

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

SEWER AUTHORITY MID-COASTSIDE

**FOR FISCAL YEAR ENDED
JUNE 30, 2011**

**1000 North Cabrillo Highway
Half Moon Bay, California 94019-1466**



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**Prepared By
Administrative Services Department, Sewer Authority Mid-Coastside**

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Introductory Section

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October 11, 2011

Board of Directors
Sewer Authority Mid-Coastside
1000 North Cabrillo Highway
Half Moon Bay, CA 94019

The staff of Sewer Authority Mid-Coastside (SAM) is pleased to present the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.

This report was prepared following guidelines set forth by the Governmental Accounting Standards Board. The responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with SAM. We believe the data, as presented, is accurate in all material respects and is reported in a manner designed to enhance your understanding of the financial condition of SAM.

This letter of transmittal is the Introductory Section and is designed to compliment the MD&A, which follows the Independent Auditor's Report in the Financial Section.

THE REPORTING ENTITY AND ITS SERVICES

The City of Half Moon Bay, Granada Sanitary District, and Montara Water and Sanitary District formed SAM in a Joint Exercise of Powers Agreement (JPA) dated February 3, 1976. SAM is a public agency created to meet the wastewater collection and treatment service requirements of each community within its three member agency boundaries. SAM's service area includes a population of approximately 25,000 people. SAM is an independent public agency and is not financially responsible for any other governmental entity nor is it a component unit of another governmental entity.

SAM is governed by a six-member Board of Directors who are appointed by their respective agencies. The Board is comprised of two members from each agency. Members of the Board elect the Chairperson, customarily for a one-year term of office. Historically, the tenure of directors has generally been long, thereby enabling SAM to maintain continuity and stability in policies and service. See Page number seven (vii) for the current members of the Board of Directors and their respective dates of initial appointment to the Board. A Manager, who serves at the pleasure of the Board of Directors, determines SAM affairs. SAM has employed Mr. Steve Leonard, as General Manager, in this present capacity since August 2, 2010. There are 14 employees in the SAM Operations/NDWSCP, Collections and Administration departments.

SAM has existed for 33 years for the purpose of protecting and serving the public health of the member agency communities through construction and maintenance of a sewer system, and wastewater treatment. The SAM regional system includes three main pumping stations, an eight-mile transmission line, the wastewater treatment plant, and an ocean outfall, where final effluent is dispersed to the receiving ocean waters, which are a part of the Monterey Bay National Marine Sanctuary. SAM also provides contract services to neighboring communities to maintain the collection systems for its member agencies, which include 104.5 miles of sewer pipelines and 17 lift stations.

SAM collection system has 1.9 miles of gravity pipeline and 5.8 miles of force main. The flows at the pump stations range from an average of approximately 0.165 million gallons per day (MGD), at the lowest flow station to an average of approximately 0.805 MGD, at the highest flow station. SAM wastewater treatment system is permitted for 4.0 MGD in average dry weather flow (ADWF). Currently, SAM ADWF is about 1.536 MGD. Treatment process includes primary sedimentation, activated sludge, secondary clarification, disinfection and anaerobic sludge digestion. The remaining biosolids are removed and buried in landfill.

The U.S. Environmental Protection Agency, the California Regional Water Quality Control Board, the California Health Services Department, as well as other regulatory agencies provide the permits and the standards that SAM must meet in order to collect, treat, recycle, reuse, and dispose of wastewater.

SAM LOCATION

SAM is located in the rural seaside community of Half Moon Bay, which is located 30 miles south of San Francisco, 40 miles north of San Jose, and lies on the most western edge of the County of San Mateo. Geographically, the City and its neighboring unincorporated Coastside Communities are west of the population center of the peninsula and are separated from it by a scenic coastal mountain range. The Coastside residential communities offer a strong tourist economy with many shops, restaurants, beaches, and magnificent vistas. Yet, the Coastside still retains a small-town feel, an agricultural heritage and is one of Northern California's major floricultural centers. SAM's administrative office and wastewater treatment facility are located approximately 1 mile from downtown Half Moon Bay, directly off Scenic Coastal Route Highway 1.

SAM service area encompasses a total of approximately 24 square miles. Roughly 12 square miles (or 50% of the total) lie within the boundaries of the City of Half Moon Bay, in San Mateo County. In the unincorporated area, 6 square miles (or 25% of the total) lie within the town of El Granada, and 6 square miles (or 25% of the total) lie within the town of Montara.

ECONOMIC CONDITION AND OUTLOOK

In its second quarterly report of 2011, the UCLA Anderson Forecast acknowledges a steadily growing Gross Domestic Product, but says that the current level of growth falls short of the levels necessary for a true recovery in the national economy. The California forecast echoes and reinforces the March '11 release, calling for slow growth through the end of the year as the state attempts to re-generate the 1.3 million jobs lost in the recession while also finding work from new entrants to the labor force.

In his June 2011 report, UCLA Anderson Forecast Director Edward Leamer predicts "normal growth" for the U.S. economy through 2013, with "normal" defined as "3% GDP growth with payrolls growing at 150,000-200,000 per month and unemployment stuck at high levels." But "normal" does not equate to a "recovery." In the report, titled "No Recovery In Sight," Leamer differentiates between normal growth and the type of growth necessary for real recovery from the recent recession. In a "recovery," the economy would experience "5-6% growth with payrolls growing at 250,000-300,000 per month and unemployment falling noticeably." The differentiation is not a matter of semantics. Leamer notes that a recovery is not simply a matter of the economy returning to where it was when the recession began; instead it's a return to trend - a matter of the economy getting to where it would have been had there been no recession - and that requires more than 3% GDP growth.

Leamer identifies the "personal consumption expenditures" (PCE) segment of GDP as a key sector preventing normal growth from rising to recovery, with the housing and automobile sectors the major culprits. "In summary," Leamer writes, "this economic illness is concentrated in the postponable components of GDP: home building and housing services, consumer durables and transportation services and producer durables." In sum, until consumers start buying homes and cars, the recovery remains in the future. On the employment front, Leamer believes that a robust job recovery is prevented by permanent displacements of millions of workers whose jobs are now performed by a combination of technological advances and low-wage foreign workers, along with construction and retail jobs that are not likely to return. "In other words, we have as many as 5.5 million workers who are permanently displaced and only about 3 million that are likely to be recalled," Leamer said, "That's a tough problem which is largely unresponsive to the fiscal and monetary medicine we have been taking. It is likely to take a very long time for those 5.5 million displaced workers to find jobs again, and in the meantime the economy will grow, but not as robustly as in traditional recoveries when the recalls were almost 100%."

State Economic Discussion

California's forecast, authored by Senior Economist Jerry Nickelsburg, remains substantially the same as it was in March - a continuing period of slow growth with stress in the labor markets. In his report, titled "A Breather in the Process of Recovery," Nickelsburg cites two key elements impeding California's recovery. The first lies in the national forecast, which calls for slower growth in consumer spending. The second is a shift occurring in the residential construction sector.

The forecast calls for 1.7% employment growth in 2011, 2.4% in 2012 and 3.1% in 2013.

Unemployment will continue to fall through the year, averaging 11.7% in 2011. Employment growth won't push the unemployment rate below double-digits until the second quarter of 2013, reaching 9.2% by the end of that year. Real personal income growth is forecast to be 1.7% in 2011, and 3.3% and 3.8% in 2012 and 2013 respectively.

The shift in residential construction is rooted in demographics and geography. The demographic shift, confirmed by the 2010 Census suggests a significant shift in demand towards condominiums and apartments. As a result, future construction will move towards multi-family units. This hurts inland California in three ways. First, workers are less likely to move inland into an apartment and commute towards the coast. Secondly, fewer construction workers are required to build multi-family units and thirdly, the inland areas of California are more dependent on construction to fuel its regional economy than coastal areas. Taken together, these shifts are going to be a significant drag on inland California economies that in turn becomes a drag on the state's economy as a whole.

COMMUNICATION AND COMMUNITY INVOLVEMENT

SAM has for years recognized the value of providing its customers with information about wastewater, its process, and treatment. A vital part of SAM's public information program consists of a Source Control Program, which issues permits for close to 100 dischargers and monitors their compliance. Fats, oils, and greases are a high priority in the source control program and many of SAM dischargers are required to have and maintain grease traps. In addition to commercial discharge permitting, SAM develops sewer-related content for Member Agency newsletters and educates on a variety of topics including proper maintenance of private sewer laterals and grease-related problems and solutions. Collection system maintenance and Source Control staff collaborate and identify hot spots that may need increased inspections, maintenance, or outreach.

