

Marina Coast Water District

Marina, California

Comprehensive Annual Financial Report

For The Fiscal Years Ended

June 30, 2017 and 2016



11 Reservation Road, Marina California 93933



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Marina, California 93933**



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INTRODUCTORY SECTION (UNAUDITED)



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MARINA COAST WATER DISTRICT

11 RESERVATION ROAD, MARINA, CA 93933-2099

Home Page: www.mcwd.org

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

DIRECTORS

HOWARD GUSTAFSON
President

THOMAS P. MOORE
Vice President

WILLIAM Y. LEE
JAN SHRINER
HERBERT CORTEZ

December 18, 2017

Board of Directors
Marina Coast Water District
Marina, California

It is a pleasure to submit the Marina Coast Water District's (MCWD or District) Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2017 and 2016. The CAFR gives an assessment of the District's financial condition, informs readers about District services, gives details of infrastructure replacement projects, discusses current issues, and provides financial and demographic trend information.

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

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

District Overview

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

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

The District’s system encompasses approximately 350 miles of water and sewer pipelines. It owns and operates eight production wells with an estimated capacity of approximately twenty million gallons per day. District water storage includes eight water storage tanks with a combined capacity of eleven million gallons and six booster pump stations. In addition, monitoring wells are strategically located along the coast to monitor water quality and groundwater levels in the aquifers that are the source for the District’s water supply. All wells are sampled to identify the presence of chemicals, the threat of salt water intrusion, and to monitor water levels. The District also owns and operates 20 sewer lift stations.

The District has an authorized staff of 42 full-time employees providing services to its six service area funds: Marina Water, Marina Wastewater, Ord Community Water, Ord Community Wastewater, New Water Project (Regional Urban Water Augmentation Project or RUWAP) and Regional Desalination Project.

Governance

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

The Board meets in a regular session on third Monday of each month. Regular meetings are held at 6:30 p.m. at the Marina Council Chambers, 211 Hillcrest Avenue, Marina, California. Board meetings are open to the public.

Budget Process

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

compared to these appropriations on a monthly basis. The General Manager has the discretion to transfer appropriations between activities. Board approval is required for any overall increase in appropriations or changes to the Capital Improvement Program.

Economic Condition and Outlook

Although the January 2014 Drought State of Emergency was lifted in April 2017, California's water supply continues to be a concern due to projected population increases and the effect the multi-year drought had on the State's groundwater supply. This concern has increased interest in conservation and new water sources. The District has led the area in its conservation efforts and will continue to make strides in this area.

The District is working on multiple concepts that will provide new water sources to its customers. If each concept is successful the District's water portfolio may include groundwater, conservation savings, river water, desalination water and recycled water.

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

Long-term Financial Planning

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

On June 26, 2017, the District Board of Directors adopted Resolution No. 2017-41 which again awarded a contract to Carollo Engineers to prepare the five-year rate study and financial plan, as well as a cost allocation plan for the District. The study and financial plan will cover fiscal years 2019 through 2023. The study is scheduled to be completed January 2018.

Major Initiatives

The District completed a five-year rate study and financial plan in September 2013. The financial plan was to provide the resources that are necessary to properly fund the District as we meet future needs and requirements that are identified in the plan. Based on the recommendations, the District conducted a Proposition 218 notification process and adopted rate increases in 2014 for its Marina and Ord Community service areas for fiscal years 2015 through 2018.

The Marina Coast Water District's Central Marina and Ord Community water service areas overlie portions of the Monterey Subbasin, the 180/400 Foot Aquifer Subbasin, and part of the Seaside Adjudicated Basin. Three of the District wells are located in Central Marina and five wells are in the Ord Community. The California Department of Water Resources (DWR) granted the District exclusive Groundwater Sustainability Agency (GSA) status within its jurisdictional boundaries within the Monterey Subbasin and the 180/400 Subbasin. Since the District has been determined

to be an exclusive GSA in both the Monterey Subbasin and the 180/400 Subbasin, the MCWD GSA will be engaged in the development of Groundwater Sustainability Plans (GS plans) for the entirety of these two Subbasins, in coordination with other GSA's within these Subbasins. Portions of the Ord Community water system in both the Monterey Subbasin and the 180/400 are currently in an "overlap state" as both the District and the Salinas Valley Basin Groundwater Sustainability Agency have filed notifications with DWR to be the exclusive GSA over these areas.

The State Water Resources Control Board (SWRCB) began reviewing and approving the Groundwater Sustainability Plans (GS plans) once the GSA formation period ended June 30, 2017. The 180/400 Aquifer Subbasin GS plan has to be prepared by January 31, 2020 and the Monterey Subbasin GS plan has to be prepared by January 31, 2022.

Internal Control

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

Investment Policy

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

Water Rates and District Revenues

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

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

During fiscal year 2016-17, water and sewer rate increases occurred January 1, 2017 for both the Central Marina and the Ord Community as stated in the Proposition 218 notification in 2014 and approved by the Board through adoption of Resolution No. 2014-20 on May 19, 2014.

Independent Audit

State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm The Pun Group, LLP 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, 2016. This was the ninth consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

Keith Van Der Maaten
General Manager

Kelly M. Cadiente
Director of Administrative Services



Government Finance Officers Association

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

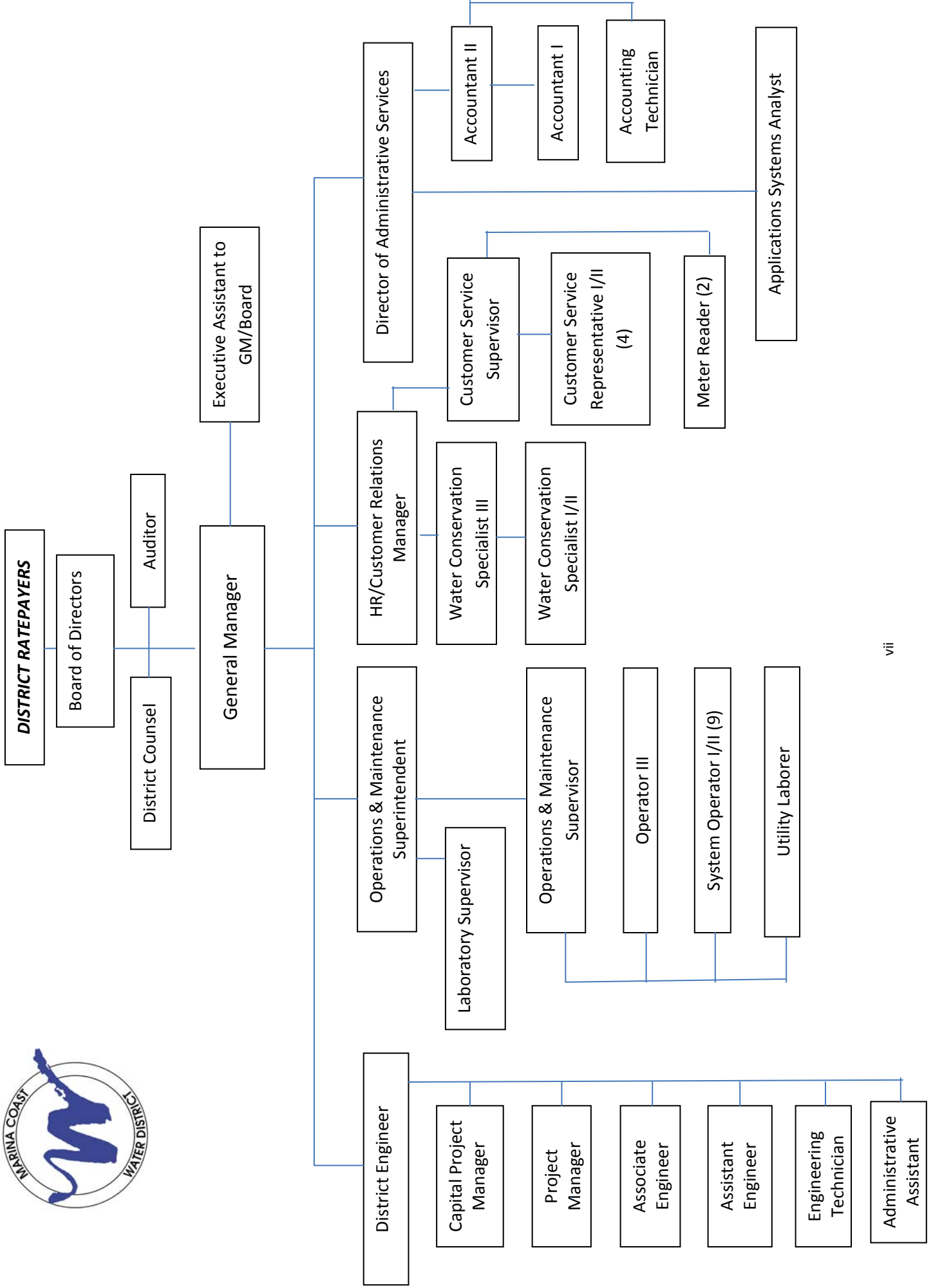
Presented to

**Marina Coast Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



Marina Coast Water District

Directory

Board of Directors

June 30, 2017

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

Management Staff

Keith Van Der Maaten	General Manager
Mike Wegley	District Engineer
Kelly Cadiente	Director of Administrative Services
Jean Premutati	Management Services Administrator
James Derbin	Operations & Maintenance Superintendent

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Marina Coast Water District (the "District"), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of Contributions, and Schedules of Funding Progress on pages 3 to 10 and 53 to 54 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them..

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December XX, 2017 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2017 and 2016

This section of the Marina Coast Water District's (District) financial statements presents an analysis of the District's financial performance during the fiscal years ended June 30, 2017 and 2016. This information is presented in conjunction with the transmittal letter in the Introductory Section, and with the basic financial statements and related notes, which follow this section.

Overview of the District's Financial Statements

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

Basic Financial Statements

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

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2017 and 2016

Supplementary Information

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

Financial Analysis of the District

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

Financial Highlights for Fiscal Years 2017 and 2016

- At June 30, 2017, the District's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$151.2 million (net position), which is an increase of \$8.2 million or 5.7% over the 2016 fiscal year-end balance. At June 30, 2016, the District's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$143.0 million (net position), which is an increase of \$2.8 million or 2.0% over the 2015 fiscal year-end balance.
- The total long-term debt for the current fiscal year decreased by \$1.6 million or 3.9% from prior year due to annual debt service payments. The total long-term debt for fiscal year 2016 decreased by \$1.0 million or 2.4% due to the refinancing of the 2006 Certificates of Participation along with the annual debt service payments.
- Capital assets increased by \$2.5 million or 1.4% due to increases in several major capital projects. For fiscal year 2016, capital assets increased by \$6.6 million or 3.9% primarily due to the completion of the BLM Building at the Imjin Office Park.
- Capital contributions increased \$3.7 million or 124.9% in the current year and increased \$1.1 million or 63.0% in the prior year primarily due to capacity and connection fees.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2017 and 2016

Net Position

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

Condensed Statements of Net Position

	June 30			Change between		Change between	
	2017	2016	2015	2017 and 2016		2016 and 2015	
Assets:							
Current assets	\$ 8,023,142	\$ 5,081,656	\$ 5,816,313	\$ 2,941,486	57.9%	\$ (734,657)	-12.6%
Noncurrent assets	12,381,748	13,371,324	16,860,718	(989,576)	-7.4%	(3,489,394)	-20.7%
Capital assets, net	178,427,499	175,903,182	169,293,808	2,524,317	1.4%	6,609,374	3.9%
Total Assets	198,832,389	194,356,162	191,970,839	4,476,227	2.3%	2,385,323	1.2%
Deferred outflows	606,888	591,435	227,120	15,453	2.6%	364,315	160.4%
Liabilities:							
Current liabilities	4,108,162	6,254,238	5,983,383	(2,146,076)	-34.3%	270,855	4.5%
Noncurrent liabilities	42,910,048	43,868,837	45,310,245	(958,789)	-2.2%	(1,441,408)	-3.2%
Total Liabilities	47,018,210	50,123,075	51,293,628	(3,104,865)	-6.2%	(1,170,553)	-2.3%
Deferred inflows	1,180,189	1,791,868	657,815	(611,679)	-34.1%	1,134,053	172.4%
Net Position:							
Net investment in capital assets	139,827,693	135,455,049	130,072,044	4,372,644	3.2%	5,383,005	4.1%
Restricted for debt service	850,404	849,786	3,933,765	618	0.1%	(3,083,979)	-78.4%
Unrestricted	10,562,781	6,727,819	6,240,707	3,834,962	57.0%	487,112	7.8%
Total Net Position	\$ 151,240,878	\$ 143,032,654	\$ 140,246,516	\$ 8,208,224	5.7%	\$ 2,786,138	2.0%

As noted earlier, net position may serve over time as a useful indicator of a district's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$151.2 million, \$143.0 million and \$140.2 million as of June 30, 2017, 2016 and 2015, respectively.

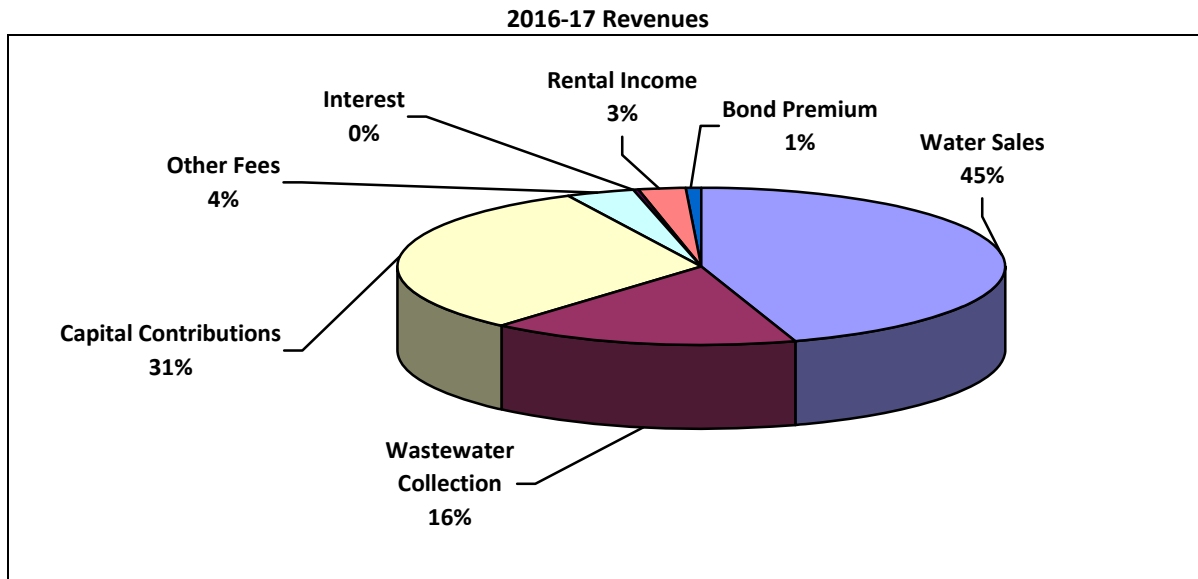
One of the largest portions of the District's net position (92.5%, 94.7% and 92.7% as of June 30, 2017, 2016 and 2015, respectively) reflects the District's net investment in capital assets. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2017, 2016 and 2015, the District showed a positive balance in its unrestricted net position of \$10.6 million, \$6.7 million and \$6.2 million, respectively.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2017 and 2016

Revenue and Expenses

The District finances its water sales and wastewater collection operations through user fees, and other income. Total revenue for fiscal year 2017 was \$21.1 million, up \$4.5 million or 27.2% from prior year. Total revenue for fiscal year 2016 was \$16.6 million, up \$1.5 million or 9.9% from 2015. Capital contributions increased \$3.7 million or 124.9% in the current year and increased \$1.1 million or 63.0% in the prior year primarily due to capacity and connection fees.



