

Marina Coast Water District

Marina, California

Comprehensive Annual Financial Report

For The Fiscal Year Ended

June 30, 2009



11 Reservation Road, Marina California 93933



Marina Coast Water District

Marina, California

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**11 Reservation Road
Marina, California 93933**

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INTRODUCTORY SECTION



MARINA COAST WATER DISTRICT

11 RESERVATION ROAD, MARINA, CA 93933-2099

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DIRECTORS
HOWARD GUSTAFSON
President

WILLIAM LEE
Vice President

THOMAS P. MOORE
KENNETH K. NISHI
DAN BURNS

December 8, 2009

Board of Directors
Marina Coast Water District
Marina, California

It is a pleasure to submit the Marina Coast Water District's (MCWD or District) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. The CAFR gives an assessment of the District's financial condition, informs readers about District services, gives details of infrastructure replacement projects, discusses current issues, and provides financial and demographic trend information.

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

The CAFR is believed to be accurate in all material respects, and is presented in a manner designed to fairly set forth the financial position, the changes in financial position and cash flows for the District. All disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activity have been included. While the independent auditors have expressed an opinion that MCWD's financial statements are presented in conformity with generally accepted accounting principles (GAAP), responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the District.

District Overview

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

The District currently pumps all of its supply or approximately 4,400 acre feet of water (both Marina and Ord Community systems) annually from groundwater wells. The District also conveys in excess of two million gallons per day of sewage to the Monterey Regional Water Pollution Control Agency for treatment. The Monterey Regional Water Pollution Control Agency operates the regional wastewater treatment plant.

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

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

Governance

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

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

Budget Process

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

Economic Condition and Outlook

California's water supply continues to be a concern due to projected population increases. This concern has increased interest in conservation and new water sources. The District has led the

area in its conservation efforts and will continue to make strides in this area.

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

The District is scaling back on its Capital Improvement Program needs in line with the current development and construction slow down. The District is still spending the bond proceeds from its 2006 revenue certificates of participation that were issued to finance the projects.

Major Initiatives

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

Internal Control

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

Investment Policy

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

Risk Management

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

Water Rates and District Revenues

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

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

On June 9, 2009, the District increased its water and sewer rates for fiscal year 2009/2010 in accordance with the five-year rate study.

Independent Audit

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

Other References

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2008. This was the first 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,

Jim Heitzman
General Manager

Suresh Prasad
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Marina Coast Water District
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



A handwritten signature in black ink, appearing to read "K. L. R. R.", is positioned above the title "President".

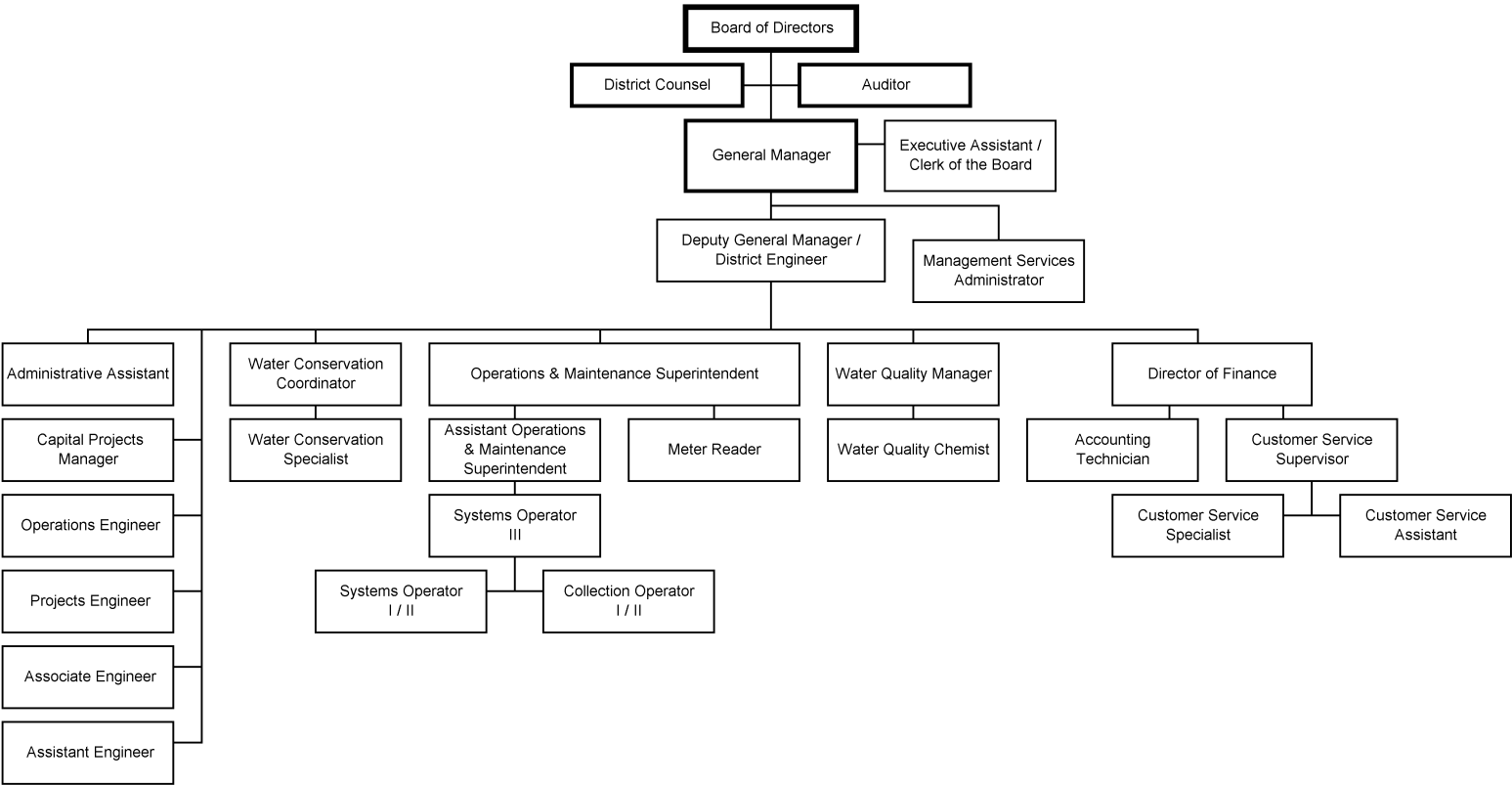
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen", is positioned above the title "Executive Director".

Executive Director

MARINA COAST WATER DISTRICT

Organizational Chart



Marina Coast Water District

Directory

Board of Directors

June 30, 2009

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

Management Staff

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2009

This section of the Marina Coast Water District's (District) financial statements presents an analysis of the District's financial performance during the fiscal year ended June 30, 2009. This information is presented in conjunction with the transmittal letter in the Introductory Section, and with the basic financial statements and related notes, which follow this section.

Overview of the District's Financial Statements

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

Required Financial Statements

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

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

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

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

Notes to the Basic Financial Statements

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

Other Required Supplementary Information

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

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2009

Financial Analysis of the District

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

Financial Highlights for Fiscal Year 2008-2009

- At June 30, 2009, the District's total assets exceeded the total liabilities by \$126.4 million (net assets), which is an increase of \$2.9 million or 2.3% over the 2008 fiscal year end balance.
- Current assets increased \$1.8 million or 11.9%, which is primarily the result of increase in District's cash and cash equivalents.
- Noncurrent assets, other than capital assets, decreased by \$5.5 million or 24.4%, which is primarily the result of a decrease in restricted funds which have been spent on capital projects.
- Operating revenues increased by \$2.9 million or 23.4% over prior year. Most of the increase was related to developer contribution, and increases in rates.
- Nonoperating revenues decreased by \$0.2 million or 19.0% over prior year. The decrease resulted primarily due to reduction in interest earnings income due to construction funds proceeds being utilized to build capital projects and reduction in interest rates.
- Operating expenses decreased by \$0.06 million or 0.7% over prior year. The decrease was primarily due to reduction in departmental costs.
- Nonoperating expenses increased by \$0.2 million, or 12.4% over prior year. This increase resulted primarily due to an increase in 2006 revenue bond interest costs.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2009

Net Assets

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

Net Assets				
June 30				
	2009	2008	Change	Change
Assets:				
Current assets	\$ 16,466,548	\$ 14,713,804	\$ 1,752,744	11.9%
Noncurrent assets	17,000,055	22,472,232	(5,472,177)	-24.4%
Capital assets, net	141,019,268	134,330,495	6,688,773	5.0%
Total assets	<u>174,485,871</u>	<u>171,516,531</u>	<u>2,969,340</u>	1.7%
Liabilities:				
Current liabilities	5,612,010	4,358,281	1,253,729	28.8%
Non-current liabilities	42,523,832	43,660,435	(1,136,603)	-2.6%
Total liabilities	<u>48,135,842</u>	<u>48,018,716</u>	<u>117,126</u>	0.2%
Net Assets:				
Net assets invested in capital assets, net of related debt	111,548,505	109,656,979	1,891,526	1.7%
Restricted	3,084,250	3,084,281	(31)	0.0%
Unrestricted	11,717,274	10,756,555	960,719	8.9%
Total net assets	<u>\$ 126,350,029</u>	<u>\$ 123,497,815</u>	<u>\$ 2,852,214</u>	2.3%

As noted earlier, net assets may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$126.4 million and \$123.5 million as of June 30, 2009 and 2008, respectively.

