



Marin Municipal Water District

Corte Madera, California

*Basic Financial Statements
And Independent Auditors' Report*

For the years ended June 30, 2011 and 2010

C&L
Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

Marin Municipal Water District
Basic Financial Statements
For the years ended June 30, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Marin Municipal Water District
Corte Madera, California

We have audited the accompanying financial statements of the enterprise fund and the fiduciary fund of Marin Municipal Water District (District), as of, and for the years ended, June 30, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller general of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial positions of the enterprise fund and the fiduciary fund of the District, as of June 30, 2011 and 2010, and the respective changes in financial positions and, where applicable, cash flows thereof, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2011 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, grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Directors
of the Marin Municipal Water District
Corte Madera, California
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress on pages 3 through 8 and 41 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The statement of changes in fiduciary assets and liabilities and other supplementary information, are presented for purposes of additional analysis and are not a required part of the financial statements. The statement of changes in fiduciary assets and liabilities is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary information 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 it.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
December 8, 2011

**Marin Municipal Water District
Management Discussion and Analysis
June 30, 2011**

As management of the Marin Municipal Water District (MMWD), we offer readers of MMWD's financial statements this narrative overview and analysis of the financial statements of MMWD for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here and in our basic financial statements, which begin on page 9.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the MMWD's basic financial statements. MMWD's basic financial statements are for a single proprietary fund and include the financial statements, notes to those financial statements and other supplementary and statistical information.

Proprietary Fund Financial Statements

MMWD's operations are accounted for as a single proprietary enterprise fund using the full accrual basis of accounting. In this regard, MMWD operations are accounted for in a manner similar to a private business enterprise. Within this one proprietary fund, MMWD segregates revenues and expenses for various purposes such as operations, debt service and capital improvements, but that segregation does not create separate proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 17 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary and statistical information. Supplementary and statistical information can be found beginning on page 43 of this report.

Financial Highlights

- Total assets of MMWD exceeded total liabilities at the close of the fiscal year by \$290 million (net assets).
- Net assets as of June 30, 2011 increased by \$3.4 million compared to fiscal 2010.
- Operating revenues increased by \$3.1 million as compared to fiscal 2010.
- Capital assets net of accumulated depreciation at June 30, 2011 increased by \$9.4 million as compared to June 30, 2010.
- Operating expenses decreased by \$1.3 million as compared to fiscal 2010.
- MMWD experienced a net operating income of \$0.05 million for the fiscal year ended June 30, 2011, compared to a net operating loss of \$4.3 million for the previous fiscal year; an increase of \$4.4 million in net operating income over the prior year.

Financial Condition

The District's net assets increased by \$3.4 million during the fiscal year (see Table 1 below) due largely to net income from capital contributions during the year.

Long-term liabilities decreased by \$4.1 million due to the reduction in principal due on payment of debt service.

The District's investment in capital assets net of related debt represents the largest portion of net assets (94%). The amount invested in capital assets, net of related debt remained relatively flat, due to additions to capital assets being offset by depreciation and disposals.

Table 1
FUND EQUITY

	June 30, 2011	June 30, 2010	2011 vs. 2010		June 30, 2009	2010 vs. 2009	
			Increase/ (Decrease)	% Change		Increase/ (Decrease)	% Change
Current and other assets	\$ 60,394,683	\$ 67,496,869	\$ (7,102,186)	-10.52%	\$ 50,328,278	\$ 17,168,591	34.11%
Capital assets	327,594,352	318,195,591	9,398,761	2.95%	305,865,614	12,329,977	4.03%
Total assets	387,989,035	385,692,460	2,296,575	0.60%	356,193,892	29,498,568	8.28%
Current and other liabilities	18,024,054	14,972,572	3,051,482	20.38%	18,103,862	(3,131,290)	-17.30%
Long-term liabilities, net	79,809,731	83,951,356	(4,141,625)	-4.93%	53,130,195	30,821,161	58.01%
Total liabilities	97,833,785	98,923,928	(1,090,143)	-1.10%	71,234,057	27,689,871	38.87%
Net assets:							
Invested in capital assets, net of related debt	273,186,687	273,838,602	(651,915)	-0.24%	243,945,226	29,893,376	12.25%
Restricted	3,855,977	3,999,728	(143,751)	-3.59%	6,845,171	(2,845,443)	-41.57%
Unrestricted	13,112,586	8,930,202	4,182,384	46.83%	34,169,438	(25,239,236)	-73.86%
Total net assets	\$ 290,155,250	\$ 286,768,532	\$ 3,386,718	1.18%	\$ 284,959,835	\$ 1,808,697	0.63%

Table 2
Results of Operations /Statement of Revenues, Expenses and Changes in Fund Equity

	June 30, 2011	June 30, 2010	2011 vs. 2010		June 30, 2009	2010 vs. 2009		
			Increase/ (Decrease)	% Change		Increase/ (Decrease)	% Change	
Revenues:								
Water sales and service charges	\$ 53,969,373	\$ 50,111,192	\$ 3,858,181	7.70%	\$ 50,802,203	\$ (691,011)	-1.36%	
Connection charges	1,009,829	1,311,139	(301,310)	-22.98%	2,748,427	(1,437,288)	-52.29%	
Other operating revenue	1,300,208	1,727,948	(427,740)	-24.75%	999,306	728,642	72.91%	
Total operating revenue	56,279,410	53,150,279	3,129,131	5.89%	54,549,936	(1,399,657)	-2.57%	
Expenses:								
Personnel and related	30,042,858	29,857,987	184,871	0.62%	30,580,025	722,038	2.36%	
Electrical power	2,738,066	3,167,677	(429,611)	-13.56%	3,230,402	62,725	1.94%	
Water purchased	4,960,870	5,617,017	(656,147)	-11.68%	4,912,997	(704,020)	-14.33%	
Other expenses	8,009,786	8,501,496	(491,710)	-5.78%	10,063,061	1,561,565	15.52%	
Depreciation and amortization	10,480,987	10,350,791	130,196	1.26%	9,713,604	637,187	6.56%	
Total operating expenses	56,232,567	57,494,968	1,262,401	2.20%	58,500,089	(1,005,121)	-1.72%	
Net operating income (loss)	46,843	(4,344,689)	4,391,532	101.08%	(3,950,153)	(394,536)	-9.99%	
Nonoperating revenue, net	2,042,902	2,405,640	(362,738)	-15.08%	2,510,490	(104,850)	-4.18%	
Less: Interest expense	(3,887,448)	(2,399,793)	1,487,655	61.99%	(2,574,404)	(174,611)	-6.78%	
Total nonoperating revenue/(expense)	(1,844,546)	5,847	(1,850,393)	-31646.88%	(63,914)	69,761	109.15%	
Income before capital contributions	(1,797,703)	(4,338,842)	2,541,139	58.57%	(4,014,067)	(324,775)	-8.09%	
Capital contributions	5,184,421	6,147,539	(963,118)	-15.67%	6,073,906	73,633	1.21%	
Net Income	3,386,718	1,808,697	1,578,021	87.25%	2,059,839	(251,142)	-12.19%	
Net Assets:								
Beginning of year	286,768,532	284,959,835	1,808,697	0.63%	282,899,996	2,059,839	0.73%	
End of year	\$ 290,155,250	\$ 286,768,532	\$ 3,386,718	1.18%	\$ 284,959,835	\$ 1,808,697	0.63%	

Total operating revenues of \$56.3 million increased by \$3.1 million over the prior year; operating expenses of \$56.2 million decreased by \$1.3 million from the prior year. As a result, net operating income increased \$4.4 million over the prior year.

The major changes in net income from the prior fiscal year were from the following:

- Water sales increased by \$3.8 million due to an 11.5% rate increase effective March 1, 2010, and a 0.5% increase in consumption over the prior year.
- Operating expenses decreased by \$1.3 million. The largest factors were decreases in electrical power costs (\$0.4 million), water purchased (\$0.7 million) and materials and other expenses (\$0.5 million). Decreases in operating expenses were offset by a \$0.2 million increase in personnel expenses and a \$0.1 million increase in depreciation.
- Non-operating revenues, net, decreased by \$1.9 million largely as a result of the additional \$1.7 million in interest expense due on the 2010 Revenue Bond issue.
- Capital contributions, which include connection fees and the \$75 per parcel Fire Flow Fee, decreased by \$1.0 million, due largely to a \$0.8 million decrease in capital-related connection fees and a \$0.2 million decrease in capital grants.

Table 3
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2011	June 30, 2010	2011 vs. 2010		June 30, 2009	2010 vs. 2009	
			Increase/ (Decrease)	% Change		Increase/ (Decrease)	% Change
Plant, buildings and equipment, net	\$ 285,943,211	\$ 277,494,069	\$ 8,449,142	3.04%	\$ 268,538,167	\$ 8,955,902	3.34%
Land	10,594,873	10,594,873	-	0.00%	10,048,109	546,764	5.44%
Construction in progress	25,039,690	23,805,971	1,233,719	5.18%	20,694,560	3,111,411	15.03%
Sonoma County Water Rights, net	6,016,578	6,300,678	(284,100)	-4.51%	6,584,778	(284,100)	-4.31%
Total	\$ 327,594,352	\$ 318,195,591	\$ 9,398,761	2.95%	\$ 305,865,614	\$ 12,329,977	4.03%

The District had \$285.9 million (net of accumulated depreciation) invested in water utility capital assets as of June 30, 2011. This amount represents an increase of \$8.4 million over the prior fiscal year. The investment in capital assets includes: land, buildings, improvements, water treatments plants, filter plants, water transmission and distribution mains, water storage facilities, reservoirs, pump stations, water reclamation facilities, machinery, equipment and water rights (see Table 3 above).

Table 4
LONG TERM DEBT

	June 30, 2011	June 30, 2010	2011 vs. 2010		June 30, 2009	2010 vs. 2009	
			Increase/ (Decrease)	% Change		Increase/ (Decrease)	% Change
2002 Revenue Refunding Bonds	\$ 16,185,000	\$ 17,625,000	\$ (1,440,000)	-8.17%	\$ 19,005,000	\$ (1,380,000)	-7.26%
2004 Certificates of Participation	25,995,000	28,110,000	(2,115,000)	-7.52%	30,145,000	(2,035,000)	-6.75%
2010 Water Revenue Bonds	31,850,000	31,850,000	-	100.00%	-	31,850,000	
Clean Renewable Energy Bonds (CREBs)	1,467,000	1,589,250	(122,250)	-7.69%	1,711,500	(122,250)	-7.14%
Unamortized costs, net	1,896,453	1,880,887	15,566	0.83%	(145,475)	2,026,362	-1392.93%
	\$ 77,393,453	\$ 81,055,137	\$ (3,661,684)	-4.52%	\$ 50,716,025	\$ 30,339,112	59.82%

As of June 30, 2011 the District had total long-term debt outstanding of \$77.4 million, net of unamortized costs, which is a decrease of \$3.7 million over the prior year.

On May 26, 2010, the Marin Municipal Water District Financing Authority (Authority) issued Water Revenue Bonds, 2010 Series A. These bonds were issued to finance the acquisition and construction of additions, betterments, extensions and improvements to the Marin Municipal Water District water system. The bonds are special limited obligations of the Authority payable from, and secured by, a pledge of revenues, consisting primarily of installment payments payable by the District under an installment sale agreement.