Revenues

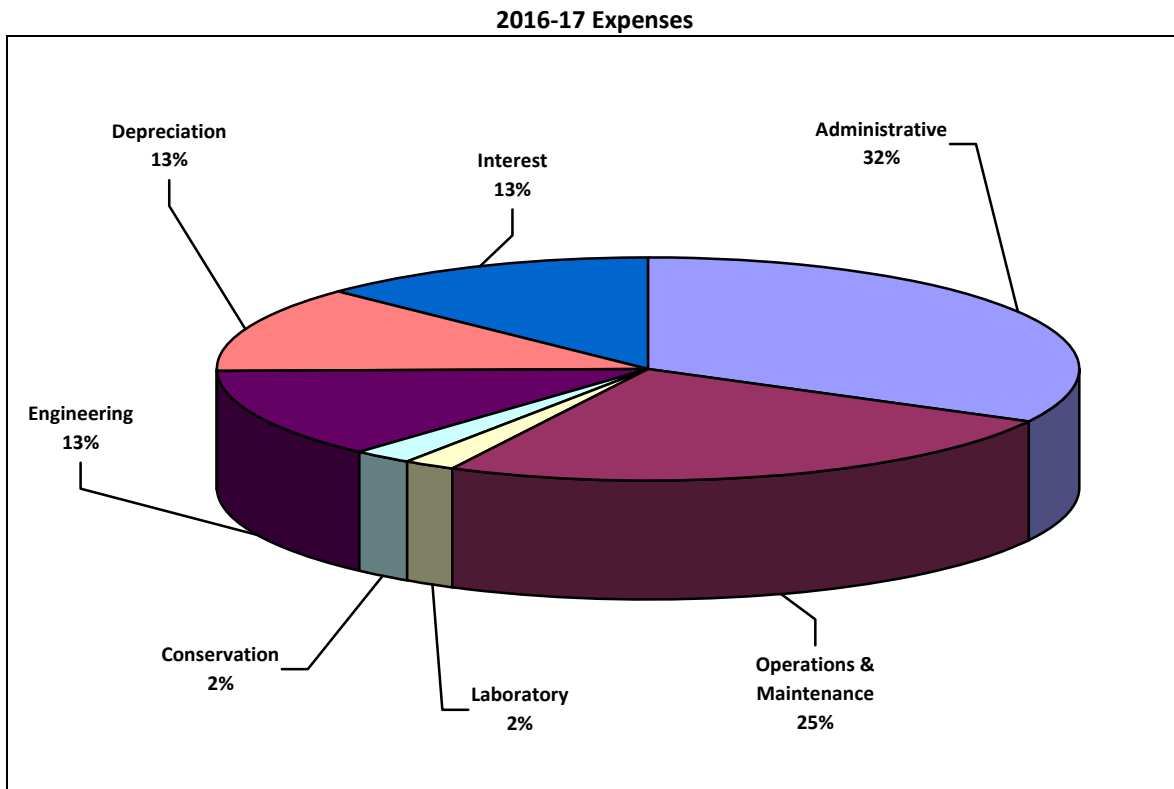
	June 30			Change between		Change between	
	2017	2016	2015	2017 and 2016		2016 and 2015	
<u>Operating Revenues:</u>							
Water sales	\$ 9,486,324	\$ 8,620,556	\$ 9,581,388	\$ 865,768	10.0%	\$ (960,832)	-10.0%
Wastewater collection	3,450,138	3,116,103	2,800,880	334,035	10.7%	315,223	11.3%
Other services & fees	748,872	363,606	480,094	385,266	106.0%	(116,488)	-24.3%
Total Operating Revenues	13,685,334	12,100,265	12,862,362	1,585,069	13.1%	(762,097)	-5.9%
<u>Nonoperating Revenues:</u>							
Rental income	566,651	764,986	179,438	(198,335)	-25.9%	585,548	326.3%
Interest earned	64,008	618,904	192,909	(554,896)	-89.7%	425,995	220.8%
Investment gain	4	-	-	4	100.0%	-	0.0%
Bond premium	147,629	150,060	47,658	(2,431)	-1.6%	102,402	214.9%
Total Nonoperating Revenues	778,292	1,533,950	420,005	(755,658)	-49.3%	1,113,945	265.2%
<u>Capital Contributions:</u>							
	6,630,732	2,948,012	1,808,824	3,682,720	124.9%	1,139,188	63.0%
Total Revenues	\$ 21,094,358	\$ 16,582,227	\$ 15,091,191	\$ 4,512,131	27.2%	\$ 1,491,036	9.9%

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2017 and 2016

Revenue and Expenses (continued)

Total expenses for fiscal year 2017 were \$12.9 million, down \$0.9 million or 6.6% from prior year. Interest expense decreased \$1.4 million or 46.5% due to the refinance the 2006 Certificates in prior year.

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



MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2017 and 2016

Revenue and Expenses (concluded)

	Expenses			Change between 2017 and 2016		Change between 2016 and 2015		
	2017	June 30 2016	2015					
Operating Expenses:								
Administrative	\$ 4,220,398	\$ 3,118,186	\$ 2,979,535	\$ 1,102,212	35.3%	\$ 138,651	4.7%	
Operations and maintenance	3,173,240	3,140,765	3,036,913	32,475	1.0%	103,852	3.4%	
Laboratory	256,607	238,256	245,496	18,351	7.7%	(7,240)	-2.9%	
Conservation	304,338	376,383	319,617	(72,045)	-19.1%	56,766	17.8%	
Engineering	1,656,803	1,494,965	1,280,311	161,838	10.8%	214,654	16.8%	
Depreciation and amortization	1,615,194	1,579,973	1,596,605	35,221	2.2%	(16,632)	-1.0%	
Total Operating Expenses	<u>11,226,580</u>	<u>9,948,528</u>	<u>9,458,477</u>	<u>1,278,052</u>	12.8%	<u>490,051</u>	5.2%	
Nonoperating Expenses:								
Interest expense	1,659,554	3,104,135	2,042,001	(1,444,581)	-46.5%	1,062,134	52.0%	
Investment loss	-	474,892	-	(474,892)	-100.0%	474,892	100.0%	
Bond issuance costs	-	268,534	-	(268,534)	-100.0%	268,534	100.0%	
Total Nonoperating Expenses	<u>1,659,554</u>	<u>3,847,561</u>	<u>2,042,001</u>	<u>(2,188,007)</u>	-56.9%	<u>1,805,560</u>	88.4%	
Total Expenses	<u>\$ 12,886,134</u>	<u>\$ 13,796,089</u>	<u>\$ 11,500,478</u>	<u>\$ (909,955)</u>	-6.6%	<u>\$ 2,295,611</u>	20.0%	

The Statement of Revenues, Expenses and Changes in Net Position on page 12 show how the District's net position changed during the fiscal year. Net position increased by \$8.2 million, \$2.8 million and \$3.6 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

Changes in Net Position

	June 30			Change between 2017 and 2016		Change between 2016 and 2015	
	2017	2016	2015				
Beginning Net Position, as restated	\$ 143,032,654	\$ 140,246,516	\$ 136,655,803	\$ 2,786,138	2.0%	\$ 3,590,713	2.6%
Income before contributions	1,577,492	(161,874)	1,781,889	1,739,366	-1074.5%	(1,943,763)	-109.1%
Capital contributions	6,630,732	2,948,012	1,808,824	3,682,720	124.9%	1,139,188	63.0%
Change in net position	<u>8,208,224</u>	<u>2,786,138</u>	<u>3,590,713</u>	<u>5,422,086</u>	194.6%	<u>(804,575)</u>	-22.4%
Ending Net Position	<u>\$ 151,240,878</u>	<u>\$ 143,032,654</u>	<u>\$ 140,246,516</u>	<u>\$ 8,208,224</u>	5.7%	<u>\$ 2,786,138</u>	2.0%

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2017 and 2016

Capital Assets

At the end of fiscal years 2017, 2016 and 2015, the District's capital assets amounted to \$178.4 million, \$175.9 million and \$169.3 million, respectively, (net of accumulated depreciation). Capital assets includes land, water/wastewater rights, easements, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles and construction-in-progress.

Changes in capital assets were as follows:

	Capital Assets			Change between 2017 and 2016		Change between 2016 and 2015	
	2017	June 30 2016	2015				
<u>Capital Assets:</u>							
Non-depreciable assets	\$ 147,830,200	\$ 144,005,474	\$ 141,240,218	\$ 3,824,726	2.7%	\$ 2,765,256	2.0%
Depreciable assets	71,829,202	71,533,092	66,120,439	296,110	0.4%	5,412,653	8.2%
Less accumulated depreciation	<u>(41,231,903)</u>	<u>(39,635,384)</u>	<u>(38,066,849)</u>	<u>(1,596,519)</u>	4.0%	<u>(1,568,535)</u>	4.1%
Total Capital Assets, Net	<u>\$ 178,427,499</u>	<u>\$ 175,903,182</u>	<u>\$ 169,293,808</u>	<u>\$ 2,524,317</u>	1.4%	<u>\$ 6,609,374</u>	3.9%

Additional information on the District's capital assets is provided in Note 4 on page 27 of the financial statements.

Debt Administration

As of June 30, 2017, the District had \$39.3 million in outstanding debt compared to \$40.9 million as of June 30, 2016 and \$42.0 million as of June 30, 2015. Revenue certificates of participation in the amount of \$42.3 million were issued in August 2006 to fund costs associated with several major capital improvement projects and were also used to refund the District's existing outstanding debt obligations. These bonds were refinanced with the issue of the 2015 revenue bonds as an advanced refunding and were called on June 1, 2016. The District bought land in 2009 and 2010, securing both purchases with a promissory note. In 2010 subordinate enterprise revenue refunding bonds in the amount of \$8.5 million were issued to refinance the promissory note associated with the Armstrong Ranch land purchase. The District has covenanted that it will fix, prescribe and collect rates, fees and charges for use of the District's water system during each fiscal year which is at least sufficient to yield in each fiscal year net revenues equal to 125% of the debt service for such fiscal year. The 2010 subordinate enterprise revenue refunding bonds were assigned an "A+" long-term rating at the time of issue and the 2015 revenue refunding bonds were assigned a rating of "AA-". In January 2017, the District converted the \$2.8 million BLM construction loan into an Installment Purchase Agreement with a 20-year fixed rate.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2017 and 2016

Debt Administration (concluded)

Changes in long-term debt amounts were as follows:

	Outstanding Debt at Year End							
	June 30							
	2017	2016	2015	Change between 2017 and 2016	Change between 2016 and 2015			
<u>Long-Term Debt:</u>								
Bonds payable	\$ 32,340,000	\$ 34,030,000	\$ 40,115,000	\$ (1,690,000)	-5.0%	\$ (6,085,000)	-15.2%	
Loans payable	2,799,880	2,776,000	-	23,880	0.9%	2,776,000	100.0%	
Compensated absences	402,531	349,436	284,242	53,095	15.2%	65,194	22.9%	
OPEB liability	1,044,423	883,924	733,300	160,499	18.2%	150,624	20.5%	
Unamortized premiums, net	2,760,405	2,908,034	825,994	(147,629)	-5.1%	2,082,040	252.1%	
Total Long-Term Debt	<u>\$ 39,347,239</u>	<u>\$ 40,947,394</u>	<u>\$ 41,958,536</u>	<u>\$ (1,600,155)</u>	-3.9%	<u>\$ (1,011,142)</u>	-2.4%	

Additional information on the District's long-term debt is provided in Note 6 on pages 29-33 of the financial statements.

Economic Factors and Next Year's Budget and Rates

The Board of Directors adopted the District's 2017-2018 Marina and Ord Community budgets and rates on June 5, 2017. The approval of the budget provides funding for the District's operating, capital and debt service costs for the 2017-2018 fiscal year. The District's water and wastewater rates are reviewed by staff on an annual basis.

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS



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MARINA COAST WATER DISTRICT
Statements of Net Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and investments	\$ 5,441,967	\$ 3,041,635
Accounts receivable, net	1,935,454	1,308,453
Interest receivable	17,324	10,168
Other receivable	405,055	553,850
Inventories	137,284	109,000
Deposits	3,612	3,612
Prepaid items	82,446	54,938
Total current assets	8,023,142	5,081,656
Noncurrent assets:		
Restricted cash and investments	12,381,748	13,371,324
Capital assets, net	178,427,499	175,903,182
Total noncurrent assets	190,809,247	189,274,506
TOTAL ASSETS	198,832,389	194,356,162
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	606,888	591,435
TOTAL DEFERRED OUTFLOWS OF RESOURCES	606,888	591,435
LIABILITIES		
Current liabilities:		
Accounts payable	787,245	1,686,910
Accrued expenses	95,064	338,825
Interest payable	195,434	129,104
Line of credit	-	654,400
Customer deposits payable	1,159,499	1,720,077
Current portion of long-term debt	1,861,722	1,714,393
Other current liabilities	9,198	10,529
Total current liabilities	4,108,162	6,254,238
Noncurrent liabilities:		
Long-term debt	36,441,094	38,349,077
Net OPEB obligation	1,044,423	883,924
Aggregate net pension liability	2,424,531	1,635,836
Other noncurrent liability	3,000,000	3,000,000
Total noncurrent liabilities	42,910,048	43,868,837
TOTAL LIABILITIES	47,018,210	50,123,075
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	480,668	1,057,371
Deferred gains on refunding debt	699,521	734,497
TOTAL DEFERRED INFLOWS OF RESOURCES	1,180,189	1,791,868
NET POSITION		
Net investment in capital assets	139,827,693	135,455,049
Restricted for debt service	850,404	849,786
Unrestricted	10,562,781	6,727,819
TOTAL NET POSITION	\$ 151,240,878	\$ 143,032,654

