



Marin Municipal Water District

Corte Madera, California

*Basic Financial Statements
And Independent Auditors' Report*

For the years ended June 30, 2012 and 2011

Marin Municipal Water District
Basic Financial Statements
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For the years ended June 30, 2012 and 2011

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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 year ended, June 30, 2012, 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. The prior year financial statements of the District as of June 30, 2011, were audited by other auditors, whose report dated December 8, 2011 expressed an unqualified opinion on those statements.

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 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, 2012, 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 March 22, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 7 and 40 through 41 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 has 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.



Badawi & Associates
Certified Public Accountants
Oakland, California
March 22, 2013

**Marin Municipal Water District
Management Discussion and Analysis
June 30, 2012**

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, 2012. We encourage readers to consider the information presented here and in our basic financial statements, which begin on page 10.

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 a fiduciary 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 42 of this report.

Financial Highlights

- Total assets of MMWD exceeded total liabilities at the close of the fiscal year by \$296.5 million (net assets).
- Net assets as of June 30, 2012 increased by \$6.4 million compared to the prior fiscal year.
- Capital assets, net of accumulated depreciation, at June 30, 2012 increased by \$ 5.4 million as compared to June 30, 2011.
- For the period ended June 30, 2012, operating revenues increased by \$3.1 million and operating expenses increased by \$0.5 million compared to the prior fiscal year.
- For the fiscal year ended June 30, 2012 net operating revenue increased by \$2.6 million and net income increased \$3 million as compared to the prior fiscal year.

- As of June 30, 2012, unrestricted and designated reserves were \$22.2 million, an increase of \$7.3 million over the prior fiscal year.

Financial Position

The District's net assets increased by \$6.4 million during the fiscal year (see Table 1 below) due largely to net income during the year.

Long-term liabilities increased by \$53.6 million from the issuance of \$85 million in debt by the Water Revenue Bonds, 2012 Series A issue, and \$6 million in related unamortized amounts for premiums and issuance and refunding costs. The increase in long-term liabilities was offset by decrease of \$37.3 million from the refunding of the outstanding Water Revenue Refunding Bonds, Series 2002 (\$16.2 million), an advance refunding of a portion of the Certificates of Participation, 2004 Financing Project (\$21.1 million) and payment of principal on other long-term debt.

The District's investment in capital assets net of related debt represents the largest portion of net assets (88.6%). The amount invested in capital assets, net of related debt, decreased due to \$85 million in debt issued in June 2012, depreciation and asset disposals.

Table 1
NET ASSETS

| | June 30, 2012 | June 30, 2011 | 2012 vs. 2011 | | June 30, 2010 | 2011 vs. 2010 | |
|--|------------------|------------------|-------------------------|-------------|------------------|-------------------------|-------------|
| | | | Increase/ (Decrease) | % Change | | Increase/ (Decrease) | % Change |
| Current and other assets | \$ 112,987,226 | \$ 60,394,683 | \$ 52,592,543 | 87.08% | \$ 67,496,869 | \$ (7,102,186) | -10.52% |
| Capital assets | 333,039,275 | 327,594,352 | 5,444,923 | 1.66% | 318,195,591 | 9,398,761 | 2.95% |
| Total assets | 446,026,501 | 387,989,035 | 58,037,466 | 14.96% | 385,692,460 | 2,296,575 | 0.60% |
| Current and other liabilities | 16,102,560 | 18,024,054 | (1,921,494) | -10.66% | 14,972,572 | 3,051,482 | 20.38% |
| Long-term liabilities, net | 133,405,195 | 79,809,731 | 53,595,464 | 67.15% | 83,951,356 | (4,141,625) | -4.93% |
| Total liabilities | 149,507,755 | 97,833,785 | 51,673,970 | 52.82% | 98,923,928 | (1,090,143) | -1.10% |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | 262,581,208 | 273,186,687 | (10,605,479) | -3.88% | 273,838,602 | (651,915) | -0.24% |
| Restricted | 4,684,736 | 3,855,977 | 828,759 | 21.49% | 3,999,728 | (143,751) | -3.59% |
| Unrestricted | 29,252,802 | 13,112,586 | 16,140,216 | 123.09% | 8,930,202 | 4,182,384 | 46.83% |
| Total net assets | \$ 296,518,746 | \$ 290,155,250 | \$ 6,363,496 | 2.19% | \$ 286,768,532 | \$ 3,386,718 | 1.18% |

Table 2
Results of Operations /Statement of Revenues, Expenses and Changes in Net Assets

| | June 30, 2012 | June 30, 2011 | 2012 vs. 2011 | | June 30, 2010 | 2011 vs. 2010 | | |
|--------------------------------------|------------------|------------------|-------------------------|-------------|------------------|-------------------------|-------------|--|
| | | | Increase/ (Decrease) | % Change | | Increase/ (Decrease) | % Change | |
| Revenues: | | | | | | | | |
| Water sales and service charges | \$ 57,277,794 | \$ 53,969,373 | \$ 3,308,421 | 6.13% | \$ 50,111,192 | \$ 3,858,181 | 7.70% | |
| Connection charges | 1,034,656 | 1,009,829 | 24,827 | 2.46% | 1,311,139 | (301,310) | -22.98% | |
| Other operating revenue | 1,106,286 | 1,300,208 | (193,922) | -14.91% | 1,727,948 | (427,740) | -24.75% | |
| Total operating revenue | 59,418,736 | 56,279,410 | 3,139,326 | 5.58% | 53,150,279 | 3,129,131 | 5.89% | |
| Expenses: | | | | | | | | |
| Personnel and related | 29,685,634 | 30,042,858 | (357,224) | -1.19% | 29,857,987 | 184,871 | 0.62% | |
| Electrical power | 2,853,620 | 2,738,066 | 115,554 | 4.22% | 3,167,677 | (429,611) | -13.56% | |
| Water purchased | 5,419,232 | 4,960,870 | 458,362 | 9.24% | 5,617,017 | (656,147) | -11.68% | |
| Other expenses | 8,279,113 | 8,009,786 | 269,327 | 3.36% | 8,501,496 | (491,710) | -5.78% | |
| Depreciation and amortization | 10,506,699 | 10,480,987 | 25,712 | 0.25% | 10,350,791 | 130,196 | 1.26% | |
| Total operating expenses | 56,744,298 | 56,232,567 | (511,731) | -0.91% | 57,494,968 | (1,262,401) | -2.20% | |
| Net operating income (loss) | 2,674,438 | 46,843 | 2,627,595 | -5609.37% | (4,344,689) | 4,391,532 | 101.08% | |
| Nonoperating revenue, net | 2,539,101 | 2,042,902 | 496,199 | 24.29% | 2,405,640 | (362,738) | -15.08% | |
| Less: Interest expense | (3,730,202) | (3,887,448) | (157,246) | -4.04% | (2,399,793) | 1,487,655 | 61.99% | |
| Total nonoperating revenue/(expense) | (1,191,101) | (1,844,546) | 653,445 | -35.43% | 5,847 | (1,850,393) | 31646.88% | |
| Income before capital contributions | 1,483,337 | (1,797,703) | 3,281,040 | 182.51% | (4,338,842) | 2,541,139 | 58.57% | |
| Capital contributions | 4,880,159 | 5,184,421 | (304,262) | -5.87% | 6,147,539 | (963,118) | -15.67% | |
| Net Income | 6,363,496 | 3,386,718 | 2,976,778 | 87.90% | 1,808,697 | 1,578,021 | 87.25% | |
| Net Assets: | | | | | | | | |
| Beginning of year | 290,155,250 | 286,768,532 | 3,386,718 | 1.18% | 284,959,835 | 1,808,697 | 0.63% | |
| End of year | \$ 296,518,746 | \$ 290,155,250 | \$ 6,363,496 | 2.19% | \$ 286,768,532 | \$ 3,386,718 | 1.18% | |

Total operating revenues of \$59.4 million increased by \$3.1 million over the prior year; operating expenses of \$56.7 million increased by \$.5 million from the prior year. As a result, net operating income increased \$2.6 million over the prior year.