The District is required by bond covenants to maintain principal, interest and reserve funds for each bond issue outstanding. In addition, the District is required to set rates and charges to yield revenues equal to at least 125% of the current annual debt service requirements of the outstanding revenue bonds and certificates of participation. The coverage of annual debt service for the year ended June 30, 2011 was 220%.

Looking Forward

From its formation in 1912, as the State of California's first Municipal Water District, until 1975, the Marin Municipal Water District (MMWD) relied on a local reservoir system to supply all of the water required by its customers. However, by 1975 water demand had increased to the point that a supplemental water supply source was required by the District.

To obtain this supplemental water supply, the District entered into a contract with the Sonoma County Water Agency (SCWA). SCWA was formed in the 1950's. It obtains its water supply primarily from the Russian River Project, a joint County-Federal project that includes two Federal owned reservoirs: Lakes Mendocino and Sonoma. While the SCWA water distribution system is paid for by water users, the local share of the cost of the two reservoirs is paid for by property taxes in Sonoma County. SCWA payments to the Federal Government, both principal and interest, will total about \$211 million when the final payment is made in 2034.

MMWD's original contracts with SCWA were for "surplus" or "as-available" water supply. This means that water would be delivered to MMWD only after the needs of SCWA's other customers were met. As those customers' needs increased, the reliability of the water supply provided to MMWD declined. In response to this increased risk, MMWD negotiated changes to its contracts with SCWA to put MMWD water deliveries on a par with the terms offered SCWA regular customers. To effect this change in water delivery reliability, MMWD agreed to reimburse SCWA for a portion of the cost of the Federal reservoir projects being paid by Sonoma County property taxes. The District has made three such payments to SCWA; in 1984, 1996 and 2005. With the last, and final, 2005 payment of \$6.3 million, all of MMWD's contracted water supply from SCWA is now classed as "firm", which is the highest available classification. This one-time payment increased the reliable supply of the MMWD water system by about 850 acre-feet per year.

MMWD continues to work toward improving its water source-of-supply options, however, work towards building a desalination facility has been put on hold. Recent declines in consumption and the economy have made the building of such a facility a lower priority. Water conservation will continue to take the lead in the District's efforts to keep consumption at sustainable levels.

Effective July 1, 2004 the District became self-insured for workers' compensation. In the four years prior to becoming self-insured for workers' compensation insurance, the number and severity of workers' compensation claims had been significantly reduced yet our rate for insurance had more than doubled. By self-insuring and setting aside adequate reserves to pay future claims, the District has protected itself from the spiraling premiums and has better control over its workers' compensation program. An umbrella policy, with a self-insured retention (SIR) of \$750,000 has been purchased to protect the District from catastrophic losses. Annual actuarial studies are done to provide the District with the rate to be charged internally. The District maintained a reserve of \$2,434,000 in its Workers Compensation Fund at June 30, 2011.

In the case of general liability insurance, the District has chosen to purchase a policy with a high SIR of \$250,000. The risk associated with this change has proved to be small. The majority of claims paid by MMWD have fallen well below this SIR. The District continues to actively monitor claims. The "Claims Committee", made up of senior District staff members, reviews and investigates all claims filed against the District. This approach has proven to be successful in minimizing the level of payment made on many of the claims.

As noted above, the District adopted, and is in compliance with, GASB 45. An actuarial assessment has been completed along with a recent update. The District established a trust, as required by GASB 45, with the California Public Employees Retirement System, and intends to annually fully fund the trust in the amounts to be determined by the actuarial study. In fiscal year 2010-11 the District deposited \$3.1 million into this trust.

MMWD realized an operating profit of \$0.05 million for the year ended June 30, 2011, an increase of \$4.4 million from the \$4.3 million operating loss in fiscal 2010.

MMWD had operating and capital reserves of \$14.9 million at June 30, 2011.

Request for Information

This financial report is to provide interested parties with a general overview of the District's finances. If you have any questions about this report or need additional information, you may submit a request in writing to: Finance Manager, Marin Municipal Water District, 220 Nellen Avenue, Corte Madera, CA 94925, or telephone (415) 945-1404.

BASIC FINANCIAL STATEMENTS

Marin Municipal Water District
Statements of Net Assets
Enterprise Fund
June 30, 2011 and 2010

ASSETS	2011	2010
Current assets:		
Cash and investments	\$ 6,770,936	\$ 2,815,848
Receivables:		
Customer - billed (net of allowances for doubtful accounts of \$303,010 and \$265,327 in 2011 and 2010, respectively.)	4,418,580	4,076,961
Customer - unbilled	4,082,813	4,485,231
Interest and other (net of allowances for doubtful accounts of \$436,604 and \$180,073 in 2011 and 2010, respectively.)	449,336	1,416,213
Materials and supplies	1,225,973	1,329,100
Prepaid expenses	498,481	478,958
Total current assets	17,446,119	14,602,311
Restricted and designated assets:		
Cash and investments:		
Restricted	31,856,976	44,429,904
Designated	8,097,529	5,823,213
Deposits and advances	2,110,836	1,705,896
Total restricted and designated assets	42,065,341	51,959,013
Capital Assets:		
Land and land rights	10,594,873	10,594,873
Depreciable assets	458,869,392	440,436,214
Construction-in-progress	25,039,690	23,805,971
Total capital assets	494,503,955	474,837,058
Less accumulated depreciation	166,909,603	156,641,467
Total capital assets, net of accumulated depreciation	327,594,352	318,195,591
Deferred Charges	883,223	935,545
Total assets	\$ 387,989,035	\$ 385,692,460

(Continued)

Marin Municipal Water District
Statement of Net Assets
Enterprise Fund, Continued
June 30, 2011 and 2010

	2011	2010
LIABILITIES		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 3,487,093	\$ 3,631,636
Accrued payroll and payroll expenses	936,515	855,528
Compensated absences	3,906,355	2,997,099
Customer and other deposits	397,551	410,140
Total current liabilities	<u>8,727,514</u>	<u>7,894,403</u>
Current liabilities payable from restricted and designated assets:		
Long-term debt - due within one year	3,677,250	3,537,250
Accrued interest payable	1,885,193	1,185,789
Agency deposits payables	311,876	194,778
Customer advances for construction	2,156,221	1,375,739
Claims payable	1,266,000	784,613
Total current liabilities payable from restricted and designated assets	<u>9,296,540</u>	<u>7,078,169</u>
Long Term Liabilities		
Claims payable- due in more than one year	1,760,774	1,529,038
Compensated absences- due in more than one year	655,504	1,367,181
Long-term debt - due in more than one year	77,393,453	81,055,137
Total long term liabilities	<u>79,809,731</u>	<u>83,951,356</u>
Total liabilities	<u>97,833,785</u>	<u>98,923,928</u>
NET ASSETS		
Invested in capital assets, net of related debt	273,186,687	273,838,602
Restricted for fire flow parcel fee program	3,855,977	3,999,728
Unrestricted	13,112,586	8,930,202
Total net assets	<u>\$ 290,155,250</u>	<u>\$ 286,768,532</u>

(Concluded)

See accompanying Notes to Financial Statements.

Marin Municipal Water District
Statements of Revenues, Expenses and Changes in Net Assets
Enterprise Fund
For the Years Ended June 30, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Water sales and service charges	\$ 53,969,373	\$ 50,111,192
Connection charges	1,009,829	1,311,139
Other operating revenue	1,300,208	1,727,948
Total operating revenues	56,279,410	53,150,279
OPERATING EXPENSES		
Personnel services	30,042,858	29,857,987
Materials and supplies	2,062,044	2,195,723
Operations	2,042,623	2,220,017
Water conservation rebate program	94,634	742,202
Electrical power	2,738,066	3,167,677
Water purchased	4,960,870	5,617,017
Insurance, including claims	1,896,908	1,313,605
General and administrative	1,913,577	2,029,949
Depreciation and amortization	10,480,987	10,350,791
Total operating expenses	56,232,567	57,494,968
Operating income (loss)	46,843	(4,344,689)
NONOPERATING REVENUES (EXPENSES)		
Federal, state and other grants	321,968	496,263
Investment income (loss)	75,634	(52,176)
Interest income	237,886	440,625
Other income (Note 10)	1,407,414	1,520,928
Interest expense	(3,887,448)	(2,399,793)
Total nonoperating revenues (expenses), net	(1,844,546)	5,847
Total operating income (loss) before capital contributions	(1,797,703)	(4,338,842)
Capital contributions (Note 10)	5,184,421	6,147,539
Net income	3,386,718	1,808,697
NET ASSETS:		
Beginning of year	286,768,532	284,959,835
End of year	\$ 290,155,250	\$ 286,768,532

See accompanying Notes to Financial Statements.

Marin Municipal Water District
Statements of Cash Flows
Enterprise Fund
For the Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 55,027,412	\$ 50,832,353
Other operating revenue	1,497,205	3,905,956
Cash payments to employees	(29,764,292)	(29,454,520)
Cash payments to suppliers for goods and services	(15,056,538)	(16,665,675)
Net cash provided by operating activities	11,703,787	8,618,114
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Rent and watershed permits and other income	1,462,614	1,468,892
Proceeds from insurance recovery	-	50,000
Increase in deposits - North Bay Watershed Association	117,098	1,947
Federal, state and other grant revenues	1,089,708	496,263
Net cash provided by noncapital financing activities	2,669,420	2,017,102
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from 2010 Water Revenue Bonds, net of original premium and bond issuance costs	-	33,576,591
Principal payments on long-term debt	(3,521,684)	(4,619,585)
Interest paid on long-term debt	(3,188,044)	(2,406,486)
Acquisition and construction of capital assets	(19,684,396)	(24,362,980)
Decrease in customer advances for construction	780,482	(605,881)
Proceeds from fire flow parcel fee	4,483,662	4,467,136
Proceeds from the sale of assets	-	514,350
Cash contributions in aid of construction	500,656	1,760,787
Net cash provided (used) by capital and related financing activities	(20,629,324)	8,323,932
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investment securities	7,027,820	23,782,530
Purchase of investment securities	(6,990,000)	(7,000,000)
Interest received on investments	240,026	632,680
Net cash provided by investing activities	277,846	17,415,210
Net change in cash and cash equivalents	(5,978,271)	36,374,358
CASH AND CASH EQUIVALENTS:		
Beginning of year	47,563,878	11,189,520
End of year	\$ 41,585,607	\$ 47,563,878

See accompanying Notes to Financial Statements.

(Continued)

Marin Municipal Water District
Statements of Cash Flows
Enterprise Fund, Continued
For the Years Ended June 30, 2011 and 2010

	2011	2010
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 46,843	\$ (4,344,689)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	10,480,987	10,350,791
(Increase) decrease in assets :		
Receivables, net	257,796	1,586,780
Materials and supplies	103,127	183,625
Prepaid expenses	(19,523)	237,946
Increase (decrease) in liabilities:		
Accounts payable	(144,543)	(51,892)
Accrued payroll and payroll expenses	278,566	403,467
Claims payable	713,123	250,835
Customer deposits	(12,589)	1,251
Net cash used in operating activities	11,703,787	8,618,114
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Unrestricted	6,770,936	2,815,848
Restricted	31,856,976	44,429,904
Designated	8,097,529	5,823,213
Deposits and advances	2,110,836	1,705,896
Total cash and investments	48,836,277	54,774,861
Less investments with original maturities in excess of three months	(7,250,670)	(7,210,983)
Cash and cash equivalents	\$ 41,585,607	\$ 47,563,878
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Increase (decrease) in fair value of investments	9,000	278,238
Amortization of deferred charges	(52,322)	(52,322)

See accompanying Notes to Financial Statements.