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

MARINA COAST WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For The Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:		
Water services	\$ 9,486,324	\$ 8,620,556
Wastewater services	3,450,138	3,116,103
Other services and fees	<u>748,872</u>	<u>363,606</u>
Total operating revenues	<u>13,685,334</u>	<u>12,100,265</u>
OPERATING EXPENSES:		
Administrative	4,220,398	3,118,186
Operations and maintenance	3,173,240	3,140,765
Laboratory	256,607	238,256
Conservation	304,338	376,383
Engineering	1,656,803	1,494,965
Depreciation and amortization	<u>1,615,194</u>	<u>1,579,973</u>
Total operating expenses	<u>11,226,580</u>	<u>9,948,528</u>
Operating income	<u>2,458,754</u>	<u>2,151,737</u>
NONOPERATING REVENUES (EXPENSES):		
Rental income	566,651	764,986
Interest earned	64,008	618,904
Interest expense	(1,659,554)	(3,104,135)
Investment gain (loss)	4	(474,892)
Bond premium (discount)	147,629	150,060
Bond issuance costs	-	(268,534)
Total nonoperating revenue (expenses)	<u>(881,262)</u>	<u>(2,313,611)</u>
Income (loss) before capital contributions	1,577,492	(161,874)
CAPITAL CONTRIBUTIONS:		
Grants	555,104	-
Capacity and connection fees	5,503,637	2,270,405
Developer contributions	<u>571,991</u>	<u>677,607</u>
Total capital contributions	<u>6,630,732</u>	<u>2,948,012</u>
Increase in net position	8,208,224	2,786,138
Net position, beginning of year	143,032,654	140,246,516
Net position, end of year	<u>\$ 151,240,878</u>	<u>\$ 143,032,654</u>

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

MARINA COAST WATER DISTRICT
Statements of Cash Flows
For The Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 13,207,128	\$ 11,554,960
Payments to employees	(5,284,086)	(4,446,448)
Payments to suppliers	(5,713,270)	(1,381,163)
Net cash provided by operating activities	2,209,772	5,727,349
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(4,139,511)	(8,192,009)
Proceeds from grants	555,104	-
Developer contributions, capacity and connection receipts	6,075,628	2,948,012
Proceeds from capital debt	-	37,386,973
Principal paid on capital debt	(2,320,519)	(40,037,452)
Bond fees paid on capital debt	-	(268,534)
Interest paid on capital debt	(1,593,224)	(3,139,649)
Net cash (used in) capital and related financing activities	(1,422,522)	(11,302,658)
INVESTING ACTIVITIES:		
Purchase of investment securities	-	(36,694,892)
Proceeds from sales and maturities of investment securities	4	36,220,000
Rental income	566,651	764,986
Interest earnings	56,851	626,802
Net cash provided by investing activities	623,506	916,896
Net increase (decrease) in cash and cash equivalents	1,410,756	(4,658,413)
Cash and cash equivalents, beginning of year	16,412,959	21,071,372
Cash and cash equivalents, end of year	\$ 17,823,715	\$ 16,412,959
RECONCILIATION TO STATEMENTS OF NET POSITION:		
Cash and investments	\$ 5,441,967	\$ 3,041,635
Restricted cash and investments	12,381,748	13,371,324
Total cash and cash equivalents	\$ 17,823,715	\$ 16,412,959
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 2,458,754	\$ 2,151,737
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,615,194	1,579,973
(Increase) decrease in accounts receivable	(478,206)	(545,305)
(Increase) decrease in inventories	(28,284)	14,048
(Increase) decrease in prepaid items	(27,508)	88,996
(Increase) decrease in deferred outflows of resources	(15,453)	(364,315)
Increase (decrease) in customer deposits	(560,578)	817,153
Increase (decrease) in accounts payable	(899,664)	908,670
Increase (decrease) in accrued expenses	(243,761)	140,740
Increase (decrease) in other current liabilities	(1,331)	(3,918)
Increase (decrease) in compensated absences	53,095	65,194
Increase (decrease) in net pension liability	788,695	(259,511)
Increase (decrease) in deferred inflows related to pension	(576,703)	399,556
Increase (decrease) in deferred gains on refunding debt, net	(34,976)	734,497
Increase (decrease) in other noncurrent liabilities	160,498	(166)
Total adjustments	(248,982)	3,575,612
Net cash provided by operating activities	\$ 2,209,772	\$ 5,727,349

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



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MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

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

Note 1 - Summary of Significant Accounting Policies

Note 2 - Cash and Investments

Note 3 - Receivables

Note 4 - Capital Assets

Note 5 - Line of Credit

Note 6 - Long-Term Debt

Note 7 - Operating Leases

Note 8 - Defined Benefit Pension Plan

Note 9 - Post Employment Benefits

Note 10 - Risk Management

Note 11 - Commitments and Contingencies

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Presentation

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

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

The District presents the following funds in the accompanying Supplementary Information:

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

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

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

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

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (concluded)

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

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

C. Measurement Focus and Basis of Accounting

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

D. Statement of Net Position

Net Position consists of the following components:

- **Net Investment in Capital Assets** – This component consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the deferred inflows of resources and the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same component as the unspent proceeds.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies (continued)

D. Statement of Net Position (concluded)

Net investment in capital assets as of June 30, 2017 and 2016 are as follows:

	2017	2016
Capital assets, net	\$ 178,427,499	\$ 175,903,182
2006 construction funds available	-	398
2010 Revenue Bonds	(3,438,913)	(4,235,217)
2015 Series A Bonds	(31,661,492)	(32,702,817)
BLM installment loan	(2,799,880)	(2,776,000)
Deferred gains on refunding debt	(699,521)	(734,497)
Net investment in capital assets	\$ 139,827,693	\$ 135,455,049

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

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

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

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

F. Budget

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies (continued)

G. Cash, Cash Equivalents, and Investments

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

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

U.S. GAAP defines fair values, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded fair value in the Statement of Net Position, are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Levels of inputs are as follows:

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

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

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

H. Accounts Receivable

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

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies (continued)

I. Inventories

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

J. Restricted Assets

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

K. Bond Premiums

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

L. Capital Assets

The District's capital assets are stated at historical cost or estimated historical cost when original cost was not available, net of accumulated depreciation. Contributed assets are recorded at their acquisition value at the date of donation. The District's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$5,000.

Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets which range from 30 to 60 years for the plant and pipelines, and 5 to 10 years for other equipment.

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

M. Compensated Absences

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

N. Rebate Arbitrage

Rebate arbitrage earnings related to the 2015 Series A revenue refunding bonds are being recorded as a liability. As of June 30, 2017 and 2016, the District's liability was estimated at \$0 for both years.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies (continued)

O. Deficit Fund Balances

At June 30, 2017 and 2016, the New Water fund had a deficit fund balance of \$(6,280,843) and \$(6,415,054), respectively, which will be eliminated through future revenues collected from ratepayers of the regional water project.

P. Interfund Transactions

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

Q. Property Taxes

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

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

The property tax calendar is as follows:

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

R. Use of Estimates

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies (continued)

S. Pension

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

The following timeframes are used for pension reporting:

- Valuation Date: June 30, 2015
- Measurement Date: June 30, 2016
- Measurement Period: July 1, 2015 to June 30, 2016

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

T. Implementation of New GASB Pronouncements

GASB has issued Statement No. 77, Tax Abatement Disclosure. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. 2) The gross dollar amount of taxes abated during the period 3) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. This statement became effective for periods beginning after June 15, 2016 and did not have a significant impact on the District's financial statements for the years ended June 30, 2017 and 2016.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies (continued)

T. Implementation of New GASB Pronouncements (continued)

GASB has issued Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement became effective for periods beginning after June 15, 2016 and did not have a significant impact on the District's financial statements for the years ended June 30, 2017 and 2016.

GASB has issued Statement No. 80, Blending Requirements for Certain Component Units. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. This statement became effective for periods beginning after June 15, 2016, and should be applied retroactively. This statement did not have a significant impact on the District's financial statements for the years ended June 30, 2017 and 2016.

GASB has issued Statement No. 82, Pension Issues. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies (concluded)

T. Implementation of New GASB Pronouncements (concluded)

This statement became effective for periods beginning after June 15, 2016, and should be applied retroactively. This statement did not have a significant impact on the District’s financial statements for the years ended June 30, 2017 and 2016.

Note 2 - Cash and Investments

Cash and investments as of June 30, 2017 and 2016 are classified in the accompanying financial statements as follows:

	2017	2016
Statement of Net Position:		
Cash and investments	\$ 5,441,967	\$ 3,041,635
Restricted cash and investments	12,381,748	13,371,324
Total cash and investments	\$ 17,823,715	\$ 16,412,959

Cash and investments as of June 30, 2017 and 2016 consisted of the following:

	2017	2016
Cash on hand	\$ 1,150	\$ 1,150
Deposits with financial institutions	866,170	5,558,570
Investments	16,956,395	10,853,239
Total cash and investments	\$ 17,823,715	\$ 16,412,959

Investments Authorized by the District’s Investment Policy

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

Fair Value Measurements

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 2 - Cash and Investments (continued)

The following is a summary of the fair value hierarchy for the investments of the District as of June 30, 2017. The District does not value any of its investments using level 3 inputs.

	Quoted Prices Level 1	Observable Inputs Level 2	Total
Held by Fiscal Agent:			
UnionBank	\$ 850,495	\$ -	\$ 850,495
Total Investments	<u>\$ 850,495</u>	<u>\$ -</u>	<u>\$ 850,495</u>

The fair value hierarchy for the investments of the District as of June 30, 2016 is as follows:

	Quoted Prices Level 1	Observable Inputs Level 2	Total
Certificates of Deposit	\$ 264,901	\$ -	\$ 264,901
Held by Fiscal Agent:			
UnionBank	849,928	-	849,928
Total Investments	<u>\$ 1,114,829</u>	<u>\$ -</u>	<u>\$ 1,114,829</u>

Disclosures Relating to Interest Rate Risk

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

	Fair Value		Maturity
	2017	2016	
Statement Investment Pool (LAIF)	\$ 7,522,622	\$ 7,473,950	N/A - due on demand
Money Market Fund	8,583,278	2,264,460	N/A - due on demand
Debt Reserve Fund (T-Fund Money Market)	850,495	849,928	36 months to maturity
Certificate of Deposits	-	264,901	6 months to maturity
Total	<u>\$ 16,956,395</u>	<u>\$ 10,853,239</u>	

GIC – Guaranteed Investment Contract

LAIF – Local Agency Investment Fund

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 2 - Cash and Investments (continued)

Disclosures Relating to Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 2 - Cash and Investments (continued)

Collateral and Categorization Requirements

On June 30, 2017, the District's carrying amount of demand deposits was \$866,170, and the bank account balance was \$1,190,463. The difference of \$324,293 represented outstanding checks and deposits in transit. Of the total deposit balance, \$250,000 was insured by federal depository insurance and \$940,463 was collateralized 110% in accordance with California Government Code requirements by securities held by the pledging financial institution in the District's name.

On June 30, 2016, the District's carrying amount of demand deposits was \$5,558,570, and the bank account balance was \$5,619,206. The difference of \$60,636 represented outstanding checks and deposits in transit. Of the total deposit balance, \$250,000 was insured by federal depository insurance and \$5,369,206 was collateralized 110% in accordance with California Government Code requirements by securities held by the pledging financial institution in the District's name.

Investment in State Investment Pool

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

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

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

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

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 2 - Cash and Investments (concluded)

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

As of June 30, 2017 and 2016, the District had \$7,522,622 and \$7,473,950, respectively invested in LAIF, which had invested 2.89% and 2.81%, respectively, of the pooled investment funds in short-term and medium-term structured notes and asset-backed securities. The fair value of the District's position in the pool is the same as the value of the pool shares.

Note 3 – Receivables

At June 30, 2017 and 2016, accounts receivable consisted of utility customer receivables of \$2,064,365 and \$1,437,539, respectively. The allowance for uncollectible accounts related to utility customers was \$128,911 and \$129,086, respectively.

Other receivable balance, net of allowance for doubtful accounts, currently outstanding at June 30, 2017 and 2016 was \$405,055 and \$553,850, respectively. Other receivables include balances from agreements with local developers, lease payments, and miscellaneous reimbursements.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 4 - Capital Assets

Changes in capital assets for the fiscal year ended June 30, 2017, is as follows:

	Balance July 1, 2016	Additions	Deletions	Transfers/ Reclassifications	Balance at June 30, 2017
<u>Non-depreciable assets:</u>					
Land	\$ 9,582,134	\$ -	\$ -	\$ -	\$ 9,582,134
Property easement	24,900,000	-	-	-	24,900,000
Water/sewer rights	75,129,410	-	-	-	75,129,410
Construction in progress (1)	34,393,930	4,027,104		(202,378)	38,218,656
Total non-depreciable assets	<u>144,005,474</u>	<u>4,027,104</u>	<u>-</u>	<u>(202,378)</u>	<u>147,830,200</u>
<u>Depreciable assets:</u>					
Land improvements	190,092	-	-		190,092
Buildings and improvements	8,437,153	19,467	-	17,271	8,473,891
Equipment	3,438,923	92,940	(18,675)	(17,271)	3,495,917
Infrastructure	59,466,924	-	-	202,378	59,669,302
Total depreciable assets	<u>71,533,092</u>	<u>112,407</u>	<u>(18,675)</u>	<u>202,378</u>	<u>71,829,202</u>
<u>Less accumulated depreciation:</u>					
Land improvements	(41,359)	(9,714)	-	-	(51,073)
Buildings and improvements	(1,335,618)	(221,775)	-	-	(1,557,393)
Equipment	(2,722,059)	(120,028)	18,675	-	(2,823,412)
Infrastructure	(35,536,348)	(1,263,677)	-	-	(36,800,025)
Total accumulated depreciation	<u>(39,635,384)</u>	<u>(1,615,194)</u>	<u>18,675</u>	<u>-</u>	<u>(41,231,903)</u>
Depreciable assets, net	<u>31,897,708</u>	<u>(1,502,787)</u>	<u>-</u>	<u>202,378</u>	<u>30,597,299</u>
Total capital assets, net	<u>\$ 175,903,182</u>	<u>\$ 2,524,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,427,499</u>

(1) Construction in progress includes capitalized interest in the amount of \$2,610,678 for the year ended June 30, 2017.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 4 - Capital Assets (concluded)

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

	Balance July 1, 2015	Additions	Deletions	Transfers/ Reclassifications	Balance at June 30, 2016
<u>Non-depreciable assets:</u>					
Land	\$ 9,582,134	\$ -	\$ -	\$ -	\$ 9,582,134
Property easement	24,900,000	-	-	-	24,900,000
Water/sewer rights	75,129,410	-	-	-	75,129,410
Construction in progress (1)	31,628,674	7,773,880	(240)	(5,008,384)	34,393,930
Total non-depreciable assets	<u>141,240,218</u>	<u>7,773,880</u>	<u>(240)</u>	<u>(5,008,384)</u>	<u>144,005,474</u>
<u>Depreciable assets:</u>					
Land improvements	38,121	-	-	151,971	190,092
Buildings and improvements	4,425,522	-	-	4,011,631	8,437,153
Equipment	3,034,654	418,129	(13,860)	-	3,438,923
Infrastructure	58,622,142	-	-	844,782	59,466,924
Total depreciable assets	<u>66,120,439</u>	<u>418,129</u>	<u>(13,860)</u>	<u>5,008,384</u>	<u>71,533,092</u>
<u>Less accumulated depreciation:</u>					
Land improvements	(38,121)	(3,238)	-	-	(41,359)
Buildings and improvements	(1,173,724)	(161,894)	-	-	(1,335,618)
Equipment	(2,579,011)	(154,486)	11,438	-	(2,722,059)
Infrastructure	(34,275,993)	(1,260,355)	-	-	(35,536,348)
Total accumulated depreciation	<u>(38,066,849)</u>	<u>(1,579,973)</u>	<u>11,438</u>	<u>-</u>	<u>(39,635,384)</u>
Depreciable assets, net	<u>28,053,590</u>	<u>(1,161,844)</u>	<u>(2,422)</u>	<u>5,008,384</u>	<u>31,897,708</u>
Total capital assets, net	<u>\$ 169,293,808</u>	<u>\$ 6,612,036</u>	<u>\$ (2,662)</u>	<u>\$ -</u>	<u>\$ 175,903,182</u>