Another part of SAM's public information program is the Outreach Program. SAM collaborates with local schools to teach pollution prevention, conservation and overall awareness of environmental issues. This program endeavors to teach young people environmental responsibility with respect to water pollution control. The program includes school classroom visits and tours of SAM wastewater treatment plant. SAM presentations to the students may include subjects such as water cycle, the differences between storm drains, and the sanitary sewer system, the different types of pollutant sources, the water treatment process, and the different jobs available in the field of water and wastewater treatment. SAM also extends tours to all interested parties and community groups. In August 2011, staff provided tours for over 60 students from Skyline College. For October 2011, SAM will share a booth with Coastside County Water District at the 40th Annual Half Moon Bay Art and Pumpkin Festival. In May 2011, Half Moon Bay High School, with SAM assistance, kicked off the "Sewer Science 2011" program, this program will continue in 2012

SAM staff has received certificates of commendation from the Surfrider Foundation, a volunteer water quality test group, and SAM has provided space and equipment for Surfrider Foundation to set up a water-testing laboratory so that local water quality information can be made available in a timely manner. Additionally, SAM supports its employee's participation in the California Water Environment

Association, Bay Area Pollution Prevention Group, the California Association of Sanitary Agencies Fats, Oils and Grease Group.

MAJOR INITIATIVES

SAM is committed to providing continuous, reliable service. To maintain its infrastructure, SAM has a long-term Wet Weather Capital Improvement Program that includes a two-stage capital improvement plan. After extensive studies and peer review in 1999 and 2000, the first stage, increasing wet weather storage capacity in the northernmost part of the system, was initiated in 2002 and completed in 2003. It included construction of a 430,000-gallon storage facility at the Montara Pump Station – the Montara Storm Water Retention Tank. The phase 1 construction was followed by a sanitary sewer flow monitoring analysis to better identify the necessary elements of the second phase. Phase 2, commenced in 2009, involves increasing wet weather storage capacity in the central part of the system near the Portola Pump Station. Currently, the design is at approximately 98%, permits have been acquired, funding is available and we expect to put the project out to bid in 1-3 months.

SAM's Maintenance Program utilizes SAM staff and outside resources to maintain, repair, and upgrade all of its equipment and structures. Preventative maintenance ensures reliability, decreases downtime, decreases unscheduled repairs and in general, fixes issues before they become problems. Over the past 10 years, SAM has replaced or rebuilt all of the pumps in the Intertie Pipeline System (IPS). In addition, the IPS Junction Structures were replaced, 12 gravity manholes were either rehabilitated or replaced in the IPS gravity section upstream of Portola Pump Station. Also, over the past 10 years, SAM has greatly improved control and monitoring through the use of smarter, processor-based control systems. These processor-based control systems are currently being upgraded, as needed, to current technology PLC units with touch screen interfaces.

AWARDS

SAM has been the recipient of the California Sanitation Risk Management Workers' Compensation Program Honors for Lowest Claims Frequency and Severity Rates for thirteen consecutive years since 1996/97 to 2009/2010.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Sewer Authority Mid-Coastside for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the seventh consecutive year that the Sewer Authority Mid-Coastside has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirement.

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

FINANCIAL INFORMATION

Long-Term Financial Planning

With SAM's current reserves, and its foreseeable operating and capital needs, there is no impending need to obtain debt. SAM management is working on a long-term view of capital to be able to accurately predict future capital needs.


INDEPENDENT AUDIT

State statutes require an annual audit by an independent certified public accountant. The accounting firm C.G. Uhlenberg LLP conducted the 2010 and 2011 audits and their audit report, which contains an unqualified opinion, is included in the financial section of this report.

ACKNOWLEDGEMENT

I wish to express my sincere appreciation to the Board of Directors and Parsons Accounting in the planning and implementation of the financial affairs of SAM. We appreciate and acknowledge the thorough, professional and timely manner in which our independent auditors, C.G. Uhlenberg LLP, conducted the audit.

I acknowledge the efforts of personnel in SAM's accounting department in following good financial management practices and SAM management, administrative and technical staff in providing information and assistance during the preparation of this report.



Steve Leonard, General Manager

SEWER AUTHORITY MID-COASTSIDE

Principal Officials and Management

BOARD OF DIRECTORS

Ric Lohman
Chair
Since 2004

Jim Harvey
Secretary/Treasurer
Since 2007

Rick Kowalczyk
Vice-Chair
Since 2010

Leonard Woren
Board Member
Since 1997

Marina Fraser
Board Member
Since 2006

Scott Boyd
Board Member
Since 2008

Legal Counsel

James L. Copeland, Esq.
Sidley Austin, LLP

Management

Mr. John F. Foley III, Manager
Mr. Tony Pullin, Technical Services Supervisor
Ms. Jeannette L. Tracy, Supervisor of Admin Services

Italicized Text Indicates Date Elected to SAM Board

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sewer Authority Mid-Coastside
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



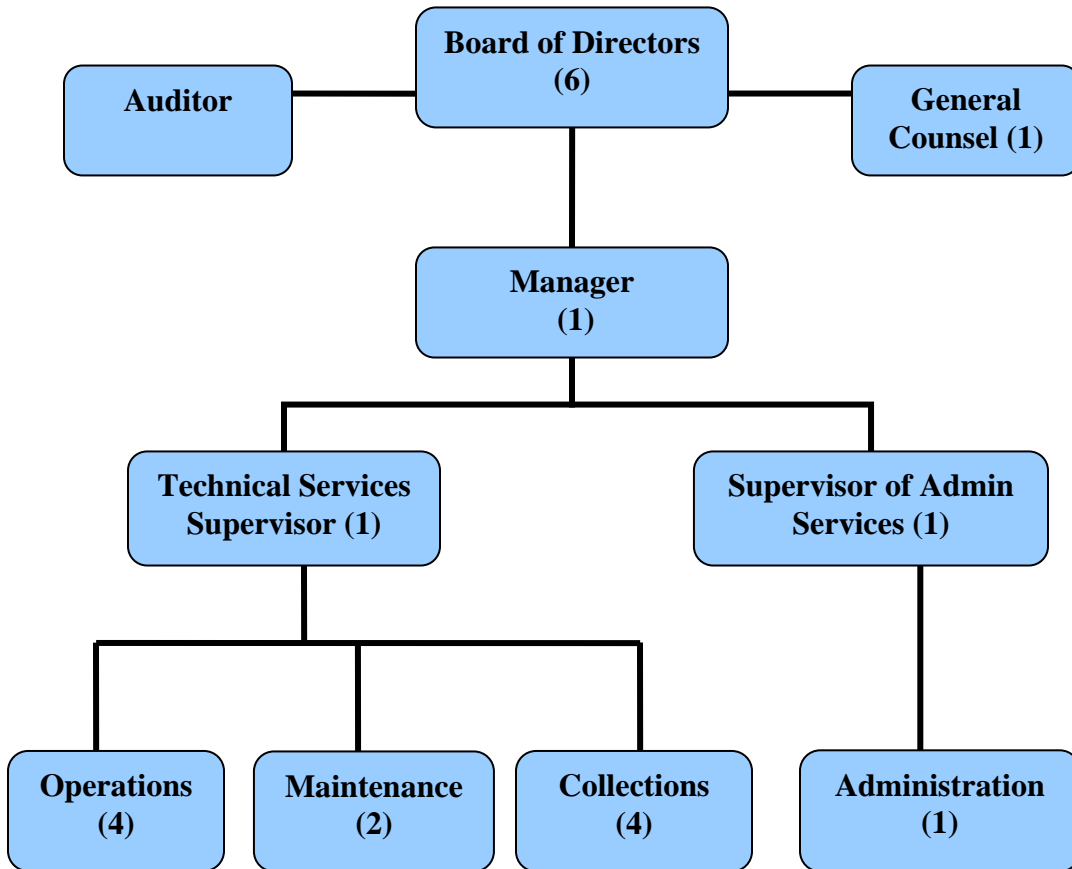
President

Executive Director

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Sewer Authority Mid-Coastside

Organizational Chart



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Financial Section

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C. G. UHLENBERG LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of the
Sewer Authority Mid-Coastside
Half Moon Bay, California

We have audited the accompanying basic financial statements of the Sewer Authority Mid-Coastside (the "Authority") as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the Authority as of June 30, 2011 and 2010, and the changes in financial position and cash flows, 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 a report dated October 11, 2011 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on as listed in the Table of Contents 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 an opinion on the financial statements of the Authority as a whole. The introductory section and statistical section as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide an assurance on them.

A handwritten signature in cursive script that reads "CG Ulmenkey LLP". The signature is written in black ink and is positioned above the date and location text.

October 11, 2011
Redwood City, California

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

This section of Sewer Authority Mid-Coastside's (Authority) Comprehensive Annual Financial Report presents our analysis of the Authority's financial performance during the Fiscal Years ended on June 30, 2011 and 2010. Please read it in conjunction with the financial statements, which are presented on pages 10 through 12.

FINANCIAL HIGHLIGHTS

- The Authority's net assets at June 30, 2011 decreased by \$1,153,073 (5.7%) as compared to a decrease of \$704,951 (3.4%) at June 30, 2010.
- During Fiscal Year 2011, the Authority's operating revenues decreased by \$96,286 (2.4%) and expenses decreased by \$129,726 (2.3%). The corresponding changes in Fiscal Year 2010 were increased operating revenues of \$158,459 (4.2%) and increased expenses of \$550,173 (10.9%).