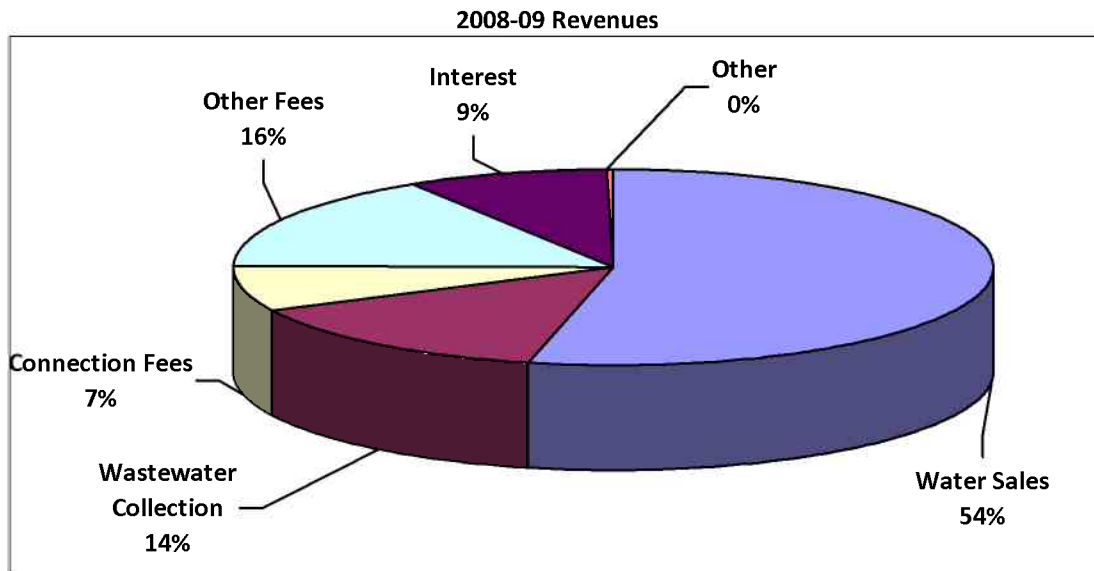
One of the largest portions of the District's assets (88% and 89% as of June 30, 2009 and 2008, respectively) reflects the District's investment in capital assets (net of related debt). The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2009 and 2008, the District showed a positive balance in its unrestricted net assets of \$11.7 million and \$10.8 million, respectively.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2009

Revenue and Expenses

The District finances its water sales and wastewater collection operations through user fees, and other income. Total revenue for 2008-09 was \$13.7 million, up \$2.7 million from prior year. The 2008-09 water and capacity charge revenues were higher than prior year. Also contributing to the increase was other services & fees revenue, which were up \$1.6 million from developer contribution, and interest income, which was down \$0.2 million or 19.5% due to reduction in interest rates and depleting cash reserves for scheduled construction projects.



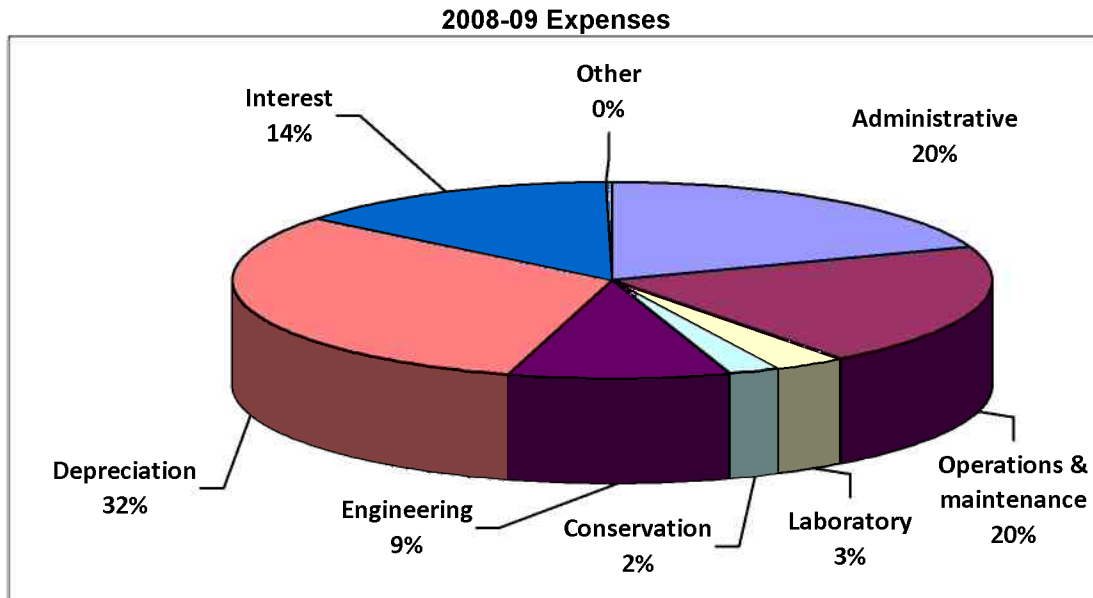
Revenues

	June 30			
	2009	2008	Change	Change
<u>Operating revenues:</u>				
Water sales	\$ 7,344,555	\$ 6,686,916	\$ 657,639	9.0%
Wastewater collection	1,965,102	1,888,433	76,669	3.9%
Capacity & connections fees	1,014,536	421,410	593,126	58.5%
Other services & fees	2,175,780	575,262	1,600,518	73.6%
Total operating revenues	<u>12,499,973</u>	<u>9,572,021</u>	<u>2,927,952</u>	23.4%
<u>Nonoperating revenues:</u>				
Interest earned	1,185,594	1,417,375	(231,781)	-19.5%
Other	36,353	36,353	-	0.0%
Total nonoperating revenues	<u>1,221,947</u>	<u>1,453,728</u>	<u>(231,781)</u>	-19.0%
Total revenues	<u>\$ 13,721,920</u>	<u>\$ 11,025,749</u>	<u>\$ 2,696,171</u>	19.6%

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2009

Revenue and Expenses (continued)

Total expenses for the current year were \$10.9 million, up \$0.6 million or 1.2% from prior year. Operating expenses were down \$0.06 million from prior year. The largest increase was \$0.4 million in depreciation costs. Nonoperating expenses were up \$0.2 million or 12.4% due to additional interest expense on the 2006 revenue certificates of participation bond.



	June 30		Change	Change
	2009	2008		
Operating expenses:				
Administrative	\$ 2,129,232	\$ 2,274,611	\$ (145,380)	-6.8%
Operations & maintenance	2,216,202	2,158,993	57,209	2.6%
Laboratory	312,140	295,452	16,688	5.3%
Conservation	264,490	255,024	9,466	3.6%
Engineering	1,024,390	1,376,436	(352,046)	-34.4%
Depreciation and amortization	3,435,564	3,082,972	352,592	10.3%
Total operating expenses	9,382,017	9,443,488	(61,471)	-0.7%
Nonoperating expenses:				
Interest expense	1,505,137	1,314,153	190,984	12.7%
Other	30,120	30,097	23	0.1%
Total nonoperating expenses	1,535,257	1,344,250	191,007	12.4%
Total expenses	\$ 10,917,274	\$ 10,787,738	\$ 129,536	1.2%

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2009

Revenue and Expenses (concluded)

The Statement of Revenues, Expenses and Changes in Net Assets on page 13 show how the District's net assets changed during the fiscal years. Net assets increased by \$2.9 million and \$0.6 million for the fiscal years ended June 30, 2009 and 2008, respectively.

	June 30		Change	Change
	2009	2008		
Beginning net assets	\$ 123,497,815	\$ 122,898,736	\$ 599,079	0.5%
Income before contributions	2,804,646	238,011	2,566,635	91.5%
Capital contributions	47,568	361,068	(313,500)	-659.1%
Change in net assets	2,852,214	599,079	2,253,135	79.0%
Ending net assets	\$ 126,350,029	\$ 123,497,815	\$ 2,852,214	2.3%

Capital Assets

At the end of fiscal years 2009 and 2008, the District's investment in capital assets amounted to \$141.0 million and \$134.3 million, respectively, (net of accumulated depreciation). This investment in capital assets includes land, water/wastewater rights, easements, transmission and distribution systems, wells, tanks, reservoirs, pumps, building and structures, equipment, vehicles and construction-in-progress.

Changes in capital assets amounts for 2009 were as follows:

	June 30		Change	Change
	2009	2008		
Capital assets:				
Non-depreciable assets	\$ 103,009,178	\$ 102,293,144	\$ 716,034	0.7%
Depreciable assets	64,532,259	55,123,954	9,408,305	17.1%
Less accumulated depreciation	(26,522,169)	(23,086,603)	(3,435,566)	14.9%
Total capital assets, net	\$ 141,019,268	\$ 134,330,495	\$ 6,688,773	5.0%

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

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2009

Debt Administration

As of June 30, 2009, the District had \$41.3 million in outstanding debt compared to \$42.1 million as of June 30, 2008. Revenue certificates of participation in the amount of \$42.3 million were issued in August 2006 to fund costs associated with several major capital improvement projects and were also used to refund the District's existing outstanding debt obligations. The District has entered into a lease agreement as a lessee for financing the acquisition of sewer jetter equipment. The lease agreement qualifies as a capital lease. The District has covenanted that it will fix, prescribe and collect rates, fees and charges for use of the District's water system during each fiscal year which is at least sufficient to yield in each fiscal year net revenues equal to 125 percent of the debt service for such fiscal year. At the time of the 2006 revenue certificates of participation bond, Standard and Poor's gave the District an "A-" rating. In April 2009, the District's rating was increased to "A+".

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

	June 30		Change	Change
	2009	2008		
Long-term debt:				
Loans payable	\$ 592,529	\$ 673,854	\$ (81,325)	-12.1%
Bonds payable	40,610,000	41,335,000	(725,000)	-1.8%
Capital lease	110,356	138,221	(27,865)	-20.2%
Total long-term debt	<u>\$ 41,312,885</u>	<u>\$ 42,147,075</u>	<u>\$ (834,190)</u>	-2.0%

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

Economic Factors and Next Year's Budget and Rates

The Board of Directors adopted the District's 2009/2010 Marina and the Ord Community budgets on June 9, 2009. The approval of the budget provides funding for the District's operating, capital and debt service costs for the 2009/2010 fiscal year. The District's water and wastewater rates are reviewed by staff on an annual basis. For fiscal year 2009/2010, the District approved a 7.8% rate increase for Marina water, wastewater and Ord Community wastewater and a 10% rate increase for Ord Community water.