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

- Water sales increased by \$3.3 million from a 4% rate increase effective July 1, 2011 and a .2% increase in consumption over the prior year.
- Operating expenses decreased by \$0.5 million. The largest factor was a \$.4 million decrease in personnel and related costs. The decrease in personnel and related costs was offset by increases in electrical power costs (\$.1 million), water purchased (\$.5 million) and other expenses (\$.3 million).
- Non-operating revenue, net, increased by \$0.5 million as a result of an increase in grant revenue of \$0.4 million and other income of \$0.1 million.

- Interest expense increased by \$0.2 million due to an increase in scheduled debt service.
- Capital contributions, which include connection fees, the \$75 per parcel Fire Flow Fee and capital grants, decreased by \$0.3 million, due to a \$0.2 million decrease in capital grants and a \$0.1 million decrease in capital-related connection fees.

Table 3
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

| | June 30, 2012 | June 30, 2011 | 2012 vs. 2011 | | June 30, 2010 | 2011 vs. 2010 | |
|-------------------------------------|------------------|------------------|-------------------------|-------------|------------------|-------------------------|-------------|
| | | | Increase/ (Decrease) | % Change | | Increase/ (Decrease) | % Change |
| Plant, buildings and equipment, net | \$ 291,604,640 | \$ 285,943,211 | \$ 5,661,429 | 1.98% | \$ 277,494,069 | \$ 8,449,142 | 3.04% |
| Land | 11,264,770 | 10,594,873 | 669,897 | 6.32% | 10,594,873 | - | 0.00% |
| Construction in progress | 24,437,387 | 25,039,690 | (602,303) | -2.41% | 23,805,971 | 1,233,719 | 5.18% |
| Sonoma County Water Rights, net | 5,732,478 | 6,016,578 | (284,100) | -4.72% | 6,300,678 | (284,100) | -4.51% |
| Total | \$ 333,039,275 | \$ 327,594,352 | \$ 5,444,923 | 1.66% | \$ 318,195,591 | \$ 9,398,761 | 2.95% |

The District had \$333 million (net of accumulated depreciation) invested in water utility capital assets as of June 30, 2012. This amount represents an increase of \$5.4 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, 2012 | June 30, 2011 | 2012 vs. 2011 | | June 30, 2010 | 2011 vs. 2010 | |
|---|------------------|------------------|-------------------------|-------------|------------------|-------------------------|-------------|
| | | | Increase/ (Decrease) | % Change | | Increase/ (Decrease) | % Change |
| 2002 Revenue Refunding Bonds | \$ - | \$ 16,185,000 | \$ (16,185,000) | -100.00% | \$ 17,625,000 | \$ (1,440,000) | -8.17% |
| 2004 Certificates of Participation | 4,865,000 | 25,995,000 | (21,130,000) | -81.28% | 28,110,000 | (2,115,000) | -7.52% |
| 2010 Water Revenue Bonds | 31,850,000 | 31,850,000 | - | 0.00% | 31,850,000 | - | 0.00% |
| 2012 Water Revenue Bonds | 85,000,000 | - | 85,000,000 | 100.00% | - | - | 0.00% |
| Clean Renewable Energy Bonds (CREBs) | 1,344,750 | 1,467,000 | (122,250) | -8.33% | 1,589,250 | (122,250) | -7.69% |
| Unamortized costs, net | 7,851,842 | 1,896,453 | 5,955,389 | 314.03% | 1,880,887 | 15,566 | 0.83% |
| | \$ 130,911,592 | \$ 77,393,453 | \$ 53,518,139 | 69.15% | \$ 81,055,137 | \$ (3,661,684) | -4.52% |

As of June 30, 2012 the District had total long-term debt outstanding of \$131 million, net of unamortized costs, an increase of \$53.5 million over the prior year. The increase in long-term debt was from the issuance by the Marin Municipal Water District Financing Authority (Authority) of the Water Revenue Bonds, 2012 Series A in the amount of \$85 million. The proceeds from the issue were used to refund the District's outstanding 2002 Water Revenue Refunding Bonds, advance refund a portion of the District's outstanding 2004 Certificates of Participation, finance costs for capital improvements to the District's municipal water system, fund interest on a portion of the bonds, and pay certain costs incurred in connection with issuance, sale and delivery of the bonds. The bonds are special limited obligations of the Authority, payable solely from, and secured solely by, a pledge of amounts held in certain funds and accounts under the indenture and the revenues derived from the 2012 installment payments made by the District under the 2012 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, 2012 was 281%.

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.

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BASIC FINANCIAL STATEMENTS

Marin Municipal Water District
Statement of Net Assets
Enterprise Fund
June 30, 2012 and 2011

| | 2012 | 2011 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and investments | \$ 12,207,533 | \$ 6,770,936 |
| Receivables: | | |
| Customer - billed (net of allowances for doubtful account of \$350,224 and \$303,010 in 2012 and 2011, respectively.) | 5,013,671 | 4,418,580 |
| Customer - unbilled | 5,415,779 | 4,082,813 |
| Interest and other (net of allowances for doubtful account of \$436,604 and \$436,604 in 2012 and 2011, respectively.) | 855,833 | 449,336 |
| Materials and supplies | 1,478,099 | 1,225,973 |
| Prepaid expenses | 525,476 | 498,481 |
| Total current assets | <u>25,496,391</u> | <u>17,446,119</u> |
| Restricted and designated assets: | | |
| Cash and investments: | | |
| Restricted | 74,094,908 | 31,856,976 |
| Designated | 9,996,336 | 8,097,529 |
| Deposits and advances | 2,636,196 | 2,110,836 |
| Total restricted and designated assets | <u>86,727,440</u> | <u>42,065,341</u> |
| Capital Assets: | | |
| Land and land rights | 11,264,770 | 10,594,873 |
| Depreciable assets | 474,573,675 | 458,869,392 |
| Construction-in-progress | 24,437,387 | 25,039,690 |
| Total capital assets | <u>510,275,832</u> | <u>494,503,955</u> |
| Less accumulated depreciation | <u>177,236,557</u> | <u>166,909,603</u> |
| Total capital assets, net of accumulated depreciation | <u>333,039,275</u> | <u>327,594,352</u> |
| Deferred Charges | <u>763,395</u> | <u>883,223</u> |
| Total assets | <u>\$ 446,026,501</u> | <u>\$ 387,989,035</u> |

(Continued)

See accompanying Notes to Financial Statements.

Marin Municipal Water District
Statement of Net Assets
Enterprise Fund, Continued
June 30, 2012 and 2011

| | 2012 | 2011 |
|---|-----------------------|-----------------------|
| LIABILITIES | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,755,030 | \$ 3,487,093 |
| Accrued payroll and payroll expenses | 477,278 | 936,515 |
| Compensated absences | 4,041,042 | 3,906,355 |
| Customer and other deposits | 333,172 | 397,551 |
| Total current liabilities | <u>8,606,522</u> | <u>8,727,514</u> |
| Current liabilities payable from restricted and designated assets: | | |
| Long-term debt - due within one year | 2,017,250 | 3,677,250 |
| Accrued interest payable | 1,068,021 | 1,885,193 |
| Agency deposits payables | 238,941 | 311,876 |
| Customer advances for construction | 2,664,467 | 2,156,221 |
| Claims payable | 987,855 | 1,266,000 |
| Total current liabilities payable from restricted and designated assets | <u>6,976,534</u> | <u>9,296,540</u> |
| Long Term Liabilities | | |
| Claims payable- due in more than one year | 2,601,095 | 1,760,774 |
| Compensated absences- due in more than one year | 412,012 | 655,504 |
| Long-term debt - due in more than one year | 130,911,592 | 77,393,453 |
| Total long term liabilities | <u>133,924,699</u> | <u>79,809,731</u> |
| Total liabilities | <u>149,507,755</u> | <u>97,833,785</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 262,581,208 | 273,186,687 |
| Restricted for fire flow parcel fee program | 4,684,736 | 3,855,977 |
| Unrestricted | 29,252,802 | 13,112,586 |
| Total net assets | <u>\$ 296,518,746</u> | <u>\$ 290,155,250</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, 2012 and 2011

