Coast Water District's (MCWD or District) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. The CAFR gives an assessment of the District's financial condition, informs readers about District services, gives details of infrastructure replacement projects, discusses current issues, and provides financial and demographic trend information.

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

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

District Overview

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

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

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

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

Governance

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

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

Budget Process

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

Economic Condition and Outlook

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

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

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

Major Initiatives

The District completed a five year rate study and financial plan in 2007. The financial plan was to provide the resources that are necessary to properly fund the District as we meet future needs and requirements that are identified in the plan. The District is in its fourth year of the adopted plan. Based on the recommendations in the financial plan, the District adopted a one-year rate increase for its Marina and Ord Community service areas.

Internal Control

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

Investment Policy

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

Risk Management

The District is a member of the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA). The purpose of ACWA-JPIA is to arrange and administer risk management programs for the pooling of self-insured losses, and the purchase of excess insurance and workers' compensation coverage.

Water Rates and District Revenues

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

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

On August 13, 2010, the District increased its water and sewer rates for fiscal year 2010/2011 in accordance with the five-year rate study.

Independent Audit

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

Other References

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


Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2009. This was the second 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.

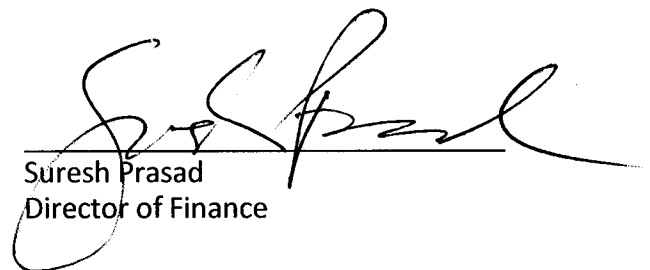
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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. This year, the District celebrated its 50th year anniversary.

Respectfully submitted,



Jim Heitzman
General Manager



Suresh Prasad
Director of Finance

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, 2009

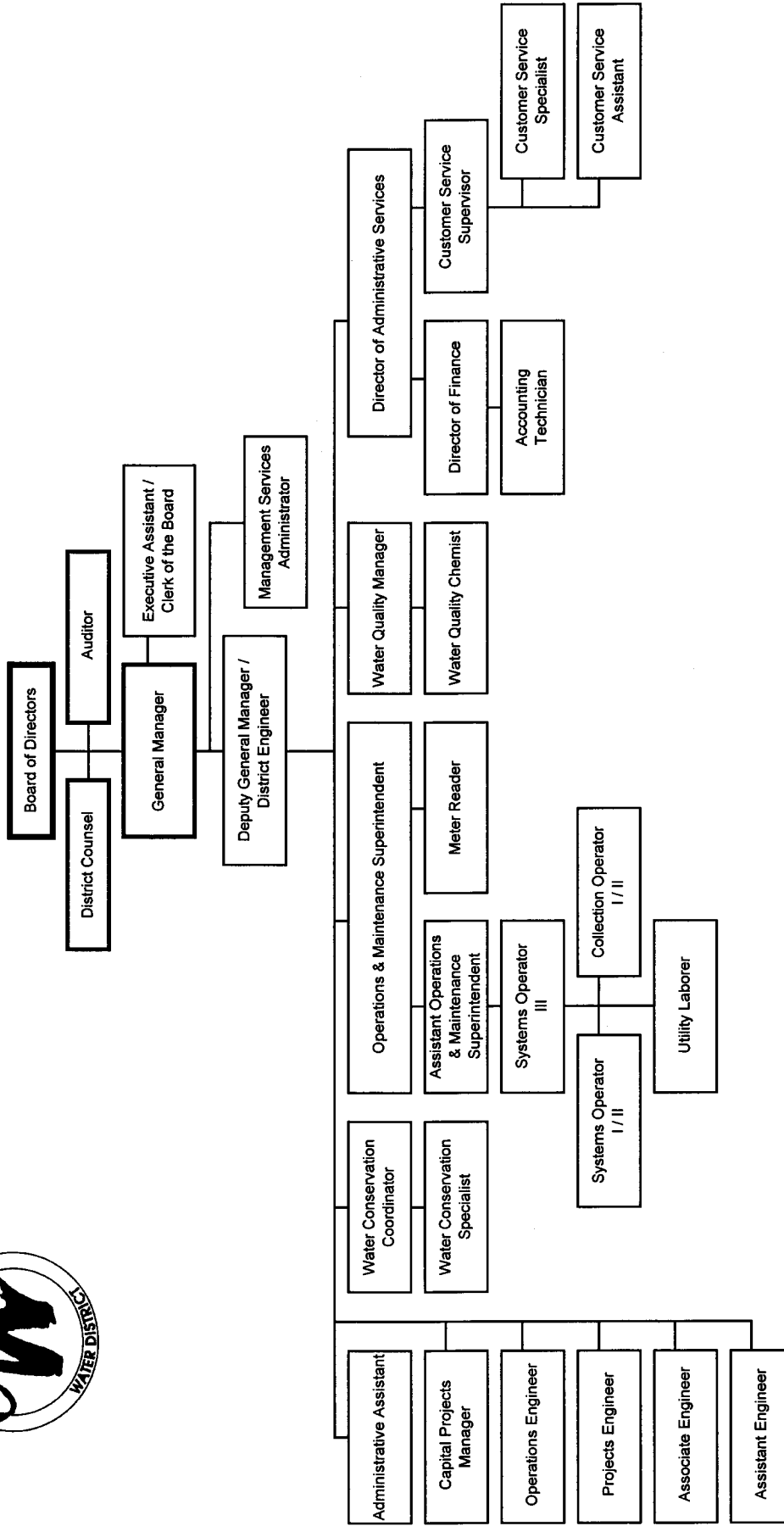
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

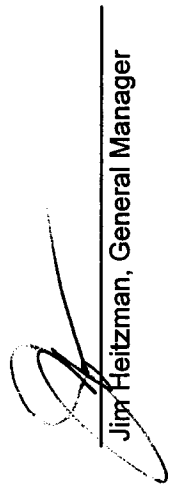


President

Executive Director

MARINA COAST WATER DISTRICT




 Jim Heitzman, General Manager

Marina Coast Water District

Directory

Board of Directors

June 30, 2010

Kenneth K. Nishi	President
William Lee	Vice-President
Thomas P. Moore	Director
Howard Gustafson	Director
Dan Burns	Director

Management Staff

Jim Heitzman	General Manager
Carl Niizawa	Deputy General Manager / District Engineer
Kelly Cadiente	Director of Administrative Services
Suresh Prasad	Director of Finance
Jean Premutati	Management Services Administrator
Evelina Adlawan	Water Quality Manager
Jim Dowless	Operations & Maintenance Superintendent
Richard Youngblood	Conservation Coordinator

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Directors
Marina Coast Water District
Marina, California

We have audited the accompanying financial statements of the business-type activities and each major fund of Marina Coast Water District as of June 30, 2010 and for the fiscal year then ended, as listed in the table of contents. These financial statements are the responsibility of Marina Coast Water District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the business-type activities and each major fund of Marina Coast Water District as of June 30, 2010, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2010, on our consideration of Marina Coast Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

R. J. Ricciardi, Inc.

R. J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
November 2, 2010

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2010

This section of the Marina Coast Water District's (District) financial statements presents an analysis of the District's financial performance during the fiscal year ended June 30, 2010. This information is presented in conjunction with the transmittal letter in the Introductory Section, and with the basic financial statements and related notes, which follow this section.

Overview of the District's Financial Statements

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

Required Financial Statements

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

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

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

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

Notes to the Basic Financial Statements

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

Other Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's defined benefit pension plan funding progress.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2010

Financial Analysis of the District

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

Financial Highlights for Fiscal Year 2009-2010

- At June 30, 2010, the District's total assets exceeded the total liabilities by \$126.7 million (net assets), which is an increase of \$0.4 million or .3% over the 2009 fiscal year end balance.
- Current assets increased \$8.6 million or 4.9%, which is primarily the result of increase in District's cash and cash equivalents.
- Noncurrent assets, other than capital assets, decreased by \$7.8 million or 45.6%, which is primarily the result of a decrease in restricted funds which have been spent on capital projects.
- Operating revenues decreased by \$1.0 million or 9.1% over prior year. Most of the decrease was related to reduction in developer contributions.
- Nonoperating revenues decreased by \$0.3 million or 32.3% over prior year. The decrease resulted primarily due to reduction in interest earnings income due to construction funds proceeds being utilized to build capital projects and reduction in interest rates.
- Operating expenses increased by \$0.9 million or 8.6% over prior year. The increase was primarily due to increase in operations & maintenance and depreciation costs.
- Nonoperating expenses increased by \$0.2 million, or 12.7% over prior year. This increase resulted primarily due to an increase in 2006 revenue bond interest costs.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2010

Net Assets

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

	Net Assets			
	<u>June 30</u>		<u>Change</u>	<u>Change</u>
	<u>2010</u>	<u>2009</u>		
Assets:				
Current assets	\$ 22,208,479	\$ 16,466,548	\$ 5,741,931	34.9%
Noncurrent assets	9,243,686	17,000,055	(7,756,369)	-45.6%
Capital assets, net	<u>151,637,810</u>	<u>141,019,268</u>	<u>10,618,542</u>	7.5%
Total assets	<u>183,089,975</u>	<u>174,485,871</u>	<u>8,604,104</u>	4.9%
Liabilities:				
Current liabilities	8,192,713	5,612,010	2,580,703	46.0%
Non-current liabilities	<u>48,166,287</u>	<u>42,523,832</u>	<u>5,642,455</u>	13.3%
Total liabilities	<u>56,359,000</u>	<u>48,135,842</u>	<u>8,223,158</u>	17.1%
Net Assets:				
Net assets invested in capital assets, net of related debt	115,269,154	111,548,505	3,720,649	3.3%
Restricted	3,084,250	3,084,250	-	0.0%
Unrestricted	<u>8,377,571</u>	<u>11,717,274</u>	<u>(3,339,703)</u>	-28.5%
Total net assets	<u>\$ 126,730,975</u>	<u>\$ 126,350,029</u>	<u>\$ 380,946</u>	0.3%

As noted earlier, net assets may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$126.7 million and \$126.3 million as of June 30, 2010 and 2009, respectively.