BASIC FINANCIAL STATEMENTS

The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Assets includes all of the Authority's assets and liabilities, and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Authority's operations over the past year and can be used to determine the Authority's credit worthiness and whether the Authority has successfully recovered all its costs through its user fees and other charges.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations and investments. It also provides answers to such questions as: "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF THE AUTHORITY

Our analysis of the Authority begins on page 4 of the Management’s Discussion and Analysis. One of the most important questions asked about the Authority’s finances is: “Is the Authority, as a whole, better off or worse off as a result of the year’s activities?” The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Authority’s activities in a way that will help answer this question. These two statements report the net assets of the Authority and changes in them. You can think of the Authority’s net assets (the difference between assets and liabilities) as one way to measure financial health or financial position. Over time, increases or decreases in the Authority’s net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors, such as changes in economic conditions, population growth, zoning, and new or changed government legislation.

NET ASSETS

To begin our analysis, a summary of the Authority’s Statements of Net Assets is presented in Tables 1 and 1.1.

Table 1
Condensed Statements of Net Assets (In thousands of dollars)

	FY 2011	FY 2010	Variance	Total Percent Change
Capital Assets	\$ 14,453	\$ 15,773	\$ (1,320)	-8.4%
Other Assets	5,174	4,939	235	4.8%
Total Assets	<u>19,627</u>	<u>20,712</u>	<u>(1,085)</u>	<u>-5.2%</u>
Current Liabilities	371	359	12	3.3%
Noncurrent Liabilities	103	47	56	119.1%
Total Liabilities	<u>474</u>	<u>406</u>	<u>68</u>	<u>16.7%</u>
Net Assets:				
Investment in Capital Assets	14,453	15,773	(1,320)	-8.4%
Restricted for Capital Projects	3,410	3,155	255	8.1%
Unrestricted	1,290	1,378	(88)	-6.4%
Total Net Assets	<u>\$ 19,153</u>	<u>\$ 20,306</u>	<u>\$ (1,153)</u>	<u>-5.7%</u>

Table 1.1
Condensed Statements of Net Assets (In thousands of dollars)

	<u>FY 2010</u>	<u>FY 2009</u>	<u>Variance</u>	<u>Total Percent Change</u>
Capital Assets	\$ 15,773	\$ 17,325	\$ (1,552)	-9.0%
Other Assets	4,939	4,608	331	7.2%
Total Assets	<u>20,712</u>	<u>21,933</u>	<u>(1,221)</u>	<u>-5.6%</u>
Current Liabilities	359	875	(516)	-59.0%
Noncurrent Liabilities	47	47	-	0.0%
Total Liabilities	<u>406</u>	<u>922</u>	<u>(516)</u>	<u>-56.0%</u>
Net Assets:				
Investment in Capital Assets	15,773	17,326	(1,553)	-9.0%
Restricted for Capital Projects	3,155	2,379	776	32.6%
Unrestricted	1,378	1,306	72	5.5%
Total Net Assets	<u>\$ 20,306</u>	<u>\$ 21,011</u>	<u>\$ (705)</u>	<u>-3.4%</u>

As can be seen from the tables above, net assets at June 30, 2011 and 2010 decreased by \$1,153,073 and \$704,949, respectively, from its immediately preceding year. This decrease is the result of the following:

- Investment in Capital Assets decreased by \$1,320,182 and \$1,552,297 in Fiscal Year 2011 and 2010, respectively, mainly due to the annual depreciation expenses. There was also a decrease in Investment in Capital Assets of \$187,682 reported in Fiscal Year 2010 due to a prior period adjustment. During Fiscal Year 2011 the Authority determined that certain amounts had been incorrectly capitalized as construction in progress in Fiscal Years 2009, 2007 and 2006 and that these amounts should have been treated as expenses in the years they were incurred. As the Authority's financial statements report both Fiscal Years 2011 and 2010, it was appropriate to restate the earliest period presented, Fiscal Year 2010.
- Restricted Net Assets at June 30, 2011 and 2010 increased by \$254,788 and \$776,228, respectively, due to capital contributions less project expenditures.
- Unrestricted Net Assets (those that can be used to finance day-to-day operations) decreased by \$87,679 in Fiscal Year 2011 and increased by \$71,118 in 2010. The difference in 2011 was due to receiving less revenue when compared to expenses, while in 2010 it was due to receiving more revenue when compared to expenses.

REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes. As can be seen in Tables 2 and 2.1, the loss of \$1,153,073 and is the source of the decrease in net assets in Fiscal Year 2011. The decrease in net assets in Fiscal Year 2010 is due to the loss of \$517,259 and the effect of a prior period adjustment of \$187,682.

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Assets
(In thousands of dollars)

	FY 2011	FY 2010	Variance	Total Percent Change
Operation & maintenance	\$ 2,732	\$ 2,852	\$ (120)	-4.2%
Collection assessments	779	784	(5)	-0.6%
Service fees	301	258	43	16.7%
Grant revenue	-	37	(37)	-100.0%
Other income	24	1	23	2300.0%
Operating Revenue	<u>3,836</u>	<u>3,932</u>	<u>(96)</u>	<u>-2.4%</u>
Depreciation expense	1,665	1,689	(24)	-1.4%
Treatment	1,925	1,937	(12)	-0.6%
Collection system	766	797	(31)	-3.9%
Industrial waste	31	18	13	72.2%
Administration	1,101	1,177	(76)	-6.5%
Total Expenses	<u>5,488</u>	<u>5,618</u>	<u>(130)</u>	<u>-2.3%</u>
Net non-operating revenue	49	18	31	172.2%
Capital contributions	520	1,151	(631)	-54.8%
Capital distributions	<u>(70)</u>	<u>-</u>	<u>(70)</u>	<u>-</u>
Change in Net Assets	<u>(1,153)</u>	<u>(517)</u>	<u>(636)</u>	<u>123.0%</u>
Beginning Net Assets	20,306	21,011	(705)	-3.4%
Prior period adjustment	-	(188)	188	-100.0%
Net Assets - Restated Beginning	<u>20,306</u>	<u>20,823</u>	<u>(517)</u>	<u>-2.5%</u>
Ending Net Assets	<u>\$ 19,153</u>	<u>\$ 20,306</u>	<u>\$ (1,153)</u>	<u>-5.7%</u>

Table 2.1
Condensed Statements of Revenues, Expenses and Changes in Net Assets
(In thousands of dollars)

	FY 2010	FY 2009	Variance	Total Percent Change
Operation & maintenance	\$ 2,852	\$ 2,836	\$ 16	0.6%
Collection assessments	784	765	19	2.5%
Service fees	258	173	85	49.1%
Grant revenue	37	-	37	-
Other income	1	-	1	-
Operating Revenue	<u>3,932</u>	<u>3,774</u>	<u>158</u>	<u>4.2%</u>
Depreciation expense	1,689	1,545	144	9.3%
Treatment	1,937	1,622	315	19.4%
Collection system	797	762	35	4.6%
Industrial waste	18	25	(7)	-28.0%
Administration	1,177	1,114	63	5.7%
Total Expenses	<u>5,618</u>	<u>5,068</u>	<u>550</u>	<u>10.9%</u>
Net non-operating revenue	18	97	(79)	-81.4%
Capital contributions	1,151	307	844	274.9%
Change in Net Assets	<u>(517)</u>	<u>(890)</u>	<u>373</u>	<u>-41.9%</u>
Beginning Net Assets	21,011	21,901	(890)	-4.1%
Prior period adjustment	(188)	-	(188)	-
Net Assets - Restated Beginning	<u>20,823</u>	<u>21,901</u>	<u>(1,078)</u>	<u>-4.9%</u>
Ending Net Assets	<u>\$ 20,306</u>	<u>\$ 21,011</u>	<u>\$ (705)</u>	<u>-3.4%</u>

A closer examination of the source of changes in net assets reveals that the Authority's operating revenues decreased by \$96,286 in Fiscal Year 2011 due to lower operation & maintenance assessments as compared to an increase of \$158,459 in Fiscal Year 2010. Non-operating revenues increased by \$31,256 in Fiscal Year 2011 due to not having a loss on the disposal of fixed assets. Non-operating revenue decreased by \$79,283 in Fiscal Year 2010 due to a lower LAIF interest yield and a loss on the disposal of fixed assets.

Total expenses in Fiscal Year 2011 decreased by \$129,726 and increased in 2010 by \$550,173, respectively, due mainly to a combination of the following:

- A decrease in collection system expenses of \$30,605 in Fiscal Year 2011, and an increase of \$35,184 in Fiscal Year 2010, due primarily to decreased payroll costs and professional fees in 2011, and increased payroll costs in 2010.
- A decrease in administration expenses of \$75,987 in Fiscal Year 2011, and an increase of \$62,873 in Fiscal Year 2010, due primarily to decreased payroll costs, temporary employee, audit fees, and engineering fees in 2011, and due to an increase in payroll costs, temporary employee, consulting fee and audit fees in 2010.
- A decrease in treatment expenses of \$12,766 in Fiscal Year 2011, and an increase of \$315,272 in Fiscal Year 2010, due primarily to decreased payroll costs in 2011, and due to an increase in payroll costs and plant equipment expenditures in 2010.
- A decrease in depreciation expenses of \$23,428 in 2011 and an increase in depreciation expenses of \$143,639 in 2010.