| | 2012 | 2011 |
|---|--------------------|--------------------|
| OPERATING REVENUES | | |
| Water sales and service charges | \$ 57,277,794 | \$ 53,969,373 |
| Connection charges | 1,034,656 | 1,009,829 |
| Other operating revenue | 1,106,286 | 1,300,208 |
| Total operating revenues | 59,418,736 | 56,279,410 |
| OPERATING EXPENSES | | |
| Personnel services | 29,685,634 | 30,042,858 |
| Materials and supplies | 2,194,427 | 2,062,044 |
| Operations | 2,410,100 | 2,042,623 |
| Water conservation rebate program | 1,175 | 94,634 |
| Electrical power | 2,853,620 | 2,738,066 |
| Water purchased | 5,419,232 | 4,960,870 |
| Insurance, including claims | 1,760,577 | 1,896,908 |
| General and administrative | 1,912,834 | 1,913,577 |
| Depreciation and amortization | 10,506,699 | 10,480,987 |
| Total operating expenses | 56,744,298 | 56,232,567 |
| Operating income (loss) | 2,674,438 | 46,843 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Federal, state and other grants | 736,079 | 321,968 |
| Investment income | 88,242 | 75,634 |
| Interest income | 124,337 | 237,886 |
| Other income (Note 9) | 1,590,443 | 1,407,414 |
| Interest expense | (3,730,202) | (3,887,448) |
| Total nonoperating revenues (expenses), net | (1,191,101) | (1,844,546) |
| Total income (loss) before capital contributions | 1,483,337 | (1,797,703) |
| Capital contributions (Note 10) | 4,880,159 | 5,184,421 |
| Net income | 6,363,496 | 3,386,718 |
| NET ASSETS: | | |
| Beginning of year | 290,155,250 | 286,768,532 |
| End of year | \$ 296,518,746 | \$ 290,155,250 |

See accompanying Notes to Financial Statements.

Marin Municipal Water District
Statements of Cash Flows
Enterprise Fund
For the Years Ended June 30, 2012 and 2011

| | 2012 | 2011 |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers | \$ 56,320,014 | \$ 55,027,412 |
| Other operating revenue | 696,251 | 1,497,205 |
| Cash payments to employees | (30,253,676) | (29,764,292) |
| Cash payments to suppliers for goods and services | (16,000,973) | (15,056,538) |
| Net cash provided by operating activities | 10,761,616 | 11,703,787 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Rent and watershed permits and other income | 1,591,407 | 1,462,614 |
| Increase (decrease) in deposits - North Bay Watershed Association | (72,935) | 117,098 |
| Federal, state and other grant revenues | 734,625 | 1,089,708 |
| Net cash provided by noncapital financing activities | 2,253,097 | 2,669,420 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Proceeds from 2012 Water Revenue Bonds, net of original premium, bond refunding cost and bond issuance costs | 90,955,389 | - |
| Principal payments on long-term debt | (3,677,250) | (3,521,684) |
| Principal payments on defeased bonds | (35,420,000) | - |
| Interest paid on long-term debt | (4,547,374) | (3,188,044) |
| Acquisition and construction of capital assets | (15,768,047) | (19,684,396) |
| Decrease in customer advances for construction | 508,246 | 780,482 |
| Proceeds from fire flow parcel fee | 4,523,329 | 4,483,662 |
| Cash Contributions in aid of construction | 353,000 | 500,656 |
| Net cash provided (used) by capital and related financing activities | 36,927,293 | (20,629,324) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from maturities of investment securities | 7,010,551 | 7,027,820 |
| Purchase of investment securities | (3,013,600) | (6,990,000) |
| Interest received on investments | 129,329 | 240,026 |
| Net cash provided by investing activities | 4,126,280 | 277,846 |
| Net change in cash and cash equivalents | 54,068,286 | (5,978,271) |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | 41,585,607 | 47,563,878 |
| End of year | \$ 95,653,893 | \$ 41,585,607 |

See accompanying Notes to Financial Statements.

(Continued)

Marin Municipal Water District
Statements of Cash Flows
Enterprise Fund, Continued
For the Years Ended June 30, 2012 and 2011

| | 2012 | 2011 |
|--|----------------------|----------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ 2,674,438 | \$ 46,843 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 10,506,699 | 10,480,987 |
| (Increase) decrease in assets : | | |
| Receivables, net | (2,338,092) | 257,796 |
| Materials and supplies | (252,126) | 103,127 |
| Prepaid expenses | (26,995) | (19,523) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 267,937 | (144,543) |
| Accrued payroll and payroll expenses | (568,042) | 278,566 |
| Claims payable | 562,176 | 713,123 |
| Customer deposits | (64,379) | (12,589) |
| Net cash provided by operating activities | 10,761,616 | 11,703,787 |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS | | |
| Unrestricted | 12,207,533 | 6,770,936 |
| Restricted | 74,094,908 | 31,856,976 |
| Designated | 9,996,336 | 8,097,529 |
| Deposits and advances | 2,636,196 | 2,110,836 |
| Total cash and investments | 98,934,973 | 48,836,277 |
| Less investments with original maturities in excess of three months | (3,281,080) | (7,250,670) |
| Cash and cash equivalents | \$ 95,653,893 | \$ 41,585,607 |
| NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | |
| Increase in fair value of investments | 850 | 9,000 |
| Amortization of deferred charges | (119,828) | (52,322) |

See accompanying Notes to Financial Statements.

Marin Municipal Water District
Statement of Fiduciary Net Assets
Agency Fund
June 30, 2012 and 2011

| Wolfback Ridge Assessment District | 2012 | 2011 |
|---|-------------------|-------------------|
| ASSETS | | |
| Cash and investments | \$ 272,272 | \$ 242,284 |
| Total assets | \$ 272,272 | \$ 242,284 |
| LIABILITIES | | |
| Deposits and Advances | \$ 272,272 | \$ 242,284 |
| Total liabilities | \$ 272,272 | \$ 242,284 |

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, 2012 and 2011

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 is 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 is 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 is 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 is to issue debt to acquire certain property pursuant to an installment agreement with the District. The Financing Authority issued in May 2010 the 2010 Series A, Water Revenue Bonds and in May 2012, the 2012 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, 2012 and 2011

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.

C. 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.

D. Materials and Supplies

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

E. 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

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets, Continued

property are charged to expense. Contributed assets are capitalized at the developer's cost, which approximates fair value.

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, 2012 and 2011

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 statements of net assets, 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, 2012 and 2011

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 on 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, 2012 and 2011

2. CASH AND INVESTMENTS, Continued

Investments made by the District are summarized below at June 30, 2012 and 2011:

| | 2012 | 2011 |
|---|----------------------|----------------------|
| Cash in banks | \$ 3,689,926 | \$ 3,216,582 |
| U.S. Government Obligations | 3,052,330 | 6,989,420 |
| Corporate notes | 228,750 | 261,250 |
| Money Market | 5,210,428 | 2,099,755 |
| Cash & Cash Equivalent- Bond Funds: | | |
| -2002 Revenue Refunding Bond | 973,566 | 2,820,785 |
| -2004 Certificate of Participation | 2,075,222 | 2,816,244 |
| -2010 Water Revenue Bond | 8,949,114 | 21,012,134 |
| -2012 Water Revenue Bond | 55,591,261 | - |
| Local Agency Investment Fund | 19,436,648 | 9,862,391 |
| Total | \$ 99,207,245 | \$ 49,078,561 |
| Cash and investments, unrestricted | \$ 12,207,533 | \$ 6,770,936 |
| Cash and investments, restricted | 74,094,908 | 31,856,976 |
| Cash and investments, designated | 9,996,336 | 8,097,529 |
| Cash and investments, deposits and advances | 2,636,196 | 2,110,836 |
| Cash and investments - Agency Fund | 272,272 | 242,284 |
| Total | \$ 99,207,245 | \$ 49,078,561 |

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, 2012 and 2011

2. CASH AND INVESTMENTS, Continued

The carrying amount of the District's deposits as of June 30, 2012 and 2011 was \$3,689,926 and \$3,216,582 respectively. The bank balance of deposits as of June 30, 2012 and 2011 was \$5,301,971 and \$3,863,481, 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, 2012 and 2011. 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, 2012, 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 \$228,750, while the cost basis of the investment was \$926,379.