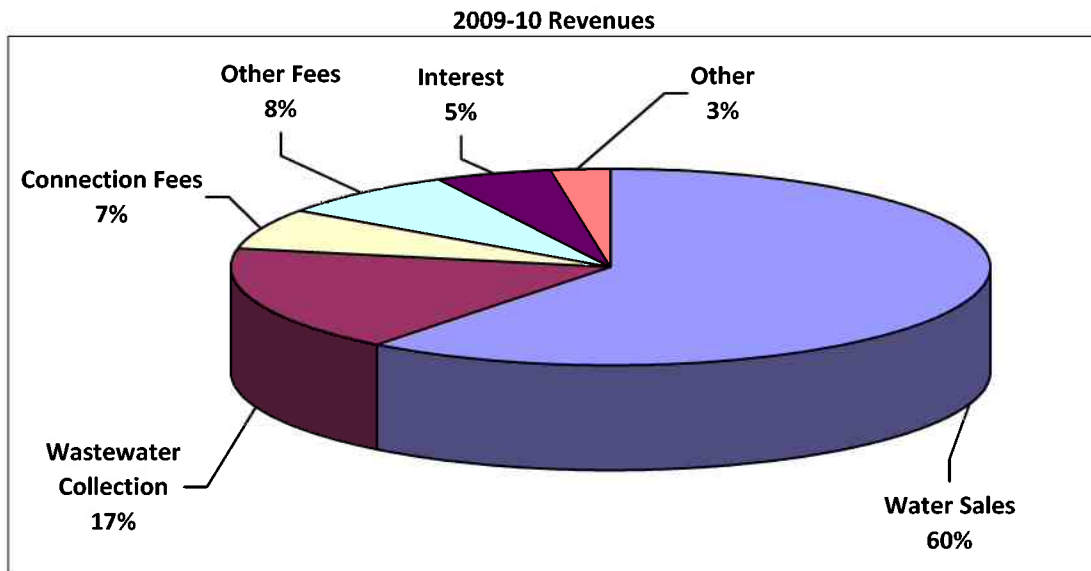
One of the largest portions of the District's assets (91% and 88% as of June 30, 2010 and 2009, respectively) reflects the District's investment in capital assets (net of related debt). The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2010 and 2009, the District showed a positive balance in its unrestricted net assets of \$8.4 million and \$11.7 million, respectively.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2010

Revenue and Expenses

The District finances its water sales and wastewater collection operations through user fees, and other income. Total revenue for fiscal year 2009-10 was \$12.4 million, down \$1.4 million from prior year. The 2009-10 capacity charge revenues were lower than prior year. Also contributing to the decrease was other services & fees revenue, which were down \$1.2 million from developer contributions, and interest income, which was down \$0.6 million or 93.1% due to reduction in interest rates and depleting cash reserves for scheduled construction projects.



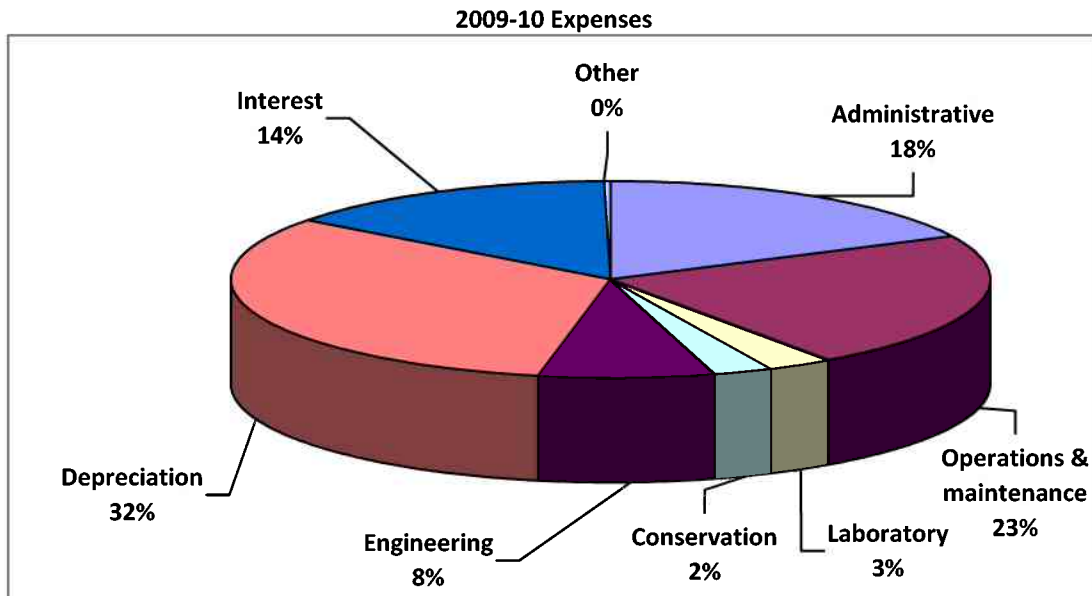
Revenues

	June 30		Change	Change
	2010	2009		
<u>Operating revenues:</u>				
Water sales	\$ 7,501,854	\$ 7,344,555	\$ 157,299	2.1%
Wastewater collection	2,161,443	1,965,102	196,341	9.1%
Capacity & connections fees	828,777	1,014,536	(185,759)	-22.4%
Other services & fees	951,185	2,175,780	(1,224,595)	-128.7%
Total operating revenues	<u>11,443,259</u>	<u>12,499,973</u>	<u>(1,056,714)</u>	-9.2%
<u>Nonoperating revenues:</u>				
Interest earned	613,936	1,185,594	(571,658)	-93.1%
Other	310,031	36,353	273,678	88.3%
Total nonoperating revenues	<u>923,967</u>	<u>1,221,947</u>	<u>(297,980)</u>	-32.3%
Total revenues	<u>\$ 12,367,226</u>	<u>\$ 13,721,920</u>	<u>\$ (1,354,694)</u>	-11.0%

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2010

Revenue and Expenses (continued)

Total expenses for the fiscal year 2009-10 were \$12.0 million, up \$1.1 million or 9.2% from prior year. Operating expenses was up \$0.9 million from prior year. The largest increases were \$0.5 million in operations & maintenance and \$0.5 million in depreciation costs. Nonoperating expenses were up \$0.2 million or 12.7% due to additional interest expense on the 2006 revenue certificates of participation bond.



Expenses

	June 30		Change	Change
	2010	2009		
Operating expenses:				
Administrative	\$ 2,129,012	\$ 2,129,232	\$ (220)	0.0%
Operations & maintenance	2,709,949	2,216,202	493,747	18.2%
Laboratory	325,299	312,140	13,159	4.0%
Conservation	297,283	264,490	32,793	11.0%
Engineering	908,265	1,024,390	(116,125)	-12.8%
Depreciation and amortization	3,891,984	3,435,564	456,421	11.7%
Total operating expenses	10,261,792	9,382,017	879,775	8.6%
Nonoperating expenses:				
Interest expense	1,727,610	1,505,137	222,473	12.9%
Other	30,121	30,120	1	0.0%
Total nonoperating expenses	1,757,731	1,535,257	222,474	12.7%
Total expenses	\$ 12,019,523	\$ 10,917,274	\$ 1,102,249	9.2%

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2010

Revenue and Expenses (concluded)

The Statement of Revenues, Expenses and Changes in Net Assets on page 12 show how the District's net assets changed during the fiscal year. Net assets increased by \$0.4 million and \$2.9 million for the fiscal years ended June 30, 2010 and 2009, respectively.

Changes in Net Assets

	June 30		Change	Change
	2010	2009		
Beginning net assets	\$ 126,350,029	\$ 123,497,815	\$ 2,852,214	2.3%
Income before contributions	347,703	2,804,646	(2,456,943)	-706.6%
Capital contributions	33,243	47,568	(14,325)	-43.1%
Change in net assets	380,946	2,852,214	(2,471,268)	-648.7%
Ending net assets	\$ 126,730,975	\$ 126,350,029	\$ 380,946	0.3%

Capital Assets

At the end of fiscal years 2010 and 2009, the District's investment in capital assets amounted to \$151.7 million and \$141.0 million, respectively, (net of accumulated depreciation). This investment in capital assets includes land, water/wastewater rights, easements, transmission and distribution systems, wells, tanks, reservoirs, pumps, building and structures, equipment, vehicles and construction-in-progress.

Changes in capital assets amounts for 2010 were as follows:

Capital Assets

	June 30		Change	Change
	2010	2009		
Capital assets:				
Non-depreciable assets	\$ 111,994,014	\$ 100,629,768	\$ 11,364,246	11.3%
Depreciable assets	69,956,126	67,393,107	2,563,019	3.8%
Less accumulated depreciation	(30,312,330)	(26,534,867)	(3,777,463)	14.2%
Total capital assets, net	\$ 151,637,810	\$ 141,488,008	\$ 10,149,802	7.2%

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

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2010

Debt Administration

As of June 30, 2010, the District had \$49.3 million in outstanding debt compared to \$42.8 million as of June 30, 2009. Revenue certificates of participation in the amount of \$42.3 million were issued in August 2006 to fund costs associated with several major capital improvement projects and were also used to refund the District's existing outstanding debt obligations. The District bought land in 2009 and 2010, securing both purchases with Promissory Note. The District has entered into lease agreements as a lessee for financing the acquisition of sewer jetter equipment and document scanning & storage system. The lease agreement qualifies as a capital lease. The District has covenanted that it will fix, prescribe and collect rates, fees and charges for use of the District's water system during each fiscal year which is at least sufficient to yield in each fiscal year net revenues equal to 125 percent of the debt service for such fiscal year. At the time of the 2006 revenue certificates of participation bond, Standard and Poor's gave the District an "A-" rating. In April 2009, the District's rating was increased to "A+".