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

Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The depreciation expense for the years ended June 30, 2017 and 2016 totaled \$1,615,194 and \$1,579,973, respectively.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 5 – Line of Credit

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

Note 6 - Long-Term Debt

Changes in long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2010 Revenue Bonds	\$ 4,190,000	\$ -	\$ (785,000)	\$ 3,405,000	\$ 820,000
plus unamortized premiums	45,217	-	(11,304)	33,913	-
Net 2010 Revenue Bonds	<u>4,235,217</u>	<u>-</u>	<u>(796,304)</u>	<u>3,438,913</u>	<u>820,000</u>
2015 Series A Bonds	29,840,000	-	(905,000)	28,935,000	930,000
plus unamortized premiums	2,862,817	-	(136,325)	2,726,492	-
Net 2015 Series A Bonds	<u>32,702,817</u>	<u>-</u>	<u>(1,041,325)</u>	<u>31,661,492</u>	<u>930,000</u>
BLM construction loan	2,776,000	-	(2,776,000)	-	-
BLM installment loan	-	2,799,880	-	2,799,880	77,493
Compensated absences	349,436	382,801	(329,706)	402,531	34,229
Net OPEB obligation	883,924	160,499	-	1,044,423	-
Totals	<u>\$ 40,947,394</u>	<u>\$ 3,343,180</u>	<u>\$ (4,943,335)</u>	<u>\$ 39,347,239</u>	<u>\$ 1,861,722</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 6 - Long-Term Debt (continued)

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2006 Certificates of Participation	\$ 35,170,000	\$ -	\$ (35,170,000)	\$ -	\$ -
plus unamortized premiums	769,473	-	(769,473)	-	-
Net 2006 Certificates of Participation	35,939,473	-	(35,939,473)	-	-
2010 Revenue Bonds	4,945,000	-	(755,000)	4,190,000	785,000
plus unamortized premiums	56,521	-	(11,304)	45,217	-
Net 2010 Revenue Bonds	5,001,521	-	(766,304)	4,235,217	785,000
2015 Series A Bonds	-	29,840,000	-	29,840,000	905,000
plus unamortized premiums	-	2,999,142	(136,325)	2,862,817	-
Net 2015 Series A Bonds	-	32,839,142	(136,325)	32,702,817	905,000
2015 Series B Bonds	-	1,115,000	(1,115,000)	-	-
plus unamortized premiums	-	2,431	(2,431)	-	-
Net 2015 Series B Bonds	-	1,117,431	(1,117,431)	-	-
BLM construction loan	-	2,776,000	-	2,776,000	-
Compensated absences	284,242	361,880	(296,686)	349,436	24,393
Net OPEB obligation	733,300	150,624	-	883,924	-
Totals	<u>\$ 41,958,536</u>	<u>\$ 37,245,077</u>	<u>\$ (38,256,219)</u>	<u>\$ 40,947,394</u>	<u>\$ 1,714,393</u>

A. BLM Installment Loan

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

Construction costs were funded by a one-year construction loan in the amount of \$2,776,000 convertible to a 10-year term loan upon occupancy by BLM. At building completion, the interest rate would be based on 10-year LIBOR SWAP index + 2.5% amortized over 25 years with no prepayment penalty and an automatic six-month extension option. The automatic term extension was exercised in August 2016 due to the District not receiving final notice of completion and final certificate of occupancy from the City of Marina by the original term date of the loans which was required by Rabobank. On July 20, 2016, staff received notification that Rabobank would not be able to term out the construction loan via an interest rate swap loan due to changes in Bank policy shortly after the District's loan was consummated. Further, Rabobank would not be able to exclude a prepayment penalty clause in the terms of the converted loan.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 6 - Long-Term Debt (continued)

A. BLM Installment Loan (concluded)

These changes in funding instruments and loan terms required approval by the Board due to the break in terms of the previously approved funding facility. On September 19, 2016, the Board adopted Resolution No. 2016-58 amending the funding terms of the construction loan conversion, but directed the General Manager to also look into other financing options and authorized him to enter into other funding agreements at his discretion. Holman Capital proposed an Installment Purchase Agreement (Agreement): a 20-year fixed rate loan secured by net revenues of the District in which the loan would be paid off at the end of the loan term. The Agreement financed the conversion of the construction loan of \$2,776,000, the Rabobank exit fee of \$13,880 and the documentation and legal fee for Holman Capital of \$10,000 for a total of \$2,799,880. The interest rate is a fixed all in rate of 5.75% which is a taxable interest rate due to the private activity use of leasing the building. Commercial loan rates were at 5.00% - 7.00% for loans above \$250,000+ at time of offer. In addition, there is no prepayment penalty which gives the District the ability to refinance the loan if rates were to decrease. Holman Capital also does not require the Final Notice of Occupancy in order to convert the construction loan. Upon review of the proposed Agreement from Holman Capital by the District's Bond Counsel, General Counsel and Financial Advisor, staff determined that the Agreement was a prudent option for the District for the conversion of the Rabobank construction loan and executed the Agreement on January 20, 2017. As of June 30, 2017, the outstanding balance was \$2,799,880.

Future payments are as follows:

Year Ending June 30,	BLM Installment Loan		
	Principal	Interest	Total
2018	\$ 77,493	\$ 159,895	\$ 237,388
2019	82,013	155,375	237,388
2020	86,797	150,591	237,388
2021	91,859	145,529	237,388
2022	97,217	140,171	237,388
2023-2027	578,051	608,890	1,186,941
2028-2032	767,476	419,465	1,186,941
2033-2037	1,018,974	167,967	1,186,941
	<u>\$ 2,799,880</u>	<u>\$ 1,947,882</u>	<u>\$ 4,747,762</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 6 - Long-Term Debt (continued)

B. 2010 Revenue Bonds

On December 16, 2010, the District issued refunding revenue bonds in the amount of \$8,495,000 due in semi-annual installments on December 1 and June 1 through 2020 at a weighted average interest rate of 4.340% per annum. The proceeds from the bond issue were used to refinance the Armstrong Ranch Promissory Note. The 2010 bonds are payable solely from, and secured by, the revenues received from the operation of the District's water and wastewater systems. The outstanding balance at June 30, 2017 and 2016 was \$3,405,000 and \$4,190,000, respectively.

Future payments are as follows:

Year Ending June 30,	2010 Subordinate Enterprise Revenue Refunding Bonds		
	Principal	Interest	Total
2018	\$ 820,000	\$ 170,250	\$ 990,250
2019	850,000	129,250	979,250
2020	1,735,000	86,750	1,821,750
	\$ 3,405,000	\$ 386,250	\$ 3,791,250

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

C. 2015 Series A & B Revenue Bonds

On June 30, 2015, the District issued 2015 Senior Lien Enterprise Revenue Refunding Bonds, Tax-Exempt Series A in the amount of \$29,840,000 and Federally Taxable Series B in the amount of \$1,115,000 (the "Bonds"). The Bonds were issued to refinance the District's outstanding 2006 Certificates of Participation (COPs) which were issued for the purpose of financing improvements to the District's water and wastewater systems and to refinance prior obligations. The Bonds, which closed on July 15, 2015, were an advance refunding of the 2006 COPs as the COPs were not callable until June 1, 2016. An escrow account, funded with treasury securities, was set up and used to pay the 2006 COPs. A portion of the 2006 COPs were utilized to refinance prior obligations on an advance basis. As a result, the Taxable Series B were required to refund a portion of the 2006 COPs. The cash flows required to service the 2006 COP debt was \$52,402,343 and the cash flows required to service the 2015 Senior Lien Refunding Revenue Bonds was \$49,573,943 for an economic gain of \$2,829,400 with a net present value of \$2,644,483. The deferred gain as a result of the refunding debt amounted to \$734,497. The true interest cost, which includes all annualized costs, is 3.712% for the Series A Bonds and 1.544% for the Series B Bonds. The outstanding balance at June 30, 2017 and 2016 was \$28,935,000 and \$29,840,000, respectively.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 6 - Long-Term Debt (concluded)

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

Future payments are as follows:

Year Ending June 30,	2015 Series A Revenue Refunding Bonds		
	Principal	Interest	Total
2018	\$ 930,000	\$ 1,320,450	\$ 2,250,450
2019	960,000	1,292,550	2,252,550
2020	995,000	1,254,150	2,249,150
2021	1,035,000	1,214,350	2,249,350
2022	1,090,000	1,162,600	2,252,600
2023-2027	6,220,000	5,037,700	11,257,700
2028-2032	7,900,000	3,348,250	11,248,250
2033-2037	9,805,000	1,448,613	11,253,613
	<u>\$ 28,935,000</u>	<u>\$ 16,078,663</u>	<u>\$ 45,013,663</u>

E. Bond Premiums

Unamortized bond premiums are netted against the related debt and included in bonds payable. They are amortized annually to interest expense. Amortization expense for the years ended June 30, 2017 and 2016 was \$147,629 and \$150,060, respectively.

F. Compensated Absences

District employees accumulate earned, but unused, vacation and sick pay benefits which can be converted to cash at termination of employment. The compensated absences balance at June 30, 2017 and 2016 was \$402,531 and \$349,436, respectively.

Note 7 – Operating Leases

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 7 – Operating Leases (concluded)

Minimum lease payments under the obligations are as follows:

<u>Year ending June 30,</u>		
2018	\$	10,312
2019		10,312
2020		10,312
2021		<u>9,229</u>
Total	\$	<u>40,165</u>

The District’s total operating lease expense for the years ended June 30, 2017 and 2016 was \$25,679 and \$25,025, respectively.

Note 8 - Defined Benefit Pension Plan

A. General Information

Plan Description

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

Benefits Provided

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 8 - Defined Benefit Pension Plan (continued)

A. General Information (continued)

The Plan's provisions and benefits in effect at June 30, 2017 are summarized as follows:

	Miscellaneous	
	Prior to July 1, 2015	On or After July 1, 2015
Hire Date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63+	52-67+
Monthly benefits, as a % of eligible compensation	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	7.612%	6.555%

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

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

Contributions

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 8 - Defined Benefit Pension Plan (continued)

A. General Information (concluded)

For the years ended June 30, 2017 and 2016, the contributions for the Plan were as follows:

Classic Miscellaneous Plan	<u>2017</u>	<u>2016</u>
Contributions - employer	\$ 221,001	\$ 206,402
Contributions - employee (paid by employer)	<u>203,217</u>	<u>201,358</u>
Total	<u>\$ 424,218</u>	<u>\$ 407,760</u>
PEPRA Miscellaneous Plan		
Contributions - employer	\$ 21,477	\$ 10,561
Contributions - employee	<u>20,484</u>	<u>10,599</u>
Total	<u>\$ 41,961</u>	<u>\$ 21,160</u>

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

As of June 30, 2017 and 2016, the District reported net pension liabilities of \$2,424,531 and \$1,635,836, respectively, for its proportionate shares of the net pension liability of the Plan.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan at June 30, 2017 is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 8 - Defined Benefit Pension Plan (continued)

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

For the year ended June 30, 2017, the District recognized pension expense of \$196,539 and reported deferred outflows of resources and deferred inflows of resources from the following sources:

Miscellaneous Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 7,632	\$ -
Contributions made after Measurement Date	242,478	-
Changes of Assumptions	-	(93,668)
ER Contributions in excess/(under) proportionated contributions	-	(158,055)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	356,778	-
Adjustment due to Differences in Proportions	-	(228,945)
Total	\$ 606,888	\$ (480,668)

Contributions subsequent to the measurement date, in the amount of \$242,478, will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2017	\$ (222,145)
2018	(173,740)
2019	153,356
2020	126,271
2021	-
Thereafter	-

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 8 - Defined Benefit Pension Plan (continued)

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

For the year ended June 30, 2016, the District recognized pension expense of \$228,245 for the Classic Miscellaneous Plan and reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Classic Miscellaneous Plan		
Differences between Expected and Actual Experience	\$ 14,629	\$ -
Contributions made after Measurement Date	216,963	-
Changes of Assumptions	-	(138,401)
ER Contributions in excess/(under) proportionated contributions	5,093	(47,314)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	354,750	(509,540)
Adjustment due to Differences in Proportions	-	(362,116)
Total	\$ 591,435	\$(1,057,371)

Contributions subsequent to the measurement date, in the amount of \$216,963, will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2016	\$ (271,814)
2017	(270,670)
2018	(229,104)
2019	88,689
2020	-
Thereafter	-

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 8 - Defined Benefit Pension Plan (continued)

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial accounting valuation. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

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

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

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 8 - Defined Benefit Pension Plan (continued)

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

Discount Rate

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

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

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

In 2016, CalPERS approved its plan to lower the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent to 7.00 percent, over the next three years commencing on for the fiscal year ending June 30, 2017. This will increase the District's employer contribution costs and net pension liabilities beginning in fiscal year 2018-19.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 8 - Defined Benefit Pension Plan (continued)

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

The table below reflects the long-term expected real rate of return by asset class for 2017. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

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

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

The table below reflects the long-term expected real rate of return by asset class for 2016. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

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

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

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 8 - Defined Benefit Pension Plan (continued)

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

The changes in the net pension liability for 2017 are as follows:

Miscellaneous Risk Pool	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at: June 30, 2015 (Valuation Date)	<u>\$ 11,876,280</u>	<u>\$ 10,240,444</u>	<u>\$ 1,635,836</u>
Changes Recognized for the Measurement Period:			
Service Cost	279,601	-	279,601
Interest on the Total Pension Liability	843,695	-	843,695
Changes of Benefit Terms	875	-	875
Changes of Assumptions	(145,706)	-	(145,706)
Differences between Expected and Actual Experience	12,292	-	12,292
Plan to Plan Resource Movement	-	19,472	(19,472)
Contributions from the Employer	-	332,300	(332,300)
Contributions from Employees	-	131,305	(131,305)
Net Investment Income	-	190,669	(190,669)
Benefit Payments, including Refunds of Employee Contributions	(102,343)	(102,343)	-
Administrative Expenses	-	(5,512)	5,512
Recognized difference in proportion	-	(466,172)	466,172
Net Changes	<u>\$ 888,414</u>	<u>\$ 99,719</u>	<u>\$ 788,695</u>
Balance at: June 30, 2016 (Measurement Date)	<u>\$ 12,764,694</u>	<u>\$ 10,340,163</u>	<u>\$ 2,424,531</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 8 - Defined Benefit Pension Plan (continued)

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

The changes in the net pension liability for 2016 are as follows:

Miscellaneous Risk Pool	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at: June 30, 2014 (Valuation Date)	<u>\$ 11,167,983</u>	<u>\$ 9,272,636</u>	<u>\$ 1,895,347</u>
Changes Recognized for the Measurement Period:			
Service Cost	260,136	-	260,136
Interest on the Total Pension Liability	758,530	-	758,530
Changes of Benefit Terms	377	-	377
Changes of Assumptions	(187,830)	-	(187,830)
Differences between Expected and Actual Experience	19,853	-	19,853
Plan to Plan Resource Movement	-	50,788	(50,788)
Contributions from the Employer	-	292,457	(292,457)
Contributions from Employees	-	119,584	(119,584)
Net Investment Income	-	186,684	(186,684)
Benefit Payments, including Refunds of Employee Contributions	(142,769)	(142,769)	-
Administrative Expenses	-	(9,489)	9,489
Recognized difference in proportion	-	470,553	(470,553)
Net Changes	<u>\$ 708,297</u>	<u>\$ 967,808</u>	<u>\$ (259,511)</u>
Balance at: June 30, 2015 (Measurement Date)	<u>\$ 11,876,280</u>	<u>\$ 10,240,444</u>	<u>\$ 1,635,836</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 8 - Defined Benefit Pension Plan (concluded)

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

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

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

Miscellaneous Plan 2017

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability/ (Asset)	\$ 4,143,056	\$ 2,424,531	\$ 1,004,255

Miscellaneous Plan 2016

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability/ (Asset)	\$ 2,743,412	\$ 1,635,836	\$ 721,404

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plan

At June 30, 2017 and 2016, the District reported a payable of \$0 and \$17,610, respectively, for the outstanding amount of contributions to the pension plan required for year end.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 9 – Other Post-Employment Benefits (OPEB)

A. Plan Description

The District provides post-employment benefits to eligible employees in the form of partial reimbursement for post-employment health insurance premiums. Eligibility requirements include a minimum of 20 years employment with the District and minimum retirement age of 55 years. For eligible employees, the District will pay 50% of the retired employee's health insurance premiums. The obligation of the District to provide these benefits is determined by agreements with various employee bargaining groups. The District's contributions are financed on a pay-as-you-go basis. For fiscal years ended June 30, 2017 and 2016, the District paid \$20,020 and \$16,877, respectively, in post-employment benefits for four retired employees who were eligible for benefits during the year.

B. Funding Status and Funding Progress

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

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

C. Funding Policy

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

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

D. Annual Cost

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

Projections of benefits for financial reporting purposes are based on the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of any plan assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. A closed amortization period of 30 years was established as of July 1, 2010. The remaining amortization period at June 30, 2017 was 23 years.

The annual OPEB cost and the net OPEB obligation at June 30, 2017 and 2016 was as follows:

	2017	2016
Annual required contribution	\$ 186,440	\$ 171,043
Interest on net OPEB obligation	39,777	32,999
Adjustment to annual required contribution	<u>(45,699)</u>	<u>(36,541)</u>
Annual OPEB cost (expense)	180,518	167,501
Contributions made	<u>(20,020)</u>	<u>(16,877)</u>
Increase in net OPEB obligation	160,498	150,624
Net OPEB obligation - beginning of year	883,924	733,300
Net OPEB obligation - end of year	<u><u>\$ 1,044,422</u></u>	<u><u>\$ 883,924</u></u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

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

D. Annual Cost (concluded)

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

Year Ending June 30,	Annual OPEB Cost	Actual Contributions (pay-as-you-go)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 156,213	\$ 15,472	10%	\$ 733,300
2016	167,501	16,877	10%	883,924
2017	186,440	20,020	11%	1,044,422

E. Schedule of Funding Progress

Below is the schedule of funding progress related to the most recent actuarial study:

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 10 - Risk Management

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

The District has a self-insured retention (similar to a deductible) of \$500 for automobile insurance and \$1,000 for property insurance. There is no retention for general liability insurance. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, and employee health and accident insurance. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Note 11 - Commitments and Contingencies

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

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

Regional Desalination Project

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 11 - Commitments and Contingencies (continued)

On April 5, 2010, Ag Land Trust (“ALT”) filed a Petition of Writ of Mandate and Complaint for Declaratory Relief against the District in the Monterey Superior Court. In February 2012, the Superior Court found that the District violated the California Environmental Quality Act (“CEQA”) and ordered the District to set aside its approval of a land purchase agreement and its project agreements with MCWRA and CAW, and to prepare a new Environmental Impact Report. In March 2012, ALT dismissed its remaining declaratory relief causes of action, and in April 2012, judgment was entered in favor of ALT on the CEQA claims. The District timely appealed the judgment to the Sixth Appellate District Court of Appeal. In February 2013, the superior court entered an order granting ALT an award of attorneys’ fees in the amount of \$1.285 million. The District timely appealed the attorneys’ fees order to the Sixth Appellate District Court of Appeal in a separate appeal. On August 26, 2013, the Sixth Appellate District issued an opinion declaring the case to be moot, reversing the superior court’s judgment in favor of ALT, and ordering the superior court to dismiss the case. On October 4, 2013, ALT filed a petition for review in the California Supreme Court challenging the Sixth Appellate District’s decision, and on October 22, 2013, the District filed an answer to the petition for review. On November 13, 2013, the California Supreme Court denied the petition for review. On November 18, 2013, the Sixth Appellate District issued the remittitur, rendering the reversal of the judgment against the District final. On March 7, 2014, the superior court entered its order dismissing the Petition for Writ of Mandate as Moot. On November 17, 2014, the Sixth Appellate District reversed the superior court’s order awarding attorney’s fees but remanded the matter to allow the superior court to determine whether ALT was entitled to an award of attorney’s fees under a different legal theory. In the superior court, the District timely moved to disqualify the trial judge whose attorney’s fees order had been reversed, but the trial judge denied the motion. On March 13, 2015, the District filed in the Sixth Appellate District a petition for a writ of mandate compelling the superior court to grant the disqualification motion. On June 18, 2015, the superior court stayed proceedings on remand from the attorney’s fees appeal until resolution of the petition for a writ of mandate. On September 28, 2015, the Sixth Appellate District filed an order denying the petition for a writ of mandate. On October 8, 2015, the District filed in the California Supreme Court a petition for review of the Sixth Appellate District’s order denying the petition for a writ of mandate, but that petition was also summarily denied. Thereafter, the issue of ALT’s entitlement to attorney fees under a catalyst theory was litigated before the trial judge and on July 14, 2016, the court entered an order granting ALT’s request for such fees and reinstated its earlier fee award. On July 29, 2016, the District filed a notice of appeal from that order, and the appeal is now pending before the Court of Appeal for the Sixth Appellate District. The appeal has now been fully briefed by the parties, but no oral argument has yet taken place and no date has yet been set for oral argument. The District has not recognized a recovery amount, if any, in the accompanying financial statements related to the litigation until the appeals process has been exhausted and a final court decision has been made.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 11 - Commitments and Contingencies (continued)

On September 18, 2012, CAW presented a claim to the District related to project costs pursuant to the California Government Claims Act, Government Code Section 810. On October 4, 2012, CAW filed an action against the District and MCWRA seeking a declaratory judgment, but no damages, concerning the validity of the RDP Agreements and the lawfulness of MCWRA's repudiation of the RDP Agreements. The District has filed a cross-complaint for declaratory relief, but no damages, against CAW and MCWRA. The trial court entered a judgment during April, 2015 following trial finding that certain of the RDP Agreements, including the Water Purchase Agreement were subject to the Validating Acts, but still could be rendered invalid due to the application of the four year statute of limitations which is concerned with contractual conflicts of interest violations. That Judgment was timely appealed by the District and the Court of Appeal affirmed the court's decision. The District filed a Petition for Review before the California Supreme Court which had not ruled on whether it would grant the Petition. A lawsuit seeking damages due to the failure of the Regional Desalinization Project has been filed by the District against CAW and MCWRA and those entities have brought suit seeking damages against the District on the same subject matter. On June 1, 2015, the Superior Court entered judgment and the District appealed to the First Appellate District Court of Appeal, Case No. A145604. On August 26, 2015, the Court of Appeal granted the District's motion for calendar preference and expedited treatment. After full briefing and oral argument, the Court of Appeal rendered its decision in Case No. A145604 on August 18, 2016, affirming the judgment of the Superior Court. The District petitioned to the California Supreme Court for review of the Court of Appeal decision, but on November 9, 2016, in Case No. S237534, the Supreme Court denied the petition for review. Separately, the District also appealed the Superior Court's post-judgment orders awarding costs and fees to Cal-Am and MCWRA as prevailing parties, First District Court of Appeal Case Nos. A146166 and A146405. Those appeals were fully briefed and the Court of Appeal thereafter held oral argument on December 6, 2017. No decision has yet been issued. Cal-Am and MCWRA have each presented written breach of contract and tort claims for damages against the District, and the District has presented a breach of contract and tort claim for damages against MCWRA. The District has also made a written demand on its breach of contract and tort claims against Cal-Am. In San Francisco Superior Court Case No. CGC-15-546632, Cal-Am and MCWRA filed a complaint for damages against the District seeking recovery and damages related to the termination of the RDP. In San Francisco Superior Court Case No. CGC-15-547125, the District filed a complaint for damages against Cal-Am and MCWRA seeking recovery and damages related to the termination of the RDP. As the result of the Superior Court's demurrer rulings, the following causes of action remain pending: MCWD's cause of action against Cal-Am for promissory estoppel; Cal-Am and Monterey's tort causes of action against MCWD for negligence, negligent interference and intentional interference; and Cal-Am's contract or related causes of action against MCWD for breach, accounting, money lent and unjust enrichment. It is our understanding that the District intends to vigorously prosecute its position in the damages actions. The District is vigorously defending all claims and judgments against it, and is actively pursuing its position against all other parties.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 11 - Commitments and Contingencies (continued)

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

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

Total assets	\$ 17,804,075
Total liabilities	<u>(15,350,816)</u>
Total net position	<u><u>\$ 2,453,259</u></u>

Marina Coast Water District v. California State Lands Commission, et al.

MCWD originally filed this action in Santa Cruz County Superior Court on January 15, 2015. MCWD's Petition for Writ of Mandate and Complaint challenges the State Land Commission's approvals made subsequent to the Coastal Commission's original approval of the CDPs for the slant test well. MCWD alleges that the State Lands Commission violated CEQA by improperly relying on the same inadequate environmental review documents that the Coastal Commission used as the basis for its approval. After MCWD filed its Petition, the parties stipulated that this case would be briefed after the trial court issued its decision on the merits in MCWD v CCC I, which was addressed in our letter to you last year. Following the trial court's decision in MCWD v CCC I, the parties stipulated to stay this case until MCWD's appeal in MCWD v CCC I was decided. Following the appellate court decision in MCWD v CCC I, the case remained stayed while the parties discussed a settlement where each side would bear tis own costs. The case has remained stayed and MCWD is currently evaluating whether to settle the case or proceed with the case in light of recent developments. MCWD has not vigorously prosecuted this case to date and has discussed settlement with the State Lands Commission and California American Water Company in light of the fact that several issues in the case have become moot. The State Lands Commission, however, recently approved an extension to the permit at issue in this case. MCWD is currently evaluating whether to pursue the case in light of recent development or settle this case. Given the trial court's decision in MCWD v CCC I and MCWD v. CCC II (below), there reasonable possibility of an unfavorable outcome if this matter proceeds to trial. However, the State Lands Commission's recent actions provide MCWD with several strong arguments that the State Land Commission abused its discretion in approving the test well and the recent amendments. Therefore, while MCWD's arguments are strong, the outcome in this case is uncertain. MCWD is not seeking monetary relief in this litigation nor has the State Lands Commission or Cal-Am filed any counterclaims against MCWD seeking monetary relief.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 11 - Commitments and Contingencies (concluded)

Marina Coast Water District v. California Coastal Commission, et al.

MCWD originally filed this action in Monterey County Superior Court on November 5, 2015. Marina Coast Water District's Petition for Writ of Mandate and Complaint in this matter challenges the Coastal Commission's approval of amendments to two CDPs for Real Party in Interest Cal-Am's slant test well project in the City of Marina for violation of CEQA and California Coastal Act. After MCWD filed its Petition, the trial court stayed half of the claims in this matter pending the appellate court's decision in MCWD v. CCC I. A hearing on the merits of the claims that were not stayed was held before the Santa Cruz County Superior Court on September 20, 2016. After the hearing, the court issued an interlocutory order against MCWD. The Court issued a ruling denying the remainder of MCWD's claims on November 14, 2017. MCWD has vigorously prosecuted this case against the Coastal Commission and California American Water. MCWD is currently evaluating whether to appeal the trial court's judgement.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)



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**MARINA COAST WATER DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2017 and 2016**

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

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
Proportion of the net pension liability	0.02802%	0.02383%	0.03046%
Proportionate share of the net pension liability	\$ 2,424,531	\$ 1,635,836	\$ 1,895,347
Covered - employee payroll	\$ 3,046,005	\$ 2,722,805	\$ 2,714,872
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	79.60%	60.08%	69.81%
Plan fiduciary net position as a percentage of the total pension liability	84.43%	88.48%	83.03%

* Fiscal year 2014 was the 1st year of implementation, therefore only three years are shown.