The Authority recorded a decrease in the beginning Fiscal Year 2010 Net Assets of \$187,682 due to a prior period adjustment. In Fiscal Year 2011, the Authority determined that certain amounts had been incorrectly capitalized as construction in progress in Fiscal Years 2009, 2007 and 2006 and that these amounts should have been treated as expenses in the years they were incurred. In order to remain comparable with the financial statements, the Authority decided to show the amount as a prior period adjustment to the Fiscal Year 2010 amounts.

CAPITAL ASSETS

At the end of Fiscal Year 2011, the Authority had invested approximately \$16.0 million in capital assets as shown in Table 3.

Table 3
Capital Assets (In thousands of dollars)

	FY 2011	FY 2010	Variance	Total Percent Change
Non-depreciable Assets	\$ 1,001	\$ 944	\$ 57	6.0%
Depreciable Assets	41,706	41,463	243	0.6%
Subtotal	42,707	42,407	300	0.7%
Less Accumulated Depreciation	(28,254)	(26,634)	(1,620)	6.1%
Net Capital Assets	\$ 14,453	\$ 15,773	\$ (1,320)	-8.4%

Table 3.1
Capital Assets (In thousands of dollars)

	FY 2010	FY 2009	Variance	Total Percent Change
Non-depreciable Assets	\$ 944	\$ 955	\$ (11)	-1.2%
Depreciable Assets	41,463	41,643	(180)	-0.4%
Subtotal	42,407	42,598	(191)	-0.4%
Less Accumulated Depreciation	(26,634)	(25,273)	(1,361)	5.4%
Net Capital Assets	\$ 15,773	\$ 17,325	\$ (1,552)	-9.0%

More information about the Authority's capital assets is presented in the Notes to the Financial Statements on page 20.

ECONOMIC FACTORS AND NEXT YEAR'S OUTLOOK

The Authority's Board of Directors and management considered many factors when setting the Fiscal Year 2012 budget and user rate charges. The approved Fiscal Year 2012 budget is driven by the "services" provided to the three member agencies - the City of Half Moon Bay, the Montara Water and Sanitary District and the Granada Sanitary District - within our service area. It also reflects the commitment to providing, maintaining and operating a facility for the collection, transmission, treatment and disposal of wastewater for the benefit of inhabitants in these service areas at rates that are stable and reasonable.

The Authority's revenues are from three major sources: 1) operational and maintenance assessments, 2) collections assessments, and 3) service fees.

Operating revenues available for recovering operating costs are projected to be \$3.88 million, an increase of \$45,000 due to higher assessments and fees in Fiscal Year 2011. Operating expenses are expected to increase by \$107,000 due to the increase in treatment, administration and collection expenses.

These indicators were taken into consideration when adopting the Authority's budget for Fiscal Year 2012.

CONTACTING THE AUTHORITY

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Sewer Authority Mid-Coastside at 1000 N. Cabrillo Highway, Half Moon Bay, CA 94019 or call (650) 726-0124.

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SEWER AUTHORITY MID-COASTSIDE
STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010

	2011	2010
Assets		
Current Assets		
Cash and investment	\$ 5,035,590	\$ 4,743,145
Accounts and interest receivable	90,968	155,554
Prepays and other assets	47,701	40,270
Total Current Assets	5,174,259	4,938,969
Noncurrent Assets		
Nondepreciable capital assets	1,000,498	944,292
Depreciable capital assets, net	13,452,525	14,828,913
Total Noncurrent Assets	14,453,023	15,773,205
Total Assets	\$ 19,627,282	\$ 20,712,174
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 151,899	\$ 198,678
Due to member agencies	111,100	-
Accrued payroll liability	32,905	64,211
Compensated absences - current	75,481	96,157
Total Current Liabilities	371,385	359,046
Noncurrent Liabilities		
Compensated absences - noncurrent	44,536	17,901
Post employment benefits	58,414	29,207
Total Noncurrent Liabilities	102,950	47,108
Total Liabilities	\$ 474,335	\$ 406,154
Net Assets		
Invested in capital assets	\$ 14,453,023	\$ 15,773,205
Restricted for capital projects	3,410,066	3,155,278
Unrestricted	1,289,858	1,377,537
Total Net Assets	\$ 19,152,947	\$ 20,306,020

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

**SEWER AUTHORITY MID-COASTSIDE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
Operating Revenues		
Operation and maintenance assessments	\$ 2,731,498	\$ 2,852,040
Collection assessments	779,100	783,732
Service fees	301,458	257,906
Grant revenue	-	37,500
Other income	24,101	1,265
Total Operating Revenues	3,836,157	3,932,443
Operating Expenses		
Treatment	1,924,805	1,937,571
Collection system	766,114	796,719
Industrial waste	31,017	17,957
Administration	1,100,787	1,176,774
Depreciation	1,665,760	1,689,188
Total Operating Expenses	5,488,483	5,618,209
Operating Loss	(1,652,326)	(1,685,766)
Nonoperating Income (Expenses):		
Interest and dividend income	49,307	58,414
Loss from asset disposal	-	(40,363)
Total Nonoperating Income	49,307	18,051
Loss Before Capital Contributions	(1,603,019)	(1,667,715)
Capital Contributions	519,996	1,150,456
Capital Distributions	(70,050)	-
Changes in Net Assets	(1,153,073)	(517,259)
Net Assets - Beginning	20,306,020	21,010,971
Prior Period Adjustment	-	(187,692)
Net Assets - Restated Beginning	20,306,020	20,823,279
Net Assets - Ending	\$ 19,152,947	\$ 20,306,020

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

**SEWER AUTHORITY MID-COASTSIDE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
Cash Flows from Operating Activities		
Receipts from users	\$ 3,941,695	\$ 3,802,878
Receipts from grantors	-	37,500
Payments to suppliers for goods and services	(2,056,141)	(2,005,938)
Payments to employees	<u>(1,816,932)</u>	<u>(1,901,777)</u>
Net Cash Provided (Used) by Operating Activities	68,622	(67,337)
 Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(345,578)	(364,946)
Capital assessments received	<u>519,996</u>	<u>632,303</u>
Net Cash Provided by Capital and Related Financing Activities	174,418	267,357
 Cash Flows from Investing Activities:		
Investment income received	<u>49,405</u>	<u>66,678</u>
Net Change in Cash and Cash Equivalents	<u>292,445</u>	<u>266,698</u>
Cash and Cash Equivalents - Beginning	<u>4,743,145</u>	<u>4,476,447</u>
Cash and Cash Equivalents - Ending	<u>\$ 5,035,590</u>	<u>\$ 4,743,145</u>
 Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (1,652,326)	\$ (1,685,766)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	1,665,760	1,689,188
(Increase) in accounts receivable	64,488	(92,065)
(Increase) decrease in prepaids and other assets	(7,431)	19,524
Increase (decrease) in accounts payable and accruals liabilities	(46,779)	(3,716)
Increase in due to member agencies	41,050	-
Increase in accrued payroll liabilities	(31,306)	2,298
Increase (decrease) in compensated absences	5,959	(26,007)
Increase in post employment benefits	<u>29,207</u>	<u>29,207</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 68,622</u>	<u>\$ (67,337)</u>
 Supplemental disclosure of noncash Capital and Related Financing Activities:		
Capital Contribution increase (decrease) due to changes in due to member agencies	<u>\$ (70,050)</u>	<u>\$ 518,153</u>

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

**SEWER AUTHORITY MID-COASTSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Organization

Sewer Authority Mid-Coastside (the Authority) is a public entity created on February 3, 1976 by a Joint Exercise of Powers Agreement between the City of Half Moon Bay, the Montara Water and Sanitary District and the Granada Sanitary District (collectively the “Member Agencies”). The Authority was formed pursuant to the provisions of Title 1, Division 7, and Chapter 5 of the California Government Code. Under this agreement, the Authority has the power to construct, maintain and operate facilities for the collection, transmission, treatment and disposal of wastewater for the benefit of the land and its inhabitants within member agencies’ respective boundaries. Authority revenue is mainly derived from assessments for operations, maintenance and collections made on the member agencies.

B. Description of the Financial Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. Criteria used in evaluating the inclusion of a potential component unit includes, but is not limited to, financial interdependency, oversight responsibility, ability to significantly influence operations, scope of public service, and the existence of special financing relationships. Based upon the application of these criteria, no potential component units were identified that would be required to be included in the financial statements of the Authority.

C. Basis of Accounting

As defined by the Governmental Accounting Standards Board (GASB), the Authority is a proprietary fund and is accounted for on a cost of service measurement focus using the accrual basis of accounting in accordance with generally accepted accounting principles as promulgated by the GASB. In addition, the Authority applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to apply private sector standards issued after November 30, 1989.