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

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2009

Requests for Information

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

BASIC FINANCIAL STATEMENTS

MARINA COAST WATER DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	Regional Water Fund	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 6,968,553	\$ 2,288,486	\$ 1,168,895	\$ 2,949,011	\$ -	\$ 13,374,945
Accounts receivable, net	201,995	23,753	382,903	145,716	-	754,367
Interest receivable	21,257	5,540	20,691	9,043	1,100	57,631
Due from other funds	-	-	1,972,264	382	-	1,972,646
Other receivable	-	-	185,568	-	-	185,568
Inventories	59,772	-	-	-	-	59,772
Deposits	7,868	-	-	-	-	7,868
Prepaid items	16,805	3,602	20,890	12,454	-	53,751
Total current assets	<u>7,276,250</u>	<u>2,321,381</u>	<u>3,751,211</u>	<u>3,116,606</u>	<u>1,100</u>	<u>16,466,548</u>
Noncurrent assets:						
Restricted cash and cash equivalents	1,540,957	854,021	7,843,940	4,109,091	863,069	15,211,078
Other receivable	338,949	-	102	-	-	339,051
Unamortized bond issuance costs	117,634	43,041	435,923	171,597	50,255	818,450
Advances to other funds	631,477	-	-	-	-	631,477
Capital assets, net	<u>8,160,161</u>	<u>4,060,736</u>	<u>89,883,583</u>	<u>31,883,188</u>	<u>7,031,600</u>	<u>141,019,268</u>
Total noncurrent assets	<u>10,789,177</u>	<u>4,957,798</u>	<u>98,163,548</u>	<u>36,163,876</u>	<u>7,944,924</u>	<u>158,019,323</u>
Total assets	<u>18,065,427</u>	<u>7,279,179</u>	<u>101,914,759</u>	<u>39,280,482</u>	<u>7,946,024</u>	<u>174,485,871</u>

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	Regional Water Fund	Totals
LIABILITIES						
Current liabilities:						
Accounts payable	111,194	22,392	1,074,457	49,089	752,022	2,009,154
Accrued expenses	22,092	5,262	273,885	81,807	-	383,046
Interest payable	13,402	5,482	37,634	16,927	22,358	95,803
Capital lease - current	-	10,017	-	19,446	-	29,463
Loans payable - current	31,251	6,077	36,459	13,021	-	86,808
Revenue bonds payable - current	355,000	40,000	270,000	160,000	-	825,000
Due to other funds	-	-	382	-	1,972,264	1,972,646
Customer deposits payable	76,679	-	133,411	-	-	210,090
Total current liabilities	609,618	89,230	1,826,228	340,290	2,746,644	5,612,010
Noncurrent liabilities:						
Compensated absences	104,577	12,652	120,392	22,142	-	259,763
Capital lease, net	-	27,089	-	53,804	-	80,893
Loans payable, net	213,131	50,166	174,091	68,333	-	505,721
Revenue bonds payable, net	4,554,025	2,096,629	18,200,335	8,747,144	7,174,458	40,772,591
Advances from other funds	-	-	399,025	232,452	-	631,477
Rebate arbitrage payable	27,359	18,813	143,194	58,889	25,133	273,388
Total noncurrent liabilities	4,899,091	2,205,349	19,037,037	9,182,764	7,199,591	42,523,832
Total liabilities	5,508,709	2,294,579	20,863,265	9,523,054	9,946,235	48,135,842
NET ASSETS						
Invested in capital assets, net of related debt	4,384,023	2,620,684	77,592,269	26,436,044	515,485	111,548,505
Restricted for debt service	408,070	157,444	1,664,919	649,091	204,726	3,084,250
Unrestricted	7,764,625	2,206,472	1,794,306	2,672,293	(2,720,422)	11,717,274
Total net assets	\$ 12,556,718	\$ 4,984,600	\$ 81,051,494	\$ 29,757,428	\$ (2,000,211)	\$ 126,350,029

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

MARINA COAST WATER DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For The Year Ended June 30, 2009

	<u>Marina Water Fund</u>	<u>Marina Sewer Fund</u>	<u>Ord Water Fund</u>	<u>Ord Sewer Fund</u>	<u>Regional Water Fund</u>	<u>Totals</u>
Operating revenues:						
Water services	\$ 3,323,616	\$ -	\$ 4,020,939	\$ -	\$ -	\$ 7,344,555
Wastewater services	-	619,650	-	1,345,452	-	1,965,102
Capacity and connection fees	42,794	7,516	715,976	248,250	-	1,014,536
Other services and fees	265,204	1,178	1,855,173	54,225	-	2,175,780
Total operating revenues	<u>3,631,614</u>	<u>628,344</u>	<u>6,592,088</u>	<u>1,647,927</u>	<u>-</u>	<u>12,499,973</u>
Operating expenses:						
Administrative	657,664	140,433	1,063,138	238,410	29,587	2,129,232
Operations and maintenance	700,686	156,191	1,070,014	288,808	503	2,216,202
Laboratory	142,225	-	169,915	-	-	312,140
Conservation	124,781	-	139,709	-	-	264,490
Engineering	233,577	126,515	360,388	160,199	143,711	1,024,390
Depreciation and amortization	919,777	238,058	996,577	399,594	881,558	3,435,564
Total operating expenses	<u>2,778,709</u>	<u>661,197</u>	<u>3,799,741</u>	<u>1,087,011</u>	<u>1,055,359</u>	<u>9,382,017</u>
Operating income (loss)	<u>852,905</u>	<u>(32,853)</u>	<u>2,792,347</u>	<u>560,916</u>	<u>(1,055,359)</u>	<u>3,117,956</u>
Nonoperating revenues (expenses):						
Interest earned	322,743	74,335	541,190	217,426	29,900	1,185,594
Interest expense	(214,977)	(86,633)	(622,220)	(278,108)	(303,199)	(1,505,137)
Bond premium (discount)	3,461	1,900	19,882	7,809	3,301	36,353
Bond issuance costs	(4,321)	(1,584)	(16,048)	(6,317)	(1,850)	(30,120)
Total nonoperating revenue (expenses)	<u>106,906</u>	<u>(11,982)</u>	<u>(77,196)</u>	<u>(59,190)</u>	<u>(271,848)</u>	<u>(313,310)</u>
Income before contributions and transfers	<u>959,811</u>	<u>(44,835)</u>	<u>2,715,151</u>	<u>501,726</u>	<u>(1,327,207)</u>	<u>2,804,646</u>
Capital contributions - proceeds from grants	-	-	47,568	-	-	47,568
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Change in net assets	<u>959,811</u>	<u>(44,835)</u>	<u>2,762,719</u>	<u>501,726</u>	<u>(1,327,207)</u>	<u>2,852,214</u>
Total net assets - beginning	<u>11,596,907</u>	<u>5,029,435</u>	<u>78,288,775</u>	<u>29,255,702</u>	<u>(673,004)</u>	<u>123,497,815</u>
Total net assets - ending	<u>\$ 12,556,718</u>	<u>\$ 4,984,600</u>	<u>\$ 81,051,494</u>	<u>\$ 29,757,428</u>	<u>\$ (2,000,211)</u>	<u>\$ 126,350,029</u>

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

MARINA COAST WATER DISTRICT
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2009

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	Regional Water Fund	Totals
CASH FLOWS PROVIDED BY (USED FOR)						
OPERATING ACTIVITIES						
Receipts from customers and users	\$ 3,566,578	\$ 622,932	\$ 6,577,167	\$ 1,646,717	\$ -	\$ 12,413,394
Payments to employees	(1,095,191)	(327,849)	(1,470,205)	(427,589)	(127,174)	(3,448,008)
Payments to suppliers	(737,292)	(77,010)	(1,232,287)	(306,048)	672,583	(1,680,054)
Net cash provided (used)	<u>1,734,095</u>	<u>218,073</u>	<u>3,874,675</u>	<u>913,080</u>	<u>545,409</u>	<u>7,285,332</u>
NONCAPITAL FINANCING ACTIVITIES						
Loan receivable activity	(206,849)	-	221,303	-	-	14,454
Interfund activity	90,161	-	(418,228)	(33,188)	361,255	-
Net cash provided (used)	<u>(116,688)</u>	<u>-</u>	<u>(196,925)</u>	<u>(33,188)</u>	<u>361,255</u>	<u>14,454</u>
CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(360,420)	(262,382)	(6,804,029)	(647,179)	(2,050,326)	(10,124,336)
Proceeds from grants	-	-	47,568	-	-	47,568
Principal paid on capital debt	(368,878)	(55,714)	(2,294,556)	(115,043)	2,000,001	(834,190)
Interest paid on capital debt	(227,518)	(93,961)	(680,388)	(302,232)	(314,719)	(1,618,818)
Net cash provided (used)	<u>(956,816)</u>	<u>(412,057)</u>	<u>(9,731,405)</u>	<u>(1,064,454)</u>	<u>(365,044)</u>	<u>(12,529,776)</u>
INVESTING ACTIVITIES						
Interest earnings	<u>339,579</u>	<u>78,170</u>	<u>544,007</u>	<u>219,500</u>	<u>28,800</u>	<u>1,210,056</u>
Net cash provided (used)	<u>339,579</u>	<u>78,170</u>	<u>544,007</u>	<u>219,500</u>	<u>28,800</u>	<u>1,210,056</u>
Net increase (decrease) in cash and cash equivalents	1,000,170	(115,814)	(5,509,648)	34,938	570,420	(4,019,934)
Cash and cash equivalents, beginning of year	7,509,340	3,258,321	14,522,483	7,023,164	292,649	32,605,957
Cash and cash equivalents, end of year	<u>\$ 8,509,510</u>	<u>\$ 3,142,507</u>	<u>\$ 9,012,835</u>	<u>\$ 7,058,102</u>	<u>\$ 863,069</u>	<u>\$ 28,586,023</u>