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, 2012 and 2011, the District's pooled cash and investments had the following maturities:

| <u>Maturity</u> | <u>2012</u> | <u>2011</u> |
|--------------------|-------------|-------------|
| Less than one year | 97% | 85% |
| One to two years | 1% | 0% |
| Two to five years | 2% | 15% |

The District's investments at June 30, 2012 are summarized as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Remaining Maturity (in Months)</u> | | | |
|------------------------------------|----------------------|---------------------------------------|----------------------------|---------------------------|--------------------------------|
| | | <u>12 Months Or Less</u> | <u>13 to 24 Months</u> | <u>25 to 60 Month</u> | <u>More than 60 Months</u> |
| U. S. Government Agency Obligation | \$ 3,052,330 | \$ - | \$ 1,012,800 | \$ - | \$ - |
| Corporate Notes | 228,750 | 228,750 | - | 2,039,530 | - |
| State investment pool (LAIF) | 19,436,715 | 19,436,715 | - | - | - |
| Money market | 5,210,428 | 5,210,428 | - | - | - |
| Held by bond trustee: | | | | | |
| Money market | 67,589,163 | 67,589,163 | - | - | - |
| Total | \$ 95,517,386 | \$ 92,465,056 | \$ 1,012,800 | \$ 2,039,530 | \$ - |

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011

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 | \$ 3,052,330 | \$ 3,052,330 | \$ - | \$ - | \$ - | \$ - |
| Corporate Notes | 228,750 | - | - | - | 228,750 | - |
| State investment pool (LAIF) | 19,436,715 | 19,436,715 | - | - | - | - |
| Money market | 5,210,428 | - | - | - | - | 5,210,428 |
| Held by bond trustee: | | | | | | |
| Money market | 67,589,163 | - | - | - | - | 67,589,163 |
| Total | \$ 95,517,386 | \$ 22,489,045 | \$ - | \$ - | \$ 228,750 | \$ 72,799,591 |

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, 2012 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 2012, the District had \$19,436,715 invested in LAIF, which had invested 2.75% 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 1.001219643 to total investments held by LAIF.

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011

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, | |
|--|----------------------|----------------------|
| | 2012 | 2011 |
| Restricted cash and investments: | | |
| 2002 Revenue Bonds, 2004 Certificates of Participation, 2010 Revenue Bonds and 2012 Revenue Bonds: | | |
| Principal and interest fund | \$ 5,385,520 | \$ 6,145,742 |
| Reserve fund | 1,275,283 | 3,122,491 |
| Project fund | 62,470,775 | 18,420,890 |
| Cost of issuance fund | 39,653 | - |
| Agency deposits | 238,941 | 311,876 |
| Fire Flow Parcel Fee Program | 4,684,736 | 3,855,977 |
| Total restricted funds | 74,094,908 | 31,856,976 |
| Designated cash and investments: | | |
| Capital projects | 4,998,336 | 4,163,529 |
| Liability claims | 4,998,000 | 3,934,000 |
| Total designated funds | 9,996,336 | 8,097,529 |
| Total restricted & designated cash and investments | \$ 84,091,244 | \$ 39,954,505 |

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011

4. CAPITAL ASSETS

Capital assets consists of the following at June 30:

| | Balance July 1, 2010 | 2011 | | Balance July 1, 2011 | 2012 | | Balance June 30, 2012 |
|--|-------------------------|----------------------|----------------------|-------------------------|----------------------|----------------------|--------------------------|
| | | Additions | Reductions | | Additions | Reductions | |
| Capital assets not being depreciated, excluding construction in progress: | | | | | | | |
| Land and land rights | \$ 10,594,873 | \$ - | \$ - | \$ 10,594,873 | \$ 669,897 | \$ - | \$ 11,264,770 |
| Capital assets being depreciated: | | | | | | | |
| Sonoma County Water Rights | 9,193,601 | - | - | 9,193,601 | - | - | 9,193,601 |
| Buildings | 19,516,014 | 1,148,803 | - | 20,664,817 | 546,735 | - | 21,211,552 |
| Dams and reservoirs | 88,938,115 | 2,205,461 | 8,250 | 91,135,326 | 1,037,836 | - | 92,173,162 |
| Pumping plants | 23,409,848 | 1,071,433 | - | 24,481,281 | 2,961,326 | - | 27,442,607 |
| Water treatment plants | 36,468,376 | 3,660,878 | - | 40,129,254 | 1,746,490 | - | 41,875,744 |
| Transmission and distribution | 234,340,618 | 10,380,276 | 145,265 | 244,575,629 | 9,327,119 | - | 253,902,748 |
| Vehicles | 6,767,908 | 49,610 | 56,147 | 6,761,371 | 130,170 | 110,217 | 6,781,324 |
| Equipment | 21,801,734 | 126,379 | - | 21,928,113 | 101,395 | 36,571 | 21,992,937 |
| Total assets being depreciated | 440,436,214 | 18,642,840 | 209,662 | 458,869,392 | 15,851,071 | 146,788 | 474,573,675 |
| Total capital assets, excluding construction in progress | 451,031,087 | 18,642,840 | 209,662 | 469,464,265 | 16,520,968 | 146,788 | 485,838,445 |
| Construction in progress | 23,805,971 | 19,717,675 | 18,483,956 | 25,039,690 | 15,687,100 | 16,289,403 | 24,437,387 |
| Total capital assets | 474,837,058 | 38,360,515 | 18,693,618 | 494,503,955 | 32,208,068 | 16,436,191 | 510,275,832 |
| Less accumulated depreciation for: | | | | | | | |
| Sonoma County Water Rights | 2,892,923 | 284,100 | - | 3,177,023 | 284,100 | - | 3,461,123 |
| Buildings | 7,683,827 | 845,525 | - | 8,529,352 | 690,962 | - | 9,220,314 |
| Dams and reservoirs | 25,501,005 | 1,391,254 | 5,799 | 26,886,460 | 1,428,086 | - | 28,314,546 |
| Pumping plants | 12,856,289 | 818,920 | - | 13,675,209 | 966,768 | - | 14,641,977 |
| Water treatment plants | 21,715,209 | 1,007,520 | 13,875 | 22,708,854 | 1,122,653 | - | 23,831,507 |
| Transmission and distribution | 64,600,676 | 4,523,573 | 85,937 | 69,038,312 | 4,473,769 | - | 73,512,081 |
| Vehicles | 4,391,867 | 449,334 | 57,815 | 4,783,386 | 414,863 | 91,143 | 5,107,106 |
| Equipment | 16,999,671 | 1,177,393 | 66,057 | 18,111,007 | 1,073,467 | 36,571 | 19,147,903 |
| Total accumulated depreciation | 156,641,467 | 10,497,619 | 229,483 | 166,909,603 | 10,454,668 | 127,714 | 177,236,557 |
| Total capital assets, net | \$ 318,195,591 | \$ 27,862,896 | \$ 18,464,135 | \$ 327,594,352 | \$ 21,753,400 | \$ 16,308,477 | \$ 333,039,275 |