Marin Municipal Water District
Statements of Fiduciary Net Assets
Agency Fund
June 30, 2011 and 2010

Wolfback Ridge Assessment District	2011	2010
ASSETS		
Cash and investments	\$ 242,284	\$ 218,324
Total assets	\$ 242,284	\$ 218,324
LIABILITIES		
Deposits and Advances	\$ 242,284	\$ 218,324
Total liabilities	\$ 242,284	\$ 218,324

See accompanying Notes to Basic Financial Statements.

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NOTES TO FINANCIAL STATEMENTS

Marin Municipal Water District
Notes to Basic Financial Statements
For the years ended June 30, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Marin Municipal Water District (the "District") was formed on April 25, 1912 as a public district under the provisions of the Municipal Water District Act of 1911 for the purpose of developing a domestic water supply for the central and southwestern areas of Marin County. The District is governed by a five-member Board of Directors who are elected for four-year alternating terms.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

A. Reporting Entity

Generally accepted accounting principles of the United States of America require that these financial statements present the District (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government is accountable for the potential component unit and is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

The MMWD Financing Corporation ("Financing Corporation") is a blended component unit that is a separate government entity that was created in 2004. It is reported as if it was part of the primary government as the District Board of Directors, although acting in a different capacity, is the controlling authority. Accounting and administrative functions are performed by the District. The purpose of the Financing Corporation was to issue debt, acquire certain property pursuant to an installment agreement with the District and defease certain outstanding debt. In May 2004 the Financing Corporation issued the 2004 Certificates of Participation. The Financing Corporation does not issue separate financial statements. See Note 5 for additional information.

In April 2010, the District formed the Marin Municipal Financing Authority (Financing Authority), a joint powers authority, with the California Municipal Financing Authority. The Authority is also reported as if it was part of the primary government as the District's Board of Directors, although acting in a different capacity, is the controlling authority. Accounting and administrative functions are performed by the District. The purpose of the Financing Authority was to issue debt to acquire certain property pursuant to an installment agreement with the District. In May 2010 the Financing Authority issued the 2010 Series A, Water Revenue Bonds. The Financing Authority does not issue separate financial statements. See Note 5 for additional information.

A fiduciary fund is used to account for resources held for the benefit of others outside the District. The District's fiduciary fund consists of the Wolfback Ridge Assessment District Agency Fund, for which the District is acting as an agent for the property owners and bondholders. Assets held by the District as an agent for the fiduciary fund are excluded from the District's balance sheet.

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

The District accounts for its activities as a proprietary fund. The financial statements 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 balance sheet, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. The accounting for fiduciary funds is much like that used for proprietary funds.

The District has elected, under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The intent of the District is to establish water usage rates sufficient to provide for payment of general operations and maintenance expenses as well as required debt service. When both restricted and unrestricted resources are available for use, restricted resources are generally assumed to have been used first.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues include revenues derived from water sales and water related activities; operating expenses include all expenses applicable to the furnishing of these services. Nonoperating revenue and expenses include revenue and expenses not associated with the District's normal business of supplying water. Non-operating revenues and expenses include interest income and expense, gain and loss on disposition of property and equipment, grants, and other peripheral activities. Although capital contributions, as well as special and extraordinary items when there are any, are shown separately, technically they are subcategories of non-operating revenues and expenses.

B. Cash, Cash Equivalents and Investments

Investments are stated at fair value based on quoted market prices. For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted and designated assets) with original maturities of three months or less to be cash equivalents.

C. Materials and Supplies

Materials and supplies are stated at the lower of average cost or market.

D. Capital Assets

The cost of purchased and self-constructed additions to utility plant and major replacements of property are capitalized with a capitalization threshold of \$2,000. Cost includes materials, direct labor, transportation, and such indirect items as engineering, supervision, employee fringe benefits, and interest incurred during the construction period. Repairs, maintenance, and minor replacements of property are charged to expense. Contributed assets are capitalized at the developer's cost, which approximates fair value.

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets, Continued

Depreciation is computed on the straight-line basis over the estimated useful lives of the various classes of assets as follows:

Buildings	20-40 years
Dams and reservoirs	100 years
Pumping plant	20-40 years
Water treatment plant	30 years
Transmission and distribution	40-75 years
Vehicles	12 years
Equipment	5-40 years

F. Bond Issuance Costs/Advance Refunding of Long-Term Debt

Bond issuance costs and original issue discounts/premiums are amortized over the lives of the related bonds. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method which does not significantly differ from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

Accounting gains or losses resulting from advance refunding of long-term debt is deferred in accordance with GASB Statement No. 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities. Deferred amounts on bond refunding are amortized over the life of the remaining life of the old debt (had it not been refunded) or the life of the new debt, whichever is shorter.

G. Compensated Absences

Unused vacation may be accumulated and paid to a District employee at the time of termination from District employment in accordance with the current collective bargaining agreement. At the time of retirement, an employee will be paid out, in a lump sum, seventy-five percent of their accumulated sick leave balance, not to exceed 750 hours, based upon their current salary. Compensated absences are expensed in the fiscal year incurred.

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Customer Advances for Construction, Contributions in Aid of Construction and Connection Fees

Customer advances for construction include deposits which are restricted to fund new subdivisions, transmission lines, tank and storage facilities, and other specific assets, along with connection fees. Connection fees are assessed on new connections to recover the past and future capital costs of the District's water system.

Upon completion of construction of specific assets, the District will record an amount equal to the actual construction costs of providing service as connection charge revenue and will record the portion relating to the recovery of past and future capital costs, other fees, and advances as contributions in aid of construction. Advances in excess of construction costs are refundable.

I. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

J. Water Sales Revenue

Generally, customers are billed as the water meters are read on a bimonthly cyclical basis. Revenues related to water delivered through the fiscal year-end, but unbilled, are accrued.

K. Use of Estimates

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

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

2. CASH AND INVESTMENTS

The District pools its cash and investments for investment purposes. Certain cash and investments are segregated for specific purposes (see Note 3).

Under the provisions of the District's investment policy, and in accordance with California Government Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio
U.S. treasury Bonds/Notes/Bills	365 days	N/A	No limit
U.S. Government Agency Obligation	5 years	N/A	No limit
Time Certificates of Deposits	365 days	AAA	20%
Money Market Mutual Fund	N/A	AAAm	10%
California Local Agency Investment	N/A	N/A	No limit
Negotiable Certificate of Deposit	180 days	AA	20%
Medium Term Corporate Notes	5 years	A	30%
Commercial Paper	180 days	AAA	15%
Bank's Acceptances	270 days	AAA	40%
Repurchase Agreements	90 days	AAA	10%

Investments are stated at fair value. Included in investment income (loss) on the accompanying statement of activities and changes in net assets is the net change in the fair value of investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) of those investments.

Measurement of the fair value of investments is based upon quoted market prices, if available. The estimated fair value of investments that have no quoted market price is determined based on equivalent yields for such securities or for securities of comparable maturity, quality, and type as obtained from market makers.

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

2. CASH AND INVESTMENTS, Continued

Investments made by the District are summarized below at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Cash in banks	\$ 3,216,582	\$ 2,922,839
U.S. Government Obligations	6,989,420	6,028,450
Corporate notes	261,250	1,178,750
Money Market	2,099,755	3,422,307
Reserve fund - 2002 Revenue Bonds, 2004 Certificates of Participation and 2010 Water Revenue Fund	8,228,273	9,136,823
Project fund - 2010 Water Revenue Fund	18,420,890	30,000,000
Local Agency Investment Fund	<u>9,862,391</u>	<u>2,304,013</u>
Total	<u>\$ 49,078,561</u>	<u>\$ 54,993,182</u>
Cash and investments, unrestricted	\$ 6,770,936	\$ 2,815,848
Cash and investments, restricted	31,856,976	44,429,904
Cash and investments, designated	8,097,529	5,823,213
Cash and investments, deposits and advances	2,110,836	1,705,896
Cash and investments - Agency Fund	<u>242,284</u>	<u>218,324</u>
Total	<u>\$ 49,078,561</u>	<u>\$ 54,993,185</u>

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a depositor 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 custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) to a transaction, a depositor 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 deposits, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governments units by pledging securities in an undivided collateral pool held by a depository regulated under state law. 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.

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

2. CASH AND INVESTMENTS, Continued

The carrying amount of the District's deposits as of June 30, 2011 and 2010 was \$3,216,582 and \$2,922,839 respectively. The bank balance of deposits as of June 30, 2011 and 2010 was \$3,863,481 and \$3,033,548, of which \$500,000 was covered by federal depository insurance. The difference between the carrying amount and the bank balance is primarily due to checks outstanding at June 30, 2011 and 2010. The remaining was uninsured and not collateralized in the District's name. However, as noted above, the financial institutions which hold these deposits are required by state statute to maintain collateral pools against all public deposits they hold.

As a means to limiting its exposure to fair value losses arising from interest rates, the District's investment policy limits the District's investment portfolio to maturities of five years or less.

Under the District's investment guidelines and state statute, the District is authorized to invest in certificates of deposit, U.S. government securities, the State Local Agency Investment Fund, and other investment pools, money market funds and commercial paper with a bond rating of "A" or better. As of June 30, 2011, one of the District's investments on Medium Term Corporate Notes were in default even though the investment at time of purchase was rated in accordance with the investment policy. The investment in default has been recorded at fair market value of \$261,250, while the cost basis of the investment was \$982,320.

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. As a means of limiting exposure to fair value losses arising from rising interest rates, the District's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2011 and 2010, the District's pooled cash and investments had the following maturities:

Maturity	2011	2010
Less than one year	85%	88%
One to two years	0%	0%
Two to five years	15%	12%

The District's investments at June 30, 2011 are summarized as follows:

Investment Type	Fair Value	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Month	More than 60 Months
U. S. Government Agency Obligation	\$ 6,989,420	\$ -	\$ -	\$ 6,989,420	\$ -
Corporate Notes	261,250	261,250	-	-	-
State investment pool (LAIF)	9,862,391	9,862,391	-	-	-
Money market	2,099,755	2,099,755	-	-	-
Held by bond trustee:					
Money market	26,649,163	26,649,163	-	-	-
Total	\$ 45,861,979	\$ 38,872,559	\$ -	\$ 6,989,420	\$ -

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

2. CASH AND INVESTMENTS, Continued

Credit Risk – This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. It is measured by the assignment of a rating by a nationally recognized credit rating organization. Presented below are the actual ratings, as of year-end, for each investment type:

Investment Type	Fair Value	Exempt From Disclosure	Rating as of Year-End			
			Aa	A	In Default	Not Rated
U. S. Government Agency Obligation	\$ 6,989,420	\$ 6,989,420	\$ -	\$ -	\$ -	\$ -
Corporate Notes	261,250	-	-	-	261,250	-
State investment pool (LAIF)	9,862,391	-	-	-	-	9,862,391
Money market	2,099,755	-	-	-	-	2,099,755
Held by bond trustee:						
Money market	26,649,163	-	-	-	-	26,649,163
Total	\$ 45,861,979	\$ 6,989,420	\$ -	\$ -	\$ 261,250	\$ 38,611,309

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429, under the oversight of the Treasurer of the State of California. The balance is available for withdrawal on demand. The District's investments with LAIF at June 30, 2011 include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include 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.