Cash Equivalents - For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value. The value is determined based upon market closing prices. The fair value of mutual funds is stated at share value.

Capital Assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Before January 25, 2010, the Authority utilized a capitalization threshold of \$1,000 for vehicles, machinery and equipment; and \$5,000 for easement, land

SEWER AUTHORITY MID-COASTSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

and other facility and system improvements. After January 25, 2010, the Authority prospectively changed the threshold to \$5,000 for all capital assets. Capital assets are recorded at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Sewage treatment facilities	3-75 years
General plant facility	3-25 years
Collection system	3-10 years

Operating Income and Expense – Operating income and operating expense are defined as activities that result directly from the Authority’s operations as a sewer service provider to its member agencies. Non-operating income and expense are defined as ancillary activities such as interest income on funds invested, and other costs not directly attributable to operating activities.

Compensated Absences - Employees may accumulate up to, but not more than, twice their yearly allowance of vacation time. Vacation which has been earned but not used by employees is accrued, and is included in accrued compensation and benefits. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Net Assets - The financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets, restricted and unrestricted.

- *Invested in capital assets* groups all capital assets into one component and the accumulated depreciation of these assets reduce the balance in this category.
- *Restricted net assets for capital projects* reflect net assets that are subject to constraints externally imposed by its member agencies. The Authority’s capital project budget requires funding and project approval from each participating member agency governing body.
- *Unrestricted net assets* represent net assets of the Authority that are not restricted for any project or purpose.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Use of Estimates - The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**SEWER AUTHORITY MID-COASTSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

D. Upcoming Accounting and Reporting Changes

The Authority is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In November 2011, the Governmental Accounting Standards Board (“GASB”) issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is effective for financial periods beginning after December 15, 2011. This pronouncement provides accounting guidance for service concession arrangements in which a transferor and an operator in which the transferor conveys to an operator the right and the related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. To date the Authority has not entered into any service concession arrangements covered under this statement.

In December 2011, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is effective for financial statements for periods beginning after December 15, 2011. The objective of this statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in certain FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for financial statements for periods beginning after December 15, 2011. This statement provides guidance for deferred outflows of resources and deferred inflows of resources; previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2011 and 2010 consisted of the following:

	2011	2010
Petty cash	\$ 500	\$ 500
Demand deposits	645,259	959,373
Cash on hand	-	-
Investments	4,389,831	3,783,272
Total cash and investments	\$ 5,035,590	\$ 4,743,145

**SEWER AUTHORITY MID-COASTSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

Investments Authorized by the Authority's Investment Policy

The Authority's investment policy permits investments pursuant to the California Government Code Section 53600 et seq. and 53630 et seq. and includes the following:

- A. United States Treasury Securities (Bills, Notes and Bonds).
- B. Obligations of United States Government Agencies such as Federal Home Loan Banks, Federal National Mortgage Association, and Federal Farm Credit Banks.
- C. Local Agency Investment Fund (LAIF).
- D. Certificate of Deposit (in any of the 50 largest F.D.I.C. Insured U.S. banks with which the Authority may have a credit or other business relationship).
- E. Passbook savings account demand deposits.
- F. Bankers' Acceptances of the U.S. Banks as defined in D. above.
- G. Negotiable Certificates of Deposit of the U.S. banks as defined in D. above.
- H. Repurchase Agreements executed against U.S. Government or Agency securities. Current market value of the collateral must be greater than or equal to the principal amount invested.

D, E, F, G and H above shall be insured or collateralized at the levels required by the Government Code.

External Investment Pool

The Authority invests in the California State Treasurer's Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the State Treasurer. As of June 30, 2011 and June 30, 2010, LAIF had approximately \$23 billion and \$24 billion in investments, respectively.

LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost of best estimate for those securities where market value is not readily available. The Authority's investments with LAIF at June 30, 2011 and June 30, 2010, included a portion of the pooled funds invested in structured notes and asset-backed securities. These investments are described as follows.

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

SEWER AUTHORITY MID-COASTSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2011 the Authority had \$4,389,831 invested in LAIF, which had invested 5.01% of the pool investments funds in Structured Notes and Asset-Backed Securities. The Authority valued its investments with LAIF by multiplying its account balance with a fair value factor determined by LAIF. This factor is the result of dividing all LAIF participants' total aggregate fair value (66,489,270,507.63) by total aggregate amortized cost (66,384,617,119.40) resulting in a factor of 1.001576470.

As of June 30, 2010 the Authority had \$3,783,272 invested in LAIF, which had invested 5.42% of the pool investments funds in Structured Notes and Asset-Backed Securities. The Authority valued its investments with LAIF by multiplying its account balance with a fair value factor determined by LAIF. This factor is the result of dividing all LAIF participants' total aggregate fair value (69,555,776,591) by total aggregate amortized cost (69,441,630,091) resulting in a factor of 1.001643776.

Investment Risks

Investments are subject to certain types of risks, including interest rate risk, custodial credit risk, credit quality risk, and concentration of credit risk. The following describes those risks.

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. The Authority does not have a formal policy regarding interest rate risk. However, the Authority's practice to manage its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

SEWER AUTHORITY MID-COASTSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

government's indirect investment in securities through the use of mutual funds or government investment pools such as LAIF.

As of June 30, 2011, the carrying amount of the Authority's cash deposits was \$645,259 while the bank balance was \$869,320. The bank balance and the carrying amount differed due to deposits in transit and outstanding checks. The FDIC insured the bank balances up to \$250,000 per depositor, per insured depository institution, for each account ownership category, except for non-interest bearing transaction accounts at institutions participating in FDIC's Temporary Liquidity Guarantee Program, which are provided with unlimited deposit guarantee. The FDIC's Transactional Account Guarantee program (the "TAG Program") insures amounts above \$250,000 by guaranteeing payment to account holders in the event that the financial institution fails to make any required payments. The Authority is insured at First National Bank of Northern California, for the aggregation of deposits owned in different rights and capacities. Should the FDIC Act lower the limits of its insurance coverage or should the TAG program become unavailable, First National Bank agrees to provide collateral coverage for any such shortfall.

Credit Risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority does not have a formal policy regarding credit risk. LAIF does not receive a rating from a nationally recognized statistical rating organization.

Concentration of Credit Risk - The investment policy of the Authority contains no limitations on the amount that can be invested in any one issue beyond that stipulated by the California Government Code.

Marking Investments to Fair Value

The Authority adopted Governmental Accounting Standards Board (GASB) Statement 31, which requires that the Authority's investments be carried at fair value instead of cost. Under GASB 31, the Authority must adjust the carrying value of its investments to reflect their fair value at each fiscal year end, and it must include the effects of these adjustments in income for that fiscal year.

3. CHANGE IN ACCOUNTING ESTIMATE

During the fiscal year ended June 30, 2010, the Authority determined the due to member agencies amount of \$518,153 as of June 30, 2009 was overestimated. The Authority reversed a portion of the payable and recorded a capital contribution of \$221,068 during the year ended June 30, 2010.

SEWER AUTHORITY MID-COASTSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

4. PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2011, the Authority determined that \$187,692 of cash disbursements that occurred prior to June 30, 2009 and \$60,000 of cash disbursements that occurred during the fiscal year ended June 30, 2010 were incorrectly capitalized as Construction in Progress. The Authority has restated its results for the year ended June 30, 2010 to properly account for these cash disbursements as expenses rather than fixed assets. Accordingly the amount of nondepreciable assets as of June 30, 2010 has been reduced by \$247,692, of which \$60,000 was an increase to Operating Expense (Treatment) and \$187,692 was a prior period adjustment.

5. RELATED PARTY TRANSACTIONS

Name of related parties	Relationship
City of Half Moon Bay (HMB)	Member agency
Granada Sanitary District (GSD)	Member agency
Montara Water and Sanitary District (MWSD)	Member agency

Related party transactions for the years ended June 30, 2011 and 2010 are summarized as follows:

2011				
	Operation and Maintenance Assessments	Collection Assessments	Capital Assessments	Service Revenue
HMB	\$ 1,324,247	\$ 273,621	\$ -	73,706
GSD	832,717	215,768	312,000	6,413
MWSD	574,534	289,711	207,996	159,271
	\$ 2,731,498	\$ 779,100	\$ 519,996	\$ 239,390
2010				
	Operation and Maintenance Assessments	Collection Assessments	Capital Assessments	Service Revenue
HMB	\$ 1,431,252	\$ 245,268	\$ 333,744	\$ 32,676
GSD	835,812	220,512	346,728	447
MWSD	584,976	317,952	248,916	172,205
	\$ 2,852,040	\$ 783,732	\$ 929,388	\$ 205,328

SEWER AUTHORITY MID-COASTSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

Related party transactions as of June 30, 2011 and 2010 are summarized as follows:

	2011		2010	
	Receivable	Payable	Receivable	Payable
HMB	\$ 12,435	\$ -	\$ 25,233	\$ -
GSD	\$ 1,050	-	366	-
MWSD	27,106	267	90,354	430
	<u>\$ 40,591</u>	<u>\$ 267</u>	<u>\$ 115,953</u>	<u>\$ 430</u>

6. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2011 were as follows:

	Balance				Balance
	June 30, 2010	Additions	Retirements	Transfers	June 30, 2011
Nondepreciable Assets:					
Easement	\$ 24,950	\$ -	\$ -	\$ -	\$ 24,950
Land	569,740	-	-	-	569,740
Construction in progress	349,602	56,206	-	-	405,808
Total Nondepreciable Assets	<u>944,292</u>	<u>56,206</u>	<u>-</u>	<u>-</u>	<u>1,000,498</u>
Depreciable Assets:					
Sewage treatment facilities	40,774,301	289,372	(46,184)	-	41,017,489
General plant facility	313,851	-	-	-	313,851
Collection system	374,735	-	-	-	374,735
Total Depreciable Assets	<u>41,462,887</u>	<u>289,372</u>	<u>(46,184)</u>	<u>-</u>	<u>41,706,075</u>
Less: Accumulated Depreciation					
Sewage treatment facilities	(26,125,625)	(1,622,317)	46,184	-	(27,701,758)
General plant facility	(167,638)	(16,496)	-	-	(184,134)
Collection system	(340,711)	(26,947)	-	-	(367,658)
Total Accumulated Depreciation	<u>(26,633,974)</u>	<u>(1,665,760)</u>	<u>46,184</u>	<u>-</u>	<u>(28,253,550)</u>
Total Depreciable Assets, net	<u>14,828,913</u>	<u>(1,376,388)</u>	<u>-</u>	<u>-</u>	<u>13,452,525</u>
Total Capital Assets, net	<u>\$ 15,773,205</u>	<u>\$ (1,320,182)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,453,023</u>

SEWER AUTHORITY MID-COASTSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

Changes in capital assets for the year ended June 30, 2010 were as follows:

	Balance				Balance
	June 30, 2009	Additions	Retirements	Transfers	June 30, 2010
Nondepreciable Assets:					
Easement	\$ 24,950	\$ -	\$ -	\$ -	\$ 24,950
Land	569,740	-	-	-	569,740
Construction in progress	172,419	196,342	-	(19,159)	349,602
Total Nondepreciable Assets	<u>767,109</u>	<u>196,342</u>	<u>-</u>	<u>(19,159)</u>	<u>944,292</u>
Depreciable Assets:					
Sewage treatment facilities	40,918,842	168,604	(332,304)	19,159	40,774,301
General plant facility	315,177	-	-	(1,326)	313,851
Collection system	409,873	-	(36,464)	1,326	374,735
Total Depreciable Assets	<u>41,643,892</u>	<u>168,604</u>	<u>(368,768)</u>	<u>19,159</u>	<u>41,462,887</u>
Less: Accumulated Depreciation					
Sewage treatment facilities	(24,786,829)	(1,630,737)	291,941	-	(26,125,625)
General plant facility	(141,302)	(26,336)	-	-	(167,638)
Collection system	(345,060)	(32,115)	36,464	-	(340,711)
Total Accumulated Depreciation	<u>(25,273,191)</u>	<u>(1,689,188)</u>	<u>328,405</u>	<u>-</u>	<u>(26,633,974)</u>
Total Depreciable Assets, net	<u>16,370,701</u>	<u>(1,520,584)</u>	<u>(40,363)</u>	<u>19,159</u>	<u>14,828,913</u>
Total Capital Assets, net	<u>\$ 17,137,810</u>	<u>\$ (1,324,242)</u>	<u>\$ (40,363)</u>	<u>\$ -</u>	<u>\$ 15,773,205</u>

7. RISK MANAGEMENT

The Authority mitigates its risk of property, liability, and workers' compensation losses by being a member of the California Sanitation Risk Management Authority (CSRMA) and participating in their risk sharing and insurance purchasing pools. The CSRMA risk sharing pools operate to share risk among the members. Members of the pool are assessed a yearly premium which, based upon experience, can be reduced by up to 50% or increased by up to 50%, retroactively. The members of the pool share losses which exceed the maximum premium assessment. Participation in CSRMA risk sharing pools provides the Authority general liability coverage up to \$15,500,000 subject to a \$2,500 deductible, and workers' compensation coverage up to \$750,000 per occurrence. Participation in CSRMA insurance purchasing pools provide the Authority general liability insurance excess coverage, workers' compensation insurance excess coverage and property insurance coverage to \$39.9 million.

8. EMPLOYEES' RETIREMENT PLAN

Plan Description

The Authority's defined benefit pension plan, (the "Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and

SEWER AUTHORITY MID-COASTSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (PERS), a cost sharing multiple-employer plan administered by PERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law.

The Authority selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through Board Action. PERS issues a separate annual financial report. Copies of the PERS' annual financial report may be obtained from the PERS Executive Office - 400 P Street - Sacramento, California 95814.

Funding Policy

Active plan members in the Plan are required to contribute 7% of their annual covered salary. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. Under the current memorandum of understanding (MOU), the Authority pays the employee and employer's portion for retirement. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration.

The required employer contribution rate for the fiscal years ended June 30, 2011 and 2010 was 12.557% and 12.223%, respectively. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS.

Annual Pension Cost

For fiscal years ended June 30, 2011 and 2010, the Authority's annual pension cost was \$160,073 and \$140,208, respectively, which was equal to the Authority's required and actual contribution. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 7.75% investment rate of return (net of administrative expenses); (b) projected annual salary increases that vary by age, duration of service, and type of employment; (c) 3.0% inflation; (d) 3.25% payroll growth; and (e) individual salary growth based on a merit scale varying by duration of employment coupled with an assumed annual inflation of 3.0% and an annual production growth of 0.25%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period (smoothed market value) depending on the size of investment gains and/or losses.

**SEWER AUTHORITY MID-COASTSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

Three Year Trend Information of PERS

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	128,124	100%	-
6/30/2010	140,208	100%	-
6/30/2011	160,073	100%	-

9. OTHER EMPLOYMENT BENEFITS

A. Other Postemployment Healthcare Benefits

In adopting the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45) during the year ended June 30, 2010, the Authority recognizes the cost of postemployment healthcare in the year when employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Authority's future cash flows. Because the Authority adopted the requirements of GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years will be phased in over fifteen years, commencing with the 2010 liability.

Plan Description

The Authority administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan") with PERS to provide postemployment healthcare benefit to eligible retirees through the Authority's group health insurance plan which covers both active and retired members. Benefit provisions are established through negotiations between the Authority and the union representing employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

Contribution requirements also are negotiated between the Authority and union representatives. Currently the Authority pays the PERS minimum on behalf of each eligible retired employee or eligible survivor of a retired employee and the person receives benefit pays any additional premium based on the coverage selected. The Authority contributed \$2,472 to the plan in each of the years ended June 30, 2011 and 2010.

SEWER AUTHORITY MID-COASTSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer. The Authority has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following shows the components of the Authority's annual OPEB cost, the amount actually contributed, and changes in the Authority's net OPEB obligation to the Retiree Health Plan for the years ended June 30, 2011 and 2010.

Net OPEB Obligation as of June 30, 2010	\$ 29,207
Annual OPEB Cost:	
Normal Cost	30,171
Interest	1,508
Benefit payments made	<u>(2,472)</u>
Net OPEB Obligation as of June 30, 2011	<u>\$ 58,414</u>
Net OPEB Obligation as of June 30, 2009	\$ -
Annual OPEB Cost:	
Normal Cost	30,171
Interest	1,508
Benefit payments made	<u>(2,472)</u>
Net OPEB Obligation as of June 30, 2010	<u>\$ 29,207</u>

Trend Information

Three-year trend information will be presented in 2012. The year ended June 30, 2010 was the year of implementation of GASB No. 43 and GASB No. 45 and the Authority has elected to implement prospectively. As such, comparative data before the year ended June 30, 2010 is not available.

Year	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2010	\$ 31,679	\$ 2,472	8%	\$ 29,207
2011	\$ 31,679	\$ 2,472	8%	\$ 58,414

**SEWER AUTHORITY MID-COASTSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$199,692, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,261,060 and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 15.8%.

The projection of future benefit payments for an ongoing plan involves 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Required Supplementary Information – Schedule of Funding Progress for the Retiree Health Plan

<u>Valuation Date</u>	<u>AAL - Simplified Entry Age</u>	<u>Actuarial Value of Assets</u>	<u>UAAL</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/10	\$ 199,692	\$ -	\$ 199,692	0.0%	\$ 1,261,060	15.8%

The aggregate actuarial cost method is used for funding purposes. However, because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, the entry age actuarial cost method has been used to provide required information about funded status and funding progress. The information presented in this schedule is intended to approximate the funding progress of the plan based on the use of the aggregate actuarial cost method.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 employer and plan members to that point. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued

SEWER AUTHORITY MID-COASTSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010 actuarial valuation, the aggregate cost method was used. The actuarial assumptions used in the valuation are as follows:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 67.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 5.7% initially, reduced to an ultimate rate of 6.6% after ten years, was used.