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

	Outstanding Debt at Year End			
	June 30		Change	Change
	2010	2009		
Long-term debt:				
Loans payable	\$ 7,963,663	\$ 592,529	\$ 7,371,134	1244.0%
Bonds payable	39,785,000	40,610,000	(825,000)	-2.0%
Capital lease	166,020	110,356	55,664	50.4%
Compensated absences	313,857	259,763	54,094	20.8%
Other noncurrent liability	104,154	273,388	(169,234)	-61.9%
Unamortized premiums, net	951,238	987,591	(36,353)	-3.7%
Total long-term debt	<u>\$ 49,283,932</u>	<u>\$ 42,833,627</u>	<u>\$ 6,450,305</u>	15.1%

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

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2010

Economic Factors and Next Year's Budget and Rates

The Board of Directors adopted the District's 2010-2011 Marina and the Ord Community budgets and rates on August 13, 2010. The approval of the budget provides funding for the District's operating, capital and debt service costs for the 2010-2011 fiscal year. The District's water and wastewater rates are reviewed by staff on an annual basis. For fiscal year 2010-2011, the District approved a 7.8% rate increase for Marina and Ord Community water and wastewater.

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

MARINA COAST WATER DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 7,811,192	\$ 2,459,976	\$ 2,827,275	\$ 3,527,108	\$ -	\$ 16,625,551
Accounts receivable, net	203,400	27,101	416,118	174,234	-	820,853
Interest receivable	12,049	3,269	15,641	7,592	1,100	39,651
Due from other funds	-	-	4,583,309	382	-	4,583,691
Other receivable	-	-	22,718	-	-	22,718
Inventories	54,985	-	-	-	-	54,985
Deposits	3,695	507	3,166	886	-	8,254
Prepaid items	13,999	3,697	22,770	12,301	9	52,776
Total current assets	8,099,320	2,494,550	7,890,997	3,722,503	1,109	22,208,479
Noncurrent assets:						
Restricted cash and cash equivalents	1,429,317	612,258	2,299,473	2,906,060	204,725	7,451,833
Other receivable	433,933	-	102	8,510	-	442,545
Unamortized bond issuance costs	113,313	41,457	419,875	165,280	48,406	788,331
Advances to other funds	560,977	-	-	-	-	560,977
Capital assets, net	9,862,295	4,554,844	94,365,832	32,889,273	9,965,566	151,637,810
Total noncurrent assets	12,399,835	5,208,559	97,085,282	35,969,123	10,218,697	160,881,496
Total assets	20,499,155	7,703,109	104,976,279	39,691,626	10,219,806	183,089,975

continued

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Totals
LIABILITIES						
Current liabilities:						
Accounts payable	53,964	6,513	391,371	22,034	939,086	1,412,968
Accrued expenses	14,971	7,670	162,732	47,292	-	232,665
Interest payable	17,836	8,237	79,011	34,330	20,531	159,945
Capital lease - current	9,374	13,236	16,739	25,182	-	64,531
Loans payable - current	211,145	60,327	377,046	105,573	-	754,091
Revenue bonds payable - current	375,000	40,000	280,000	165,000	-	860,000
Due to other funds	-	-	382	-	4,583,309	4,583,691
Customer deposits payable	82,527	-	42,295	-	-	124,822
Total current liabilities	764,817	135,983	1,349,576	399,411	5,542,926	8,192,713
Noncurrent liabilities:						
Compensated absences	101,177	16,244	168,009	28,427	-	313,857
Capital lease, net	14,461	20,663	25,824	40,541	-	101,489
Loans payable, net	2,090,781	586,333	3,525,444	1,007,014	-	7,209,572
Revenue bonds payable, net	4,175,564	2,054,729	17,900,453	7,851,111	7,894,381	39,876,238
Advances from other funds	-	-	354,477	206,500	-	560,977
Other noncurrent liability	30,966	10,691	49,732	12,765	-	104,154
Total noncurrent liabilities	6,412,949	2,688,660	22,023,939	9,146,358	7,894,381	48,166,287
Total liabilities	7,177,766	2,824,643	23,373,515	9,545,769	13,437,307	56,359,000
NET ASSETS						
Invested in capital assets, net of related debt	6,332,978	2,914,929	76,819,932	27,130,130	2,071,185	115,269,154
Restricted for debt service	408,070	157,444	1,664,919	649,091	204,726	3,084,250
Unrestricted	6,580,341	1,806,093	3,117,913	2,366,636	(5,493,412)	8,377,571
Total net assets	\$ 13,321,389	\$ 4,878,466	\$ 81,602,764	\$ 30,145,857	\$ (3,217,501)	\$ 126,730,975

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

concluded

MARINA COAST WATER DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For The Year Ended June 30, 2010

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Totals
Operating revenues:						
Water services	\$ 3,523,886	\$ -	\$ 3,977,968	\$ -	\$ -	\$ 7,501,854
Wastewater services	-	672,648	-	1,488,795	-	2,161,443
Capacity and connection fees	9,872	8,827	699,198	110,880	-	828,777
Other services and fees	186,368	5,706	698,938	59,963	210	951,185
Total operating revenues	3,720,126	687,181	5,376,104	1,659,638	210	11,443,259
Operating expenses:						
Administrative	556,775	158,605	1,157,171	256,392	69	2,129,012
Operations and maintenance	897,440	222,514	1,307,225	282,770	-	2,709,949
Laboratory	129,177	-	196,122	-	-	325,299
Conservation	129,460	-	167,823	-	-	297,283
Engineering	250,591	127,477	267,090	136,262	126,845	908,265
Depreciation and amortization	895,152	231,280	1,271,407	425,885	1,068,260	3,891,984
Total operating expenses	2,858,595	739,876	4,366,838	1,101,309	1,195,174	10,261,792
Operating income (loss)	861,531	(52,695)	1,009,266	558,329	(1,194,964)	1,181,467
Nonoperating revenues (expenses):						
Other nonoperating revenue	-	-	-	-	273,678	273,678
Interest earned	114,401	40,879	289,406	130,083	39,167	613,936
Interest expense	(210,401)	(94,633)	(784,479)	(301,475)	(336,622)	(1,727,610)
Bond premium (discount)	3,461	1,900	19,882	7,809	3,301	36,353
Bond issuance costs	(4,321)	(1,585)	(16,048)	(6,317)	(1,850)	(30,121)
Total nonoperating revenue (expenses)	(96,860)	(53,439)	(491,239)	(169,900)	(22,326)	(833,764)
Income before contributions and transfers	764,671	(106,134)	518,027	388,429	(1,217,290)	347,703
Capital contributions - proceeds from grants	-	-	33,243	-	-	33,243
Change in net assets	764,671	(106,134)	551,270	388,429	(1,217,290)	380,946
Total net assets - beginning	12,556,718	4,984,600	81,051,494	29,757,428	(2,000,211)	126,350,029
Total net assets - ending	\$ 13,321,389	\$ 4,878,466	\$ 81,602,764	\$ 30,145,857	\$ (3,217,501)	\$ 126,730,975

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

MARINA COAST WATER DISTRICT
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2010

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Totals
CASH FLOWS PROVIDED BY (USED FOR)						
OPERATING ACTIVITIES						
Receipts from customers and users	\$ 3,718,721	\$ 683,833	\$ 5,342,889	\$ 1,631,120	\$ 210	\$ 11,376,773
Payments to employees	(1,169,649)	(409,656)	(1,739,626)	(486,750)	(118,920)	(3,924,601)
Payments to suppliers	(812,965)	(98,730)	(2,148,857)	(231,927)	179,061	(3,113,418)
Net cash provided (used)	1,736,107	175,447	1,454,406	912,443	60,351	4,338,754
NONCAPITAL FINANCING ACTIVITIES						
Loan receivable activity	(94,984)	-	162,850	(8,510)	-	59,356
Other nonoperating revenue	-	-	-	-	273,678	273,678
Interfund activity	70,500	-	(2,655,593)	(25,952)	2,611,045	-
Net cash provided (used)	(24,484)	-	(2,492,743)	(34,462)	2,884,723	333,034
CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(2,597,286)	(725,389)	(5,753,656)	(1,431,970)	(4,002,226)	(14,510,527)
Proceeds from grants	-	-	33,243	-	-	33,243
Proceeds from debt issuance	2,096,134	598,896	3,743,097	1,048,067	-	7,486,194
Principal paid on capital debt	(369,755)	(51,685)	(278,594)	(907,585)	723,224	(884,395)
Interest paid on capital debt	(233,326)	(110,692)	(886,296)	(342,961)	(363,583)	(1,936,858)
Net cash provided (used)	(1,104,233)	(288,870)	(3,142,206)	(1,634,449)	(3,642,585)	(9,812,343)
INVESTING ACTIVITIES						
Interest earnings	123,609	43,150	294,456	131,534	39,167	631,916
Net cash provided (used)	123,609	43,150	294,456	131,534	39,167	631,916
Net increase (decrease) in cash and cash equivalents	730,999	(70,273)	(3,886,087)	(624,934)	(658,344)	(4,508,639)
Cash and cash equivalents, beginning of year	8,509,510	3,142,507	9,012,835	7,058,102	863,069	28,586,023
Cash and cash equivalents, end of year	\$ 9,240,509	\$ 3,072,234	\$ 5,126,748	\$ 6,433,168	\$ 204,725	\$ 24,077,384

continued

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

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Totals
Operating income	\$ 861,531	\$ (52,695)	\$ 1,009,266	\$ 558,329	\$ (1,194,964)	\$ 1,181,467
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	895,152	231,280	1,271,407	425,885	1,068,260	3,891,984
(Increase) decrease in accounts receivable	(1,405)	(3,348)	(33,215)	(28,518)	-	(66,486)
(Increase) decrease in inventories	4,787	-	-	-	-	4,787
(Increase) decrease in prepaid items	2,806	(95)	(1,880)	153	-	984
(Increase) decrease in deposits	4,173	(507)	(3,166)	(886)	(9)	(395)
Increase (decrease) in customer deposits	5,848	-	(91,116)	-	-	(85,268)
Increase (decrease) in accounts payable	(57,230)	(15,879)	(683,086)	(27,055)	187,064	(596,186)
Increase (decrease) in accrued expenses	(7,121)	2,408	(111,153)	(34,515)	-	(150,381)
Increase (decrease) in compensated absences	(3,400)	3,592	47,617	6,285	-	54,094
Increase (decrease) in other noncurrent liabilities	30,966	10,691	49,732	12,765	-	104,154
Total adjustments	874,576	228,142	445,140	354,114	1,255,315	3,157,287
Net cash provided by operating activities	\$ 1,736,107	\$ 175,447	\$ 1,454,406	\$ 912,443	\$ 60,351	\$ 4,338,754