As of June 30 2011, the District had \$9,862,391 invested in LAIF, which had invested 5.01% of the pool investment funds in Structured Notes and Asset-Backed Securities. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The fair value of LAIF was calculated by applying a factor of 1.001576470 to total investments held by LAIF.

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

3. RESTRICTED AND DESIGNATED ASSETS

The District, because of certain bond covenants and legal requirements, is required to establish and maintain prescribed amounts of resources (consisting of cash and investments) that can be used only for their specified purposes. A portion of the District's cash and investments have been internally designated for the acquisition or the construction of specific capital projects and future self insurance claims. These designations may be removed at the discretion of the Board.

Restricted and designated cash and investments are as follows as of June 30:

	June 30,	
	2011	2010
Restricted cash and investments:		
2002 Revenue Bonds, 2004 Certificates of Participation and 2010 Revenue Bonds:		
Principal and interest fund	\$ 6,145,742	\$ 7,145,320
Reserve fund	3,122,491	3,090,078
Project fund	18,420,890	30,000,000
Agency deposits	311,876	194,778
Fire Flow Parcel Fee Program	3,855,977	3,999,728
Total restricted funds	31,856,976	44,429,904
Designated cash and investments:		
Capital projects	4,163,529	2,517,213
Liability claims	3,934,000	3,306,000
Total designated funds	8,097,529	5,823,213
Total restricted & designated cash and investments	\$ 39,954,505	\$ 50,253,117

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

4. CAPITAL ASSETS

Capital assets consists of the following at June 30:

	Balance	2010		Balance	2011		Balance
	July 1, 2009	Additions	Reductions	July 1, 2010	Additions	Reductions	June 30, 2011
Capital assets not being depreciated, excluding construction in progress:							
Land and land rights	\$ 10,048,109	\$ 546,764	\$ -	\$ 10,594,873	\$ -	\$ -	\$ 10,594,873
Capital assets being depreciated:							
Sonoma County Water Rights	9,193,601	-	-	9,193,601	-	-	9,193,601
Buildings	17,165,185	2,350,829	-	19,516,014	1,148,803	-	20,664,817
Dams and reservoirs	85,269,192	3,757,145	88,222	88,938,115	2,205,461	8,250	91,135,326
Pumping plants	22,396,751	1,013,097	-	23,409,848	1,071,433	-	24,481,281
Water treatment plants	35,086,377	1,381,999	-	36,468,376	3,660,878	-	40,129,254
Transmission and distribution	224,562,490	9,778,128	-	234,340,618	10,380,276	145,265	244,575,629
Vehicles	6,813,743	203,229	249,064	6,767,908	49,610	56,147	6,761,371
Equipment	21,417,674	580,317	196,257	21,801,734	126,379	-	21,928,113
Total assets being depreciated	421,905,013	19,064,744	533,543	440,436,214	18,642,840	209,662	458,869,392
Total capital assets, excluding construction in progress	431,953,122	19,611,508	533,543	451,031,087	18,642,840	209,662	469,464,265
Construction in progress	20,694,560	25,173,320	22,061,909	23,805,971	19,717,675	18,483,956	25,039,690
Total capital assets	452,647,682	44,784,828	22,595,452	474,837,058	38,360,515	18,693,618	494,503,955
Less accumulated depreciation for:							
Sonoma County Water Rights	2,608,823	284,100	-	2,892,923	284,100	-	3,177,023
Buildings	6,889,397	794,430	-	7,683,827	845,525	-	8,529,352
Dams and reservoirs	24,206,015	1,355,771	60,781	25,501,005	1,391,254	5,799	26,886,460
Pumping plants	12,082,448	773,841	-	12,856,289	818,920	-	13,675,209
Water treatment plants	20,751,583	963,626	-	21,715,209	1,007,520	13,875	22,708,854
Transmission and distribution	60,309,877	4,290,799	-	64,600,676	4,523,573	85,937	69,038,312
Vehicles	4,127,748	514,459	250,340	4,391,867	449,334	57,815	4,783,386
Equipment	15,806,177	1,327,711	134,217	16,999,671	1,177,393	66,057	18,111,007
Total accumulated depreciation	146,782,068	10,304,737	445,338	156,641,467	10,497,619	229,483	166,909,603
Total capital assets, net	\$ 305,865,614	\$ 34,480,091	\$ 22,150,114	\$ 318,195,591	\$ 27,862,896	\$ 18,464,135	\$ 327,594,352

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

4. CAPITAL ASSETS, Continued

Sonoma County Water Rights

In January 1996, the District revised its agreement with the Sonoma County Water Agency (the "Agency") for the purchase of water during off-peak periods. The revised contract guarantees the District a source of water during drought years. For revisions to the agreement the District has paid \$2,867,344, which has been capitalized, and is being amortized, over the life of the agreement of 18 years on a straight-line basis.

In June 2005, MMWD exercised an option within the agreement to convert 5,000 acre-feet of water from an "as available" basis to a "firm" basis of water supply from Sonoma County Water Agency for a one-time payment of \$6,326,257. This amount is being amortized on a straight-line basis over the remaining term of the agreement of nine years, plus an additional 40 years which is the renewal term at the option of the District, as management believes it is likely the agreement will be renewed.

5. LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	Issue Date	Due Serially	Interest Rate	Principal Amount	
				2011	2010
2002 Revenue Refunding Bonds	10/1/02	To 2023	2.50% - 5.00%	\$ 17,625,000	\$ 19,005,000
2004 Certificates of Participation	4/1/04	To 2030	2.50% - 5.25%	28,110,000	30,145,000
2010 Water Revenue Bonds	5/1/10	To 2040	2.50% - 5.00%	31,850,000	31,850,000
Clean Renewable Energy Bonds	9/29/08	To 2023	Tax credit	1,589,250	1,711,500
Total				79,174,250	82,711,500
Deferred amount on refunding, net				(1,740,006)	(1,942,927)
Original issue premium/ discount, net				3,636,459	3,823,814
Less Long-term debt, due within one year				(3,677,250)	(3,537,250)
Long-term debt - Due in more than one year				\$ 77,393,453	\$ 81,055,137

On October 1, 2002, the District issued \$32,755,000 of 2002 Revenue Bonds for the purpose of refunding the \$32,510,000 of outstanding 1993 Revenue Bonds. Interest payments are payable semi-annually on January 1 and July 1. The bonds mature through July 1, 2023, and bear interest at the rate of 5%. The Bonds are special obligations of the District payable from and secured by a pledge of the Net Revenues of Water systems. The net proceeds of \$34,167,677 from these refunding bonds were transferred to a trustee and placed in an irrevocable trust to redeem the 1993 Revenue Bonds. These funds were invested in U.S. government securities to provide for the redemption price and interest through the call date. Accordingly, the 1993 Revenue Bonds were removed from the balance sheet as of June 30, 2003. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,597,631, offset by interest payable of \$447,325 and resulting in a net amount of \$2,150,306 that has been deferred in accordance with GASB Statement No. 23.

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

5. LONG TERM DEBT, Continued

On April 30, 2004, the District issued \$40,165,000 of 2004 Certificates of Participation (COPs) for the purpose of refunding the \$11,925,000 of outstanding 1994 Revenue Bonds, prepayment of the Federal Drought Loan and the State Reclamation Loan in the amounts of \$2,592,146 and \$2,528,101, respectively, financing capital improvements to the District's water system, funding a deposit to a reserve fund, and paying the costs of the financing. Interest payments are payable semi-annually on January 1 and July 1. The bonds mature through July 1, 2029, and bear interest at the rate of 5%. The COPs are limited obligations of the District payable from, and secured by, a pledge of the Net Revenues of Water systems. The refunding took advantage of lower interest rates which were available and resulted in reductions in debt service requirements over the life of the new debt. Proceeds of \$11,869,114 from the COPs were transferred to a trustee and placed in an irrevocable trust to redeem the 1994 Revenue Bonds. These funds were invested in U.S. government securities to provide for the redemption price and interest through the call date. Accordingly, the 1994 Revenue Bonds were removed from the balance sheet as of June 30, 2004. Proceeds of approximately \$25 million from the COPS were transferred to a trustee to fund capital improvements to the District's water system over the next three years. These funds were fully invested in a guaranteed investment contract. As of June 30, 2008 there were no funds remaining. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,208,048 which has been deferred in accordance with GASB Statement No. 23. The deferred amounts on bond refundings are being amortized over the life of the new debt on a straight-line basis, and total amortization related to the above bond refundings for fiscal 2011 and 2010 was \$202,921 each, which were included in interest expense.

On September 29, 2008, the District issued Clean Renewable Energy Bonds (CREBs) for the installation of solar panels on the District's administration building and at its corporate yard. The CREBs were authorized by the Internal Revenue Service and are structured so that bondholders receive a federal income tax credit in lieu of interest. The amount of the tax credit is set by the U.S. Treasury department on a daily basis. The total principal amount of the CREBs issued for both projects was \$1,956,000. The net proceeds of the two issues were \$1,845,030, less original issue discount of \$56,630 and issuance costs of \$54,340. The debt service is paid annually over 15 years in the amount of \$122,250, principal only. The issues mature on September 30, 2023. The installment payments are payable from the net revenue of the District.

On May 26, 2010, the joint power authority, Marin Municipal Water District Financing Authority issued the 2010 Series A Water Revenues Bonds in the amount of \$32,235,000 to fund the acquisition and construction of additions, betterments, extensions and improvements to the District's municipal water system including, but not limited to: watershed improvement projects, water treatment and water quality projects, water distribution piping and related facility projects, water storage projects and computer and technology system projects. Interest payments are payable semi-annually on January 1 and July 1. The bonds mature through July 1, 2040, and bear interest at the rate of 5%. The Bonds are special limited obligations of the Financing Authority payable from and secured by a pledge of the Net Revenues of Water Systems.

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

5. LONG-TERM DEBT, Continued

The District is subject to certain debt covenants, the most restrictive of which requires the setting of rates and charges to yield net revenue equal to at least 125 percent of the current annual debt service requirement of the revenue bonds and other parity debt, as well as the establishment of certain principal, interest and reserve funds. The 2002 Revenue Bonds, 2004 COPS and 2010 Revenues Bonds are collateralized by a pledge of the District's net revenues of Water Systems, as defined in the Master Indenture. The total principal and interest remaining on the bonds is \$127,071,540, payable through June, 2040. For FYE 10/11 principal and interest paid, and total net revenues of Water Systems received, were \$7,350,093 and \$11,012,321 respectively. For FYE 09/10 principal and interest paid, and total net revenues of Water Systems received, were \$6,796,675 and \$8,463,918 respectively.

The District has entered into capital lease agreements to finance the acquisition of certain equipment. The capital leases have been paid off in full as of June 30, 2011.