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011

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 | |
|---|---------------|-----------------|------------------|-----------------------|----------------------|
| | | | | 2012 | 2011 |
| 2002 Revenue Refunding Bonds | 10/1/02 | To 2023 | 2.50% - 5.00% | \$ - | \$ 17,625,000 |
| 2004 Certificates of Participation | 4/1/04 | To 2030 | 2.50% - 5.25% | 6,760,000 | 28,110,000 |
| 2010 Water Revenue Bonds | 5/1/10 | To 2040 | 2.50% - 5.00% | 31,850,000 | 31,850,000 |
| 2012 Water Revenue Bonds | 6/20/12 | To 2052 | 2.00% - 5.00% | 85,000,000 | - |
| Clean Renewable Energy Bonds | 9/29/08 | To 2023 | Tax credit | 1,467,000 | 1,589,250 |
| Total | | | | 125,077,000 | 79,174,250 |
| Deferred amount on refunding, net | | | | (2,403,018) | (1,740,006) |
| Original issue premium/discount, net | | | | 10,254,860 | 3,636,459 |
| Less Long-term debt, due within one year | | | | (2,017,250) | (3,677,250) |
| Long-term debt - Due in more than one year | | | | \$ 130,911,592 | \$ 77,393,453 |

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 were to mature through July 1, 2023, and bore interest at the rate of 5%. The Bonds were special obligations of the District payable from and secured by a pledge of the Net Revenues of Water systems. The bonds were fully refunded by the 2012 Series A Water Revenue Bonds. 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 was deferred and amortized in accordance with GASB Statement No. 23. The remaining unamortized balance was written off and included in interest expense for the year ended June 30, 2012.

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011

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 bonds were partially refunded by the 2012 Series A Water Revenue Bonds. 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 and amortized in accordance with GASB Statement No. 23. Total amortization related to the above bond refunding was \$99,292 each for fiscal 2012 and 2011, which was included in interest expense. A portion of the unamortized deferred amount of refunding of \$293,181 was written off and included in interest expense for the year ended June 30, 2012 as the bonds were partially refunded by the 2012 Series A Water Revenue Bonds.

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, 2012 and 2011

5. LONG-TERM DEBT, Continued

On June 20, 2012, the joint power authority, Marin Municipal Water District Financing Authority issued the 2012 Series A Water Revenues Bonds in the amount of \$85,000,000 to refund the District's outstanding 2002 Water Revenue Bonds and a portion of the 2004 Certificant of Participation. Interest payments are payable semi-annually on January 1 and July 1. The bonds mature through July 1, 2052, and bear interest at the rate of 5%. The bonds are special limited obligations of the Financing Authority payable solely from and secured by a pledge of amounts held in certain funds and accounts under the indenture and the revenues derived from the 2012 installment payments made by the District under the 2012 installment sale agreement. The net proceeds of \$38,126,123 from these refunding bonds were transferred to a trustee and placed in an irrevocable trust to redeem 2002 Water Revenue Bonds and a portion of the 2004 Certificant of Participation. These funds were invested in U.S. government securities to provide for the redemption price and interest through the call date. Accordingly, the 2002 Revenue Bonds and a portion of the 2004 Certificant of Participation were removed from the balance sheet as of June 30, 2012. The advanced refunding resulted in a difference of \$2,303,279 between the reacquisition price and the net carrying amount of the old debt, that has been deferred and amortized in accordance with GASB Statement No. 23.

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, 2010 Revenues Bonds and 2012 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 \$250,602,906, payable through June, 2053. For FYE 11/12 principal and interest paid, and total net revenues of Water Systems received, were \$7,219,875 and \$ 13,181,137 respectively. 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.

Changes in long-term obligations and debt for the fiscal years ended June 30, 2012, and 2011 are as follows:

| | Balance | 2011 | | Balance | 2012 | | Balance | Due Within |
|--------------------------------------|----------------------|-------------|---------------------|----------------------|----------------------|----------------------|-----------------------|---------------------|
| | July 1, 2010 | Additions | Reductions | July 1, 2011 | Additions | Reductions | June 30, 2012 | One Year |
| Bonds payable: | | | | | | | | |
| 2002 | \$ 19,005,000 | \$ - | \$ 1,380,000 | \$ 17,625,000 | \$ - | \$ 17,625,000 | \$ - | \$ - |
| 2004 | 30,145,000 | - | 2,035,000 | 28,110,000 | - | 21,350,000 | 6,760,000 | 1,895,000 |
| 2010 | 31,850,000 | - | - | 31,850,000 | - | - | 31,850,000 | - |
| 2012 | - | - | - | - | 85,000,000 | - | 85,000,000 | - |
| Clean Renewable Energy Bonds (CREBs) | 1,711,500 | - | 122,250 | 1,589,250 | - | 122,250 | 1,467,000 | 122,250 |
| Deferred amount on refunding, net | (1,942,927) | - | 202,921 | (1,740,006) | (2,303,279) | 1,640,267 | (2,403,018) | - |
| Original bond premium/discount, net | 3,823,813 | - | (187,354) | 3,636,459 | 8,273,835 | (1,655,434) | 10,254,860 | - |
| Total | \$ 84,592,386 | \$ - | \$ 3,552,817 | \$ 81,070,703 | \$ 90,970,556 | \$ 39,082,083 | \$ 132,928,842 | \$ 2,017,250 |

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011

5. LONG-TERM DEBT, Continued

The annual debt service requirements are as follows:

| Fiscal Year Ending June 30, | 2004 COP | | 2010 Revenue Bonds | | 2012 Revenue Bonds | | CREBS |
|--------------------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal |
| 2013 | \$ 1,895,000 | \$ 606,969 | \$ - | \$ 1,526,338 | \$ - | \$ 1,999,174 | \$ 122,250 |
| 2014 | 1,930,000 | 197,676 | - | 1,526,338 | - | 3,768,078 | 122,250 |
| 2015 | 1,020,000 | 123,926 | - | 1,526,338 | 320,000 | 3,764,878 | 122,250 |
| 2016 | 1,070,000 | 70,338 | - | 1,526,338 | 330,000 | 3,758,378 | 122,250 |
| 2017 | 845,000 | 21,125 | 710,000 | 1,512,138 | - | 3,755,078 | 122,250 |
| 2018-2022 | - | - | 4,045,000 | 7,034,115 | 9,935,000 | 17,949,758 | 611,250 |
| 2023-2027 | - | - | 4,975,000 | 6,101,762 | 12,110,000 | 15,624,121 | 244,500 |
| 2028-2032 | - | - | 6,235,000 | 4,780,625 | 9,780,000 | 12,577,699 | - |
| 2033-2037 | - | - | 7,960,000 | 3,014,750 | 2,765,000 | 11,523,255 | - |
| 2038-2042 | - | - | 7,925,000 | 816,625 | 5,765,000 | 10,683,755 | - |
| 2043-2047 | - | - | - | - | 17,440,000 | 7,680,611 | - |
| 2048-2052 | - | - | - | - | 21,655,000 | 3,418,595 | - |
| 2053-2057 | - | - | - | - | 4,900,000 | 104,125 | - |
| Total | \$ 6,760,000 | \$ 1,020,034 | \$ 31,850,000 | \$ 29,365,367 | \$ 85,000,000 | \$ 96,607,505 | \$ 1,467,000 |

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, 2012 and 2011 are not included in the District's financial statements. During the fiscal years ended June 30, 2012 and 2011, bonds in the amounts of \$20,000 and \$25,000 respectively were repaid:

| | Issue Date | Due Serially | Interest Rates | Authorized And Issued | Outstanding June 30, 2012 | Outstanding June 30, 2011 |
|------------------------------------|---------------|-----------------|-------------------|--------------------------|------------------------------|------------------------------|
| Limited obligation bonds: | | | | | | |
| Wolfback Ridge Assessment District | 10/3/96 | 9/2/25 | 4.75% - 6.50% | \$ 996,920 | \$ 520,000 | \$ 540,000 |

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.

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011

6. DEFINED BENEFIT PENSION PLAN, Continued

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.