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

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
Actuarially Determined Contribution	\$ 242,478	\$ 216,963	\$ 227,120	\$ 228,140
Contributions in Relation to the Actuarially Determined Contribution	<u>(242,478)</u>	<u>(216,963)</u>	<u>(227,120)</u>	<u>(228,140)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 3,230,862	\$ 3,046,005	\$ 2,722,805	\$ 2,714,872
Contributions as a Percentage of Covered-Employee Payroll	7.51%	7.12%	8.34%	8.40%

** Fiscal year 2014 was the 1st year of implementation, therefore only four years are shown.

MARINA COAST WATER DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2017 and 2016

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

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

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

SUPPLEMENTARY INFORMATION



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MARINA COAST WATER DISTRICT
Schedule of Net Position
Proprietary Funds
June 30, 2017

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Interfund Eliminations	Total
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 2,181,039	\$ 1,515,182	\$ 1,190,967	\$ 554,779	\$ -	\$ -	\$ -	\$ 5,441,967
Accounts receivable, net	245,278	51,186	1,326,082	312,908	-	-	-	1,935,454
Interest receivable	5,347	3,300	6,617	2,060	-	-	-	17,324
Due from other funds	10,000,000	-	-	7,350,791	-	-	(17,350,791)	-
Other receivable	10,243	1,842	12,840	180,631	199,499	-	-	405,055
Inventories	41,641	2,670	88,014	4,959	-	-	-	137,284
Deposits	3,612	-	-	-	-	-	-	3,612
Prepaid items	19,711	5,216	45,792	11,727	-	-	-	82,446
Total current assets	12,506,871	1,579,396	2,670,312	8,417,855	199,499	-	(17,350,791)	8,023,142
Noncurrent assets:								
Restricted cash and investments	2,700,557	213,972	8,735,069	732,137	13	-	-	12,381,748
Capital assets, net	11,793,786	5,610,512	102,963,100	34,152,109	6,103,917	17,804,075	-	178,427,499
Total noncurrent assets	14,494,343	5,824,484	111,698,169	34,884,246	6,103,930	17,804,075	-	190,809,247
TOTAL ASSETS	27,001,214	7,403,880	114,368,481	43,302,101	6,303,429	17,804,075	(17,350,791)	198,832,389
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows related to pensions	168,248	44,753	323,179	70,708	-	-	-	606,888
TOTAL DEFERRED OUTFLOWS OF RESOURCES	168,248	44,753	323,179	70,708	-	-	-	606,888

continued

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Interfund Eliminations	Total
LIABILITIES								
Current liabilities:								
Accounts payable	105,428	10,078	368,599	89,809	108,742	104,589	-	787,245
Accrued expenses	55,004	-	40,060	-	-	-	-	95,064
Interest payable	32,714	12,334	95,516	29,561	25,309	-	-	195,434
Due to other funds	-	-	-	-	5,104,564	12,246,227	(17,350,791)	-
Customer deposits payable	104,260	-	455,521	599,718	-	-	-	1,159,499
Current portion of long-term debt	334,609	120,680	913,661	278,872	213,900	-	-	1,861,722
Other current liability	9,198	-	-	-	-	-	-	9,198
Total current liabilities	641,213	143,092	1,873,357	997,960	5,452,515	12,350,816	(17,350,791)	4,108,162
Noncurrent liabilities:								
Long-term debt	4,052,539	1,986,512	17,626,947	5,706,853	7,068,243	-	-	36,441,094
Net OPEB obligation	307,205	99,349	497,432	140,437	-	-	-	1,044,423
Net pension liability	684,644	188,670	1,271,339	279,878	-	-	-	2,424,531
Other noncurrent liability	-	-	-	-	-	3,000,000	-	3,000,000
Total noncurrent liabilities	5,044,388	2,274,531	19,395,718	6,127,168	7,068,243	3,000,000	-	42,910,048
TOTAL LIABILITIES	5,685,601	2,417,623	21,269,075	7,125,128	12,520,758	15,350,816	(17,350,791)	47,018,210
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows related to pensions	148,704	40,224	246,404	45,336	-	-	-	480,668
Deferred gains on refunding debt	66,599	36,570	382,574	150,264	63,514	-	-	699,521
TOTAL DEFERRED INFLOWS OF RESOURCES	215,303	76,794	628,978	195,600	63,514	-	-	1,180,189
NET POSITION								
Net investment in capital assets	7,447,406	3,491,764	84,263,614	28,062,575	(1,241,740)	17,804,075	-	139,827,693
Restricted for debt service	238,113	68,032	425,202	119,057	-	-	-	850,404
Unrestricted (Deficit)	13,583,039	1,394,420	8,104,791	7,870,449	(5,039,103)	(15,350,816)	-	10,562,781
TOTAL NET POSITION	\$ 21,268,558	\$ 4,954,216	\$ 92,793,607	\$ 36,052,081	\$ (6,280,843)	\$ 2,453,259	\$ -	\$ 151,240,878

concluded

MARINA COAST WATER DISTRICT
Schedule of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For The Year Ended June 30, 2017

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Total
OPERATING REVENUES:							
Water services	\$ 3,538,575	\$ -	\$ 5,947,749	\$ -	\$ -	\$ -	\$ 9,486,324
Wastewater services	-	1,120,935	-	2,329,203	-	-	3,450,138
Other services and fees	77,350	5,730	640,723	25,069	-	-	748,872
Total operating revenues	3,615,925	1,126,665	6,588,472	2,354,272	-	-	13,685,334
OPERATING EXPENSES:							
Administrative	1,015,794	235,916	2,406,756	561,932	-	-	4,220,398
Operations and maintenance	762,580	320,012	1,410,130	680,518	-	-	3,173,240
Laboratory	80,869	-	175,738	-	-	-	256,607
Conservation	125,614	-	178,724	-	-	-	304,338
Engineering	292,181	65,437	1,065,298	233,887	-	-	1,656,803
Depreciation and amortization	346,242	189,346	730,555	203,026	146,025	-	1,615,194
Total operating expenses	2,623,280	810,711	5,967,201	1,679,363	146,025	-	11,226,580
Operating income (loss)	992,645	315,954	621,271	674,909	(146,025)	-	2,458,754
NONOPERATING REVENUES (EXPENSES):							
Rental income	158,662	45,332	283,326	79,331	-	-	566,651
Interest earned	20,832	11,061	24,693	7,393	29	-	64,008
Interest expense	(202,062)	(93,370)	(801,247)	(256,623)	(306,252)	-	(1,659,554)
Investment gain	1	-	2	1	-	-	4
Bond premium	14,071	7,721	71,087	23,395	31,355	-	147,629
Total nonoperating revenue (expenses)	(8,496)	(29,256)	(422,139)	(146,503)	(274,868)	-	(881,262)
Income (loss) before capital contributions	984,149	286,698	199,132	528,406	(420,893)	-	1,577,492
CAPITAL CONTRIBUTIONS:							
Grants	-	-	-	-	555,104	-	555,104
Capacity and connection fees	4,526	2,333	4,175,275	1,321,503	-	-	5,503,637
Developer contributions	-	-	448,935	123,056	-	-	571,991
Total capital contributions	4,526	2,333	4,624,210	1,444,559	555,104	-	6,630,732
Increase in net position	988,675	289,031	4,823,342	1,972,965	134,211	-	8,208,224
Net position, beginning of year	20,279,883	4,665,185	87,970,265	34,079,116	(6,415,054)	2,453,259	143,032,654
Net position, end of year	\$ 21,268,558	\$ 4,954,216	\$ 92,793,607	\$ 36,052,081	\$ (6,280,843)	\$ 2,453,259	\$ 151,240,878

MARINA COAST WATER DISTRICT
Schedule of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2017

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Total
OPERATING ACTIVITIES:							
Receipts from customers and users	\$ 3,741,007	\$ 1,162,162	\$ 6,299,624	\$ 2,203,834	\$ (199,499)	\$ -	\$ 13,207,128
Payments to employees	(1,352,042)	(473,104)	(2,603,361)	(855,579)	-	-	(5,284,086)
Payments to suppliers	(1,417,601)	(231,402)	(2,860,563)	(1,294,847)	105,566	(14,423)	(5,713,270)
Net cash provided by (used in) operating activities	<u>971,364</u>	<u>457,656</u>	<u>835,700</u>	<u>53,408</u>	<u>(93,933)</u>	<u>(14,423)</u>	<u>2,209,772</u>
NONCAPITAL FINANCING ACTIVITIES:							
Due from other funds	(345,000)	546,690	-	(685,194)	-	-	(483,504)
Due to other funds	-	-	(1,503,378)	-	642,345	1,344,537	483,504
Net cash provided by (used in) noncapital financing	<u>(345,000)</u>	<u>546,690</u>	<u>(1,503,378)</u>	<u>(685,194)</u>	<u>642,345</u>	<u>1,344,537</u>	<u>-</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	(122,932)	(709,960)	(825,736)	(562,136)	(588,633)	(1,330,114)	(4,139,511)
Proceeds from grants	-	-	-	-	555,104	-	555,104
Developer contributions, capacity and connection receipts	4,526	2,333	4,624,210	1,444,559	-	-	6,075,628
Principal paid on capital debt	(468,746)	(158,491)	(1,142,160)	(342,972)	(208,150)	-	(2,320,519)
Interest paid on capital debt	(183,037)	(87,995)	(768,037)	(247,383)	(306,772)	-	(1,593,224)
Net cash (used in) capital and related financing activities	<u>(770,189)</u>	<u>(954,113)</u>	<u>1,888,277</u>	<u>292,068</u>	<u>(548,451)</u>	<u>(1,330,114)</u>	<u>(1,422,522)</u>
INVESTING ACTIVITIES:							
Proceeds from sales and maturities of investment securities	1	-	2	1	-	-	4
Rental income	158,662	45,332	283,326	79,331	-	-	566,651
Interest earnings	18,623	9,698	21,959	6,542	29	-	56,851
Net cash provided by investing activities	<u>177,286</u>	<u>55,030</u>	<u>305,287</u>	<u>85,874</u>	<u>29</u>	<u>-</u>	<u>623,506</u>
Net increase (decrease) in cash and cash equivalents	<u>33,461</u>	<u>105,263</u>	<u>1,525,886</u>	<u>(253,844)</u>	<u>(10)</u>	<u>-</u>	<u>1,410,756</u>
Cash and cash equivalents, beginning of year	<u>4,848,135</u>	<u>1,623,891</u>	<u>8,400,150</u>	<u>1,540,760</u>	<u>23</u>	<u>-</u>	<u>16,412,959</u>
Cash and cash equivalents, end of year	<u>\$ 4,881,596</u>	<u>\$ 1,729,154</u>	<u>\$ 9,926,036</u>	<u>\$ 1,286,916</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 17,823,715</u>

continued

RECONCILIATION TO STATEMENT OF NET POSITION:

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Total
Cash and investments	\$ 2,181,039	\$ 1,515,182	\$ 1,190,967	\$ 554,779	\$ -	\$ -	\$ 5,441,967
Restricted cash and investments	2,700,557	213,972	8,735,069	732,137	13	-	12,381,748
Total cash and cash equivalents	\$ 4,881,596	\$ 1,729,154	\$ 9,926,036	\$ 1,286,916	\$ 13	\$ -	\$ 17,823,715

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

Operating income	\$ 992,645	\$ 315,954	\$ 621,271	\$ 674,909	\$ (146,025)	\$ -	\$ 2,458,754
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:							
Depreciation	346,242	189,346	730,555	203,026	146,025	-	1,615,194
(Increase) decrease in accounts receivable	125,082	35,497	(288,848)	(150,438)	(199,499)	-	(478,206)
(Increase) decrease in inventories	(8,556)	695	(21,231)	808	-	-	(28,284)
(Increase) decrease in prepaid items	(6,810)	(1,290)	(15,726)	(3,682)	-	-	(27,508)
(Increase) decrease in deferred outflow of resources	(4,019)	(1,081)	(8,344)	(2,009)	-	-	(15,453)
Increase (decrease) in customer deposits	6,015	(1,750)	(455,495)	(109,348)	-	-	(560,578)
Increase (decrease) in accounts payable	(333,468)	(93,893)	50,476	(617,098)	108,742	(14,423)	(899,664)
Increase (decrease) in accrued expenses	(240,107)	(14,409)	13,173	(2,418)	-	-	(243,761)
Increase (decrease) in other current liabilities	(1,331)	-	-	-	-	-	(1,331)
Increase (decrease) in compensated absences	3,015	508	36,813	12,759	-	-	53,095
Increase (decrease) in pension liability	205,061	55,209	425,895	102,530	-	-	788,695
Increase (decrease) in deferred inflows related to pension	(149,942)	(40,370)	(311,420)	(74,971)	-	-	(576,703)
Increase (decrease) in deferred gains on refunding debt, net	(3,330)	(1,828)	(19,129)	(7,513)	(3,176)	-	(34,976)
Increase (decrease) in other noncurrent liabilities	40,867	15,068	77,710	26,853	-	-	160,498
Total adjustments	(21,281)	141,702	214,429	(621,501)	52,092	(14,423)	(248,982)
Net cash provided by (used in) operating activities	\$ 971,364	\$ 457,656	\$ 835,700	\$ 53,408	\$ (93,933)	\$ (14,423)	\$ 2,209,772

Net cash provided by (used in) operating activities concluded



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**STATISTICAL
SECTION
(UNAUDITED)**

MARINA COAST WATER DISTRICT
Statistical Section

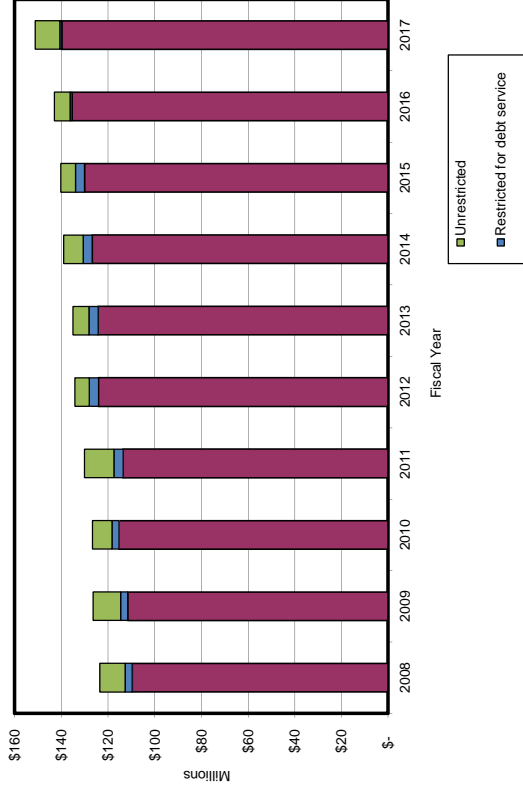
This part of the District’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the District’s overall financial health.

Contents

Financial Trends	60-62
These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	
Revenue Capacity	63-66
These schedules contain information to help the reader assess the District’s most significant revenue sources, water sales and wastewater collection.	
Debt Capacity	67-68
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	69-70
This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	
Operating Information	71-72
These schedules contains service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the service the District provides.	