RECONCILIATION TO STATEMENT OF NET ASSETS:

Cash and cash equivalents	\$ 7,811,192	\$ 2,459,976	\$ 2,827,275	\$ 3,527,108	\$ -	\$ 16,625,551
Restricted cash and cash equivalents	1,429,317	612,258	2,299,473	2,906,060	204,725	7,451,833
Total cash and cash equivalents reported on Statement of Net Assets	\$ 9,240,509	\$ 3,072,234	\$ 5,126,748	\$ 6,433,168	\$ 204,725	\$ 24,077,384

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

concluded

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

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

- Note 1 - Significant Accounting Policies
- Note 2 - Cash and Investments
- Note 3 - Capital Assets
- Note 4 - Loans Receivable
- Note 5 - Long-Term Debt
- Note 6 - Deferred Charges
- Note 7 - Leases
- Note 8 - Defined Benefit Pension Plan
- Note 9 - Postemployment Benefits
- Note 10 - Risk Management
- Note 11 - Commitments and Contingencies
- Note 12 - Subsequent Event

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 1 - Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 1 - Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

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

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

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

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

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

Statement of Net Assets

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

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 1 - Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

- **Restricted Net Assets** – This component of net assets consists of constraints placed on net assets used through external constraints imposed by creditors, grantors, contributors or laws or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of “restricted” or “investment in capital assets, net of related debt”. Amounts included as unrestricted net assets are available for designation for specific purposes established by the District’s Board of Directors.

Statement of Revenues, Expenses, and Changes in Net Assets

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

C. Basis of Accounting

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

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

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

D. Budget

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 1 - Significant Accounting Policies (continued)

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash and cash equivalents.

F. Restricted Assets

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

G. Accounts Receivable

Accounts receivable are presented net of allowance for doubtful accounts as of the end of each fiscal year. At June 30, 2010, the allowance for doubtful debts was \$8,815.

H. Inventory

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

I. Capital Assets

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

J. Compensated Absences

All earned vacation hours accumulated up to 240 hours, holiday, and compensation time, is payable upon termination or retirement and accrued as compensated absences. The compensated absences liability is calculated in accordance with GASB Statement No. 16.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 1 - Significant Accounting Policies (continued)

K. Bond Issuance Costs

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

L. Rebate Arbitrage

Rebate arbitrage earnings related to the 2006 certificates of participation are being recorded as a liability. As of June 30, 2010, the District's liability was estimated at \$0. However, should the District have any liability in future, a payment to the United States Treasury is not required until September 29, 2011. The payment made at that time must be no less than 90 percent of the liability at that time.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants (AICPA), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. Net Assets

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

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 1 - Significant Accounting Policies (concluded)

O. Deficit Fund Balances

At June 30, 2010, the New Water fund had deficit fund balance of \$3,217,501. The New Water fund deficit will be eliminated through future revenues collected from ratepayers of the regional water project.

P. Major Funds

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

Q. Effects of New Pronouncements

The GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

The GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this new Statement are effective for financial statements for periods beginning after June 15, 2009.

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

The GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This Statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 2 - Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 16,625,551
Cash and investments, restricted	<u>7,451,833</u>
Total cash and investments	<u>\$ 24,077,384</u>

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	\$ 1,150
Deposits with financial institutions	119,382
Investments	<u>23,956,852</u>
Total cash and investments	<u>\$ 24,077,384</u>

Investments Authorized by the District's Investment Policy

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

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

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

Disclosures Relating to Interest Rate Risk

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 2 - Cash and Investments (continued)

Disclosures Relating to Interest Rate Risk (continued)

	<u>Fair Value</u>	<u>Maturity Date</u>
State investment pool (LAIF)	\$ 16,027,777	233 days average maturity
Money Market Fund	4,531,339	N/A – due on demand
Debt Reserve Fund (GIC)	3,084,250	324 months to maturity
Certificate of Deposits	<u>313,486</u>	6 months to maturity
Total	<u>\$ 23,956,852</u>	

GIC – Guaranteed Investment Contract
LAIF – Local Agency Investment Fund

Disclosures Relating to Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government agency will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 2 - Cash and Investments (concluded)

Custodial Credit Risk (continued)

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

Collateral and Categorization Requirements

At June 30, 2010, the District's carrying amount of demand deposits was \$119,382, and the bank account balance was \$1,162,935. The difference of \$1,043,553 represented outstanding checks and deposits in transit. Of the total deposit balance, \$100,000 was insured by federal depository insurance and \$1,062,935 was collateralized 110% in accordance with California Government Code requirements by securities held by the pledging financial institution in the District's name.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by the California Government Code Section 16429 and under the day to day administration of the State Treasurer. As of June 30, 2010, LAIF had approximately \$69.3 billion in investments.

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 3 - Capital Assets

Capital assets at June 30, 2010, consists of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable assets:				
Land	\$ 307,498	\$ 8,420,397	\$ -	\$ 8,727,895
Property easement	25,440,000	-	(540,000)	24,900,000
Water/Sewer rights	72,750,000	62,500	-	72,812,500
Construction in progress (1)	2,132,270	4,887,766	(1,466,417)	5,553,619
Total non-depreciable assets	<u>100,629,768</u>	<u>13,370,663</u>	<u>(2,006,417)</u>	<u>111,994,014</u>
Depreciable assets:				
Water/Sewer rights	2,379,410	-	-	2,379,410
Building & Improvements	1,026,235	692,492	-	1,718,727
Equipment	2,557,746	335,667	(114,521)	2,778,892
Infrastructure	61,429,716	1,649,381	-	63,079,097
Total depreciable assets	<u>67,393,107</u>	<u>2,677,540</u>	<u>(114,521)</u>	<u>69,956,126</u>
Less accumulated depreciation:				
Water/Sewer rights	(571,323)	(47,588)	-	(618,911)
Building & Improvements	(562,342)	(45,221)	-	(607,563)
Equipment	(1,896,756)	(226,426)	114,521	(2,008,661)
Infrastructure	(23,504,446)	(3,572,749)	-	(27,077,195)
Total accumulated depreciation	<u>(26,534,867)</u>	<u>(3,891,984)</u>	<u>114,521</u>	<u>(30,312,330)</u>
Depreciable assets, net	<u>40,858,240</u>	<u>(1,214,444)</u>	<u>-</u>	<u>39,643,796</u>
Total capital assets, net	<u>\$ 141,488,008</u>	<u>\$ 12,156,219</u>	<u>\$ (2,006,417)</u>	<u>\$ 151,637,810</u>

(1) Construction in progress includes capitalized interest in the amount of \$2,442,500.

Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The depreciation expense for the year ended June 30, 2010 totaled \$3,891,984.

Note 4 - Loans Receivable

The District entered into an agreement with local Developers agreeing to provide water from its Desalination Plant. The developers agreed to pay \$198,000 in standby charges per year. The developers have accrued \$429,000 in outstanding charges and have defaulted on the agreement.

The loan receivable balance currently outstanding at June 30, 2010 was \$465,263.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 5 - Long-Term Debt

A. Compensated Absences

District employees accumulate earned, but unused, vacation and sick pay benefits which can be converted to cash at termination of employment. Since no means exists to reasonably estimate the amount that might be liquidated with expendable currently available financial resources, compensated absences are reported as a long-term debt on the Statement of Net Assets. The compensated absences balance at June 30, 2010 was \$313,857. Of this amount, \$62,771 is estimated to be due within one year.

B. Loans Payable

Rabobank, N.A.

Loan payable to Rabobank, N.A., dated May 04, 2005, due in monthly installments at an annual interest rate of 6.495%. As of June 30, 2010, the outstanding balance was \$505,765 with future payments as follows:

Year ending June 30,	Rabobank, N.A. Loan		
	Principal	Interest	Total
2011	92,615	30,165	122,780
2012	98,751	24,030	122,780
2013	105,422	17,358	122,780
2014	112,477	10,304	122,781
2015	96,500	2,860	99,360
	<u>\$ 505,765</u>	<u>\$ 84,717</u>	<u>\$ 590,481</u>

C. Loan Payable (Promissory Note)

Promissory Note in the amount of \$134,408 payable to Fort Ord Reuse Authority, dated June 24, 2009, due in monthly installments at zero percent interest rate. As of June 30, 2010, the outstanding balance was \$106,112.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 5 - Long-Term Debt (continued)

C. Loan Payable (Promissory Note) (continued)

Future payments are as follows:

Year ending June 30,	Fort Ord Reuse Authority Promissory Note		
	Principal	Interest	Total
2011	\$ 28,296	\$ -	\$ 28,296
2012	28,296	-	28,296
2013	28,296	-	28,296
2014	21,224	-	21,224
	<u>\$ 106,112</u>	<u>\$ -</u>	<u>\$ 106,112</u>

D. Loan Payable (Promissory Note)

Promissory Note in the amount of \$7,351,786 payable to Sandhills as Nominee, dated June 25, 2010, due in semi-annual installments at prime interest rate. As of June 30, 2010, the outstanding balance was \$7,351,786.