Health insurance premiums – 2010 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3% was used.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Authority's short-term investment portfolio, a discount rate of 5% was used. The unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period as of June 30, 2011 was 14 years.

B. Deferred Compensation Plans

The Authority maintains two deferred compensation plans, qualified under Section 457 of the Internal Revenue Code, in which substantially all employees may participate. Generally, deferred compensation is payable upon retirement, termination of employment, disability or death. The Authority made contributions to the deferred compensation plans of \$9,000 and \$0 for the years ending June 30, 2011 and 2010, respectively. The plan assets are held in

SEWER AUTHORITY MID-COASTSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

trust for the exclusive benefit of the participants and are not included in the Authority's financial statements.

Compensated Absences

Accrued compensated absences for the years ended June 30, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Beginning	\$ 114,058	\$ 140,065
Additions	81,440	70,150
Reductions	<u>(75,481)</u>	<u>(96,157)</u>
End of year	<u>\$ 120,017</u>	<u>\$ 114,058</u>
Due within one year	<u>\$ 75,481</u>	<u>\$ 96,157</u>

Statistical Section
(Unaudited)

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**SEWER AUTHORITY MID-COASTSIDE
STATISTICAL SECTION
JUNE 30, 2011 AND 2010**

This part of the comprehensive annual financial report for the authority presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority 's overall financial health.

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SEWER AUTHORITY MID-COASTSIDE

Table 1

Summary of Net Assets by Component (1/2)

	Fiscal Year Ended June 30			
	2011	2010	2009	2008
Invested in capital assets	14,453,023	\$ 15,773,205	\$ 17,325,502	18,395,728
Restricted for capital projects	3,410,066	3,155,278	2,379,050	2,321,077
Unrestricted	1,289,858	1,377,537	1,306,419	1,184,072
Total Net Assets	\$ 19,152,947	\$ 20,306,020	\$ 21,010,971	21,900,877

Information for years prior to 2004 is not available.

Source: Sewer Authority Mid-Coastside
(Continued)

SEWER AUTHORITY MID-COASTSIDE

Table 1

Summary of Net Assets by Component (2/2)

	Fiscal Year Ended June 30			
	2007	2006	2005	2004
Invested in capital assets	\$ 19,834,304	\$ 24,304,172	\$ 25,336,782	\$ 26,650,694
Restricted for capital projects	1,974,173	1,589,986	1,543,786	1,088,106
Unrestricted	961,916	1,150,804	952,652	859,203
Total Net Assets	\$ 22,770,393	\$ 27,044,962	\$ 27,833,220	\$ 28,598,003

Information for years prior to 2004 is not available.

Source: Sewer Authority Mid-Coastside
(Concluded)

SEWER AUTHORITY MID-COASTSIDE

Table 2

Summary of Changes in Net Assets (1/2)

	Fiscal Year Ended June 30				
	2011	2010	2009#	2008	2007#
Operating Revenues:					
Operations and maintenance assessments	\$ 2,731,498	\$ 2,852,040	\$ 2,835,557	\$ 2,665,939	2,481,371
Collection assessments	779,100	783,732	765,395	698,427	543,549
Service fees	301,458	257,906	173,032	70,092	55,761
Grant revenue	-	37,500	-	-	-
Other income	24,101	1,265	-	-	-
Total Operating Revenues	3,836,157	3,932,443	3,773,984	3,434,458	3,080,681
Non-Operating Revenues:					
Interest on investments	28,630	31,107	87,023	140,432	116,104
Other non-operating income	20,677	27,307	22,727	30,890	25,587
Gain on Disposal of Fixed Assets	-	(40,363)	(12,416)	-	-
Total Non-Operating Revenues	49,307	18,051	97,334	171,322	141,691
Total Revenues	3,885,464	3,950,494	3,871,318	3,605,780	3,222,372
Operating Expenses:					
Treatment	(1,924,805)	(1,937,571)	(1,627,299)	(1,618,312)	(1,688,497)
Collection system	(766,114)	(796,719)	(761,535)	(698,426)	(543,549)
Industrial waste	(31,017)	(17,957)	(24,752)	(19,153)	(3,028)
Administration	(1,100,787)	(1,176,774)	(1,113,901)	(1,047,626)	(864,852)
Depreciation	(1,665,760)	(1,689,188)	(1,545,549)	(1,681,009)	(1,678,146)
Total Operating Expenses	(5,488,483)	(5,618,209)	(5,073,036)	(5,064,526)	(4,778,072)
Capital contributions	519,996	1,150,456	527,880	589,230	562,054
Capital distributions	(70,050)				
Refund of Capital Contributions	-	-	(221,068)	-	-
Changes in Net Assets	\$ (1,153,073)	\$ (517,259)	\$ (894,906)	\$ (869,516)	\$ (993,646)

* Note: Restated assessments to reflect member agency refunds by adjustment made by audit adjustments in 07/08

Note: Restated Treatment expenses to reflect a prior period adjustment recorded as part of the 10/11 financial statements

Source: Sewer Authority Mid-Coastside

(Continued)

SEWER AUTHORITY MID-COASTSIDE

Table 2

Summary of Changes in Net Assets (2/2)

	Fiscal Year Ended June 30				
	2006*#	2005*	2004*	2003*	2002*
Operating Revenues:					
Operations and maintenance assessments	\$ 2,249,663	\$ 2,122,657	\$ 2,052,418	\$ 2,144,739	\$ 1,859,874
Collection assessments	504,915	421,638	364,591	279,079	247,924
Service fees	46,065	37,303	46,586		
Grant revenue	-	-	-	-	-
Other income	-	-	-	43,013	56,587
Total Operating Revenues	2,800,643	2,581,598	2,463,595	2,466,831	2,164,385
Non-Operating Revenues:					
Interest on investments	55,076	28,594	19,349	31,092	63,502
Other non-operating income	38,144	32,808	44,340	32,794	2,431
Gain on Disposal of Fixed Assets	-	-	-	-	(10,813)
Total Non-Operating Revenues	93,220	61,402	63,689	63,886	55,120
Total Revenues	2,893,863	2,643,000	2,527,284	2,530,717	2,219,505
Operating Expenses:					
Treatment	(1,669,856)	(1,442,136)	(1,380,169)	(1,551,028)	(1,395,200)
Collection system	(504,915)	(421,638)	(364,591)	(278,197)	(247,923)
Industrial waste	(9,714)	(17,639)	(16,583)	(19,078)	(15,362)
Administration	(690,521)	(680,161)	(672,249)	(593,721)	(464,683)
Depreciation	(1,507,123)	(1,494,316)	(1,602,914)	(1,517,894)	(1,477,206)
Total Operating Expenses	(4,382,129)	(4,055,890)	(4,036,506)	(3,959,918)	(3,600,374)
Capital contributions	520,008	636,084	666,492	493,032	576,108
Capital distributions					
Refund of Capital Contributions	-	-	-		
Changes in Net Assets	\$ (968,258)	\$ (776,806)	\$ (842,730)	\$ (936,169)	\$ (804,761)

* Note: Restated assessments to reflect member agency refunds by adjustment made by audit adjustments in 07/08

Note: Restated Treatment expenses to reflect a prior period adjustment recorded as part of the 10/11 financial statements

Source: Sewer Authority Mid-Coastside

(Concluded)

SEWER AUTHORITY MID-COASTSIDE

Table 3

Ten-Year Summary of Sewer Revenues by Component

Fiscal year Ended June 30	Operational and Maintenance Assessments	Collections Assessments	Service Fees	Grant Revenue	Other Income	Total
2011	\$ 2,731,498	\$ 779,100	\$ 301,458	\$ -	\$ 24,101	\$ 3,836,157
2010	2,852,040	783,732	257,906	37,500	1,265	3,932,443
2009	2,835,557	765,395	173,032	-	-	3,773,984
2008	2,665,939	698,427	70,092	-	-	3,434,458
2007	2,481,371	543,549	55,761	-	-	3,080,681
2006*	2,249,663	504,915	46,065	-	-	2,800,643
2005*	2,122,657	421,638	37,303	-	-	2,581,598
2004*	2,052,418	364,591	46,586	-	-	2,463,595
2003*	2,144,739	279,079	43,013	-	-	2,466,831
2002*	1,859,874	247,924	56,587	-	-	2,164,385

* Note: Restated assessments to reflect member agency refunds by adjustment made by audit adjustments in 07/08

Source: Sewer Authority Mid-Coastside

SEWER AUTHORITY MID-COASTSIDE

Table 4

Sewer Service Usage by Member Agency
 Last Ten Fiscal Years
 (Flow in Million Gallons)