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	Regional Water Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED)BY OPERATING ACTIVITIES:						
Operating income	\$ 852,905	\$ (32,853)	\$ 2,792,347	\$ 560,916	\$ (1,055,359)	\$ 3,117,956
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	919,777	238,058	996,577	399,594	881,558	3,435,564
(Increase) decrease in accounts receivable	(65,036)	(5,412)	(14,921)	(1,210)	-	(86,579)
(Increase) decrease in inventories	(7,845)	-	-	-	-	(7,845)
(Increase) decrease in prepaid items	(1,040)	(628)	(2,357)	(417)	-	(4,442)
(Increase) decrease in deposits	421	-	-	-	-	421
Increase (decrease) in customer deposits	(21,799)	-	(268,773)	-	-	(290,572)
Increase (decrease) in accounts payable	48,172	16,052	724,310	3,057	719,210	1,510,801
Increase (decrease) in accrued expenses	(3,228)	191	(371,531)	(49,600)	-	(424,168)
Increase (decrease) in compensated absences	11,768	2,665	19,023	740	-	34,196
Total adjustments	881,190	250,926	1,082,328	352,164	1,600,768	4,167,376
Net cash provided by operating activities	<u>\$ 1,734,095</u>	<u>\$ 218,073</u>	<u>\$ 3,874,675</u>	<u>\$ 913,080</u>	<u>\$ 545,409</u>	<u>\$ 7,285,332</u>
 RECONCILIATION TO STATEMENT OF NET ASSETS:						
Cash and cash equivalents	\$ 6,968,553	\$ 2,288,486	\$ 1,168,895	\$ 2,949,011	\$ -	\$ 13,374,945
Restricted cash and cash equivalents	1,540,957	854,021	7,843,940	4,109,091	863,069	15,211,078
Total cash and cash equivalents reported on Statement of Net Assets	<u>\$ 8,509,510</u>	<u>\$ 3,142,507</u>	<u>\$ 9,012,835</u>	<u>\$ 7,058,102</u>	<u>\$ 863,069</u>	<u>\$ 28,586,023</u>

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

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

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 1 - Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 1 - Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

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

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

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

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

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

Statement of Net Assets

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

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 1 - Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

Statement of Revenues, Expenses, and Changes in Net Assets

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

C. Basis of Accounting

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

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

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

D. Budget

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 1 - Significant Accounting Policies (continued)

E. Cash and Cash Equivalents

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

F. Restricted Assets

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

G. Accounts Receivable

Accounts receivable are presented net of allowance for doubtful accounts as of the end of each fiscal year. At June 30, 2009, the allowance for doubtful debts was \$8,815.

H. Inventory

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

I. Capital Assets

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

J. Compensated Absences

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 1 - Significant Accounting Policies (continued)

K. Bond Issuance Costs

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

L. Rebate Arbitrage

Rebate arbitrage earnings related to the 2006 certificates of participation are being recorded as a liability. As of June 30, 2009, the District's liability was estimated at \$273,388. However, a payment to the United States Treasury is not required until September 29, 2011. The payment made at that time must be no less than 90 percent of the liability at that time.

M. Use of Estimates

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

N. Net Assets

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

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 1 - Significant Accounting Policies (concluded)

O. Deficit Fund Balances

At June 30, 2009, the Regional Water fund had deficit fund balance of \$2,000,211. The Regional Water fund deficit will be eliminated through future revenues collected from ratepayers of the regional water project.

P. Major Funds

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

Q. Effects of New Pronouncements

In June 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for fiscal periods beginning after December 15, 2006 for larger governments and in the two subsequent years for smaller governments. The District's required implementation of this new reporting requirement is for the fiscal year ended June 30, 2010.

In November 2006, the GASB issued GASB Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for fiscal periods beginning after December 15, 2007. This statement is not applicable to the District.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for periods beginning after June 15, 2009. This statement is not expected to have a significant impact on the presentation of the District's financial statements.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments, effective for fiscal year ended June 15, 2009. This statement is not applicable to the District.

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for periods beginning after June 15, 2009. The District is currently evaluating the impact of the adoption of this statement.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 2 - Cash and Investments

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 13,374,945
Cash and investments, restricted	<u>15,211,078</u>
Total cash and investments	<u>\$ 28,586,023</u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 1,150
Deposits with financial institutions	230,805
Investments	<u>28,354,068</u>
Total cash and investments	<u>\$ 28,586,023</u>

Investments Authorized by the District's Investment Policy

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

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

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

Construction Fund Contract – This construction fund held with Trinity Funding Company, LLC is used for funding of capital related projects. This contract matured during fiscal year 2008/2009.

Capitalized Interest Fund Contract – This capitalized interest fund held with Trinity Funding Company, LLC is used to fund for two years of interest on the 2006 revenue certificates of participation bond. This contract matured at the end of fiscal year 2007/2008.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 2 - Cash and Investments (continued)

Disclosures Relating to Interest Rate Risk

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

		<u>Maturity Date</u>
State investment pool (LAIF)	\$ 10,927,548	235 days average maturity
Money Market Fund	14,031,870	N/A – due on demand
Debt Reserve Fund (GIC)	3,084,250	326 months to maturity
Certificate of Deposits	<u>310,487</u>	6 months to maturity
Total	<u>\$ 28,354,155</u>	

GIC – Guaranteed Investment Contract

LAIF – Local Agency Investment Fund

Disclosures Relating to Credit Risk

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

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District 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 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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 2 - Cash and Investments (concluded)

Custodial Credit Risk (continued)

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

Collateral and Categorization Requirements

At June 30, 2009, the District's carrying amount of demand deposits was \$230,719, and the bank account balances were \$1,620,358. The difference of \$1,389,639 represented outstanding checks and deposits in transit. Of the total deposit balance, \$250,000 was insured by federal depository insurance and \$1,370,358 was collateralized 110% in accordance with California Government Code requirements by securities held by the pledging financial institution in the District's name.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by the California Government Code Section 16429 and under the day to day administration of the State Treasurer. As of June 30, 2009, LAIF had approximately \$50.7 billion in investments.

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 3 - Capital Assets

Capital assets at June 30, 2009, consists of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable assets:				
Land	\$ 307,498	\$ -	\$ -	\$ 307,498
Property easement	25,350,000	90,000	-	25,440,000
Water/Sewer rights	75,004,410	125,000	-	75,129,410
Construction in progress (1)	1,631,236	501,034	-	2,132,270
Total non-depreciable assets	<u>102,293,144</u>	<u>716,034</u>	<u>-</u>	<u>103,009,178</u>
Depreciable assets:				
Plant & equipment	55,123,954	9,408,303	-	64,532,257
Less: Accumulated depreciation	(23,086,603)	(3,435,564)	-	(26,522,167)
Total depreciable assets	<u>32,037,351</u>	<u>5,972,739</u>	<u>-</u>	<u>38,010,090</u>
Total capital assets, net	<u>\$ 134,330,495</u>	<u>\$ 6,688,773</u>	<u>\$ -</u>	<u>\$ 141,019,268</u>

(1) Construction in progress includes capitalized interest in the amount of \$2,132,270.

Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The depreciation expense for the year ended June 30, 2009 totaled \$3,435,564.

Note 4 - Loans Receivable

During the 2004-2005 fiscal year, the District's employees requested the opportunity to change their retirement plan and join the California Public Employees' Retirement System (CalPERS). The total cost of joining CalPERS was about \$1 million, which was funded by debt. The District and its employees reached an agreement that the employees will pay one half of the CalPERS loan for their vesting amortized over a period of 15 years. On March 12, 2008, the District voted to pay the remaining unfunded loan with a balance of \$431,745 on behalf of the employees.

The District entered into an agreement with local Developers agreeing to provide water from its Desalination Plant. The developers agreed to pay \$198,000 in standby charges per year. The developers have since defaulted on the agreement and have not paid for the charges.

The District loaned \$138,000 to Fort Ord Reuse Authority to help pay for Veterans Cemetery Project. The loan was to be paid by September 30, 2009.

The loan balance currently outstanding at June 30, 2009 was \$524,517.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 5 - Long-Term Debt

A. Compensated Absences

District employees accumulate earned, but unused, vacation benefits which can be converted to cash at termination of employment. Since no means exists to reasonably estimate the amount that might be liquidated with expendable currently available financial resources, compensated absences are reported as a long-term debt on the Statement of Net Assets. The compensated absences balance at June 30, 2009 was \$259,763. Of this amount, \$51,953 is estimated to be due within one year.

B. Loans Payable

Community Bank

Loan payable to Community Bank, dated May 04, 2005, due in monthly installments at an annual interest rate of 6.495%. As of June 30, 2009, the outstanding balance was \$592,529 with future payments as follows:

Year ending June 30,	Community Bank Loan		
	Principal	Interest	Total
2010	\$ 86,808	\$ 35,972	\$ 122,780
2011	92,615	30,165	122,780
2012	98,751	24,030	122,780
2013	105,422	17,358	122,780
2014	112,477	10,304	122,781
2015	96,456	2,860	99,316
	<u>\$ 592,529</u>	<u>\$ 120,689</u>	<u>\$ 713,217</u>

C. Notes Payable

2006 Certificates of Participation

On August 23, 2006, the District issued certificates of participation revenue bonds (2006 COP Bonds), in the amount of \$42,310,000, due in semiannual installments of \$974,169 on December 1 and \$1,699,169 on June 1 through 2037 at a weighted average interest rate of 4.795% per annum. A portion of the proceeds from the bond issue was used to refund the 1996 LaSalle National Bank note, the 1997 Cypress Bank note, and the 2003 City National Bank loan. The remaining balance of the proceeds will be used to fund the District's capital improvement projects. The 2006 COP Bonds are payable solely from, and secured by, the revenues received from the operation of the District's water and wastewater systems. As of June 30, 2009, the outstanding balance was \$40,610,000.