Effective July 1, 2010 the employees share of their contribution increased by 1% and again effective July 1, 2011 increased by an additional 1%. As of July 1, 2011, the total employee contribution is 7% and the District's portion of the employee contribution is 1%. The contribution for the five division managers also increased by 1% on July 1, 2010 and again on July 1, 2011. The District's contribution on the behalf of the general manage remains at 8%.

Annual Pension Cost: For the fiscal years ended June 30, 2012 and 2011, the District contributed \$3,962,731 and \$3,873,838, respectively, to the employees' pension plan. The required contributions for the fiscal year ended June 30, 2012 were determined as part of the June 30, 2009 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 \$21.5 million and \$19.3 million for the years ended June 30, 2012 and 2011, which were 91% and 91% of the total District payroll of \$23.7 million and \$21.2 million, respectively.

THREE-YEAR TREND INFORMATION FOR CalPERS

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------|---------------------------------|-------------------------------------|---------------------------|
| 6/30/2010 | \$ 3,835,150 | 100% | \$ - |
| 6/30/2011 | 3,873,838 | 100% | - |
| 6/30/2012 | 3,962,731 | 100% | - |

Funded Status of Plan

| Valuation Date | Value of Assets | Accrued Liability | (Overfunded) Liability | Funded Ratio | Covered Payroll | Covered Payroll |
|-------------------|--------------------|----------------------|---------------------------|-----------------|--------------------|--------------------|
| 6/30/2011 | \$ 134,063,850 | \$ 175,305,381 | \$ 41,241,531 | 76.5% | \$ 21,594,994 | 191.0% |

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011

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.

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.

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

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 \$610.44 and \$1,220.88 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 14.2% in both FYE 2012 and FYE 2011, respectively.

D. Annual OPEB Cost and Net OPEB Obligation

For the years ended June 30, 2012 and 2011, the District's annual OPEB costs (expenses) of \$3,167,000 and \$3,067,000, 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, 2012 and 2011 were as follows:

| | |
|--|--------------|
| 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 | \$ - |
| Annual required contribution | \$ 3,167,000 |
| Interest accrued on OPEB obligation | - |
| Annual OPEB costs | 3,167,000 |
| Contributions made | (3,167,000) |
| Increase in net OPEB obligation | - |
| Net OPEB obligation as of June 30, 2012 | \$ - |

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

D. Annual OPEB Cost and Net OPEB Obligation, Continued

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) |
|-------------|---------------------|--|--------------------------------|
| 6/30/2010 | 3,823,011 | 102.03% | - |
| 6/30/2011 | 3,067,000 | 100.00% | - |
| 6/30/2012 | 3,167,000 | 100.00% | - |

E. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was not fully funded. The actuarial accrued liability for benefits was \$38,989,000, and the actuarial value of assets was \$4,725,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$34,264,000. The covered payroll (annual payroll of active employees covered by the plan) was \$19,463,000, and the ratio of the UAAL to the covered payroll was 176%.

For the years ended June 30, 2012 and 2011, \$1,418,500 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 June 30, 2010.

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.

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

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 California Employers' Retiree Benefit Trust Fund (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, 2012 was 28 years.

9. OTHER INCOME/CAPITAL CONTRIBUTIONS

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

| | 2012 | 2011 |
|---|---------------------|---------------------|
| Other income: | | |
| Rents and royalties | \$ 1,591,407 | \$ 1,462,614 |
| Net gain (loss) on sale of assets | (964) | (55,200) |
| Total other income | \$ 1,590,443 | \$ 1,407,414 |
| Capital contributions: | | |
| Fire flow parcel fee | \$ 4,523,329 | \$ 4,483,662 |
| Federal, State and Other Grants | 3,830 | 200,103 |
| Cash contributions in aid of construction | 353,000 | 500,656 |
| Total capital contributions | \$ 4,880,159 | \$ 5,184,421 |

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011

10. COMMITMENTS AND CONTINGENCIES

Capital Budget

The District's fiscal 2013 capital budget is approximately \$19,139,109, of which approximately \$1,450,000 is anticipated to be reimbursed to the District by contractors, users and grants.

Commitments

As of June 30, 2012, the District has \$4,140,032 of outstanding construction contracts and purchase orders. This is the amount that the District will be obligated to pay if all contractors and vendors perform per their contract or commitments. 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, 2012. 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, 2012 are as follows:

| | | |
|--------------|-----------|---------------|
| 2013 | \$ | 20,311 |
| 2014 | | 20,301 |
| 2015 | | 20,306 |
| 2016 | | 20,308 |
| 2017 | | |
| 2017-2021 | | |
| Total | \$ | 81,226 |

Marin Municipal Water District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2012 and 2011

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, 2012 and 2011 resulted from the following:

| | 2011 | | | 2012 | | |
|---|----------------------|---------------------|---------------------|----------------------|---------------------|---------------------|
| | Workers Compensation | General Liabilities | Total | Workers Compensation | General Liabilities | Total |
| Balance at the beginning of year | \$ 1,702,000 | \$ 611,651 | \$ 2,313,651 | \$ 2,434,000 | \$ 592,774 | \$ 3,026,774 |
| Current year claims and changes in estimate | 1,153,480 | 850,821 | 2,004,301 | 708,760 | 1,100,001 | 1,808,761 |
| Claims payments | (421,480) | (869,698) | (1,291,178) | (401,760) | (844,825) | (1,246,585) |
| Balance at the end of year | \$ 2,434,000 | \$ 592,774 | \$ 3,026,774 | \$ 2,741,000 | \$ 847,950 | \$ 3,588,950 |
| Due within one year | 706,000 | 560,000 | 1,266,000 | 328,343 | 659,512 | 987,855 |

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, 2012 and 2011 resulted from the following:

| | Balance | 2011 | | Balance | 2012 | | Balance | Due Within |
|----------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
| | July 1, 2010 | Additions | Reductions | July 1, 2011 | Additions | Reductions | June 30, 2012 | One Year |
| Compensated Absences | \$ 4,364,280 | \$ 3,716,818 | \$ (3,519,239) | \$ 4,561,859 | \$ 3,124,028 | \$ (3,232,833) | \$ 4,453,054 | \$ 4,041,042 |
| Total | \$ 4,364,280 | \$ 3,716,818 | \$ (3,519,239) | \$ 4,561,859 | \$ 3,124,028 | \$ (3,232,833) | \$ 4,453,054 | \$ 4,041,042 |

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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 |
|--------------------------------|---------------------------------|-----------------------------------|---------------------------------------|-----------------|--------------------|-------------------------------------|
| 6/30/2009 | 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% |
| 6/30/2011 | 134,063,850 | 175,305,381 | 41,241,531 | 76.5% | 21,594,994 | 191.0% |

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% | 18,850,000 | 160.3% |
| 6/30/2010 | 4,725,000 | 38,989,000 | 34,264,000 | 12.1% | 19,463,000 | 176.0% |

OTHER SUPPLEMENTARY INFORMATION

Marin Municipal Water District
Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund
For the year ended June 30, 2012

| | Balance July 1, 2011 | Additions | Deductions | Balance June 30, 2012 |
|---|-------------------------|------------------|------------------|--------------------------|
| Wolfback Ridge Assessment District | | | | |
| Assets: | | | | |
| Cash and investments | \$ 242,284 | \$ 88,636 | \$ 58,648 | \$ 272,272 |
| Total assets | \$ 242,284 | \$ 88,636 | \$ 58,648 | \$ 272,272 |
| Liabilities: | | | | |
| Deposits and Advances | \$ 242,284 | \$ 88,636 | \$ 58,648 | \$ 272,272 |
| Total liabilities | \$ 242,284 | \$ 88,636 | \$ 58,648 | \$ 272,272 |

Marin Municipal Water District

EXPENSES BY FUNCTION

Last ten fiscal years, including projection for fiscal 2013

| Year Ended June 30, | (1) Total | Finance and Administration | Environmental and Engineering Services | 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 (3) | \$ 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 | \$ 79,985,720 | 35,048,630 | 33,813,196 | 11,123,894 |
| 2013 (2) | \$ 88,235,666 | 35,288,286 | 40,191,903 | 12,755,477 |

(1) Includes capitalized expenditures.