	Fiscal Year Ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
SAM Member Agency										
City of Half Moon Bay	207.0	290.0	292.3	345.2	343.9	428.1	425.9	333.7	317.0	334.9
Granada Sanitary District.	212.4	185.1	190.0	186.5	199.5	224.0	196.5	203.8	176.0	171.5
Montara Water & Sanitary District	123.4	123.6	125.4	138.8	131.2	173.4	152.6	140.8	157.6	165.3
Total Flows	<u>542.8</u>	<u>598.7</u>	<u>607.7</u>	<u>670.5</u>	<u>674.6</u>	<u>825.5</u>	<u>775.0</u>	<u>678.3</u>	<u>650.6</u>	<u>671.7</u>

Source: Sewer Authority Mid-Coastside

SEWER AUTHORITY MID-COASTSIDE

Table 5

Sewer Rates
Last Ten Fiscal Years

Fiscal Year Ended June 30	City of Half Moon Bay (i)	Granada Sanitary District (ii)	Montara Water and Sanitary District (iii)
	Annual Base Rate	Annual Base Rate	Annual Base Rate
2011	\$ 354.88	\$ 383.00	\$ 555.04
2010	270.40	314.00	486.72
2009	231.22	314.00	468.80
2008	231.22	314.00	439.04*
2007	231.22	314.00	357.60
2006	231.22	314.00	357.60
2005	231.22	314.00	330.14
2004	231.22	314.00	322.40
2003	231.22	273.50	315.97
2002	231.22	273.50	334.80
2001	231.22	273.50	311.08

*This has been revised due to MWSD Ordinance Resetting the Fee Schedule being passed after information was received for publication in FY 2007.

Sources:

- (i) City of Half Moon Bay, California
- (ii) Granada Sanitary District
- (iii) Montara Water and Sanitary District

SEWER AUTHORITY MID-COASTSIDE

Table 6
Principal Payers
June 30, 2011

	2011		2010	
	Amount	%	Amount	%
Operations and Maintenance Assessments				
<i>Member Agency</i>				
City of Half Moon Bay	\$ 1,324,247	48.48%	\$ 1,431,252	50.18%
Granada Sanitary District	832,717	30.49%	835,812	29.31%
Montara Sanitary District	574,534	21.03%	584,976	20.51%
Total	<u>\$ 2,731,498</u>	<u>100.00%</u>	<u>\$ 2,852,040</u>	<u>100.00%</u>
Collections Assessments				
<i>Member Agency</i>				
City of Half Moon Bay	\$ 273,621	35.12%	\$ 245,268	31.29%
Granada Sanitary District	215,768	27.69%	220,512	28.14%
Montara Sanitary District	289,711	37.19%	317,952	40.57%
Total	<u>\$ 779,100</u>	<u>100.00%</u>	<u>\$ 783,732</u>	<u>100.00%</u>
Service Fees				
Montara Sanitary District	\$ 159,271	52.83%	\$ 172,205	66.77%
City of Half Moon Bay	73,706	24.45%	32,676	12.67%
Nurseryman's Exchange	12,965	4.30%	13,816	5.36%
Granada Sanitary District	6,413	2.13%	447	0.17%
Republic Services	5,911	1.96%	-	0.00%
Coastside County Water District	5,700	1.89%	6,840	2.65%
California State Parks	5,405	1.79%	5,842	2.27%
Bay Chevron Service Station	1,458	0.48%	2,324	0.90%
Ritz Carlton	972	0.32%	998	0.39%
Safeway Stores	972	0.32%	1,440	0.56%
The Brewery of HMB	810	0.27%	1,128	0.44%
Total	<u>273,584</u>	<u>90.75%</u>	<u>237,716</u>	<u>92.17%</u>
Total Service Fees	<u>\$ 301,458</u>	<u>100.00%</u>	<u>\$ 257,906</u>	<u>100.00%</u>

Source: Sewer Authority Mid-Coastside

SEWER AUTHORITY MID-COASTSIDE

Table 7
Demographic Statistics
Last Ten Calendar Years

Calendar Year	Population Served (Numbers) ^(1,2&3)	Service Area (sq. miles)	Total Personal Income ⁽²⁾	Per Capital Personal Income ⁽²⁾	Unemployment Rate % ⁽³⁾
2010	22,803	12	86,457	44,288	6.43%
2009	24,454	12	99,285	52,499	6.76%
2008	23,635	12	89,278	46,458	9.45%
2007	22,469	12	*	*	*
2006	20,926	12	*	*	*
2005	20,877	12	*	*	*
2004	20,865	12	*	*	*
2003	20,821	12	*	*	*
2002	20,612	12	*	*	*
2001	20,606	12	*	*	*
2000	20,554	12	*	*	*

Ten Largest Employers on the Coastside

Employer Name ⁽⁴⁾	Number of Employees ⁽⁴⁾
1) Nurserymen's Exchange	600
2) The Ritz-Carlton	500
3) Bay City Flower Company	375
4) Cabrillo Unified School District	300
5) Seton Medical Center Coastside	160
6) Safeway Stores	133
7) Half Moon Bay Brewing Company	120
8) Costanoa Coastal Lodge	90
9) Nick's Restaurant	80
10) La Honda/Pescadero School District	75

- Sources:
- ⁽¹⁾ State Dept of Finance; U.S. Census Bureau, 2010
 - ⁽²⁾ city-data.com
 - ⁽³⁾ Employment Development Department & zipskinny.cor
 - ⁽⁴⁾ Half Moon Bay Chamber of Commerce

Note: Information for year 2009 was approximated as Census was completed in 2010
* Information unavailable

SEWER AUTHORITY MID-COASTSIDE

Table 8

Full-time and Part-time Employees

Last Ten Fiscal Years

	Full-Time and Part-Time Employees as of June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Total Number of Employees	14	14	14	14	13	11	11	12	12	12

Source: Sewer Authority Mid-Coastside

SEWER AUTHORITY MID-COASTSIDE

Table 9

Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
NDWSCP Permit Activity										
Automotive	16	17	16	17	17	17	18	17	19	19
Medical	9	10	9	10	10	10	10	11	11	12
Agriculture	2	2	2	2	2	2	2	2	2	2
Construction	0	0	0	0	0	0	0	0	0	0
Photo	1	1	3	4	4	4	4	3	4	3
Laundry	3	2	3	3	3	3	3	3	4	3
Septic	1	1	2	2	2	0	0	2	2	2
Restaurant	59	58	58	59	57	53	54	52	57	43
Fish	7	7	7	7	6	6	7	7	6	21
Treatment Plant Activity										
Effluent Flow (million gallons)	674.3	616.9	612	668	675	826	775	678	651	672
Effluent BOD (mg/L)	13.5	15.6	14.7	12.6	14.5	16.8	15.5	12.7	13.3	12.4
Effluent TSS (mg/L)	7.5	14.3	9.7	6.5	8.4	8.1	13.0	9.3	8.6	9.1
Electricity Used (kWh)	4332	4280	*	5348	4514	4563	4870	5888	5263	5689
Gas Produced (k ft ³)	4706.6	5391	5304	5433	5526	6078	9430	9341	8920	9234

NDWSCP: Non Domestic Waste Source Control Program

* Not Available

Source: Sewer Authority Mid-Coastside

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SEWER AUTHORITY MID-COASTSIDE

Table 10

Capital Asset Statistics by Function (1/2)

Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2011	2010	2009	2008	2007
Wastewater:					
Sanitary Sewers (miles)	104.5	104.50	104.50	104.50	104.50
Maximum Daily Treatment Capacity (million gallons)	4.00	4.00	4.00	4.00	4.00
Property, Plant and Equipment, Net	\$ 14,047,215	\$ 15,423,603	\$ 16,965,391	18,152,330	19,625,381
Construction In Process	405,808	349,602	172,419	243,398	208,923
Total Capital Assets, Net	<u>\$ 14,453,023</u>	<u>\$ 15,773,205</u>	<u>\$ 17,137,810</u>	<u>\$ 18,395,728</u>	<u>\$ 19,834,304</u>

Note The July 1, 2006 property, plant and equipment, net balance was restated in the amount of \$2,967,998 representing cumulative depreciation expense on certain assets from 1984 through June 30, 2006.

Source: Sewer Authority Mid-Coastside
(Continued)

SEWER AUTHORITY MID-COASTSIDE

Table 10

Capital Asset Statistics by Function (2/2)

Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2006	2005	2004	2003	2002
Wastewater:					
Sanitary Sewers (miles)	104.50	104.50	104.50	104.50	104.50
Maximum Daily Treatment Capacity (million gallons)	3.69	3.69	3.69	3.69	3.69
Property, Plant and Equipment, Net	24,138,639	\$ 25,263,642	\$ 26,650,694	\$ 27,666,725	\$ 27,840,177
Construction In Process	165,533	73,140		269,164	619,550
Total Capital Assets, Net	<u>24,304,172</u>	<u>\$ 25,336,782</u>	<u>\$ 26,650,694</u>	<u>\$ 27,935,889</u>	<u>\$ 28,459,727</u>

Note The July 1, 2006 property, plant and equipment, net balance was restated in the amount of \$2,967,998 representing cumulative depreciation expense on certain assets from 1984 through June 30, 2006.

Source: Sewer Authority Mid-Coastside
(Concluded)

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