Future payments are as follows:

Year ending June 30,	Sandhills as Nominee Promissory Note		
	Principal	Interest	Total
2011	\$ 633,180	\$ 233,830	\$ 867,010
2012	653,926	213,084	867,010
2013	675,351	191,659	867,010
2014	697,479	169,531	867,010
2015	720,331	146,679	867,010
2016-2020	3,971,519	363,533	4,335,052
	<u>\$ 7,351,786</u>	<u>\$ 1,318,316</u>	<u>\$ 8,670,102</u>

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 5 - Long-Term Debt (continued)

E. Notes Payable

2006 Certificates of Participation

On August 23, 2006, the District issued certificates of participation revenue bonds (2006 COP Bonds), in the amount of \$42,310,000, due in semi-annual installments of \$974,169 on December 1 and \$1,699,169 on June 1 through 2037 at a weighted average interest rate of 4.795% per annum. A portion of the proceeds from the bond issue was used to refund the 1996 LaSalle National Bank note, the 1997 Cypress Bank note, and the 2003 City National Bank loan. The remaining balance of the proceeds will be used to fund the District's capital improvement projects. The 2006 COP Bonds are payable solely from, and secured by, the revenues received from the operation of the District's water and wastewater systems. As of June 30, 2010, the outstanding balance was \$39,785,000.

Future payments are as follows:

Year ending June 30,	2006 Enterprise Revenue Certificates of Participation		
	Principal	Interest	Total
2011	\$ 860,000	\$ 1,886,338	\$ 2,746,338
2012	890,000	1,851,938	2,741,938
2013	925,000	1,818,563	2,743,563
2014	950,000	1,781,562	2,731,562
2015	990,000	1,743,563	2,733,563
2016-2020	5,500,000	8,130,500	13,630,500
2021-2025	6,270,000	6,811,950	13,081,950
2026-2030	7,985,000	5,090,000	13,075,000
2031-2035	10,200,000	2,883,250	13,083,250
2036-2037	5,215,000	403,750	5,618,750
	<u>\$ 39,785,000</u>	<u>\$ 32,401,412</u>	<u>\$ 72,186,412</u>

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

F. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	\$ 40,610,000	\$ -	\$ (825,000)	\$ 39,785,000	\$ 860,000
Plus unamortized premiums	987,591	-	(36,353)	951,238	-
Total bonds payable	<u>41,597,591</u>	<u>-</u>	<u>(861,353)</u>	<u>40,736,238</u>	
Loan payable - Rabobank, N.A.	592,529	-	(86,764)	505,765	92,615
Promissory note - Fort Ord Reuse	-	134,408	(28,296)	106,112	28,296
Promissory note - Sandhills as Nc	-	7,351,786	-	7,351,786	633,180
Capital lease	110,356	103,591	(47,927)	166,020	64,531
Compensated absences	259,763	228,710	(174,616)	313,857	62,771
Rebate arbitrage payable	273,388	-	(273,388)	-	-
OPEB liability	-	104,154	-	104,154	20,830
Totals	<u>\$ 42,833,627</u>	<u>\$ 7,922,649</u>	<u>\$ (1,472,344)</u>	<u>\$ 49,283,932</u>	<u>\$ 1,762,223</u>

Note 6 - Deferred Charges

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 7 - Leases

A. Operating Leases

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

Minimum lease payments under the obligations are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2011	\$ 22,829
2012	9,740
2013	4,619
2014	4,619
2015	769
Total	<u>\$ 42,576</u>

The District's total operating lease expense for the year ended June 30, 2010 was \$23,259.

B. Capital Leases

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

The assets acquired through capital leases are as follows:

Asset:	<u>Amount</u>
Sewer jetter equipment	\$ 151,657
Document scanning & storage system	103,591
Less: Accumulated depreciation	<u>(84,815)</u>
Total	<u>\$ 170,433</u>

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 7 – Leases (continued)

B. Capital Leases (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2011	\$ 72,708
2012	72,708
2013	<u>33,279</u>
Total minimum lease payments	178,696
Less: amount representing interest	<u>(12,676)</u>
Present value of minimum lease payments	<u><u>\$ 166,020</u></u>

Note 8 - Defined Benefit Pension Plan

A. Plan Description

The District's defined benefit pension plan, the Miscellaneous Plan of the Marina Coast Water District (Miscellaneous Plan), provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. Menus of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

B. Funding Status

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 8 - Defined Benefit Pension Plan (continued)

C. Funding Policy

The District contributes for active plan members in the Miscellaneous Plan, 7% of their annual covered salaries. The District also is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2009-2010 was 6.276% for Miscellaneous Plan employees. The contribution requirements of the plan are established by State statute and the employer contribution rates established and may be amended by CalPERS.

D. Annual Pension Cost

For fiscal year 2009-2010, the District's annual pension cost was \$318,110 and the District actually contributed \$318,110. The District paid the required member contributions of 7% referred to in paragraph (B) above by transferring assets from its employer account to the individual accounts of its employees. The required contribution for fiscal year 2009-2010 was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) a 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25% to 14.45% depending on age, service, and type of employment, (c) an inflation rate of 3.0%, (d) a payroll growth rate of 3.25%, and (e) individual salary growth – a merit scale varying by duration of employment coupled with an assumed annual inflation growth rate of 3.00% and an annual production growth of 0.25%.

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

Three-Year Trend Information			
Miscellaneous Plan			
Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$252,370	100%	\$0
2009	\$263,266	100%	\$0
2010	\$318,110	100%	\$0

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 9 – Other Post Employment Benefits (OPEB)

A. Plan Description

The District provides postemployment benefits to eligible employees in the form of partial reimbursement for postemployment health insurance premiums. Eligibility requirements include a minimum of 20 years employment with the District and minimum retirement age of 55 years. For eligible employees, the District will pay 50% of the retired employee's health insurance premiums. The obligation of the District to provide these benefits is determined by agreements with various employee bargaining groups. The District's contributions are financed on a pay-as-you-go basis. The District paid \$5,481 in post employment benefits for the two retired employees who were eligible for benefits during the fiscal year ended June 30, 2010.

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

B. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined by an actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 4.5% investment rate of return, and (b) annual increases in healthcare premiums grading from a current rate of 7.5% down to 5.5% per year in 2019 and later. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of any Plan assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a period of 30 years. As of July 1, 2009, the initial underfunded actuarial accrued liability was \$858,168.

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

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

B. Funding Policy and Actuarial Assumptions (continued)

Year Ending <u>June 30,</u>	Annual Required Contribution <u>(ARC)</u>	Actual Contributions (includes pay- as-you-go)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 109,684	\$ 5,481	5%	\$ 104,203

Note 10 - Risk Management

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

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

Note 11 - Commitments and Contingencies

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

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2010

Note 11 - Commitments and Contingencies (continued)

In conjunction with the 2006 COP bond issue, the District agreed to construct projects from which the revenues derived from these infrastructure additions would generate revenues which would be used to repay the bonds. Due to current economic conditions and the slow down in the new housing developments, the District has elected to slow down committing these bond proceeds for the construction of water and sewer infrastructure. The District expects to generate investment earnings from these bond proceeds which may be subject to arbitrage in the future. At June 30, 2010, the District had ongoing construction commitments that totaled approximately \$5.6 million.

Note 12 - Subsequent Event

In August 2010, the District adopted a rate increase for Marina and Ord Community service areas for its water and wastewater operations for fiscal year 2010-2011.

REQUIRED SUPPLEMENTARY INFORMATION

MARINA COAST WATER DISTRICT
Required Supplementary Information
June 30, 2010

Schedule of Funding Progress

Defined Benefit Pension Plan

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

<u>Miscellaneous 2% at 60 Risk Pool</u>	Actuarial Valuation Date - Year Ended		
	<u>June 30, 2006</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>
Accrued Liabilities	\$ 478,122,215	\$ 498,934,859	\$ 532,483,463
Actuarial Value of Assets	454,602,459	479,520,670	513,147,099
Unfunded Liabilities	23,519,756	19,414,189	19,336,364
Funded Ratio	95.1%	96.1%	96.4%
Annual Covered Payroll	170,458,082	171,052,819	183,387,608
UL as a Percentage of Payroll	13.8%	11.4%	10.5%

Note - Details of the defined benefit pension plan can be found in Note 8 to the financial statements. Information for the year ended June 30, 2009 has not been released by the Plan Actuary.

STATISTICAL SECTION

MARINA COAST WATER DISTRICT
Statistical Section

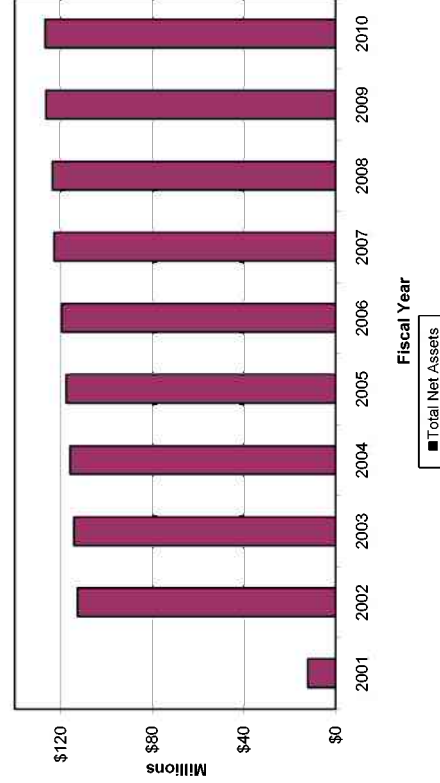
This part of the District’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

Contents

Financial Trends	36-38
These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	
Revenue Capacity	39-42
These schedules contain information to help the reader assess the District’s most significant revenue sources, water sales and wastewater collection.	
Debt Capacity	43-44
These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.	
Demographic Information	45-46
This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	
Operating Information	47-48
These schedules contains service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the service the District provides.	