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 5 - Long-Term Debt (continued)

C. Notes Payable (continued)

Future payments are as follows:

Year ending June 30,	2006 Enterprise Revenue Certificates of Participation		
	Principal	Interest	Total
2010	\$ 825,000	\$ 1,919,338	\$ 2,744,338
2011	860,000	1,886,338	2,746,338
2012	890,000	1,851,938	2,741,938
2013	925,000	1,818,563	2,743,563
2014	950,000	1,781,562	2,731,562
2015-2019	4,950,000	8,329,812	13,279,812
2020-2024	6,430,000	7,117,200	13,547,200
2025-2029	7,610,000	5,470,500	13,080,500
2030-2034	9,715,000	3,369,000	13,084,000
2035-2037	7,455,000	776,500	8,231,500
	<u>\$ 40,610,000</u>	<u>\$ 34,320,749</u>	<u>\$ 74,930,749</u>

D. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans payable	\$ 673,854	\$ -	\$ (81,325)	\$ 592,529	\$ 86,808
Revenue bonds payable	41,335,000	-	(725,000)	40,610,000	825,000
Capital lease	138,221		(27,865)	110,356	29,463
Compensated absences	225,567	34,196	-	259,763	51,953
Rebate arbitrage payable	376,568		(103,180)	273,388	-
	<u>42,749,210</u>	<u>34,196</u>	<u>(937,370)</u>	<u>41,846,036</u>	<u>\$ 993,224</u>
Unamortized premiums, net	1,023,944	-	(36,353)	987,591	
Totals	<u>\$ 43,773,154</u>	<u>\$ 34,196</u>	<u>\$ (973,723)</u>	<u>\$ 42,833,627</u>	

Note 6 - Deferred Charges

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 7 - Leases

A. Operating Leases

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

Minimum lease payments under the obligations are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2010	\$ 21,824
2011	21,434
2012	8,674
2013	3,552
2014	3,552
Total	<u>\$ 59,036</u>

The District's total operating lease expense was \$21,831 for the year ended June 30, 2009.

B. Capital Leases

The District entered into a lease agreement as a lessee for financing the acquisition of sewer jetter equipment. This lease agreement qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

<u>Asset:</u>	<u>Amount</u>
Sewer jetter equipment	\$ 151,657
Less: Accumulated depreciation	<u>(40,616)</u>
Total	<u><u>\$ 111,041</u></u>

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 7 – Leases (continued)

B. Capital Leases (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2010	\$ 34,718
2011	34,718
2012	34,718
2013	<u>17,359</u>
Total minimum lease payments	121,515
Less: amount representing interest	<u>(11,159)</u>
Present value of minimum lease payments	<u><u>\$ 110,356</u></u>

Note 8 - Defined Benefit Pension Plan

A. Plan Description

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

B. Funding Status

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 8 - Defined Benefit Pension Plan (continued)

C. Funding Policy

The District contributes for active plan members in the Miscellaneous Plan, 7% of their annual covered salaries. The District also is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2008/2009 was 5.154% for Miscellaneous Plan employees. The contribution requirements of the plan are established by State statute and the employer contribution rates established and may be amended by CalPERS.

D. Annual Pension Cost

For fiscal year 2008-2009, the District's annual pension cost was \$263,266 and the District actually contributed \$263,266. The District paid the required member contributions of 7% referred to in paragraph (B) above by transferring assets from its employer account to the individual accounts of its employees. The required contribution for fiscal year 2008-2009 was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) a 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25% to 14.45% depending on age, service, and type of employment, (c) an inflation rate of 3.0%, (d) a payroll growth rate of 3.25%, and (e) individual salary growth – a merit scale varying by duration of employment coupled with an assumed annual inflation growth rate of 3.00% and an annual production growth of 0.25%.

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

Three-Year Trend Information			
Miscellaneous Plan			
Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$240,882	100%	\$0
2008	\$252,370	100%	\$0
2009	\$263,266	100%	\$0

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 9 - Postemployment Benefits

The District provides postemployment benefits to eligible employees in the form of partial reimbursement for postemployment health insurance premiums. Eligibility requirements include a minimum of 20 years employment with the District and minimum retirement age of 55 years. For eligible employees, the District will pay 50% of the retired employee's health insurance premiums.

The obligation of the District to provide these benefits is determined by agreements with various employee bargaining groups.

The District's contributions are financed on a pay-as-you-go basis. The District paid \$5,098 in post employment benefits for the two retired employees who were eligible for benefits during the fiscal year ended June 30, 2009.

Note 10 - Risk Management

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

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

Note 11 - Commitments and Contingencies

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

MARINA COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2009

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.

Note 11 - Commitments and Contingencies (continued)

In conjunction with the 2006 COP bond issue, the District agreed to construct projects from which the revenues derived from these infrastructure additions would generate revenues which would be used to repay the bonds. Due to current economic conditions and the slow down in the new housing developments, the District has elected to slow down committing these bond proceeds for the construction of water and sewer infrastructure. The District expects to generate investment earnings from these bond proceeds which may be subject to arbitrage in the future. At June 30, 2008, the District had ongoing construction commitments that totaled approximately \$1.6 million.

Note 12 - Subsequent Event

In June 2009, the District adopted a rate increase for its water and wastewater operations for fiscal year 2009/2010, which was approved in 2007.

REQUIRED SUPPLEMENTARY INFORMATION

MARINA COAST WATER DISTRICT
Required Supplementary Information
June 30, 2009

Schedule of Funding Progress

Defined Benefit Pension Plan

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

<u>Miscellaneous 2% at 60 Risk Pool</u>	Actuarial Valuation Date - Year Ended		
	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>
Accrued Liabilities	\$ 484,351,523	\$ 478,122,215	\$ 498,934,859
Actuarial Value of Assets	459,996,995	454,602,459	479,520,670
Unfunded Liabilities	24,354,528	23,519,756	19,414,189
Funded Ratio	95.0%	95.1%	96.1%
Annual Covered Payroll	174,127,476	170,458,082	171,052,819
UL as a Percentage of Payroll	14.0%	13.8%	11.3%

Note - Details of the defined benefit pension plan can be found in Note 8 to the financial statements. Information for the year ended June 30, 2008 and June 30, 2009 has not been released by the Plan Actuary.

STATISTICAL SECTION

MARINA COAST WATER DISTRICT

Statistical Section

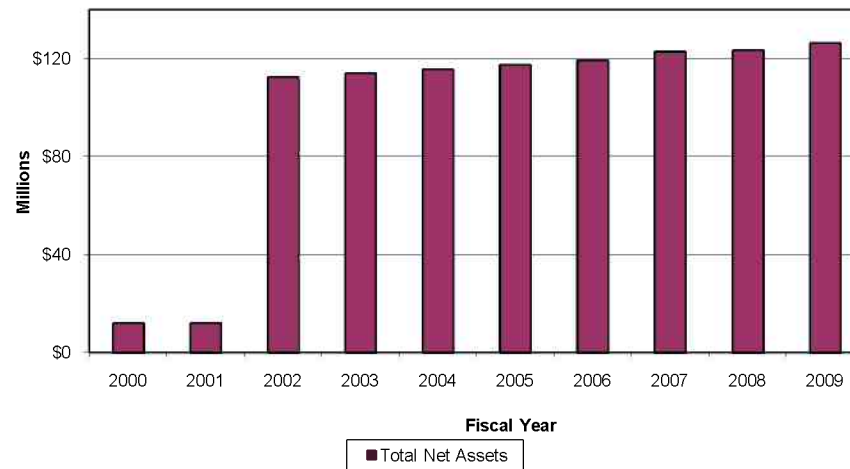
This part of the District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends	34-36
These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	37-40
These schedules contain information to help the reader assess the District's most significant revenue sources, water sales and wastewater collection.	
Debt Capacity	41-42
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	43
This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	44-45
These schedules contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	