(2) Proposed budget.

(3) 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 2013

| 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 | \$66,837,996 | 48,069,979 | 9,207,815 | 1,034,656 | 124,337 | 4,523,329 | 3,877,880 | |
| 2013 | \$70,329,541 | 49,239,016 | 9,739,484 | 1,350,000 | 275,000 | 4,500,000 | 5,226,041 | 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, 2012

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 | \$ 15,631,996 = | 281% |
| Debt service requirements | \$ 5,570,990 (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,

| | 2003 | 2004 | 2005 | 2006 (2) | 2007 (2) | 2008 (2) | 2009 | 2010 | 2011 | 2012 |
|--|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| Operating revenue | | | | | | | | | | |
| Water sales, connection charges and other operating revenue | \$ 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 | 61,745,258 |
| Operating expense | | | | | | | | | | |
| Source of supply | 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 | 5,419,232 |
| Other operating expense (1) | <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>43,873,488</u> | <u>41,527,160</u> | <u>40,790,710</u> | <u>40,818,367</u> |
| Total operating expense | 31,347,220 | 34,746,998 | 37,754,799 | 40,286,509 | 41,387,091 | 43,065,674 | 48,786,484 | 47,144,177 | 45,751,580 | 46,237,599 |
| Interest income on operating funds | <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> | <u>124,337</u> |
| Net operating income available for bonded debt service | <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>\$ 8,834,643</u> | <u>\$ 8,463,918</u> | <u>\$ 12,495,098</u> | <u>\$ 15,631,996</u> |
| Actual annual bonded debt service | \$ 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 | \$ 5,570,990 |
| Coverage factor | 2.39 | 2.67 | 1.83 | 1.33 | 2.14 | 2.02 | 1.30 | 1.25 | 2.20 | 2.81 |

(1) Excludes depreciation, amortization and interest expense.

(2) In fiscal 2006, 2007 and 2008, operating revenue includes grant and rent/ lease revenue.

Marin Municipal Water District

MISCELLANEOUS STATISTICS

June 30, 2012

| | | |
|---|-------------------|-------------|
| <i>Service Area</i> | | |
| Square miles | | 147 |
| Population | | 185,000 |
| <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 2012/13 fiscal year revenues(not including Fire Flow) | \$ | 65,829,541 |
| Budget 2012/13 fiscal year disbursements(not including Fire Flow) | | |
| Operations | \$ 61,941,978 | |
| Debt service | 7,154,578 | |
| Capital purchases and projects | <u>14,639,109</u> | |
| Total budgeted 2011/12 fiscal year disbursements | \$ | 83,735,665 |
| Utility plant - net book value | \$ | 308,601,888 |
| <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, 2012</u> | <u>June 30, 2011</u> |
|--|----------------------|----------------------|
| Cash held by District | | |
| Cash and investments | \$ 11,940,219 | \$ 12,325,627 |
| Cash-North Bay Watershed Association | 241,215 | 241,380 |
| Deposits in pooled investment funds | <u>19,436,648</u> | <u>9,862,391</u> |
| Total | 31,618,082 | 22,429,398 |
| Investments held by others | | |
| Fiscal agents (includes government securities) | <u>67,589,163</u> | <u>26,649,163</u> |
| Total cash and investments | <u>\$ 99,207,245</u> | <u>\$ 49,078,561</u> |
| Distribution of cash and investments | | |
| General operations | \$ 12,207,533 | \$ 6,770,936 |
| Liability claims | 1,500,000 | 1,500,000 |
| Bond reserves | 5,078,736 | 8,228,273 |
| 2010 Revenue Bond - Project Fund | 7,884,167 | 18,420,890 |
| 2012 Revenue Bond - Project Fund | 54,586,608 | - |
| 2012 Revenue Bond - Cost of Issuance | 39,653 | - |
| Bond debt | 1,582,067 | 1,039,960 |
| Capital projects | 4,998,336 | 4,163,529 |
| Deposits and advances | 2,636,196 | 2,110,836 |
| Agency Fund - Wolfback Ridge Assessment District | 272,272 | 242,284 |
| Workers Compensation Self Insurance Fund | 3,498,000 | 2,434,000 |
| North Bay Watershed Association | 145,701 | 115,876 |
| Integrated Regional Water Management Plan | 93,240 | 196,000 |
| Fire Flow | <u>4,684,736</u> | <u>3,855,977</u> |
| Total cash and investments | <u>\$ 99,207,245</u> | <u>\$ 49,078,561</u> |

Marin Municipal Water District

INSURANCE IN FORCE

June 30, 2012

| 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, 2012

Utility Plant (excluding construction-in-progress)

| Description | Balance June 30, 2011 | Additions | Disposals and Adjustments | Balance June 30, 2012 |
|-------------------------------------|--------------------------|----------------------|------------------------------|--------------------------|
| Sonoma County Water Rights | \$ 9,193,601 | \$ - | \$ - | \$ 9,193,601 |
| Land | 10,594,873 | 669,897 | - | 11,264,770 |
| Buildings | 20,664,817 | 546,735 | - | 21,211,552 |
| Dams and reservoirs | 91,135,326 | 1,037,836 | - | 92,173,162 |
| Pumping plants | 24,481,281 | 2,961,326 | - | 27,442,607 |
| Water treatment plants | 40,129,254 | 1,746,490 | - | 41,875,744 |
| Transmission and distribution lines | 244,575,629 | 9,327,119 | - | 253,902,748 |
| Vehicles | 6,761,371 | 130,170 | (110,217) | 6,781,324 |
| Equipment | 21,928,113 | 101,395 | (36,571) | 21,992,937 |
| Total Plant-In-Service | \$ 469,464,265 | \$ 16,520,968 | \$ (146,788) | \$ 485,838,445 |

Accumulated Depreciation

| Description | Balance June 30, 2011 | Depreciation | Disposals and Adjustments | Balance June 30, 2012 |
|------------------------------------|--------------------------|----------------------|------------------------------|--------------------------|
| Sonoma County Water Rights | \$ 3,177,023 | \$ 284,100 | \$ - | \$ 3,461,123 |
| Buildings - Accum Dep | 8,529,352 | 690,962 | - | 9,220,314 |
| Dams and reservoirs - Accum Dep | 26,886,460 | 1,428,086 | - | 28,314,546 |
| Pumping plants - Accum Dep | 13,675,209 | 966,768 | - | 14,641,977 |
| Water treatment plants - Accum Dep | 22,708,854 | 1,122,653 | - | 23,831,507 |
| Trans and Dist lines - Accum Dep | 69,038,312 | 4,473,769 | - | 73,512,081 |
| Vehicles - Accum Dep | 4,783,386 | 414,863 | (91,143) | 5,107,106 |
| Equipment - Accum Dep | 18,111,007 | 1,073,467 | (36,571) | 19,147,903 |
| Accumulated Depreciation | \$ 166,909,603 | \$ 10,454,668 | \$ (127,714) | \$ 177,236,557 |