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

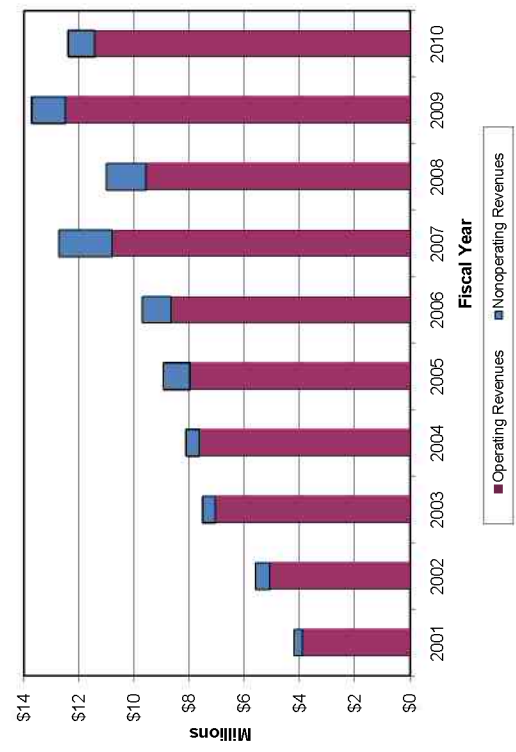
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in net assets:										
Operating revenues	\$ 3,913,541	\$ 5,088,507	\$ 7,064,564	\$ 7,639,996	\$ 7,981,735	\$ 8,665,529	\$ 10,812,765	\$ 9,572,021	\$ 12,499,973	\$ 11,443,259
Operating expenses	(3,884,999)	(5,285,992)	(5,774,700)	(6,149,888)	(6,925,744)	(7,480,070)	(8,722,235)	(9,443,488)	(9,382,017)	(10,261,792)
Operating income (loss)	28,542	(197,485)	1,289,864	1,490,108	1,055,991	1,185,459	2,090,530	128,533	3,117,956	1,181,467
Non-operating revenues (expenses)	64,569	287,672	263,393	260,203	671,053	635,484	1,412,230	109,478	(313,310)	(833,764)
Net income before capital contributions	93,111	90,187	1,553,257	1,750,311	1,727,044	1,820,943	3,502,760	238,011	2,804,646	347,703
Capital contributions		100,278,000						361,068	47,568	33,243
Changes in net assets	93,111	100,368,187	1,553,257	1,750,311	1,727,044	1,820,943	3,502,760	599,079	2,852,214	380,946
Net assets beginning of year	12,083,123	12,176,234	112,544,421	114,097,678	115,847,989	117,575,033	119,395,976	122,898,736	123,497,815	126,350,029
Net assets end of year	12,176,234	112,544,421	114,097,678	115,847,989	117,575,033	119,395,976	122,898,736	123,497,815	126,350,029	126,730,975
Net assets by component:										
Invested in capital assets, net of related debt	9,177,170	109,341,392	109,150,271	109,889,714	109,094,377	110,853,880	107,262,871	109,656,979	111,548,505	115,269,154
Restricted for debt service	292,624	260,946	234,385	231,047	243,991	241,825	3,084,330	3,084,281	3,084,250	3,084,250
Unrestricted	2,706,440	2,942,083	4,713,022	5,727,228	8,236,665	8,300,271	12,551,535	10,756,555	11,717,274	8,377,571
Total Net Assets	\$ 12,176,234	\$ 112,544,421	\$ 114,097,678	\$ 115,847,989	\$ 117,575,033	\$ 119,395,976	\$ 122,898,736	\$ 123,497,815	\$ 126,350,029	\$ 126,730,975



Source: Marina Coast Water District, Audited Financial Statements

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

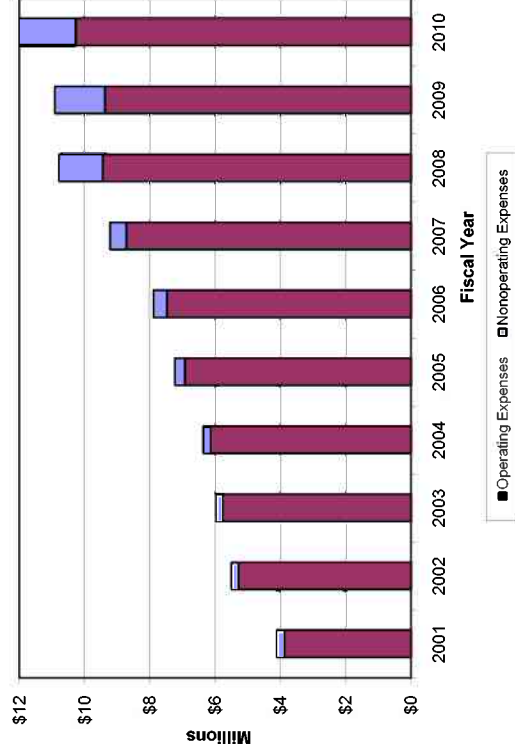
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Operating revenues:										
Water sales	\$ 3,332,399	\$ 3,680,310	\$ 4,730,112	\$ 5,367,925	\$ 5,102,546	\$ 6,022,326	\$ 6,707,039	\$ 6,686,916	\$ 7,344,555	\$ 7,501,854
Wastewater services	429,456	1,022,358	1,303,927	1,380,335	1,647,288	1,811,916	1,881,978	1,888,433	1,965,102	2,161,443
Capacity and connection fees	65,626	182,127	563,609	44,787	680,472	294,755	486,705	421,410	1,014,536	828,777
Other services and fees	86,060	203,712	466,916	846,949	551,429	536,532	1,737,043	575,262	2,175,780	951,185
Total operating revenues	3,913,541	5,088,507	7,064,564	7,639,996	7,981,735	8,665,529	10,812,765	9,572,021	12,499,973	11,443,259
Nonoperating revenues										
Grant revenue	84,298	-	383,330	402,139	777,159	616,213	25,641	-	-	33,243
Interest earned	183,308	101,095	80,180	79,532	201,906	433,146	1,882,864	1,417,375	1,185,594	613,936
Bond premium (discount)	-	-	-	-	-	-	-	36,353	36,353	36,353
Other revenue	30,934	408,358	5,150	-	-	-	-	-	-	273,678
Total nonoperating revenues	298,540	509,453	468,660	481,671	979,065	1,049,359	1,908,505	1,453,728	1,221,947	957,210
Total revenues	\$ 4,212,081	\$ 5,597,960	\$ 7,533,224	\$ 8,121,667	\$ 8,960,800	\$ 9,714,888	\$ 12,721,270	\$ 11,025,749	\$ 13,721,920	\$ 12,400,469



Source: Marina Coast Water District, Audited Financial Statements

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

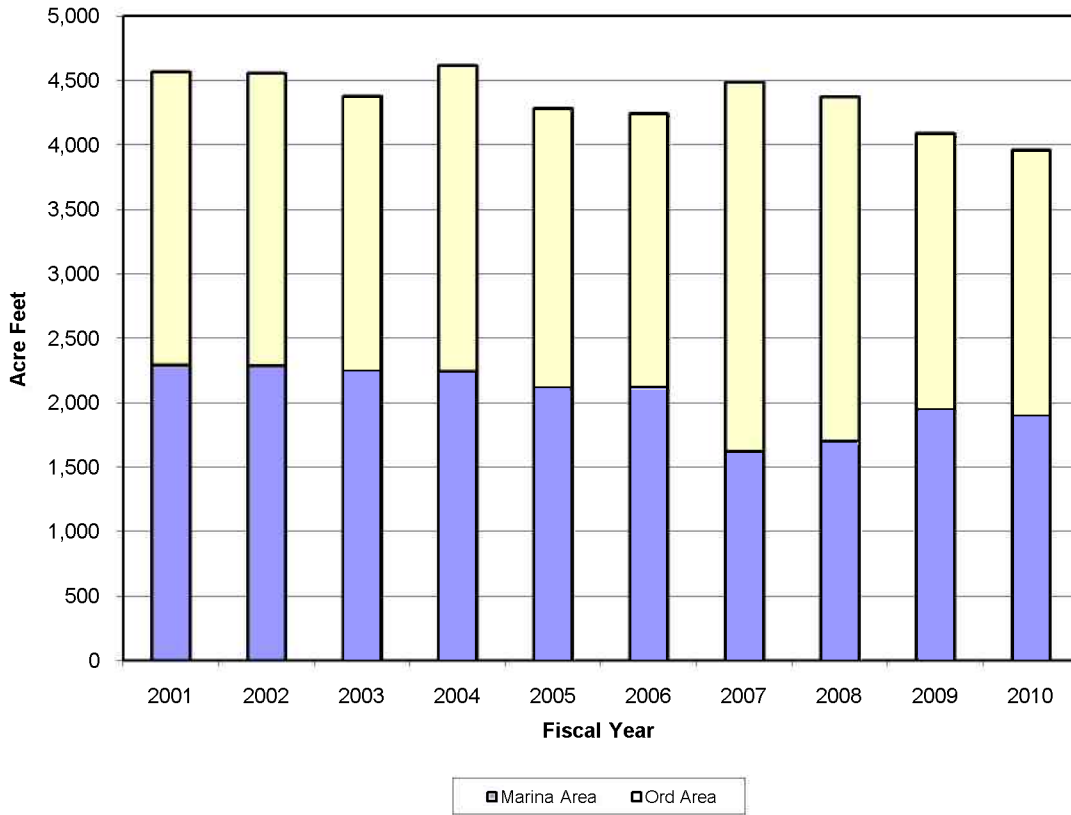
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Operating expenses:										
Administrative	\$ 1,044,720	\$ 1,389,439	\$ 1,719,838	\$ 1,452,921	\$ 2,028,428	\$ 1,563,799	\$ 1,825,843	\$ 2,274,611	\$ 2,129,232	\$ 2,129,012
Operations & maintenance	1,279,742	1,627,140	1,949,945	2,150,666	1,999,061	2,088,928	2,272,393	2,158,993	2,216,202	2,709,949
Laboratory	221,515	243,125	242,402	274,717	305,346	296,526	278,641	295,452	312,140	325,299
Conservation	87,991	98,462	103,385	131,098	192,956	183,875	201,110	255,024	264,490	297,283
Engineering	285,553	315,073	485,095	779,466	777,570	1,401,603	1,664,900	1,376,436	1,024,390	908,265
Depreciation	965,478	1,612,753	1,274,035	1,361,020	1,622,383	1,945,339	2,479,348	3,082,972	3,435,564	3,891,984
Total operating expenses	3,884,999	5,285,992	5,774,700	6,149,888	6,925,744	7,480,070	8,722,235	9,443,488	9,382,017	10,261,792
Nonoperating expenses										
Interest expense	233,971	221,781	205,267	221,468	308,012	413,875	496,275	1,314,153	1,505,137	1,727,610
Bond issuance costs	-	-	-	-	-	-	-	30,097	30,120	30,121
Total nonoperating expenses	233,971	221,781	205,267	221,468	308,012	413,875	496,275	1,344,250	1,535,257	1,757,731
Total expenses	\$ 4,118,970	\$ 5,507,773	\$ 5,979,967	\$ 6,371,356	\$ 7,233,756	\$ 7,893,945	\$ 9,218,510	\$ 10,787,738	\$ 10,917,274	\$ 12,019,523