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

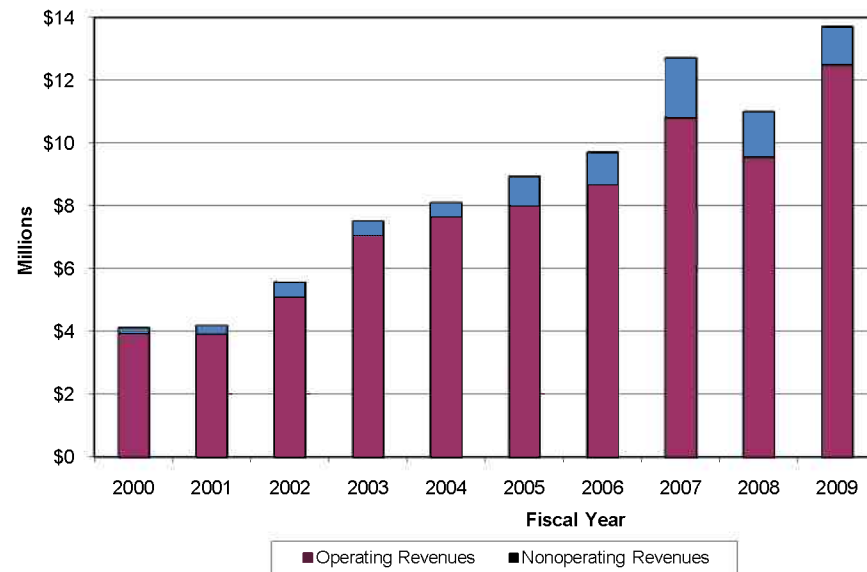
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in net assets:										
Operating revenues	\$ 3,948,510	\$ 3,913,541	\$ 5,088,507	\$ 7,064,564	\$ 7,639,996	\$ 7,981,735	\$ 8,665,529	\$ 10,812,765	\$ 9,572,021	\$ 12,499,973
Operating expenses	(3,275,568)	(3,884,999)	(5,285,992)	(5,774,700)	(6,149,888)	(6,925,744)	(7,480,070)	(8,722,235)	(9,443,488)	(9,382,017)
Operating income (loss)	672,942	28,542	(197,485)	1,289,864	1,490,108	1,055,991	1,185,459	2,090,530	128,533	3,117,956
Non-operating revenues (expenses)	(56,655)	64,569	287,672	263,393	260,203	671,053	635,484	1,412,230	109,478	(313,310)
Net income before capital contributions	616,287	93,111	90,187	1,553,257	1,750,311	1,727,044	1,820,943	3,502,760	238,011	2,804,646
Capital contributions			100,278,000						361,068	47,568
Changes in net assets	616,287	93,111	100,368,187	1,553,257	1,750,311	1,727,044	1,820,943	3,502,760	599,079	2,852,214
Net assets beginning of year	11,466,836	12,083,123	12,176,234	112,544,421	114,097,678	115,847,989	117,575,033	119,395,976	122,898,736	123,497,815
Net assets end of year	<u>12,083,123</u>	<u>12,176,234</u>	<u>112,544,421</u>	<u>114,097,678</u>	<u>115,847,989</u>	<u>117,575,033</u>	<u>119,395,976</u>	<u>122,898,736</u>	<u>123,497,815</u>	<u>126,350,029</u>
Net assets by component:										
Invested in capital assets, net of related debt	8,827,201	9,177,170	109,341,392	109,150,271	109,889,714	109,094,377	110,853,880	107,262,871	109,656,979	111,548,505
Restricted for debt service	287,450	292,624	260,946	234,385	231,047	243,991	241,825	3,084,330	3,084,281	3,084,250
Unrestricted	<u>2,968,472</u>	<u>2,706,440</u>	<u>2,942,083</u>	<u>4,713,022</u>	<u>5,727,228</u>	<u>8,236,665</u>	<u>8,300,271</u>	<u>12,551,535</u>	<u>10,756,555</u>	<u>11,717,274</u>
Total Net Assets	<u>\$ 12,083,123</u>	<u>\$ 12,176,234</u>	<u>\$ 112,544,421</u>	<u>\$ 114,097,678</u>	<u>\$ 115,847,989</u>	<u>\$ 117,575,033</u>	<u>\$ 119,395,976</u>	<u>\$ 122,898,736</u>	<u>\$ 123,497,815</u>	<u>\$ 126,350,029</u>



Source: Marina Coast Water District, Audited Financial Statements

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

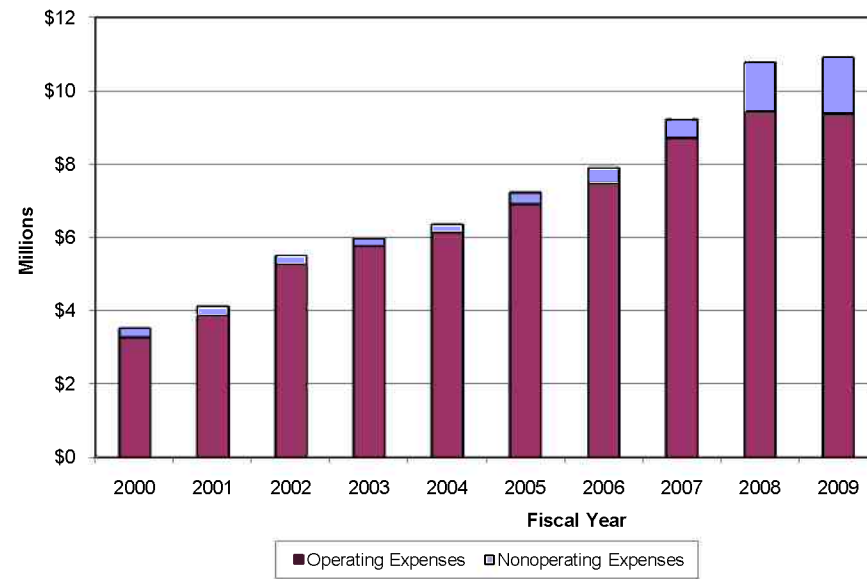
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating revenues:										
Water sales	\$ 3,370,666	\$ 3,332,399	\$ 3,680,310	\$ 4,730,112	\$ 5,367,925	\$ 5,102,546	\$ 6,022,326	\$ 6,707,039	\$ 6,686,916	\$ 7,344,555
Wastewater services	434,903	429,456	1,022,358	1,303,927	1,380,335	1,647,288	1,811,916	1,881,978	1,888,433	1,965,102
Capacity and connection fees	24,230	65,626	182,127	563,609	44,787	680,472	294,755	486,705	421,410	1,014,536
Other services and fees	118,711	86,060	203,712	466,916	846,949	551,429	536,532	1,737,043	575,262	2,175,780
Total operating revenues	3,948,510	3,913,541	5,088,507	7,064,564	7,639,996	7,981,735	8,665,529	10,812,765	9,572,021	12,499,973
Nonoperating revenues										
Grant revenue	-	84,298	-	383,330	402,139	777,159	616,213	25,641	-	-
Interest earned	155,877	183,308	101,095	80,180	79,532	201,906	433,146	1,882,864	1,417,375	1,185,594
Bond premium (discount)	-	-	-	-	-	-	-	-	36,353	36,353
Other revenue	36,060	30,934	408,358	5,150	-	-	-	-	-	-
Total nonoperating revenues	191,937	298,540	509,453	468,660	481,671	979,065	1,049,359	1,908,505	1,453,728	1,221,947
Total revenues	\$ 4,140,447	\$ 4,212,081	\$ 5,597,960	\$ 7,533,224	\$ 8,121,667	\$ 8,960,800	\$ 9,714,888	\$ 12,721,270	\$ 11,025,749	\$ 13,721,920



Source: Marina Coast Water District, Audited Financial Statements

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

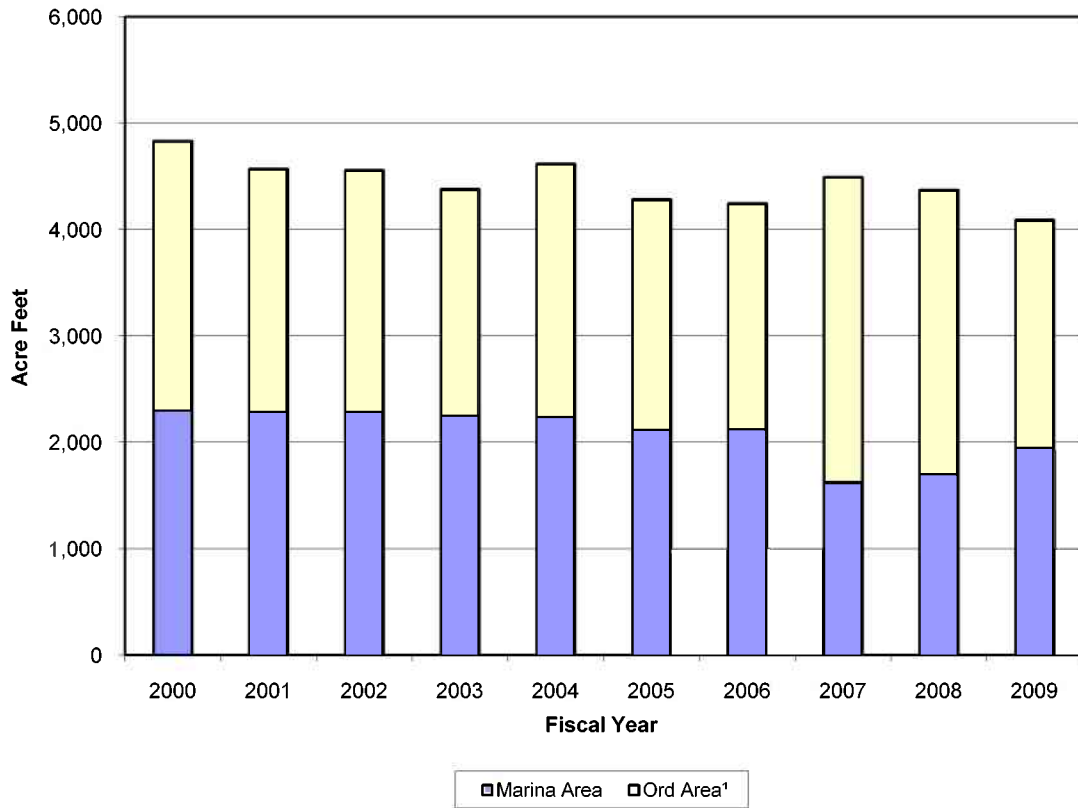
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating expenses:										
Administrative	\$ 793,362	\$ 1,044,720	\$ 1,389,439	\$ 1,719,838	\$ 1,452,921	\$ 2,028,428	\$ 1,563,799	\$ 1,825,843	\$ 2,274,611	\$ 2,129,232
Operations & maintenance	1,198,482	1,279,742	1,627,140	1,949,945	2,150,666	1,999,061	2,088,928	2,272,393	2,158,993	2,216,202
Laboratory	215,239	221,515	243,125	242,402	274,717	305,346	296,526	278,641	295,452	312,140
Conservation	75,754	87,991	98,462	103,385	131,098	192,956	183,875	201,110	255,024	264,490
Engineering	251,507	285,553	315,073	485,095	779,466	777,570	1,401,603	1,664,900	1,376,436	1,024,390
Depreciation	741,224	965,478	1,612,753	1,274,035	1,361,020	1,622,383	1,945,339	2,479,348	3,082,972	3,435,564
Total operating expenses	3,275,568	3,884,999	5,285,992	5,774,700	6,149,888	6,925,744	7,480,070	8,722,235	9,443,488	9,382,017
Nonoperating expenses										
Interest expense	248,592	233,971	221,781	205,267	221,468	308,012	413,875	496,275	1,314,153	1,505,137
Bond issuance costs	-	-	-	-	-	-	-	-	30,097	30,120
Total nonoperating expenses	248,592	233,971	221,781	205,267	221,468	308,012	413,875	496,275	1,344,250	1,535,257
Total expenses	<u>\$ 3,524,160</u>	<u>\$ 4,118,970</u>	<u>\$ 5,507,773</u>	<u>\$ 5,979,967</u>	<u>\$ 6,371,356</u>	<u>\$ 7,233,756</u>	<u>\$ 7,893,945</u>	<u>\$ 9,218,510</u>	<u>\$ 10,787,738</u>	<u>\$ 10,917,274</u>



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 ¹	Water Production (acre feet)
2000	2,302	2,531	4,833
2001	2,294	2,277	4,571
2002	2,291	2,270	4,561
2003	2,253	2,130	4,383
2004	2,246	2,373	4,619
2005	2,124	2,161	4,285
2006	2,130	2,117	4,247
2007	1,624	2,868	4,492
2008	1,705	2,669	4,374
2009	1,957	2,137	4,094



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

(1) Ord water production data not available for 1999.