Marin Municipal Water District

FIRE FLOW PROGRAM

Year ended June 30, 2012

| | Fire Flow Parcel Fee Program | MMWD Contributions to Fire Flow * |
|---|------------------------------------|---|
| Balance as of July 1, 2011 | \$ 3,855,977 | \$ 626,954 |
| Revenue | | |
| Parcel fee | 4,523,329 | - |
| Interest income | 15,067 | - |
| Marin Municipal Water District contribution | <u>-</u> | <u>750,000</u> |
| Total Revenue | 4,538,396 | 750,000 |
| Expenses | | |
| Personnel | 1,037,543 | 74,281 |
| Materials and supplies | 468,468 | 93,854 |
| General and administrative | 3,875 | 665 |
| Operations | 85,945 | 5,228 |
| Construction contracts | 2,056,836 | 70,665 |
| Professional fees | 56,970 | 6,653 |
| Total Expense | <u>3,709,637</u> | <u>251,346</u> |
| Balance at June 30, 2012 | <u>\$ 4,684,736</u> | <u>\$ 1,125,608</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 | 1996-2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 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 | 110,460 | 203,212 |
| Almonte Blvd Transmission Line Replacement | 1,086,177 | 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 Manor Top Tank Replacement | | | | | | 5,305 | 5,305 |
| 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 | 126,557 | 3,522 | 2,721 | | | | 132,800 |
| Glenwood Forrest Tank Replacement | | | | 371,785 | 20,525 | 3,663 | 395,973 |
| Hillside Avenue Pipeline Replacement, Mill Valley | 254,617 | | | | | | 254,617 |
| Kentfield Pipeline Replacement | 79,867 | 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 | 605,389 | | | 3,306 | | | 608,695 |
| and San Rafael | 67,739 | | | | | | 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 | 129,300 | 178,204 |
| San Anselmo Pipeline Replacement | 346,139 | | 31 | | | | 346,170 |
| San Anselmo Pipeline Replacement | 392,494 | 8,929 | 382 | | | | 401,805 |
| San Rafael Pipeline Replacement | 370,502 | 270 | 818 | 6,031 | | | 377,621 |
| San Rafael Pipeline Replacement | 490,507 | | - | | | | 490,507 |
| San Rafael Pipeline Replacement | | | | 17,724 | 144,141 | 2,618 | 164,483 |
| Sausalito & Corte Madera Pipeline Replacement | 60,284 | 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 | 271,487 | 1,056 | | | | | 272,543 |
| West Pipeline Replacement - Fairfax, Woodacre, Lagunitas and Ross | 107,243 | | | | | | 107,243 |
| | <u>\$ 8,391,226</u> | <u>\$ 422,181</u> | <u>\$ 96,928</u> | <u>\$ 650,438</u> | <u>\$ 312,271</u> | <u>\$ 251,346</u> | <u>\$ 10,124,390</u> |

Marin Municipal Water District
CUMULATIVE TOTAL OF FIRE FLOW PROGRAM

Fire Flow Parcel Fee Program Projects

| Project | 1997-2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Total |
|--|------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| 2000/01 Tank Seismic Retrofit | \$ 21,149 | | | | | | \$ 21,149 |
| Alto Tiburon | 1,463,288 | 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 | 1,016,971 | 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 | 547,089 | | | | | | 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 | 366 | 651,011 |
| Concrete Pipe Road Pipeline Replacement | 4,623,654 | 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 | 492,504 | 759 | | | | | 493,263 |
| Cypress Ridge, Sausalito | 765,780 | 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 | 200,938 | 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 | 21,585 | 164,865 | 3,031,268 | 26,115 | 3,516 | | 3,247,349 |
| Fire Flow Master Plan 06/07-Country Club Area Pipeline Replacement | 102,653 | 1,163,472 | 10,886 | 19,715 | | | 1,296,726 |
| Fire Flow Master Plan 06/07-Glenwood Area Pipeline Replacement | 33,726 | | 782,786 | 24,656 | | 977 | 842,145 |
| Fire Flow Master Plan 06/07-Lagoon Rd, City of Belvedere | 26,120 | 629,867 | 8,973 | 1,186 | | | 666,146 |
| Fire Flow Master Plan 06/07-Sausalito Blvd Pipeline Replacement | 570,245 | 36,446 | 15,693 | | | | 622,384 |
| Fire Flow Master Plan 06/07-Strawberry Point Pipeline Replacement | 61,767 | 836,708 | 20,411 | 5,019 | 488 | | 924,393 |
| Fire Flow Master Plan 07/08-Summit Ave & Fairway Dr Pipeline Replacement | 25,425 | 296,592 | 288,118 | | 6,598 | | 616,733 |
| Fire Flow Master Plan 07/08-Tamalpais Valley Pipeline Replacement | 25,725 | 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 | 11,339 | 854,490 |
| Fire Flow Master Plan 09/10-Greenbrae PRP Area | | | 9,539 | 403,953 | 471,540 | 16,561 | 901,593 |
| 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 | 5,862 | 340,214 |

Marin Municipal Water District
CUMULATIVE TOTAL OF FIRE FLOW PROGRAM

Fire Flow Parcel Fee Program Projects

| Project | 1997-2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Total |
|--|------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Fire Flow Master Plan 09/10-Throckmorton PRP | | | | 439,436 | 415,241 | 12,048 | 866,725 |
| Fire Flow Master Plan 10/11-Ross Valley PRP | | | | 9,173 | 293,549 | 632,797 | 935,519 |
| Fire Flow Master Plan 10/11-Kent Woodland Phase 1 PRP | | | | 5,763 | 879,206 | 143,597 | 1,028,566 |
| Fire Flow Master Plan 10/11-Kent Woodland Phase 2 PRP | | | | 8,068 | 902,525 | 241,493 | 1,152,086 |
| Fire Flow Master Plan 10/11-Tanks Seismic Retrofit | | | | 1,302 | 313,394 | 2,317 | 317,013 |
| Fire Flow Master Plan 10/11-Dominican Area PRP | | | | | 83,355 | 659,009 | 742,364 |
| Fire Flow Master Plan 10/11-Chula Vista PRP | | | | | 29,462 | 300,247 | 329,709 |
| Fire Flow Master Plan 11/12-Gerstle Park PRP | | | | | 36,890 | 410,892 | 447,782 |
| Fire Flow Master Plan 11/12-Jordan Avenue, SA PRP | | | | | 14,862 | 399,028 | 413,890 |
| Fire Flow Master Plan 11/12-Chestnut Hillside Area PRP, San Rafael | | | | | | 24,557 | 24,557 |
| Fire Flow Master Plan 11/12-Fairfax PRP | | | | | | 300,478 | 300,478 |
| Fire Flow Master Plan 11/12-Murray Park PRP, Kentfield & Larkspur | | | | | | 66,466 | 66,466 |
| Fire Flow Master Plan 11/12-N Almenar Drive PRP, Greenbrae | | | | | | 253,579 | 253,579 |
| Fire Flow Master Plan 11/12-Fifth Ave PRP, San Rafael | | | | | | 219,301 | 219,301 |
| Fire Flow Master Plan 12/13-Ross Sausalito Line Project | | | | | | 591 | 591 |
| Fire Flow Master Plan 12/13-Meadow Way PRP, San Geronimo | | | | | | 7,461 | 7,461 |
| 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 | 898,274 | | | | | | 898,274 |
| H Line Tank System Phase II | 829,614 | 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 | 744,301 | 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 | 1,180,813 | 4,966 | | | | | 1,185,779 |
| Lucas Valley Tank Seismic Improvements | 92,552 | | | | | | 92,552 |
| Mann Drive Fire Flow Master Plan, San Rafael | 13,360 | 4,356 | | | | | 17,716 |
| Manor Hill Area, Fairfax | 1,000,435 | | | | | | 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 |

Marin Municipal Water District
CUMULATIVE TOTAL OF FIRE FLOW PROGRAM

Fire Flow Parcel Fee Program Projects

| Project | 1997-2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Total |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Phoenix Lake Rd Pipeline Seismic Reliability | | | 189,145 | 547,662 | 850,097 | 671 | 1,587,575 |
| 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 |
| 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 | 474,539 | 6,179 | | | | | 480,718 |
| Wilson Way Tank Upgrade | 712,358 | | | | | | 712,358 |
| | <u>\$ 42,434,452</u> | <u>\$ 4,271,767</u> | <u>\$ 6,318,990</u> | <u>\$ 2,936,594</u> | <u>\$ 4,645,648</u> | <u>\$ 3,709,637</u> | <u>\$ 64,317,088</u> |