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)
2001	2,294	2,277	4,571
2002	2,291	2,270	4,561
2003	2,253	2,130	4,383
2004	2,246	2,373	4,619
2005	2,124	2,161	4,285
2006	2,130	2,117	4,247
2007	1,624	2,868	4,492
2008	1,705	2,669	4,374
2009	1,957	2,137	4,094
2010	1,908	2,058	3,966



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

Source: Marina Coast Water District's Finance Department

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

Marina Service Area Water Consumption Rates (hcf)

Description	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
0-8 hcf	\$ 1.93	\$ 1.79	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.00	\$ -	\$ -	\$ -	\$ -
9-16 hcf	2.35	2.18	2.39	2.39	2.39	1.69				
16+ hcf	4.29	3.98	3.08	3.08	3.08	2.38				
0-12 hcf			\$ 1.79	\$ 1.79	\$ 1.72	\$ 1.64	\$ 1.55	\$ 1.45	\$ 1.34	\$ 1.34
13+ hcf			2.80	2.80	2.69	2.56	2.42	2.26	2.05	2.05

Marina Service Area Water & Sewer Service Charges (monthly)

Meter Size	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
5/8" - 3/4"	\$ 15.87	\$ 14.72	\$ 14.18	\$ 14.18	\$ 13.63	\$ 12.98	\$ 12.25	\$ 11.45	\$ 10.60	\$ 10.60
1"	39.66	36.79	35.44	35.44	34.08	32.45	30.63	28.62	25.00	25.00
1 1/2"	79.32	73.58	70.88	70.88	68.15	64.90	61.25	57.24	49.00	49.00
2"	126.90	117.72	113.40	113.40	109.04	103.84	98.00	91.58	78.00	78.00
3"	237.94	220.73	212.63	212.63	204.45	194.70	183.75	171.72	158.00	158.00
4"	396.57	367.88	354.38	354.38	340.75	324.50	306.25	286.20	248.00	248.00
6"	793.14	735.75	708.76	708.76	681.50	649.00	612.50	572.40	520.00	520.00
8"	1,586.28	1,471.50	1,417.52	1,417.52	1,363.00	1,298.00	1,225.00	1,144.80	520.00	520.00
Sewer (EDU)	7.70	7.14	6.88	6.88	6.62	6.30	5.95	5.56	5.15	5.15

Ord Service Area Water Consumption Rates (hcf)

Description	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
0-8 hcf	\$ 2.06	\$ 1.87	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.00	\$ -	\$ -	\$ -	\$ -
9-16 hcf	2.89	2.63	2.39	2.39	2.39	1.69				
16+ hcf	3.73	3.39	3.08	3.08	3.08	2.38				
0-12 hcf							1.00	0.83	0.83	0.83
13+ hcf							1.69	1.03	1.03	1.03
Flat Rate	74.58	67.76	52.10	52.10	52.10	52.10	47.50	43.00	40.00	40.00
CS ¹ - Water	20.00	20.00	20.00	20.00	20.00					
CCC ² - Water						0.70	0.70	0.80	0.60	0.40

Ord Service Area Water & Sewer Service Charges (monthly)

Description	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
5/8" - 3/4"	\$ 15.13	\$ 13.75	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.00	\$ 12.00
1"	37.81	34.38	31.25	31.25	31.25	31.25	31.25	31.25	25.00	25.00
1 1/2"	75.60	68.73	62.50	62.50	62.50	62.50	62.50	62.50	49.00	49.00
2"	120.96	109.96	100.00	100.00	100.00	100.00	100.00	100.00	78.00	78.00
3"	226.80	206.18	187.50	187.50	187.50	187.50	187.50	187.50	158.00	158.00
4"	378.00	343.63	312.50	312.50	312.50	312.50	312.50	312.50	248.00	248.00
6"	755.99	687.27	625.00	625.00	625.00	625.00	625.00	625.00	520.00	520.00
8"	1,511.99	1,374.53	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	520.00	520.00
Sewer (EDU)	22.60	20.97	20.20	20.20	20.20	12.90	11.00	11.00	11.00	11.00
CS ¹ - Sewer	5.00	5.00	5.00	5.00	5.00					
CCC ² - Sewer						7.30	6.00	6.00	4.50	2.25

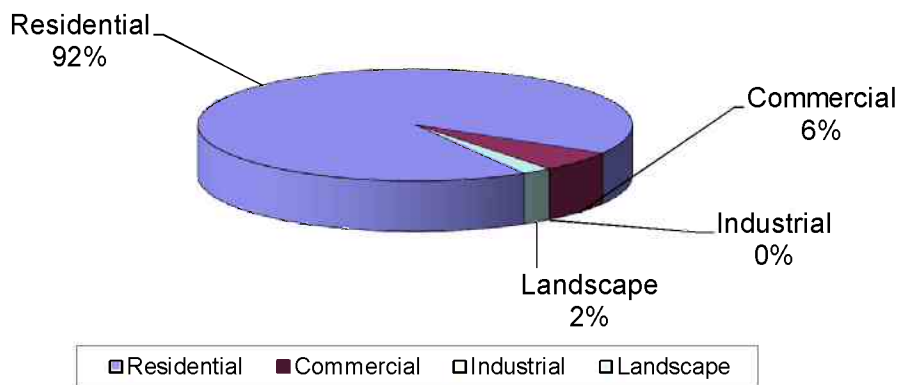
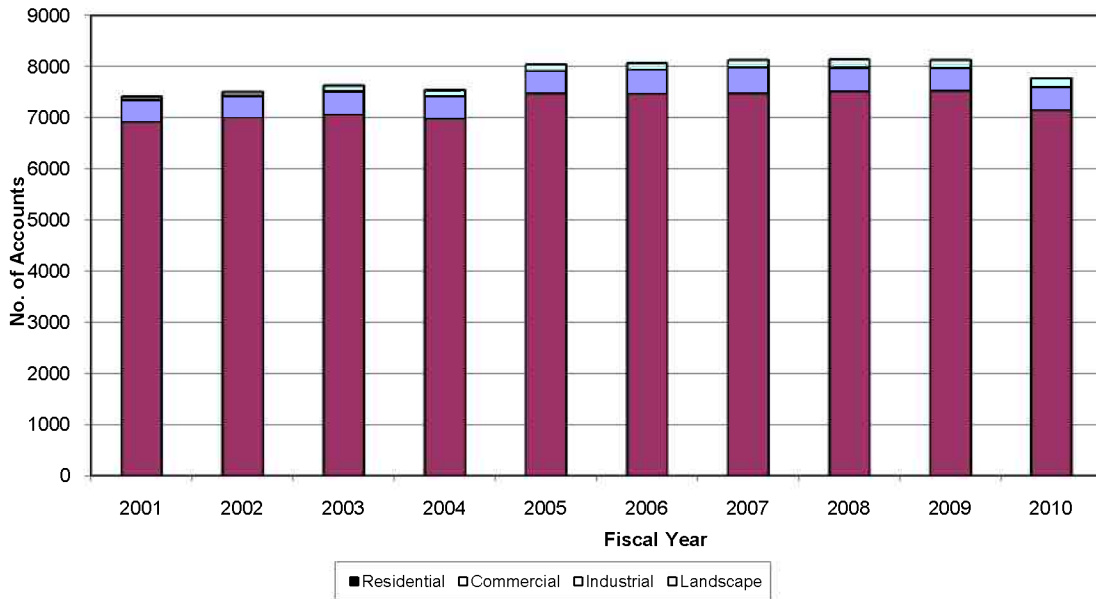
Note: (1) CS = Monthly Capital Surcharge for new EDU's.

(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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Water customer accounts										
Residential	6,937	7,008	7,064	6,987	7,488	7,472	7,492	7,523	7,536	7,152
Commercial	419	419	452	447	431	466	488	454	438	458
Industrial	3	3	3	3	3	3	3	3	3	3
Landscape	66	74	114	113	126	130	151	163	162	174
Total water accounts	7,425	7,504	7,633	7,550	8,048	8,071	8,134	8,143	8,139	7,787



Source: Marina Coast Water District's Finance Department

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

Customer	2001		2010	
	Water Usage (acre feet)	Percentage of Water Sold	Water Usage (acre feet)	Percentage of Water Sold
CSU Monterey Bay	534	11.68%	572	14.42%
Monterey Bay Military Housing	396	8.66%	389	9.81%
Bay View Mobile Home Park	115	2.52%	159	4.01%
City of Marina	53	1.16%	133	3.35%
Sun Bay Apartments	42	0.92%	73	1.84%
United States Army	35	0.77%	66	1.66%
Monterey Meadows H.O. Association	34	0.74%	59	1.49%
Alliance Residential Company	29	0.63%	57	1.44%
MPUSD - Seaside High School	24	0.53%	41	1.03%
Mangold Property Management	22	0.48%	40	1.01%
Total Principal Water Users	1,284	28.09%	1,589	40.07%
Total All Users	4571	100.00%	3966	100.00%