Changes in long-term obligations and debt for the fiscal years ended June 30, 2011, and 2010 are as follows:

	Balance	2010		Balance	2011		Balance	Due Within
	July 1, 2009	Additions	Reductions	July 1, 2010	Additions	Reductions	June 30, 2011	One Year
Bonds payable:								
2002	\$ 21,440,000	\$ -	\$ 2,435,000	\$ 19,005,000	\$ -	\$ 1,380,000	\$ 17,625,000	\$ 1,440,000
2004	32,105,000	-	1,960,000	30,145,000	-	2,035,000	28,110,000	2,115,000
2010	-	31,850,000	-	31,850,000	-	-	31,850,000	-
Clean Renewable Energy Bonds (CREBs)	1,833,750	-	122,250	1,711,500	-	122,250	1,589,250	122,250
Capital lease obligation	102,335	-	102,335	-	-	-	-	-
Total	\$ 55,481,085	\$ 31,850,000	\$ 4,619,585	\$ 82,711,500	\$ -	\$ 3,537,250	\$ 79,174,250	\$ 3,677,250

The annual debt service requirements are as follows:

Fiscal Year Ending June 30,	2002 Revenue Bonds		2004 COP		2010 Revenue Bonds		CREBS
	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2012	\$ 1,440,000	\$ 792,838	\$ 2,115,000	\$ 1,345,700	\$ -	\$ 1,526,338	\$ 122,250
2013	1,485,000	747,107	1,895,000	1,261,313	-	1,526,338	122,250
2014	1,535,000	684,601	1,930,000	1,165,688	-	1,526,338	122,250
2015	1,615,000	605,851	2,040,000	1,066,438	-	1,526,338	122,250
2016	1,700,000	522,975	2,145,000	959,131	710,000	1,526,338	122,250
2017-2021	6,040,000	1,677,625	5,615,000	3,747,363	4,045,000	7,126,938	611,250
2022-2026	3,810,000	239,313	6,210,000	2,318,063	4,975,000	6,204,906	366,750
2027-2031	-	-	6,160,000	634,750	6,235,000	4,936,500	-
2032-2036	-	-	-	-	7,960,000	3,213,750	-
2037-2041	-	-	-	-	7,925,000	1,014,750	-
Total	\$ 17,625,000	\$ 5,270,310	\$ 28,110,000	\$ 12,498,446	\$ 31,850,000	\$ 30,128,534	\$ 1,589,250

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

5. LONG-TERM DEBT, Continued

Non-District Obligation:

During October 1996, the District issued the following debt, for which the District is acting as an agent for the property owners and bondholders; accordingly, unpaid principal balances on June 30, 2011 and 2010 are not included in the District's financial statements. During the fiscal years ended June 30, 2011 and 2010, bonds in the amounts of \$25,000 and \$95,000 respectively were repaid:

	<u>Issue Date</u>	<u>Due Serially</u>	<u>Interest Rates</u>	<u>Authorized And Issued</u>	<u>Outstanding June 30, 2011</u>	<u>Outstanding June 30, 2010</u>
Limited obligation bonds:						
Wolfback Ridge Assessment District	10/3/96	9/2/25	4.75% - 6.50%	\$ 996,920	\$ 540,000	\$ 565,000

6. DEFINED BENEFIT PENSION PLAN

Plan Description: The District contributes to the California Public Employees Retirement System (CalPERS) to provide defined retirement benefits for its employees. CalPERS is a multiple-employer public retirement system that acts as a common investment and administrative agency for participating public entities within the State of California. A menu 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 District ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from their offices at 400 "P" Street, Sacramento, California 95814.

Funding Policy: Active plan members in the Plan are required to contribute 8% of their annual covered salary. The District 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. Beginning July 1, 1999, the District began paying 1.5% of the employee share of the retirement plan cost. Starting January 1, 2001, the District began paying an additional 1.5% bringing the District's commitment to the employee plan members' contribution up to a total of 3%. The District contributes the full 8% of the employee share of the contribution for the District's general manager and five division managers.

Annual Pension Cost: For the fiscal years ended June 30, 2011 and 2010, the District contributed \$3,873,838 and \$3,835,150, respectively, to the employees' pension plan. The required contributions for the fiscal year ended June 30, 2011 were determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included a 7.75% investment rate of return (net of administrative expenses), 3.25% to 14.45% projected salary increases that vary depending on age, duration and type of service, and a 3.0% cost-of-living adjustment. The actuarial value of the Plan assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen year amortization period. The payroll for District employees covered by the Plan were \$22.3 million and \$22.4 million for the years ended June 30, 2011 and 2010, which were 93% and 95% of the total District payroll of \$24.0 million and \$23.7 million, respectively.

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

6. DEFINED BENEFIT PENSION PLAN, Continued

THREE-YEAR TREND INFORMATION FOR CalPERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	\$ 3,711,610	100%	\$ -
6/30/2010	3,835,150	100%	-
6/30/2011	3,873,838	100%	-

Funded Status of Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
6/30/2010	\$ 127,387,127	\$ 160,834,354	\$ 33,447,227	79.2%	\$ 22,384,546	149.4%

7. DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits eligible employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, death or unforeseeable emergency. Plan assets are managed and invested by independent third party custodians. The assets are not subject to claims by creditors of the District and are not reflected in the accompanying financial statements.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In FYE 2009, the District implemented Governmental Accounting Standards Board Statements No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions by State and Local Governmental Employers* (GASB 45).

A. Plan Description

The District provides retiree medical insurance and dental benefits to eligible retirees and a dependent in accordance with various labor agreements. Medical insurance benefits are provided under the CalPERS health plan. Dental benefits are provided by a private insurance carrier.

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

B. Eligibility

The District provides medical and dental benefits to employees if they retire from the District on or after age 50 (unless disabled), and are eligible for a CalPERS pension. The medical benefits cover the employee and their one dependent from retirement date for life. The employee and their one dependent receive dental coverage from retirement until the employee reaches age 65. Employees are not obligated to contribute unless plan costs exceed the District's maximum contribution.

For health insurance, the District pays the cost for the health insurance premium up to the cost for the retiree plus one dependent. Medicare Supplemental insurance coverage is used when a plan participant reaches age 65.

For dental coverage, the District pays the entire cost of the dental insurance until the retiree reaches age 65. The retiree at age 65 may elect to continue coverage for themselves plus a dependent at their own cost.

C. Funding Policy

The contribution requirement of plan members and the District are established and may be amended by agreement between the District and its collective bargaining units. The District must agree to make a defined monthly payment towards the cost of each retiree's medical and dental coverage. The required contribution is based on an amount established by the District annually. Effective January 1, 2011, the District's contribution rate for medical coverage was up to \$568.99 and \$1,137.98 per month for retiree and retiree plus one dependent, respectively. For dental coverage the annual contribution amount is up to \$1,500 and \$3,000 for retiree and retiree plus one dependent, respectively. Actual contributions by the District for each retiree for medical and dental benefits vary depending on medical plan coverage and actual dental costs.

The District's contribution requirements for the plan provides for annual contributions authorized by the District's board of directors. The required contribution rate is based on the annual required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the District's plan over a period not to exceed thirty years. The ARC rate is 19.6% in both FYE 2011 and FYE 2010, respectively.

D. Annual OPEB Cost and Net OPEB Obligation

For the years ended June 30, 2011 and 2010, the District's annual OPEB costs (expenses) of \$3,067,000 and \$3,823,011, was equal to the ARC plus the accrued interest on prior OPEB liabilities. Actual contributions were based on the actuarial projection for the year. The District's net OPEB obligations as of and for the fiscal year June 30, 2011 and 2010 were as follows:

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

D. Annual OPEB Cost and Net OPEB Obligation, Continued

Net OPEB obligation as of June 30, 2009	\$ 77,566
Annual required contribution	\$ 3,817,000
Interest accrued on OPEB obligation	6,011
Annual OPEB costs	3,823,011
Contributions made	(3,900,577)
Decrease in net OPEB obligation	(77,566)
Net OPEB obligation as of June 30, 2010	\$ -
Annual required contribution	\$ 3,067,000
Interest accrued on OPEB obligation	-
Annual OPEB costs	3,067,000
Contributions made	(3,067,000)
Increase in net OPEB obligation	-
Net OPEB obligation as of June 30, 2011	\$ -

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current fiscal year and each of the two preceding years are as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/2009	\$ 3,697,000	97.90%	\$ 77,566
6/30/2010	3,823,011	102.03%	-
6/30/2011	3,067,000	100.00%	-

E. Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$30,211,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$30,211,000. The covered payroll (annual payroll of active employees covered by the plan) was \$21,593,000, and the ratio of the UAAL to the covered payroll was 140%.

For the years ended June 30, 2010 and 2011, \$2,520,904 and \$1,502,800 respectively were contributed to an irrevocable trust established with CalPERS to temporarily hold funds in anticipation of unfunded future retiree benefits. The contribution amount was not reflected in the actuarial calculation as of January 1, 2009.

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

E. Funded Status and Funding Progress, Continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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 schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009, actuarial valuation, the entry age level percentage of payroll method was used. The actuarial assumptions included a 7.75% investment rate of return, (net of administrative expenses), which is based upon the expected rate of return on the CalPERS CERBT; an annual healthcare cost trend rate of 9.7% initially, graded down by decrements to an ultimate rate of 4.5% percent after 7 years for the HMO plan, and an annual healthcare cost trend rate of 10.5% initially, graded down by decrements to an ultimate rate of 4.5% after 7 years for the PPO plans respectively; and a 4% dental cost trend rate. These rates include an inflation assumption of 3% and projected payroll increases of 3.25%. The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at June 30, 2011 was 29 years.

9. OTHER INCOME/CAPITAL CONTRIBUTIONS

Other income and capital contributions are comprised of the following for the years ending June 30:

	2011	2010
Other income:		
Rents and royalties	\$ 1,462,614	\$ 1,490,121
Insurance proceeds	-	50,000
Net gain (loss) on sale of assets	(55,200)	(19,193)
Total other income	\$ 1,407,414	\$ 1,520,928
Capital contributions:		
Fire flow parcel fee	\$ 4,483,662	\$ 4,467,136
Federal, State and Other Grants	200,103	318,222
Contributions in aid of construction	500,656	1,362,181
Total capital contributions	\$ 5,184,421	\$ 6,147,539

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

10. COMMITMENTS AND CONTINGENCIES

Capital Budget

The District's fiscal 2011 capital budget is approximately \$20,406,424, of which approximately \$1,637,000 is anticipated to be reimbursed to the District by contractors, users and grants.

Construction Commitment

As of June 30, 2011, the District has \$2,420,227 of outstanding construction contracts and purchase orders. This is the amount that the District will be obligated to pay if all contractors perform per their contract. The District could substantially reduce the amount of this commitment by notifying contractors to suspend further work and paying for work completed to that point.

Legal Matters

The District is a defendant in a number of lawsuits and claims pending at June 30, 2011. Based on correspondence with the District's legal counsel, it is the opinion of District management that unfavorable outcomes are unlikely and that the settlement of such pending cases would not have a material adverse effect on the District's financial position. Accordingly, no provision for any liability that may result from adjudication has been made in the accompanying financial statements.

Grants

The District participates in several federal and state grant programs. These programs are subject to examination by the grantors and the amount, if any, of expenses which may be disallowed by the granting agency cannot be determined at this time. The District expects such amounts, if any, to be immaterial.

Joint Power Agreement

The District participates in a joint powers agreement through the Marin Emergency Radio Authority ("MERA") under an operating agreement dated February 1, 1999. MERA was created July 1, 1997 by an agreement between certain public agencies in Marin County to provide a public safety radio system to its members. The members have agreed to assign a portion of their revenues to make annual payments to MERA on a pro rata basis to cover the costs of debt financing and operating the system. The District's annual payments related to the debt financing and to fund operations are recorded as an expense.