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

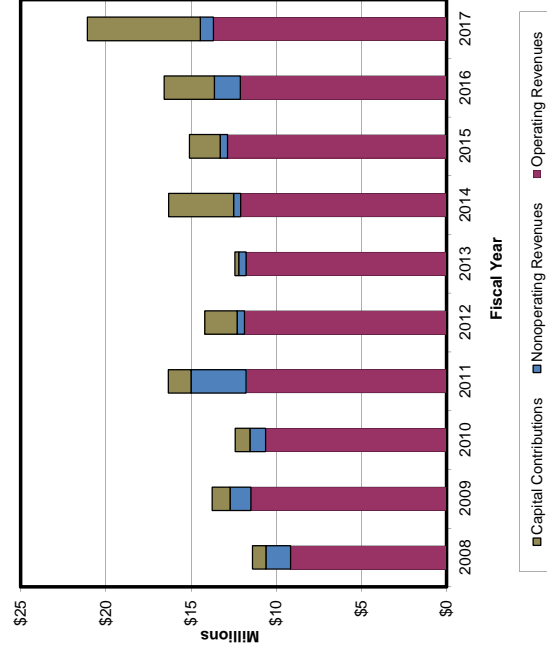
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Changes in net position:										
Operating revenues	\$ 9,150,611	\$ 11,485,437	\$ 10,614,482	\$ 11,774,989	\$ 11,858,010	\$ 11,768,732	\$ 12,086,128	\$ 12,862,362	\$ 12,100,265	\$ 13,685,334
Operating expenses	(9,443,488)	(9,382,017)	(10,261,792)	(10,895,356)	(9,332,976)	(9,379,761)	(9,407,367)	(9,458,477)	(9,948,528)	(11,226,580)
Operating income (loss)	(292,877)	2,103,420	352,690	879,633	2,525,034	2,388,971	2,678,761	3,403,885	2,151,737	2,458,754
Non-operating revenues (expenses)	109,478	(313,310)	(833,764)	1,120,230	(1,886,000)	(1,793,893)	(1,689,013)	(1,621,996)	(2,313,611)	(881,262)
Net income before capital contributions	(183,399)	1,790,110	(481,074)	1,999,863	639,034	595,078	989,748	1,781,889	(161,874)	1,577,492
Capital contributions	782,478	1,062,104	862,020	1,327,733	1,895,449	222,268	3,800,217	1,808,824	2,948,012	6,630,732
Changes in net position	599,079	2,852,214	380,946	3,327,596	2,534,483	817,346	4,789,965	3,590,713	2,786,138	8,208,224
Net position, beginning of year	122,898,736	123,497,815	126,350,029	126,730,975	130,058,571	134,213,783	135,031,129	138,994,781	140,246,516	143,032,654
Prior period adjustments	-	-	-	-	1,620,729	-	(826,313)	(2,338,978)	-	-
Net position, end of year	\$ 123,497,815	\$ 126,350,029	\$ 126,730,975	\$ 130,058,571	\$ 134,213,783	\$ 135,031,129	\$ 138,994,781	\$ 140,246,516	\$ 143,032,654	\$ 151,240,878
Net position by component:										
Net investment in capital assets	\$ 109,656,979	\$ 111,548,505	\$ 115,269,154	\$ 113,545,277	\$ 124,124,544	\$ 124,274,008	\$ 126,769,451	\$ 130,072,044	\$ 135,455,049	\$ 139,827,693
Restricted for debt service	3,084,281	3,084,250	3,084,250	3,933,757	3,933,752	3,933,549	3,933,764	3,933,765	849,786	850,404
Unrestricted	10,756,555	11,717,274	8,377,571	12,579,537	6,155,487	6,823,572	8,291,566	6,240,707	6,727,819	10,562,781
Total net position	\$ 123,497,815	\$ 126,350,029	\$ 126,730,975	\$ 130,058,571	\$ 134,213,783	\$ 135,031,129	\$ 138,994,781	\$ 140,246,516	\$ 143,032,654	\$ 151,240,878



Source: Marina Coast Water District, Audited Financial Statements

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

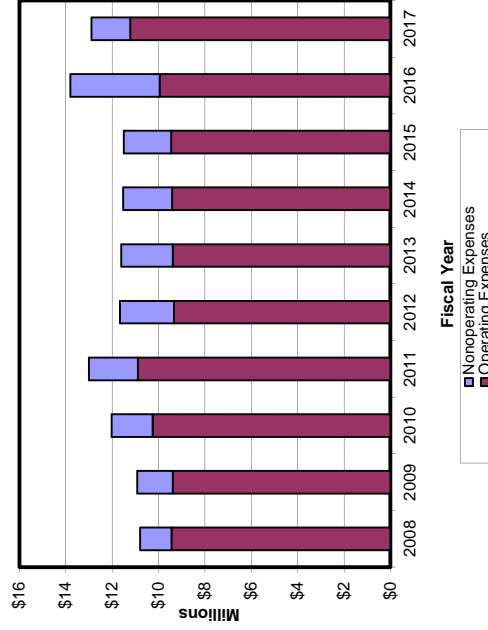
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating revenues:										
Water sales	\$ 6,686,916	\$ 7,344,555	\$ 7,501,854	\$ 8,750,650	\$ 9,051,906	\$ 8,839,268	\$ 9,106,401	\$ 9,581,388	\$ 8,620,556	\$ 9,486,324
Wastewater services	1,888,433	1,965,102	2,161,443	2,354,013	2,453,627	2,513,613	2,507,048	2,800,880	3,116,103	3,450,138
Other services and fees	575,262	2,175,780	951,185	670,326	352,477	415,851	472,679	480,094	363,606	748,872
Total operating revenues	9,150,611	11,485,437	10,614,482	11,774,989	11,858,010	11,768,732	12,086,128	12,862,362	12,100,265	13,685,334
Nonoperating revenues:										
Interest earned	1,417,375	1,185,594	613,936	273,267	233,276	208,531	197,277	192,909	618,904	64,008
Investment gain	-	-	-	-	-	-	-	-	-	4
Bond premium	36,353	36,353	36,353	41,724	47,939	47,657	47,658	47,658	150,060	147,629
Rental income	-	-	273,678	2,914,028	164,485	179,438	179,438	179,438	764,986	566,651
Total nonoperating revenues	1,453,728	1,221,947	923,967	3,229,019	445,700	435,626	424,373	420,005	1,533,950	778,292
Capital contributions:										
Grant revenue	361,068	47,568	33,243	783,326	1,185,312	11,680	-	-	-	555,104
Capacity and connection fees	421,410	1,014,536	828,777	544,407	640,191	210,588	3,197,978	1,129,206	2,270,405	5,503,637
Developer contributions	-	-	-	-	69,946	-	602,239	679,618	677,607	571,991
Total capital contributions	782,478	1,062,104	862,020	1,327,733	1,895,449	222,268	3,800,217	1,808,824	2,948,012	6,630,732
Total revenues	\$ 11,386,817	\$ 13,769,488	\$ 12,400,469	\$ 16,331,741	\$ 14,199,159	\$ 12,426,626	\$ 16,310,718	\$ 15,091,191	\$ 16,582,227	\$ 21,094,358



Source: Marina Coast Water District, Audited Financial Statements

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

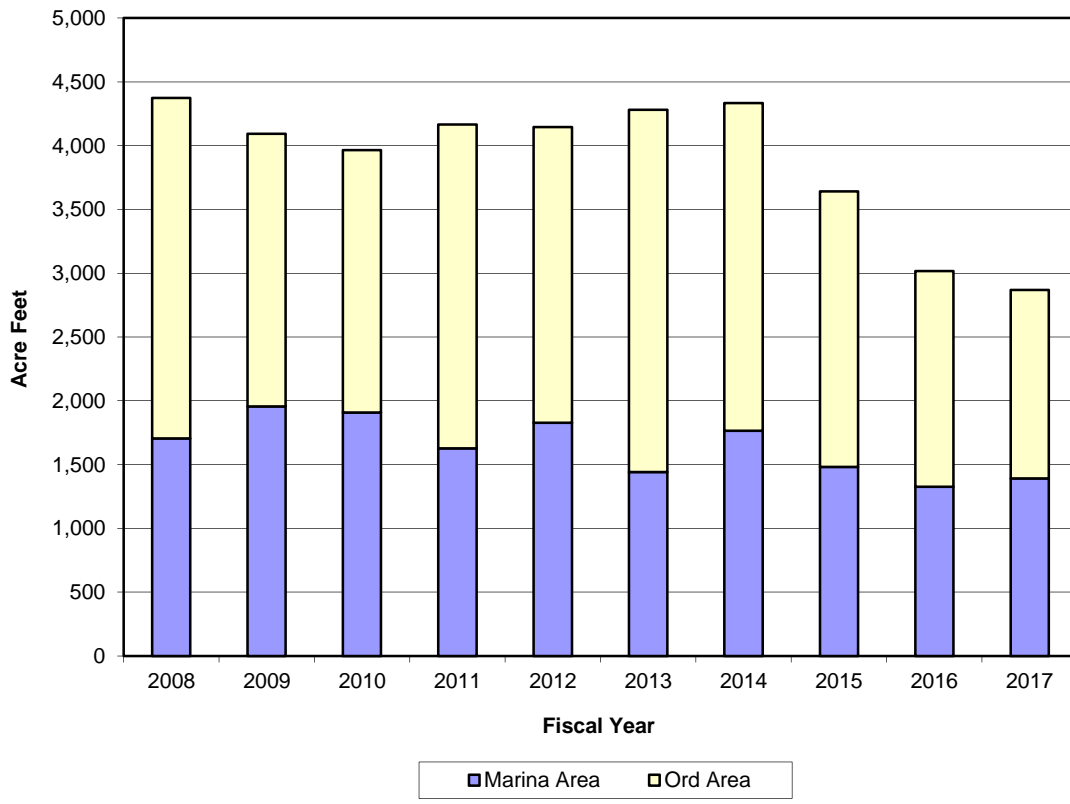
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating expenses:										
Administrative	\$ 2,274,611	\$ 2,129,232	\$ 2,129,012	\$ 2,682,047	\$ 2,181,146	\$ 2,919,025	\$ 2,868,768	\$ 2,979,535	\$ 3,118,186	\$ 4,220,398
Operations and maintenance	2,158,993	2,216,202	2,709,949	3,001,131	2,722,037	2,970,097	3,154,941	3,036,913	3,140,765	3,173,240
Laboratory	295,452	312,140	325,299	324,244	216,448	225,119	263,015	245,496	238,256	256,607
Conservation	255,024	264,490	297,283	318,589	214,378	219,964	241,849	319,617	376,383	304,338
Engineering	1,376,436	1,024,390	908,265	869,790	969,643	983,105	1,087,355	1,280,311	1,494,965	1,656,803
Depreciation	3,082,972	3,435,564	3,891,984	3,699,555	3,029,324	2,062,451	1,791,439	1,596,605	1,579,973	1,615,194
Total operating expenses	9,443,488	9,382,017	10,261,792	10,895,356	9,332,976	9,379,761	9,407,367	9,458,477	9,948,528	11,226,580
Nonoperating expenses										
Interest expense	1,314,153	1,505,137	1,727,610	2,069,622	2,281,489	2,180,345	2,113,386	2,042,001	3,104,135	1,659,554
Investment loss	-	-	-	-	-	-	-	-	474,892	-
Bond issuance costs	30,097	30,120	30,121	39,167	50,211	49,174	-	-	268,534	-
Total nonoperating expenses	1,344,250	1,535,257	1,757,731	2,108,789	2,331,700	2,229,519	2,113,386	2,042,001	3,847,561	1,659,554
Total expenses	\$ 10,787,738	\$ 10,917,274	\$ 12,019,523	\$ 13,004,145	\$ 11,664,676	\$ 11,609,280	\$ 11,520,753	\$ 11,500,478	\$ 13,796,089	\$ 12,886,134



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)
2008	1,705	2,669	4,374
2009	1,957	2,137	4,094
2010	1,908	2,058	3,966
2011	1,626	2,540	4,167
2012	1,827	2,318	4,145
2013	1,441	2,841	4,282
2014	1,764	2,570	4,334
2015	1,483	2,159	3,642
2016	1,327	1,691	3,018
2017	1,392	1,476	2,868



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												
	2017 1/1/2017	2017 7/1/2016	2016 1/1/2016	2016 7/1/2015	2015 1/1/2015	2015 7/1/2014	2014	2013	2012	2011	2010	2009	2008
0-8 hcf	\$ 2.70	\$ 2.62	\$ 2.62	\$ 2.55	\$ 2.55	\$ 2.47	\$ 2.29	\$ 2.29	\$ 2.18	\$ 2.08	\$ 1.93	\$ 1.79	\$ 1.70
9-16 hcf	3.10	3.01	3.01	2.92	2.92	2.83	2.79	2.79	2.66	2.53	2.35	2.18	2.39
16+ hcf	5.47	5.31	5.31	5.15	5.15	5.00	5.09	5.09	4.85	4.62	4.29	3.98	3.08
0-12 hcf													\$ 1.79
13+ hcf													2.80

Marina Service Area Water & Sewer Service Charges (monthly)

Meter Size	Fiscal Year												
	2017 1/1/2017	2017 7/1/2016	2016 1/1/2016	2016 7/1/2015	2015 1/1/2015	2015 7/1/2014	2014	2013	2012	2011	2010	2009	2008
5/8" - 3/4"	\$ 21.71	\$ 21.07	\$ 21.07	\$ 20.46	\$ 20.46	\$ 19.87	\$ 18.85	\$ 18.85	\$ 17.95	\$ 17.11	\$ 15.87	\$ 14.72	\$ 14.18
1"	35.02	34.00	34.00	33.01	33.01	32.05	47.09	47.09	44.85	42.75	39.66	36.79	35.44
1 1/2"	57.22	55.55	55.55	53.94	53.94	52.36	94.19	94.19	89.70	85.51	79.32	73.58	70.88
2"	83.85	81.41	81.41	79.04	79.04	76.73	150.68	150.68	143.50	136.80	126.90	117.72	113.40
3"	146.03	141.78	141.78	137.65	137.65	133.64	282.52	282.52	269.07	256.50	237.94	220.73	212.63
4"	234.77	227.93	227.93	221.30	221.30	214.85	470.87	470.87	448.45	427.50	396.57	367.88	354.38
6"	456.71	443.41	443.41	430.50	430.50	417.96	941.75	941.75	896.90	855.00	793.14	735.75	708.76
8"	900.86	874.62	874.62	849.14	849.14	824.41	1,883.49	1,883.49	1,793.80	1,710.01	1,586.28	1,471.50	1,417.52
Sewer (EDU)	13.44	12.22	12.22	11.11	11.11	10.10	9.15	9.15	8.71	8.30	7.70	7.14	6.88

Ord Service Area Water Consumption Rates (hcf)

Description	Fiscal Year												
	2017 1/1/2017	2017 7/1/2016	2016 1/1/2016	2016 7/1/2015	2015 1/1/2015	2015 7/1/2014	2014	2013	2012	2011	2010	2009	2008
0-8 hcf	\$ 3.40	\$ 2.97	\$ 2.97	\$ 2.60	\$ 2.60	\$ 2.22	\$ 2.33	\$ 2.33	\$ 2.33	\$ 2.22	\$ 2.06	\$ 1.87	\$ 1.70
9-16 hcf	5.22	4.56	4.56	3.98	3.98	3.40	3.27	3.27	3.27	3.12	2.89	2.63	2.39
16+ hcf	7.03	6.14	6.14	5.37	5.37	4.59	4.22	4.22	4.22	4.02	3.73	3.39	3.08
0-12 hcf													
13+ hcf													
Flat Rate	143.94	127.29	127.29	112.65	112.65	98.36	84.34	84.34	84.34	80.40	74.58	67.76	52.10
CS ¹ - Water	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
CCC ² - Water													

Ord Service Area Water & Sewer Service Charges (monthly)

Description	Fiscal Year												
	2017 1/1/2017	2017 7/1/2016	2016 1/1/2016	2016 7/1/2015	2015 1/1/2015	2015 7/1/2014	2014	2013	2012	2011	2010	2009	2008
5/8" - 3/4"	\$ 37.55	\$ 34.37	\$ 34.37	\$ 31.48	\$ 31.48	\$ 28.96	\$ 17.11	\$ 17.11	\$ 17.11	\$ 16.31	\$ 15.13	\$ 13.75	\$ 12.50
1"	58.57	53.62	53.62	49.11	49.11	45.18	42.76	42.76	42.76	40.76	37.81	34.38	31.25
1 1/2"	93.62	85.71	85.71	78.49	78.49	72.21	85.49	85.49	85.49	81.50	75.60	68.73	62.50
2"	135.66	124.20	124.20	113.74	113.74	104.64	136.78	136.78	136.78	130.39	120.96	109.96	100.00
3"	233.85	214.09	214.09	196.05	196.05	180.37	256.47	256.47	256.47	244.49	226.80	206.18	187.50
4"	373.96	342.36	342.36	313.52	313.52	288.45	427.45	427.45	427.45	407.48	378.00	343.63	312.50
6"	724.39	663.18	663.18	607.31	607.31	558.75	854.89	854.89	854.89	814.96	755.99	687.27	625.00
8"	1,425.66	1,305.19	1,305.19	1,195.24	1,195.24	1,099.66	1,709.79	1,709.79	1,709.79	1,629.93	1,511.99	1,374.53	1,250.00
Sewer (EDU)	29.80	28.65	28.65	27.55	27.55	26.49	25.56	25.56	25.56	24.36	22.60	20.97	20.20
CS ¹ - Sewer	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
CCC ² - Sewer													