Source: Marina Coast Water District's Finance Department

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

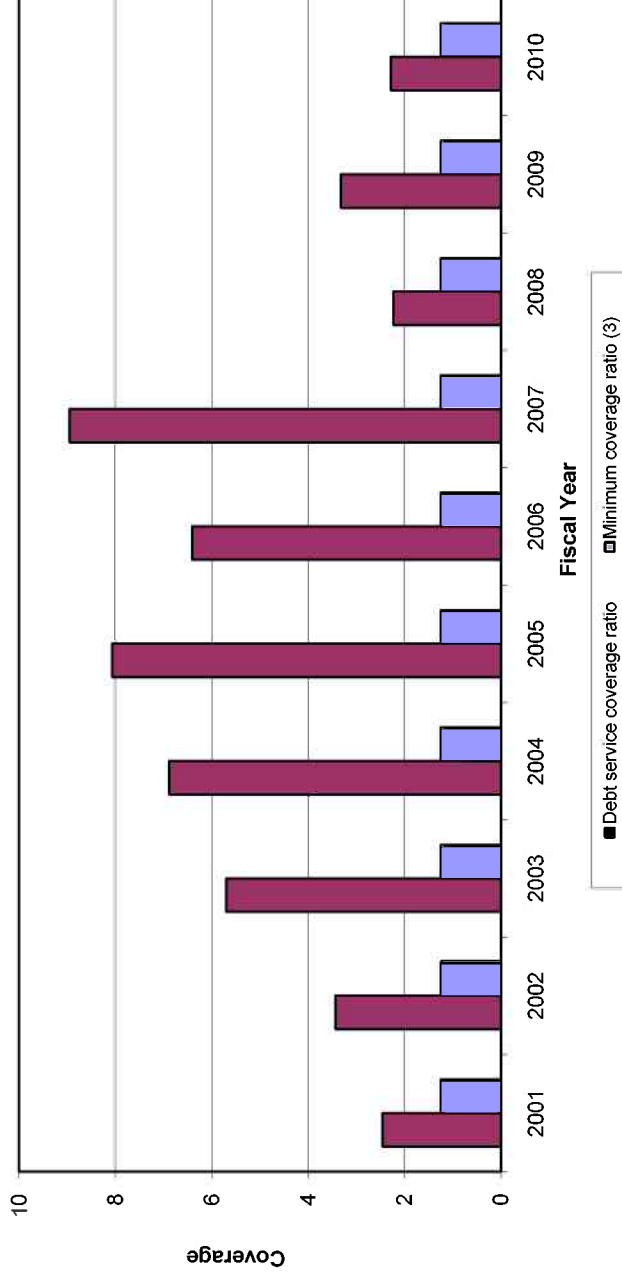
Fiscal Year	Loans Payable	Notes Payable	Bonds Payable	Capital Leases	Debt	Personal Income (1)	As a Percent of Personal Income
2001	\$ -	\$ 3,494,224	\$ 548,277	\$ -	\$ 4,042,501	\$ 12,540,815	0.03%
2002	-	3,303,546	400,232	-	3,703,778	12,676,027	0.03%
2003	1,303,312	3,102,379	274,816	-	4,680,507	13,380,948	0.03%
2004	2,758,203	2,890,139	141,568	-	5,789,910	14,096,150	0.04%
2005	5,158,364	2,666,401	-	-	7,824,765	14,771,776	0.05%
2006	6,443,597	2,430,148	-	-	8,873,745	15,667,000	0.06%
2007	749,933	-	42,035,000	-	42,784,933	15,586,498	0.27%
2008	673,854	-	41,335,000	138,221	42,147,075	17,205,000	0.24%
2009	592,529	-	40,610,000	110,356	41,312,885	17,205,000 *	0.24%
2010	7,963,663	-	39,785,000	166,020	47,914,683	17,205,000 *	0.28%

(1) U.S Department of Commerce, Bureau of Economic Analysis, in Thousands
* Data not available for 2009 & 2010

Source: Marina Coast Water District, Audited Financial Statements

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt service coverage										
Gross revenues (1)	4,212,081	5,597,960	7,533,224	8,121,667	8,960,800	9,714,888	12,721,270	11,025,749	13,721,920	12,400,469
Operating expenses (2)	(2,919,521)	(3,673,239)	(4,500,665)	(4,788,868)	(5,303,361)	(5,534,731)	(6,242,887)	(6,360,516)	(5,946,453)	(6,369,808)
Net available revenues	1,292,560	1,924,721	3,032,559	3,332,799	3,657,439	4,180,157	6,478,383	4,665,233	7,775,467	6,030,661
Debt service										
Principal	291,611	338,723	326,583	277,855	293,449	303,261	542,669	776,079	834,190	911,764
Interest	233,971	221,781	205,267	206,354	159,871	349,733	181,277	1,314,153	1,505,137	1,727,610
	525,582	560,504	531,850	484,209	453,320	652,994	723,946	2,090,232	2,339,327	2,639,374
Debt service coverage ratio	2.46	3.43	5.70	6.88	8.07	6.40	8.95	2.23	3.32	2.28
Minimum coverage ratio (3)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25



Notes:

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

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

Calendar Year Ended December 31	Population (1)	Personal Income (2)	Per Capita Income (3)	Median Age (4)	Unemployment Rate (5)
1999	398,900	11,169,200	28,186	31.3	9.7%
2000	401,762	12,097,144	30,004	31.7	7.4%
2001	512,922	12,540,815	30,723	32.0	7.8%
2002	518,237	12,676,027	30,800	31.0	9.0%
2003	422,389	13,455,580	32,469	32.7	9.0%
2004	423,754	14,074,798	33,952	34.5	8.4%
2005	424,482	14,519,770	34,172	36.1	7.3%
2006	410,206	15,667,000	38,193	31.9	5.7%
2007	407,637	15,586,498	38,373	32.1	6.6%
2008	408,238	17,205,000	42,144	32.2	8.5%

Sources:

1. Monterey County CAFR Report 06302009

**MARINA COAST WATER DISTRICT
Principal Employers - City of Marina
Current Year
Schedule 11**

Employer	2010		Percentage of Total City Employment
	Employees	Rank	
Walmart	200	1	4.29%
Monterey Regional Waste Management	135	2	2.89%
Sunset Pacific	130	3	2.79%
Monterey Peninsula Engineering	120	4	2.57%
Marina City Senior Citizen Center	100	5	2.14%
Marina City Hall	100	6	2.14%
Marina City Council Secretary	100	7	2.14%
City of Marina	100	8	2.14%
Save Mart	75	9	1.61%
Monterey Regional Water Pollution Control Agency	65	10	1.39%
Total	1125		24.12%
Total Employees working in Marina	4665		

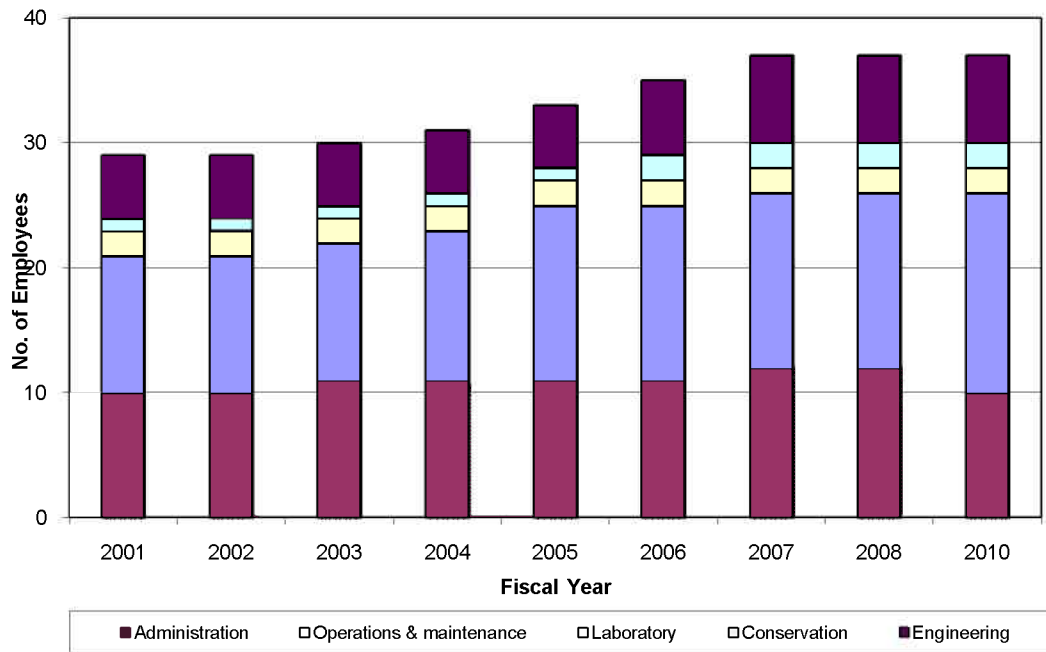
Note: Total employees does not account for double-counting due to employees holding multiple jobs

** Data available for current year only*

Source: The Association of Monterey Bay Area Governments

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Employees by department										
Administration	10	10	11	11	11	11	12	12	12	10
Operations & maintenance	11	11	11	12	14	14	14	14	14	16
Laboratory	2	2	2	2	2	2	2	2	2	2
Conservation	1	1	1	1	1	2	2	2	2	2
Engineering	5	5	5	5	5	6	7	7	7	7
Total Employees	29	29	30	31	33	35	37	37	37	37



Source: Marina Coast Water District's Finance Department

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Facilities										
Distribution pipeline (miles)	212	212	212	212	212	212	280	284	320	320
Storage capacity (mg)(1)	12	12	12	12	12	12	12	12	12	11
System capacity (mgd)(2)	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6
Water produced										
Water produced - Marina (mg)(1)	748	747	734	732	692	694	529	556	638	622
Average per day (mgd)(2)	2.0	2.0	2.0	2.0	1.9	1.9	1.4	1.5	1.7	1.7
Water produced - Ord (mg)(1)	742	740	694	773	704	690	935	870	696	671
Average per day (mgd)(2)	2.0	2.0	1.9	2.1	1.9	1.9	2.6	2.4	1.9	1.8
Total water produced (mg)(1)	1,489	1,486	1,428	1,505	1,396	1,384	1,464	1,425	1,334	1,292
Average per day (mgd)(2)	4.1	4.1	3.9	4.1	3.8	3.8	4.0	3.9	3.7	3.5

(1) mg = million gallons

(2) mgd = million gallons per day

Source: Marina Coast Water District's Finance Department