The future payments required for the fiscal years ending after June 30, 2011 are as follows:

2012	\$	20,286
2013		20,311
2014		20,301
2015		20,306
2016		20,308
2017-2021		101,586
Total	\$	203,098

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to workers' compensation and general liability. It is the policy of the District not to purchase commercial insurance for risk of losses to which it is exposed for general and auto liability. Instead, District management believes it is more economical to manage this risk internally and set aside assets for claim settlements. However, the District carries excess liability insurance for losses in excess of \$250,000, not to exceed \$10,000,000 on a per occurrence basis. Settled claims have never exceeded the District's policy limits in any fiscal year.

The District is self-insured for workers' compensation, and has purchased an umbrella policy to cover catastrophic losses. The policy has a self-insured retention of \$750,000 per occurrence with a maximum limit of indemnity per occurrence of \$25,000,000.

Claim liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. These liabilities are the District's best estimate based on available information. Changes in the reported liabilities for the years ended June 30, 2011 and 2010 resulted from the following:

	2011			2010		
	Workers Compensation	General Liabilities	Total	Workers Compensation	General Liabilities	Total
Balance at the beginning of year	\$ 1,702,000	\$ 611,651	\$ 2,313,651	\$ 1,308,000	\$ 754,816	\$ 2,062,816
Current year claims and changes in estimate	1,153,480	850,821	2,004,301	482,723	271,481	754,204
Claims payments	(421,480)	(869,698)	(1,291,178)	(88,723)	(414,646)	(503,369)
Balance at the end of year	\$ 2,434,000	\$ 592,774	\$ 3,026,774	\$ 1,702,000	\$ 611,651	\$ 2,313,651
Due within one year	706,000	560,000	1,266,000	200,157	584,456	784,613

12. COMPENSATED ABSENCES

The District records a liability to recognize the financial effect of unused vacation and other compensated absences. Changes in the reported liabilities for the years ended June 30, 2011 and 2010 resulted from the following:

	Balance	2010		Balance	2011		Balance	Due Within
	July 1, 2009	Additions	Reductions	July 1, 2010	Additions	Reductions	June 30, 2011	One Year
Compensated Absences	\$ 4,015,680	\$ 3,397,011	\$ (3,048,411)	\$ 4,364,280	\$ 3,716,818	\$ (3,519,239)	\$ 4,561,859	\$ 3,906,355
Total	\$ 4,015,680	\$ 3,397,011	\$ (3,048,411)	\$ 4,364,280	\$ 3,716,818	\$ (3,519,239)	\$ 4,561,859	\$ 3,906,355

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REQUIRED SUPPLEMENTARY INFORMATION

1. PUBLIC EMPLOYEE RETIREMENT SYSTEMS SCHEDULE OF FUNDING PROGRESS

Funded Status of Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
6/30/2008	\$ 116,111,118	\$ 133,294,684	\$ 17,183,566	87.1%	\$ 19,339,207	88.9%
6/30/2009	121,577,449	152,593,563	31,016,114	79.7%	21,528,551	144.1%
6/30/2010	127,387,127	160,834,354	33,447,227	79.2%	22,384,546	149.4%

2. OTHER POSTEMPLOYMENT BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS

Funded Status of Plan

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Actuarial Unfunded (Overfunded) Liability	Funded Ratio	Covered Payroll	Liability as Percentage of Covered Payroll
1/1/2007	\$ -	\$ 33,973,000	\$ 33,973,000	0.0%	\$ 18,850,000	180.2%
1/1/2009	-	30,211,000	30,211,000	0.0%	21,593,000	139.9%

OTHER SUPPLEMENTARY INFORMATION

Marin Municipal Water District
Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund
For the year ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Wolfback Ridge Assessment District				
Assets:				
Cash and investments	\$ 218,324	\$ 90,466	\$ 66,506	\$ 242,284
Total assets	\$ 218,324	\$ 90,466	\$ 66,506	\$ 242,284
Liabilities:				
Deposits and Advances	\$ 218,324	\$ 90,466	\$ 66,506	\$ 242,284
Total liabilities	\$ 218,324	\$ 90,466	\$ 66,506	\$ 242,284

Marin Municipal Water District

EXPENSES BY FUNCTION

Last ten fiscal years, including projection for fiscal 2012

Year Ended June 30,	(1) Total	Finance and Administration	(2) Environmental and Engineering Services	(2) Facilities and Watershed Management
2002	\$ 53,970,144	18,421,051	25,786,004	9,763,089
2003	\$ 60,887,055	19,043,496	31,540,601	10,302,958
2004	\$ 63,645,595	24,260,480	29,074,189	10,310,926
2005 (4)	\$ 78,382,877	30,324,761	36,132,970	11,925,146
2006	\$ 77,595,405	26,236,245	37,511,208	13,847,952
2007	\$ 78,190,795	27,958,678	36,553,615	13,678,502
2008	\$ 79,006,918	29,083,716	36,896,489	13,026,713
2009	\$ 89,197,957	31,831,289	42,462,362	14,904,307
2010	\$ 87,069,705	34,835,637	39,085,421	13,148,647
2011	\$ 83,522,815	35,644,100	36,672,491	11,206,224
2012 (3)	\$ 82,310,411	42,758,207	27,352,992	12,199,212

(1) Includes capitalized expenditures.

(2) Effective FY 1998, three divisions (i.e., Engineering, Operations and Maintenance, and Environmental Resources) were restructured to form the Environmental and Engineering Services and the Facilities and Watershed Management divisions, respectively.

(3) Proposed budget.

(4) Includes \$6.3 million for purchase of firm water supply for 850 acre feet from Sonoma County Water Agency.

Marin Municipal Water District

REVENUE BY FUNCTION

Last ten fiscal years, including projection for fiscal 2012

Year Ended June 30,	Total	Water Sales	Service Charge	Connection Charges	Interest Income	Fire Flow Parcel Fee	Other
2002	\$56,591,758	33,712,484	7,125,629	598,987	3,244,267	4,492,279	7,461,862 a
2003	\$51,170,610	31,921,484	7,142,859	756,064	2,748,008	4,501,590	4,154,227
2004	\$54,692,877	37,468,439	7,274,608	1,064,407	2,393,779	4,469,177	2,105,432
2005	\$53,827,306	35,106,514	7,432,686	1,183,221	3,154,354	4,493,532	2,457,502
2006	\$54,210,388	35,288,474	7,463,215	1,384,544	2,698,064	4,501,377	2,941,692
2007	\$62,052,236	39,462,839	7,559,438	2,490,105	2,488,169	4,507,996	5,543,689
2008	\$63,196,220	41,305,864	7,845,377	1,371,798	2,134,914	4,510,433	6,027,834
2009	\$63,134,332	42,628,226	8,173,977	2,748,427	1,380,137	4,502,860	3,700,705
2010	\$61,703,446	41,557,677	8,553,515	1,311,139	440,623	4,467,137	5,373,355
2011	\$63,506,733	45,101,916	8,867,457	1,009,829	237,886	4,483,662	3,805,983
2012	\$65,083,164	46,028,455	9,350,445	1,350,000	250,000	4,500,000	3,604,264 b

a Includes \$1,850,606 for the sale of the facilities and rights to Hamilton Air Force Base to North Marin Water District

b Proposed budget

Marin Municipal Water District

COMPUTATION OF DEBT SERVICE REQUIREMENTS

June 30, 2011

The District covenants state that so long as the Revenue Bonds are outstanding, it will fix connection charges and water rates so as to provide annual revenues at least sufficient to pay the necessary expenses of maintaining and operating the system and not less than 125% of the annual debt service due on the Revenue Bonds, and other parity debt.

		<u>Debit Service Coverage</u>
Net revenues	\$ 12,495,099 =	220%
<hr/>		
Debt service requirements	\$ 5,675,363 (1)	

(1)
2002 Water Revenue Refunding Bonds and 2004 Certificates of Participation

Marin Municipal Water District

BONDED DEBT SERVICE COVERAGE LAST TEN FISCAL YEARS

Year ended June 30,

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006 (2)</u>	<u>2007 (2)</u>	<u>2008 (2)</u>	<u>2009 (2)</u>	<u>2010 (2)</u>	<u>2011 (2)</u>
Operating revenue										
Water sales, connection charges and other operating revenue	\$ 43,664,071	\$ 40,158,854	\$ 46,519,638	\$ 44,328,303	\$ 46,626,751	\$ 53,460,011	\$ 54,700,337	56,240,991	55,167,470	58,008,792 (2)
Operating expense										
Source of supply	3,749,595	3,963,501	3,914,787	4,003,234	4,122,824	4,403,617	4,644,304	4,912,997	5,617,017	4,960,870
Other operating expense (1)	<u>25,544,190</u>	<u>27,383,719</u>	<u>30,832,211</u>	<u>33,751,565</u>	<u>36,163,685</u>	<u>36,983,474</u>	<u>38,421,370</u>	<u>44,202,172</u>	<u>41,527,160</u>	<u>40,790,710 (2)</u>
Total operating expense	29,293,785	31,347,220	34,746,998	37,754,799	40,286,509	41,387,091	43,065,674	49,115,168	47,144,177	45,751,580
Interest income on operating funds	<u>3,244,267</u>	<u>2,748,008</u>	<u>2,393,779</u>	<u>3,154,354</u>	<u>2,698,064</u>	<u>2,488,169</u>	<u>2,122,526</u>	<u>1,380,137</u>	<u>440,625</u>	<u>237,886</u>
Net operating income available for bonded debt service	<u>\$ 17,614,553</u>	<u>\$ 11,559,643</u>	<u>\$ 14,166,419</u>	<u>\$ 9,727,858</u>	<u>\$ 9,038,306</u>	<u>\$ 14,561,088</u>	<u>\$ 13,757,189</u>	<u>\$ 8,505,959</u>	<u>\$ 8,463,918</u>	<u>\$ 12,495,099</u>
Actual annual bonded debt service	\$ 4,945,669	\$ 4,843,998	\$ 5,295,968	\$ 5,318,943	\$ 6,794,163	\$ 6,810,325	\$ 6,804,075	\$ 6,808,750	\$ 6,796,675	\$ 5,675,363
Coverage factor	3.56	2.39	2.67	1.83	1.33	2.14	2.02	1.25	1.25	2.20

(1) Excludes depreciation and interest.

(2) In fiscal 2006, 2007 and 2008, operating revenue includes grant and rent/ lease revenue. Operating expenses exclude amortization expense and research and development expenses.