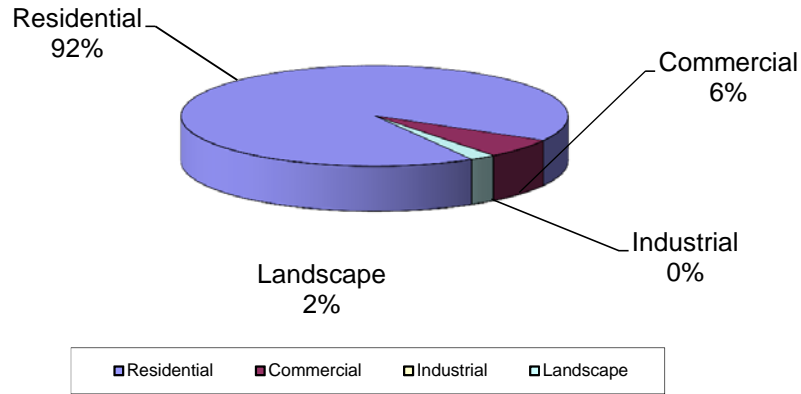
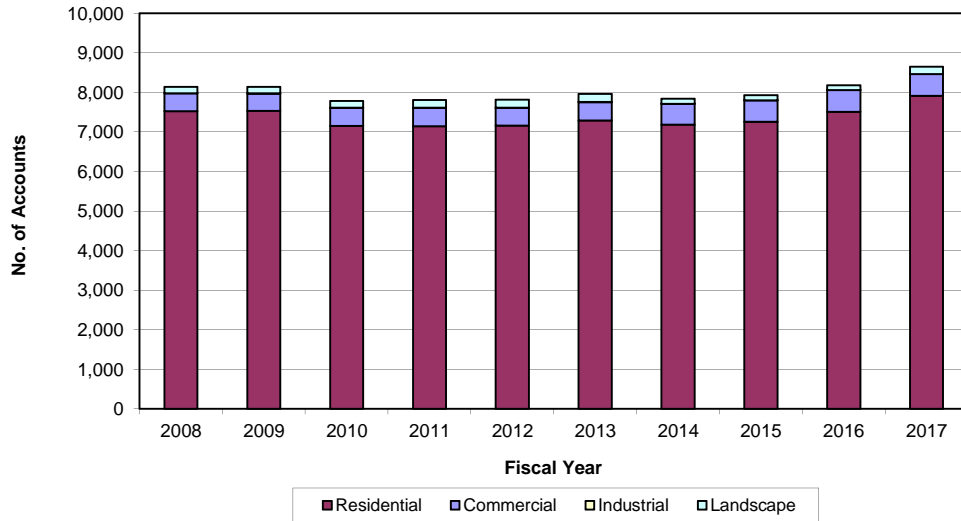
Note: (1) CS = Monthly Capital Surcharge for new EDU's.

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

Source: Marina Coast Water District's Finance Department

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Water customer accounts										
Residential	7,523	7,536	7,152	7,142	7,162	7,295	7,184	7,255	7,509	7,917
Commercial	454	438	458	467	448	461	527	542	551	547
Industrial	3	3	3	3	3	3	3	3	3	3
Landscape	163	162	174	197	203	203	125	128	121	185
Total water accounts	8,143	8,139	7,787	7,809	7,816	7,962	7,839	7,928	8,184	8,652



Source: Marina Coast Water District's Finance Department

MARINA COAST WATER DISTRICT
Principal Water Users
Fiscal Years Ended June 30, 2008 and June 30, 2017
Schedule 7

	2008			2017		
Customer	Water Usage (acre feet)	Percentage of Water Sold	Customer	Water Usage (acre feet)	Percentage of Water Sold	
Monterey Bay Military Housing	571	14.00%	Monterey Bay Military Housing	451	14.26%	
CSU Monterey Bay	506	12.41%	University Corporation at Monterey Bay	192	6.07%	
Seaside Highlands H.O. Association	83	2.04%	California State Univ Mtry Bay	109	3.45%	
Bay View Mobile Home Park	81	1.99%	MPUSD -Dual Language Academy of Monterey Peninsula	69	2.18%	
Cypress Marina Heights	80	1.96%	Bay View Mobile Home Park	57	1.80%	
Sun Bay Apartments	63	1.54%	Sun Bay Apartments	56	1.77%	
Independent Construction Co	49	1.20%	LV44 Ltd Partnership	40	1.27%	
MPUSD - Seaside High School	43	1.05%	Army Commander/DLIFC & POM	36	1.14%	
United States Army	40	0.98%	Seaside Highlands H.O. Association	33	1.04%	
William Lyon Homes Inc	33	0.81%	City of Marina	22	0.70%	
Total Principal Water Users	<u>1,549</u>	<u>37.98%</u>	Total Principal Water Users	<u>1,065</u>	<u>33.68%</u>	
Total All Users	<u><u>4,078</u></u>	<u><u>100.00%</u></u>	Total All Users	<u><u>3,162</u></u>	<u><u>100.00%</u></u>	

Source: Marina Coast Water District's Finance Department

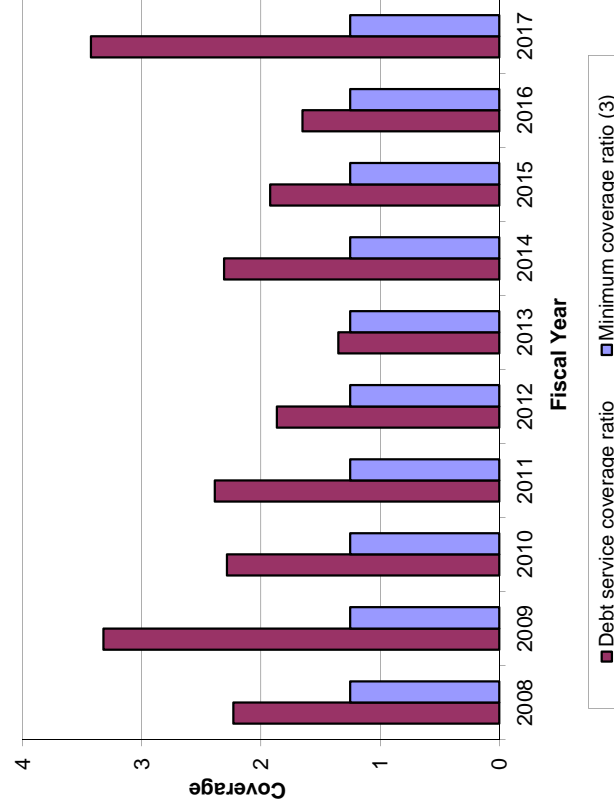
MARINA COAST WATER DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Schedule 8

Fiscal Year	Loans Payable	Notes Payable	Bonds Payable	Capital Leases	Debt	Total Accounts	Total Debt per Account
2008	673,854	-	42,358,944	138,221	43,171,019	8,143	5,302
2009	592,529	-	41,597,591	110,356	42,300,476	8,139	5,197
2010	7,963,663	-	40,736,238	166,020	48,865,921	7,787	6,275
2011	490,971	-	47,631,905	98,039	48,220,915	7,809	6,175
2012	49,520	-	46,048,967	26,407	46,124,894	7,816	5,901
2013	21,224	-	44,401,309	-	44,422,533	7,962	5,579
2014	-	-	42,703,651	-	42,703,651	7,839	5,448
2015	-	-	40,940,994	-	40,940,994	7,928	5,164
2016	2,776,000	-	36,938,034	-	39,714,034	8,184	4,853
2017	2,799,880	-	35,100,405	-	37,900,285	8,652	4,381

Source: Marina Coast Water District, Audited Financial Statements

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt service coverage										
Gross revenues (1)	11,025,749	13,721,920	12,400,469	16,331,741	14,199,159	12,426,626	16,310,718	15,091,191	16,582,227	21,094,358
Operating expenses (2)	(6,360,516)	(5,946,453)	(6,369,808)	(7,195,801)	(6,303,652)	(7,317,310)	(7,615,928)	(7,861,872)	(8,368,555)	(9,611,386)
Net available revenues	4,665,233	7,775,467	6,030,661	9,135,940	7,895,507	5,109,316	8,694,790	7,229,319	8,213,672	11,482,972
Debt service										
Principal	776,079	834,190	911,764	1,757,615	1,948,155	1,600,000	1,650,000	1,715,000	1,870,000	1,690,000
Interest	1,314,153	1,505,137	1,727,610	2,069,622	2,281,489	2,180,345	2,113,386	2,042,001	3,104,135	1,659,554
	2,090,232	2,339,327	2,639,374	3,827,237	4,229,644	3,780,345	3,763,386	3,757,001	4,974,135	3,349,554
Debt service coverage ratio	2.23	3.32	2.28	2.39	1.87	1.35	2.31	1.92	1.65	3.43
Minimum coverage ratio (3)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25



Notes:

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

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

Calendar Year Ended December 31	Population (1)	Personal Income (2)	Per Capita Income (3)	Median Age (4)	Unemployment Rate (5)
2007	402,116	15,586,498	38,373	32	7.1%
2008	405,660	17,205,000	42,144	32	8.4%
2009	410,370	17,381,644	42,356	32	11.8%
2010	415,057	17,574,000	42,176	33	12.8%
2011	421,898	17,355,940	41,138	33	12.4%
2012	426,762	18,365,298	43,034	33	11.4%
2013	428,826	19,233,171	44,851	33	10.1%
2014	431,344	19,889,054	46,109	34	9.1%
2015	433,898	21,623,627	49,836	34	8.1%
2016	**	**	**	**	**

Source: Monterey County CAFR Report (Fiscal Year Ended June 30, 2016)

** Data not available at time of print.

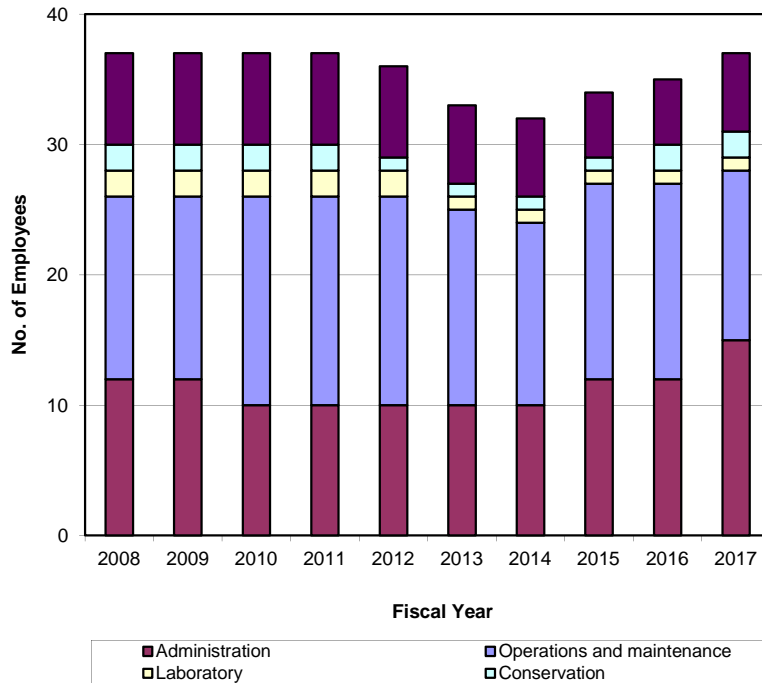
MARINA COAST WATER DISTRICT
Employment by Industry for Monterey County - by Annual Average
Prior Year and Ten Years Ago
Schedule 11

2016				2007			
Employer	Employees	Rank	Percentage of Total Employment Listed	Employer	Employees	Rank	Percentage of Total City Employment Listed
Agriculture	53,700	1	28.23%	Agriculture	41,600	1	24.12%
Government	31,900	2	16.77%	Government	31,500	2	18.26%
Leisure and Hospitality	24,300	3	12.78%	Leisure and Hospitality	21,100	3	12.23%
Educational and Health Services	18,600	4	9.78%	Retail Trade	17,000	4	9.86%
Retail Trade	16,600	5	8.73%	Educational and Health Services	14,900	5	8.64%
Professional and Business Services	13,400	6	7.05%	Professional and Business Services	11,900	6	6.90%
Natural Resources, Mining and Construction	6,100	7	3.21%	Natural Resources, Mining and Construction	7,200	7	4.17%
Wholesale Trade	5,400	8	2.84%	Manufacturing	6,100	8	3.54%
Manufacturing	5,400	9	2.84%	Financial Activities	6,000	9	3.48%
Other Services	5,200	10	2.73%	Wholesale Trade	4,900	10	2.84%
Transportation, Warehousing and Utilities	4,300	11	2.26%	Other Services	4,600	11	2.67%
Financial Activities	4,200	12	2.21%	Transportation, Warehousing and Utilities	3,600	12	2.09%
Information	1,100	13	0.58%	Information	2,100	13	1.22%
Total	<u>190,200</u>		<u>100.00%</u>	Total	<u>172,500</u>		<u>100.00%</u>

Source: State of California Employment Development Department

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Employees by department										
Administration	12	12	10	10	10	10	10	12	12	15
Operations and maintenance	14	14	16	16	16	15	14	15	15	13
Laboratory	2	2	2	2	2	1	1	1	1	1
Conservation	2	2	2	2	1	1	1	1	2	2
Engineering	7	7	7	7	7	6	6	5	5	6
Total employees	37	37	37	37	36	33	32	34	35	37



Source: Marina Coast Water District's Finance Department

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Facilities										
Distribution pipeline (miles)	126	142	142	142	142	142	142	147	147	147
Storage capacity (mg)(1)	12	12	11	11	11	11	11	11	11	11
System capacity (mgd)(2)	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6
Water produced										
Water produced - Marina (mg)(1)	556	638	622	530	595	470	575	483	432	454
Average per day (mgd)(2)	1.5	1.7	1.7	1.5	1.6	1.3	1.6	1.3	1.2	1.2
Water produced - Ord (mg)(1)	870	696	671	828	755	926	837	703	551	481
Average per day (mgd)(2)	2.4	1.9	1.8	2.3	2.1	2.5	2.3	1.9	1.5	1.3
Total water produced (mg)(1)	1,425	1,334	1,292	1,357	1,351	1,395	1,412	1,187	983	935
Average per day (mgd)(2)	3.9	3.7	3.5	3.7	3.7	3.8	3.9	3.3	2.7	2.6

(1) mg = million gallons

(2) mgd = million gallons per day

Source: Marina Coast Water District's Finance Department