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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
0-8 hcf	\$ 1.79	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.00	\$ -	\$ -	\$ -	\$ -	\$ -
9-16 hcf	2.18	2.39	2.39	2.39	1.69					
16+ hcf	3.98	3.08	3.08	3.08	2.38					
0-12 hcf		\$ 1.79	\$ 1.79	\$ 1.72	\$ 1.64	\$ 1.55	\$ 1.45	\$ 1.34	\$ 1.34	\$ 1.34
13+ hcf		2.80	2.80	2.69	2.56	2.42	2.26	2.05	2.05	2.05

Marina Service Area Water & Sewer Service Charges (monthly)

Meter Size	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
5/8" - 3/4"	\$ 14.72	\$ 14.18	\$ 14.18	\$ 13.63	\$ 12.98	\$ 12.25	\$ 11.45	\$ 10.60	\$ 10.60	\$ 10.60
1"	36.79	35.44	35.44	34.08	32.45	30.63	28.62	25.00	25.00	25.00
1 1/2"	73.58	70.88	70.88	68.15	64.90	61.25	57.24	49.00	49.00	49.00
2"	117.72	113.40	113.40	109.04	103.84	98.00	91.58	78.00	78.00	78.00
3"	220.73	212.63	212.63	204.45	194.70	183.75	171.72	158.00	158.00	158.00
4"	367.88	354.38	354.38	340.75	324.50	306.25	286.20	248.00	248.00	248.00
6"	735.75	708.76	708.76	681.50	649.00	612.50	572.40	520.00	520.00	520.00
8"	1,471.50	1,417.52	1,417.52	1,363.00	1,298.00	1,225.00	1,144.80	520.00	520.00	520.00
Sewer (EDU)	7.14	6.88	6.88	6.62	6.30	5.95	5.56	5.15	5.15	5.15

Ord Service Area Water Consumption Rates (hcf)

Description	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
0-8 hcf	\$ 1.87	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.00	\$ -	\$ -	\$ -	\$ -	\$ -
9-16 hcf	2.63	2.39	2.39	2.39	1.69					
16+ hcf	3.39	3.08	3.08	3.08	2.38					
0-12 hcf						1.00	0.83	0.83	0.83	0.83
13+ hcf						1.69	1.03	1.03	1.03	1.03
Flat Rate	67.76	52.10	52.10	52.10	52.10	47.50	43.00	40.00	40.00	40.00
CS ¹ - Water	20.00	20.00	20.00	20.00						
CCC ² - Water					0.70	0.70	0.80	0.60	0.40	0.20

Ord Service Area Water & Sewer Service Charges (monthly)

Description	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
5/8" - 3/4"	\$ 13.75	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.00	\$ 12.00	\$ 12.00
1"	34.38	31.25	31.25	31.25	31.25	31.25	31.25	25.00	25.00	25.00
1 1/2"	68.73	62.50	62.50	62.50	62.50	62.50	62.50	49.00	49.00	49.00
2"	109.96	100.00	100.00	100.00	100.00	100.00	100.00	78.00	78.00	78.00
3"	206.18	187.50	187.50	187.50	187.50	187.50	187.50	158.00	158.00	158.00
4"	343.63	312.50	312.50	312.50	312.50	312.50	312.50	248.00	248.00	248.00
6"	687.27	625.00	625.00	625.00	625.00	625.00	625.00	520.00	520.00	520.00
8"	1,374.53	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	520.00	520.00	520.00
Sewer (EDU)	20.97	20.20	20.20	20.20	12.90	11.00	11.00	11.00	11.00	11.00
CS ¹ - Sewer	5.00	5.00	5.00	5.00						
CCC ² - Sewer					7.30	6.00	6.00	4.50	2.25	2.25

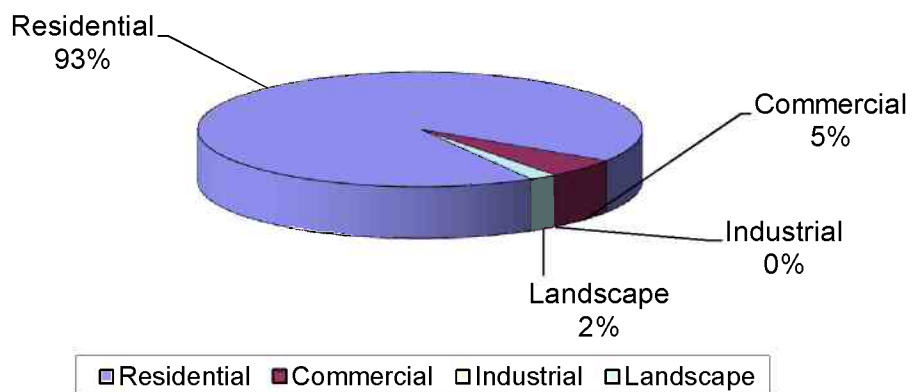
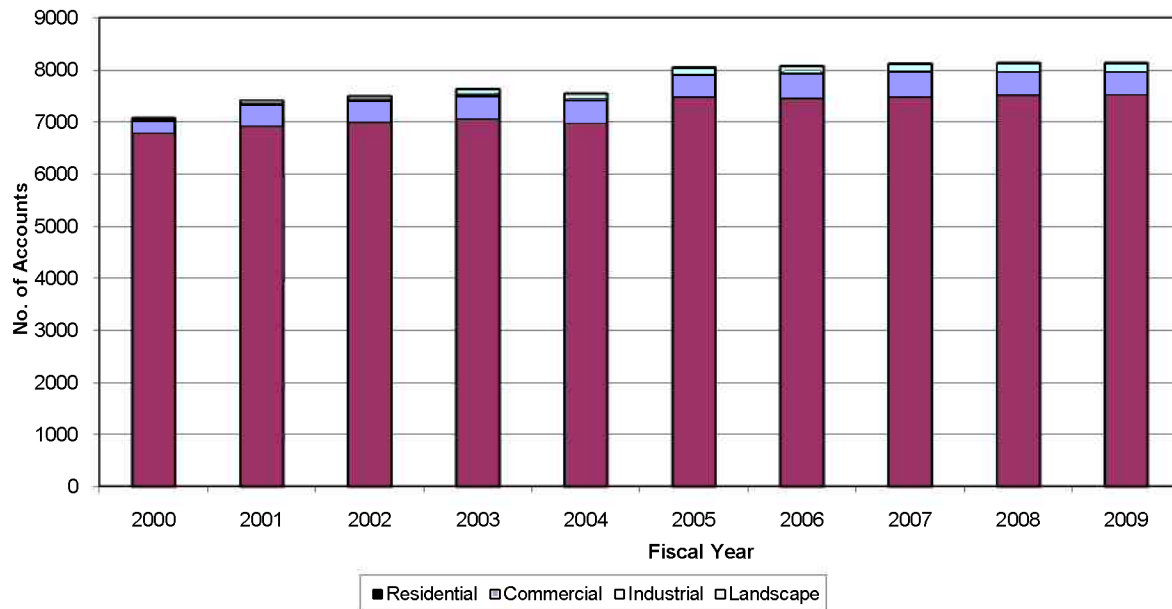
Note: (1) CS = Monthly Capital Surcharge for new EDU's.

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

Source: Marina Coast Water District's Finance Department

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Water customer accounts										
Residential	6,805	6,937	7,008	7,064	6,987	7,488	7,472	7,492	7,523	7,536
Commercial	238	419	419	452	447	431	466	488	454	438
Industrial	4	3	3	3	3	3	3	3	3	3
Landscape	31	66	74	114	113	126	130	151	163	162
Total water accounts	<u>7,078</u>	<u>7,425</u>	<u>7,504</u>	<u>7,633</u>	<u>7,550</u>	<u>8,048</u>	<u>8,071</u>	<u>8,134</u>	<u>8,143</u>	<u>8,139</u>



Source: Marina Coast Water District's Finance Department

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

2000			2009		
Customer	Water Usage (acre feet)	Percentage of Water Sold	Customer	Water Usage (acre feet)	Percentage of Water Sold
CSU Monterey Bay	490	14.25%	Monterey Bay Military Housing	539	14.20%
Monterey Bay Military Housing	411	11.95%	CSU Monterey Bay	416	10.96%
Monterey Meadows H.O. Association	34	0.99%	Bay View Mobile Home Park	80	2.11%
Accor Economy Lodging	23	0.67%	Seaside Highlands H.O. Association	76	2.00%
Mangold Property Management	22	0.64%	Sun Bay Apartments	59	1.55%
El Rancho Mobile Home Park	22	0.64%	United States Army	41	1.08%
Mid Peninsula Housing (Preston)	22	0.64%	MPUSD - Seaside High School	39	1.03%
Seabreeze Apartments	19	0.55%	MPUSD - Thomas Hayes Elementary	33	0.87%
Inn Cal Inc	19	0.55%	Cypress Marina Heights	33	0.87%
Cypress Sands Apartments	19	0.55%	Clark Realty Builders	29	0.76%
Total Principal Water Users	1,081	31.44%	Total Principal Water Users	1,345	35.42%
Total All Users	3438	100.00%	Total All Users	3797	100.00%