Marin Municipal Water District

MISCELLANEOUS STATISTICS

June 30, 2011

<i>Service Area</i>	
Square miles	147
Population	191,000
<i>Water Supply</i>	
Watershed lands (acres)	21,250
Number of storage reservoirs	7
Total reservoir storage capacity in acre-feet	79,566
In millions of gallons	29,927
Average yearly rainfall in inches at Lake Lagunitas	52
Average yearly runoff, less losses *in acre-feet	61,415
In millions of gallons	20,012
Water imported from Russian River (average annual, acre-feet)	7,700
Operational yield (acre-feet) **	28,500
<i>Water Use</i>	
Service connections (active)	61,266
Residential	55,769
Other	5,497
Maximum annual use (1987) in acre-feet	33,100
In millions of gallons	10,785
Average annual use from fiscal year 2001-2011 in acre-feet	29,200
In millions of gallons	9,500
<i>Finance</i>	
Budget 2011/12 fiscal year revenues(not including Fire Flow)	\$ 60,583,164
Budget 2011/12 fiscal year disbursements(not including Fire Flow)	
Operations	\$ 59,191,396
Debt service	7,212,591
Capital purchases and projects	<u>15,906,424</u>
Total budgeted 2011/12 fiscal year disbursements	\$ 82,310,411
Utility plant - net book value	\$ 302,554,662
<i>Facilities</i>	
Miles of pipeline	889
Number of storage tanks	124
Total tank storage capacity (millions of gallons)	82
Number of pump stations	90
Number of potable water treatment plants	3
Maximum daily treatment plant capacity (millions of gallons)	59
Average daily treatment plant production (millions of gallons)	25
<i>Recycled Water Facilities</i>	
Miles of pipeline	24
Number of storage tanks	3
Total tank storage capacity (millions of gallons)	1.9
Number of pump stations	5
Number of potable water treatment plants	1
Maximum daily treatment plant capacity (millions of gallons)	2

* Due to evaporation

** Amount of water that can be supplied in all but the driest years.

Marin Municipal Water District
SCHEDULE OF CASH AND INVESTMENTS

Schedule of Cash and Investments

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Cash held by District		
Cash and investments	\$ 12,325,627	\$ 13,310,732
Cash-North Bay Watershed Association	241,380	241,614
Deposits in pooled investment funds	<u>9,862,391</u>	<u>2,304,016</u>
Total	22,429,398	15,856,362
Investments held by others		
Fiscal agents (includes government securities)	<u>26,649,163</u>	<u>39,136,823</u>
Total cash and investments	<u>\$ 49,078,561</u>	<u>\$ 54,993,185</u>
Distribution of cash and investments		
General operations	\$ 6,770,936	\$ 2,815,848
Liability claims	1,500,000	1,500,000
Bond reserve	8,228,273	9,136,823
2010 Revenue Bond construction fund	18,420,890	30,000,000
Bond debt	1,039,960	1,098,575
Capital projects	4,163,529	2,517,213
Deposits and advances	2,110,836	1,705,896
Agency Fund - Wolfback Ridge Assessment District	242,284	218,324
Workers Compensation Self Insurance Fund	2,434,000	1,806,000
North Bay Watershed Association	115,876	187,778
Integrated Regional Water Management Plan	196,000	7,000
Fire Flow	<u>3,855,977</u>	<u>3,999,728</u>
Total cash and investments	<u>\$ 49,078,561</u>	<u>\$ 54,993,185</u>

Marin Municipal Water District

INSURANCE IN FORCE

June 30, 2011

Types of Coverage	Coverage Limits
1. General and Automobile Liability (excess coverage beginning above \$100,000 to \$5,000,000 per occurrence)	<i>Self-insured to \$250,000</i>
2. Property - buildings, facilities and contents covered under "all risk" policy for losses from fire, lightning, theft, vandalism, etc. (Blanket Limit)	\$ 100,000,000
3. Boiler and Machinery - designated locations	\$ 100,000,000
4. Blanket Dishonesty Bond	\$ 1,000,000
5. Worker's Compensation	<i>Self Insured to \$750,000</i>
6. Excess Liability including E&O and Employment Practices	\$10,000,000 ea. Occurrence

Marin Municipal Water District

SCHEDULE OF UTILITY PLANT AND ACCUMULATED DEPRECIATION

Year ended June 30, 2011

Utility Plant (excluding construction-in-progress)

Description	Balance June 30, 2010	Additions	Disposals and Adjustments	Balance June 30, 2011
Sonoma County Water Rights	\$ 9,193,601	\$ -	\$ -	\$ 9,193,601
Land	10,594,873	-	-	10,594,873
Buildings	19,516,014	1,148,803	-	20,664,817
Dams and reservoirs	88,938,115	2,205,461	(8,250)	91,135,326
Pumping plants	23,409,848	1,071,433	-	24,481,281
Water treatment plants	36,468,376	4,077,142	(416,264)	40,129,254
Transmission and distribution lines	234,340,618	10,380,276	(145,265)	244,575,629
Vehicles	6,767,908	49,610	(56,147)	6,761,371
Equipment	21,801,734	124,275	2,104	21,928,113
Total Plant-In-Service	<u>\$ 451,031,087</u>	<u>\$ 19,057,000</u>	<u>\$ (623,822)</u>	<u>\$ 469,464,265</u>

Accumulated Depreciation

Description	Balance June 30, 2010	Depreciation	Disposals and Adjustments	Balance June 30, 2011
Sonoma County Water Rights	\$ 2,892,923	\$ 284,100	\$ -	3,177,023
Buildings - Accum Dep	7,683,827	780,439	65,086	8,529,352
Dams and reservoirs - Accum Dep	25,501,005	1,391,254	(5,799)	26,886,460
Pumping plants - Accum Dep	12,856,289	818,920	-	13,675,209
Water treatment plants - Accum Dep	21,715,209	993,645	(1)	22,708,854
Trans and Dist lines - Accum Dep	64,600,676	4,519,705	(82,069)	69,038,312
Vehicles - Accum Dep	4,391,867	449,334	(57,815)	4,783,386
Equipment - Accum Dep	16,999,671	1,177,393	(66,057)	18,111,007
Accumulated Depreciation	<u>\$ 156,641,467</u>	<u>\$ 10,414,790</u>	<u>\$ (146,655)</u>	<u>\$ 166,909,603</u>

Marin Municipal Water District

FIRE FLOW PROGRAM

Year ended June 30, 2011

	Fire Flow Parcel Fee Program	MMWD Contributions to Fire Flow *
Balance as of July 1, 2010	\$ 3,999,728	\$ 189,225
Revenue		
Parcel fee	4,483,662	-
Interest income	18,235	-
Marin Municipal Water District contribution	<u>-</u>	<u>750,000</u>
Total Revenue	4,501,897	750,000
Expenses		
Personnel	1,150,107	109,740
Materials and supplies	574,036	35,906
General and administrative	2,426	949
Operations	85,374	5,357
Construction contracts	2,753,118	156,716
Professional fees	<u>80,587</u>	<u>3,603</u>
Total Expense	<u>4,645,648</u>	<u>312,271</u>
Balance at June 30, 2011	\$ <u>3,855,977</u>	\$ <u>626,954</u>

* The Fire Flow Parcel Fee Program is funded by a \$75 per parcel fee charged and collected by the Marin County Tax Collector. The District's annual contribution to the Fire Flow Program is \$750,000. The District's annual contribution comes in the form of pipelines and other facilities being replaced in accordance with the requirements of the Fire Flow Master Plan, thus alleviating the need to fund those projects from the parcel fee.

Note - The Kennedy Jenks report in the amount of \$540,000 remains a debt of the Fire Flow Parcel Fee Program and may be reimbursed to the District or may be used in future years to offset the District's contribution to the program.

Marin Municipal Water District
CUMULATIVE TOTAL OF FIRE FLOW PROGRAM

MMWD Contributions to Fire Flow

Project	1996-2006	2007	2008	2009	2010	2011	Total
2006-2007 San Rafael Pipeline Replacement	\$ -	\$ 25,163	\$ 277,693	\$ 9,939	\$ 13	\$ 953	\$ 313,761
2010-2011 San Rafael Pipeline Replacement						92,752	92,752
Almonte Blvd Transmission Line Replacement	98,512	987,665	12,524	-		1,628	1,100,329
Alvina and Oak Avenue, Pipeline Replacement, San Rafael	42,995	-	-	-			42,995
Bret Harte Heights Pipeline Replacement, San Rafael	165,496	-	-	-			165,496
Cascade Canyon Phase I Pipeline Replacement, Fairfax	376,193	-	-	-			376,193
Clark Street Pipeline Replacement, San Rafael	65,811	-	-	-			65,811
Crown, Upland and S. Ridgewood Road, Kentfield	311,038	-	-	-			311,038
Currey and Platt Avenue Pipeline Replacement, Sausalito	128,091	-	-	-			128,091
Fairfax Pipeline Replacement	-	20,218	4,461	14,112	187,732	-	226,523
Fairfax Pipeline Replacement	523,784	-	-	-			523,784
Fire Flow Election and Hearing	89,782	-	-	-			89,782
Floribel and Allyn Ave Pipeline Replacement, San Anselmo	1,997	124,560	3,522	2,721			132,800
Glenwood Forrest Tank Replacement					371,785	20,525	392,310
Hillside Avenue Pipeline Replacement, Mill Valley	254,617	-	-	-			254,617
Kentfield Pipeline Replacement	77,591	2,276	390	20		2,039	82,316
Larkspur Pipeline Replacement	434,957	-	-	-			434,957
Lone Tree (Lapachet) Tank Removal, Mill Valley	449,297	-	-	-			449,297
Marin Pipeline Rehabilitation	122,017	-	-	-			122,017
Marina Vista/Sunrise, Larkspur	38,973	-	-	-			38,973
Marion Avenue Pipeline Replacement, Sausalito	81,313	-	-	-			81,313
Mill Valley & Sausalito and San Rafael	588,789 67,739	16,600 -	-	-	3,306	-	608,695 67,739
Nevada St Pipeline Replacement, Sausalito			19,959	45,001			64,960
Northern Avenue Pipeline Replacement, Tam Valley	192,261	-	-	-			192,261
Ross Pipeline Replacement Project				19,643	63,501	1,329	84,473
Ross/Sausalito Transmission Line	433,883	-	-	-			433,883
Ross/Sausalito Pipeline Relocation- Edna						48,904	48,904
San Anselmo Pipeline Replacement	345,969	170	-	31			346,170
San Anselmo Pipeline Replacement	40,170	352,324	8,929	382			401,805
San Rafael Pipeline Replacement	295,195	75,307	270	818	6,031	-	377,621
San Rafael Pipeline Replacement	490,507	-	-	-			490,507
San Rafael Pipeline Replacement					17,724	144,141	161,865
Sausalito & Corte Madera Pipeline Replacement	441	59,843	93,377	4,261	346		158,268
South Pipeline Replacement - Tiburon, Mill Valley, and Sausalito	10,655	-	-	-			10,655
Tamalpais Avenue Pipeline Replacement, Mill Valley	638	-	-	-			638
Treanor Avenue, San Rafael	41,000	-	-	-			41,000
Union and Park Street Pipeline Replacement, San Rafael	179,141	-	-	-			179,141
Vernal Avenue Tank Piping, Tam Valley	11,000	-	-	-			11,000
Villa Avenue Pipe Relocation, San Rafael	58,053	-	-	-			58,053
West End Area Pipeline Replacement, San Rafael	330,465	-	-	-			330,465
West MMWD PR	268,713	2,774	1,056	-			272,543
West Pipeline Replacement - Fairfax, Woodacre, Lagunitas and Ross	107,243	-	-	-			107,243
	<u>\$ 6,724,326</u>	<u>\$ 1,666,900</u>	<u>\$ 422,181</u>	<u>\$ 96,928</u>	<u>\$ 650,438</u>	<u>\$ 312,271</u>	<u>\$ 9,873,044</u>

Marin Municipal Water District
CUMULATIVE TOTAL OF FIRE FLOW PROGRAM

Fire Flow Parcel Fee Program Projects

Project	1997-2006	2007	2008	2009	2010	2011	Total
2000/01 Tank Seismic Retrofit	\$ 16,471	\$ 4,678	\$ -	\$ -	-	-	\$ 21,149
Alto Tiburon	189,638	1,273,650	982,109	17,772	-	-	2,463,169
Bay View Pipeline Replacement, Mill Valley	387,360	-	-	-	-	-	387,360
Blithedale Area Pipe Replacement	1,345,088	-	-	-	-	-	1,345,088
Blithedale Canyon, Mill Valley	349,341	-	-	-	-	-	349,341
Blithedale Canyon/Summit Upper Tank System	813,982	202,989	11,190	-	-	-	1,028,161
Bon Tempe Treatment Plant Seismic Retrofit	367,125	-	-	-	-	-	367,125
Bon Tempe Washwater Tank Seismic Improvements	106,574	-	-	-	-	-	106,574
Bret Harte Road Pipeline Replacement, San Rafael	543,405	3,684	-	-	-	-	547,089
Buena Vista Avenue Pipeline Replacement, Mill Valley	876,273	-	-	-	-	-	876,273
Butterfield & Arroyo, San Anselmo	12,846	-	-	-	-	-	12,846
Cascade Canyon Phase II Pipeline Replacement, Fairfax	858,577	-	-	-	-	-	858,577
Cascade Canyon Phase III Pipeline Replacement, Fairfax	636,775	-	-	-	-	-	636,775
Cascade Drive Pipeline Replacement, Mill Valley	774,892	-	-	-	-	-	774,892
Chapman Drive Pipeline Replacement	607,993	-	20,967	12,429	8,279	977	650,645
Concrete Pipe Road Pipeline Replacement	4,616,932	6,722	1,362	-	2,357	-	4,627,373
Consultant Services	1,841	-	-	-	-	-	1,841
Cornelia Avenue Pipeline Replacement, Mill Valley	208,296	-	-	-	-	-	208,296
Corte Madera Avenue, Mill Valley	435,346	-	-	-	-	-	435,346
Corte Madera Pipeline Replacement	372,840	-	-	-	-	-	372,840
Country Club Pipeline Replacement	489,770	2,734	759	-	-	-	493,263
Cypress Ridge, Sausalito	757,783	7,997	18,300	285	-	-	784,365
Dominican Area Pipe Replacement - Phase I, II and III	1,904,199	-	-	-	-	-	1,904,199
Elinor Pump Bypass Discharge Port	7,574	-	-	-	-	-	7,574
Fern Canyon to Summit Easement PRP	-	-	-	2,548	62,926	1,035	66,509
Fire Flow Master Plan 05/06-Concrete Pipe Rd Retaining Walls	196,156	4,782	234	-	-	-	201,172
Fire Flow Master Plan 05/06-Restoration of landscape and irrigation,Tiburon	-	-	18,139	78,772	-	-	96,911
Fire Flow Master Plan 06/07-Concrete Pipe Rd Pipeline Replacement	4,880	16,705	164,865	3,031,268	26,115	3,516	3,247,349
Fire Flow Master Plan 06/07-Country Club Area Pipeline Replacement	49,820	52,833	1,163,472	10,886	19,715	-	1,296,726
Fire Flow Master Plan 06/07-Glenwood Area Pipeline Replacement	749	32,977	-	782,786	24,656	-	841,168
Fire Flow Master Plan 06/07-Lagoon Rd, City of Belvedere	4,880	21,240	629,867	8,973	1,186	-	666,146
Fire Flow Master Plan 06/07-Sausalito Blvd Pipeline Replacement	24,573	545,672	36,446	15,693	-	-	622,384
Fire Flow Master Plan 06/07-Strawberry Point Pipeline Replacement	23,630	38,137	836,708	20,411	5,019	488	924,393
Fire Flow Master Plan 07/08-Summit Ave & Fairway Dr Pipeline Replacement	4,880	20,545	296,592	288,118	-	6,598	616,733
Fire Flow Master Plan 07/08-Tamalpais Valley Pipeline Replacement	4,880	20,845	43,493	547,276	23,137	440	640,071
Fire Flow Master Plan 08/09-Baltimore Canyon Area PRP	-	-	-	405,104	12,368	773	418,245
Fire Flow Master Plan 08/09-Chapman Park Pipeline Installation,Corte Madera	-	-	8,144	321,150	6,427	4,233	339,954
Fire Flow Master Plan 08/09-Christmas Tree Hill Pipeline,Corte Madera	-	-	3,783	469,930	39,213	814	513,740
Fire Flow Master Plan 09/10-Bayside Acres Area PRP	-	-	-	18,495	532,343	292,313	843,151
Fire Flow Master Plan 09/10-Greenbrae PRP Area	-	-	-	9,539	403,953	471,540	885,032
Fire Flow Master Plan 09/10-Summit Avenuen Area PRP	-	-	-	26,967	371,904	31,747	430,618
Fire Flow Master Plan 09/10-Meadowsweet Dr PRP	-	-	-	-	333,006	1,346	334,352

Marin Municipal Water District
CUMULATIVE TOTAL OF FIRE FLOW PROGRAM

Fire Flow Parcel Fee Program Projects

Project	1997-2006	2007	2008	2009	2010	2011	Total
Fire Flow Master Plan 09/10-Throckmorton PRP	-	-	-	-	439,436	415,241	854,677
Fire Flow Master Plan 10/11-Ross Valley PRP	-	-	-	-	9,173	293,549	302,722
Fire Flow Master Plan 10/11-Kent Woodland Phase 1 PRP	-	-	-	-	5,763	879,206	884,969
Fire Flow Master Plan 10/11-Kent Woodland Phase 2 PRP	-	-	-	-	8,068	902,525	910,593
Fire Flow Master Plan 10/11-Tanks Seismic Retrofit	-	-	-	-	1,302	313,394	314,696
Fire Flow Master Plan 10/11-Dominican Area PRP	-	-	-	-	-	83,355	83,355
Fire Flow Master Plan 10/11-Chula Vista PRP	-	-	-	-	-	29,462	29,462
Fire Flow Master Plan 11/12-Gerstle Park PRP	-	-	-	-	-	36,890	36,890
Fire Flow Master Plan 11/12-Jordan Avenue, SA PRP	-	-	-	-	-	14,862	14,862
Forbes Reservoir Seismic Improvements	227,453	-	-	-	-	-	227,453
Greenbrae Pipeline Replacement	502,315	-	-	-	-	-	502,315
Gunsite Pass Access Improvement Culvert Installation	-	-	1,276	61,378	52,589	-	115,243
H Line Tank System Phase I	879,862	18,412	-	-	-	-	898,274
H Line Tank System Phase II	692,860	136,754	7,007	-	-	-	836,621
Hawthorne Hills Tank Replacement	795,152	-	-	-	-	-	795,152
Ignacio Pump Station Seismic Retrofit	1,465	-	-	-	-	-	1,465
Kent Woodlands 1st Lift	656,468	87,833	2,628	65	-	11,247	758,241
Kent Woodlands Pipeline Replacement Phase I	781,996	-	-	-	-	-	781,996
Kent Woodlands Pipeline Replacement Phase II	840,504	-	-	-	-	-	840,504
Lagunitas Pump Station Seismic Retrofit	275,426	-	-	-	-	-	275,426
Lincoln Avenue Area, San Rafael Pipeline	918,452	-	-	-	-	-	918,452
Lovell Avenue, Mill Valley	1,168,186	12,627	4,966	-	-	-	1,185,779
Lucas Valley Tank Seismic Improvements	92,552	-	-	-	-	-	92,552
Mann Drive Fire Flow Master Plan , San Rafael	4,880	8,480	4,356	-	-	-	17,716
Manor Hill Area, Fairfax	967,010	33,425	-	-	-	-	1,000,435
Marinwood Tank Seismic Retrofit	105,771	-	-	-	-	-	105,771
Marlin Avenue Pipeline Replacement, Mill Valley	844,159	-	-	-	-	-	844,159
Miller Avenue Pipeline Replacement, Mill Valley	1,286,704	-	-	-	-	-	1,286,704
Montecito and California Park Pipeline Replacement, San Rafael	430,563	-	6,994	-	-	-	437,557
Montecito Area Pipeline Replacement, San Rafael	439,551	-	-	-	-	-	439,551
Morrison Road Pipeline Replacement, Ross	290,060	-	-	-	-	-	290,060
Norman Way Regulator & Pipe	88,093	-	-	-	-	-	88,093
Oak Avenue, San Anselmo Pipeline Replacement	574,307	-	-	-	-	-	574,307
Oakmont & Fairhills Pipeline Replacement, San Rafael	587,735	-	-	-	-	-	587,735
Phoenix Bypass Stabilization, Ross	364,385	-	-	-	-	-	364,385
Phoenix Lake Rd Pipeline Seismic Reliability	-	-	-	189,145	547,662	850,097	1,586,904
Redwood and Cal Park Hill Pipeline Replacement	229,450	-	-	-	-	-	229,450
Ross Reservoir Seismic Retrofit	25,850	-	-	-	-	-	25,850
San Geronimo Booster Pump Station Seismic Retrofit	64,591	-	-	-	-	-	64,591
San Geronimo Treatment Plant Control Room Retrofit	313,682	-	-	-	-	-	313,682
Steel Tank Seismic Retrofit	1,040,598	-	1,931	-	-	-	1,042,529
Summit Avenue & Ethel Avenue Pipeline Replacement, Mill Valley	491,906	-	-	-	-	-	491,906

Marin Municipal Water District
CUMULATIVE TOTAL OF FIRE FLOW PROGRAM

Fire Flow Parcel Fee Program Projects

Project	1997-2006	2007	2008	2009	2010	2011	Total
Summit Avenue, Mill Valley	473,653	-	-	-	-	-	473,653
Tam Valley Pipeline Replacement	549,062	-	-	-	-	-	549,062
Tamalpais Drive Pipeline Replacement, Corte Madera	362,526	-	-	-	-	-	362,526
Throckmorton Avenue, Mill Valley Pipeline Replacement	34,275	-	-	-	-	-	34,275
Throckmorton Ridge, Mill Valley Pipeline Replacement	1,220,667	-	-	-	-	-	1,220,667
Tiburon 1st Lift Tank Seismic Improvements	128,281	-	-	-	-	-	128,281
Tiburon Supply Pipeline	812,911	-	-	-	-	-	812,911
Toyon Drive Pipeline Replacement, Kentfield	677,978	-	-	-	-	-	677,978
Twin Oaks Pipeline Replacement, San Rafael	225,424	-	-	-	-	-	225,424
Valley View and Fairhills Pipeline Replacement, San Rafael	412,140	-	-	-	-	-	412,140
Warner Canyon Pipeline Replacement, Mill Valley	819,562	-	-	-	-	-	819,562
West End, San Rafael	459,426	15,113	6,179	-	-	-	480,718
Wilson Way Tank Upgrade	712,358	-	-	-	-	-	712,358
	<u>\$ 39,865,618</u>	<u>\$ 2,568,834</u>	<u>\$ 4,271,767</u>	<u>\$ 6,318,990</u>	<u>\$ 2,936,594</u>	<u>\$ 4,645,648</u>	<u>\$ 60,607,451</u>

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
of the Marin Municipal Water District
Corte Madera, California

We have audited the financial statements of the Marin Municipal Water District (District) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts.

To the Board of Directors
of the Marin Municipal Water District
Corte Madera, California
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However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of District management, the Members of the Board of Directors, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
December 8, 2011