Source: Marina Coast Water District's Finance Department

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

Fiscal Year	Loans Payable	Notes Payable	Bonds Payable	Capital Leases	Debt	Personal Income (1)	As a Percent of Personal Income
2000	-	3,674,728	659,384	-	4,334,112	12,097,144	0.04%
2001	-	3,494,224	548,277	-	4,042,501	12,540,815	0.03%
2002	-	3,303,546	400,232	-	3,703,778	12,676,027	0.03%
2003	1,303,312	3,102,379	274,816	-	4,680,507	13,380,948	0.03%
2004	2,758,203	2,890,139	141,568	-	5,789,910	14,096,150	0.04%
2005	5,158,364	2,666,401	-	-	7,824,765	14,771,776	0.05%
2006	6,443,597	2,430,148	-	-	8,873,745	15,667,000	0.06%
2007	749,933	-	42,035,000	-	42,784,933	15,586,498	0.27%
2008	673,854	-	41,335,000	138,221	42,147,075	15,586,498 *	0.27%
2009	592,529	-	40,610,000	110,356	41,312,885	15,586,498 *	0.27%

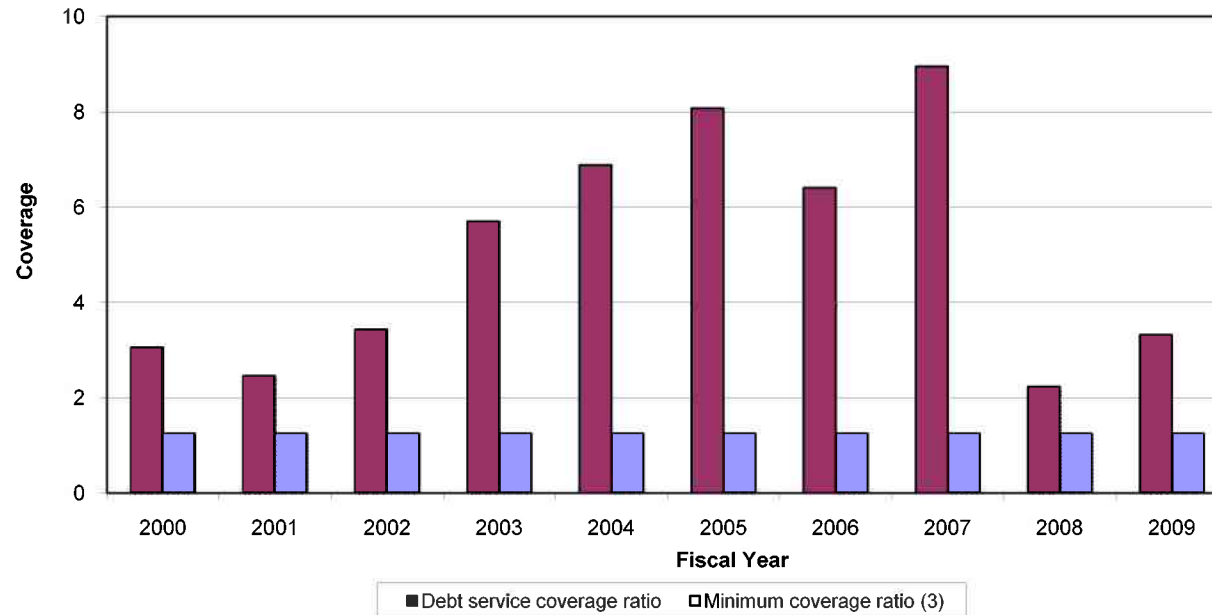
(1) U.S Department of Commerce, Bureau of Economic Analysis, in Thousands

* Data not available for 2008 & 2009

Source: Marina Coast Water District, Audited Financial Statements

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt service coverage										
Gross revenues (1)	4,140,447	4,212,081	5,597,960	7,533,224	8,121,667	8,960,800	9,714,888	12,721,270	11,025,749	13,721,920
Operating expenses (2)	(2,534,344)	(2,919,521)	(3,673,239)	(4,500,665)	(4,788,868)	(5,303,361)	(5,534,731)	(6,242,887)	(6,360,516)	(5,946,453)
Net available revenues	1,606,103	1,292,560	1,924,721	3,032,559	3,332,799	3,657,439	4,180,157	6,478,383	4,665,233	7,775,467
Debt service										
Principal	275,909	291,611	338,723	326,583	277,855	293,449	303,261	542,669	776,079	834,190
Interest	248,592	233,971	221,781	205,267	206,354	159,871	349,733	181,277	1,314,153	1,505,137
	524,501	525,582	560,504	531,850	484,209	453,320	652,994	723,946	2,090,232	2,339,327
Debt service coverage ratio	3.06	2.46	3.43	5.70	6.88	8.07	6.40	8.95	2.23	3.32
Minimum coverage ratio (3)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25



Notes:

(1) Gross revenues includes all operating revenue, interest income, other non-operating revenue and connection fees.

(2) Operating expenses exclude depreciation and amortization.

(3) Minimum coverage ratio requirement per debt covenants.

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

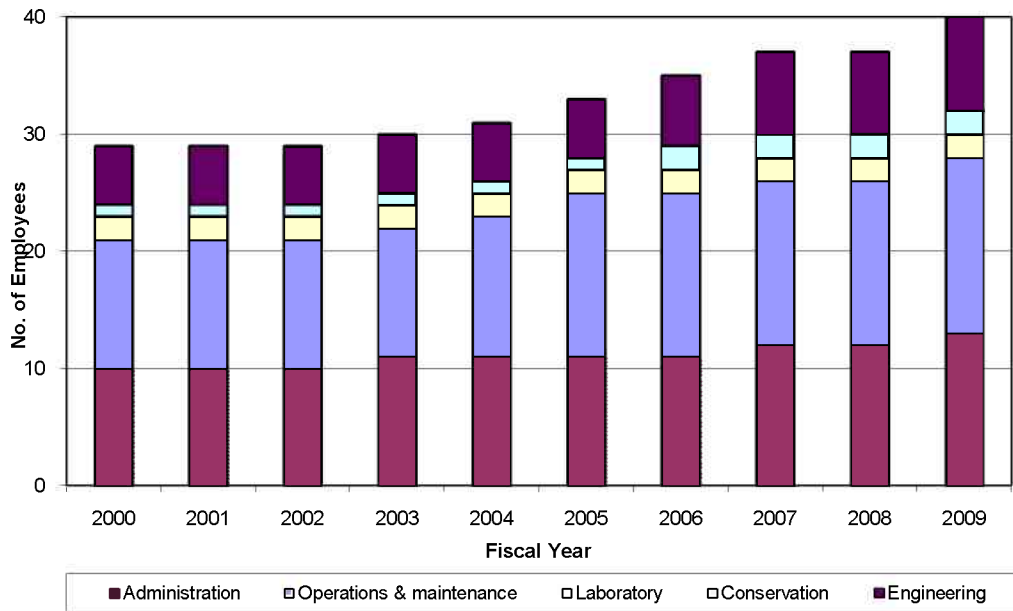
<u>Calendar Year Ended December 31</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Income (3)</u>	<u>Median Age (4)</u>	<u>Unemployment Rate (5)</u>
1998	390,500	\$ 10,468,091	\$ 26,987	31.0	10.8%
1999	398,900	11,169,200	28,186	31.3	9.7%
2000	401,762	12,097,144	30,004	31.7	7.4%
2001	512,922	12,540,815	30,723	32.0	7.8%
2002	518,237	12,676,027	30,800	31.0	9.0%
2003	422,389	13,455,580	32,469	32.7	9.0%
2004	423,754	14,074,798	33,952	34.5	8.4%
2005	424,482	14,519,770	34,172	36.1	7.3%
2006	410,206	15,667,000	38,193	31.9	5.7%
2007	407,637	15,586,498	38,373	32.1	6.6%

Sources:

1. Monterey County CAFR Report 06302008

MARINA COAST WATER DISTRICT
Personnel Trends by Department
Last Ten Fiscal Years
Schedule 11

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Employees by department										
Administration	10	10	10	11	11	11	11	12	12	13
Operations & maintenance	11	11	11	11	12	14	14	14	14	15
Laboratory	2	2	2	2	2	2	2	2	2	2
Conservation	1	1	1	1	1	1	2	2	2	2
Engineering	5	5	5	5	5	5	6	7	7	8
Total Employees	29	29	29	30	31	33	35	37	37	40



Source: Marina Coast Water District's Finance Department

MARINA COAST WATER DISTRICT
Operating and Capacity Indicators
Last Ten Fiscal Years
Schedule 12

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Facilities										
Distribution pipeline (miles)	212	212	212	212	212	212	212	280	284	350
Storage capacity (mg)(1)	12	12	12	12	12	12	12	12	12	12
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)	750	748	747	734	732	692	694	529	556	638
Average per day (mgd)(2)	2.1	2.0	2.0	2.0	2.0	1.9	1.9	1.4	1.5	1.7
Water produced - Ord (mg)(1)	825	742	740	694	773	704	690	935	870	696
Average per day (mgd)(2)	2.3	2.0	2.0	1.9	2.1	1.9	1.9	2.6	2.4	1.9
Total water produced (mg)(1)	1,575	1,489	1,486	1,428	1,505	1,396	1,384	1,464	1,425	1,334
Average per day (mgd)(2)	4.3	4.1	4.1	3.9	4.1	3.8	3.8	4.0	3.9	3.7

(1) mg = million gallons

(2) mgd = million gallons per day

Source: Marina Coast Water District's Finance Department