

Marina Coast Water District

Marina, California

Annual Comprehensive Financial Report

For The Fiscal Years Ended

June 30, 2022 and 2021



11 Reservation Road, Marina California 93933



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Marina, California

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Marina, California 93933**



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INTRODUCTORY SECTION

(UNAUDITED)



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MARINA COAST WATER DISTRICT

11 RESERVATION ROAD, MARINA, CA 93933-2099

Home Page: www.mcwd.org

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

DIRECTORS

JAN SHRINER
President

HERBERT CORTEZ
Vice President

BRAD IMAMURA
THOMAS P. MOORE
GAIL MORTON

January 23, 2023

Board of Directors
Marina Coast Water District
Marina, California

It is our pleasure to submit the Marina Coast Water District's (MCWD or District) Annual Comprehensive Financial Report (ACFR) for the fiscal years ended June 30, 2022, and 2021. The ACFR gives an assessment of the District's financial condition, informs readers about District services, gives details of infrastructure replacement projects, discusses current issues, and provides financial and demographic trend information.

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

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

District Overview

The District is a special district formed in 1960 under the County Water District Act for the purpose of installing and operating a water supply, water distribution system, and wastewater collection system for the City of Marina. The District serves approximately 38,200 residents through 9,730 connections in its Marina and former Fort Ord (Ord Community) service areas.

The District currently pumps all of its supply or approximately 3,350 Acre Feet of water (both Marina and Ord Community systems) annually from groundwater wells.

The District owns and operates 20 sewer lift stations, more than 155 miles of gravity pipeline, and 7 miles of force main to convey in excess of two million gallons per day of sewage to the Monterey One Water Treatment Plant. Monterey One Water (M1W) operates the regional wastewater treatment plant. Sewage is conveyed to an interceptor and measured at the M1W pump station for Central Marina and the Flume structure for Ord Community.

The District's system encompasses approximately 234 miles of water pipeline and owns and operates eight production wells with an estimated capacity of approximately nineteen million gallons per day. District water storage includes eight water storage tanks with a combined capacity of eleven million gallons and six booster pump stations. In addition, monitoring wells are strategically located along the coast to monitor water quality and groundwater levels in the aquifers that are the source of the District's water supply. All wells are sampled to identify the presence of chemicals, the threat of saltwater intrusion, and to monitor water levels.

The District has an authorized staff of 48 full-time employees providing services to its five service area funds: Marina Water, Marina Wastewater, Ord Community Water, Ord Community Wastewater, and the Regional Urban Water Augmentation Project or RUWAP.

Governance

MCWD is a public agency (special district) governed by a five-member independently elected Board of Directors (Board) serving staggered four-year terms elected at-large from within the District's Marina service area. The Ord Community was annexed into the District's service area in July 2019 and as such was able to participate in the November 2020 election. Annually, a President and Vice President are chosen among the Board members. MCWD operates under a Board-Manager form of government. The Board of Directors appoints the General Manager who is responsible for the administration of the District. The General Manager organizes and directs District activities in accordance with the Board's policies.

The Board meets in a regular session on the third Monday of each month. Regular meetings are held at 6:30 p.m. at the Marina Council Chambers, 920 2nd Avenue Suite A, Marina, California. Board meetings are open to the public. However, due to COVID-19, all Board and other public meetings of the District have been held via Zoom since April 2020.

Budget Process

Annually, the District prepares and adopts an operating budget and updates its five-year Capital Improvement Program (CIP). Both serve as the District's financial planning and fiscal control. Budgets are adopted on a basis consistent with governmental GAAP. Budgetary controls are set at the department level and are maintained to ensure compliance with the budget approved by the Board of Directors. The District's budget is a detailed operating plan that identifies estimated costs in relation to estimated revenues. The budget includes the projects, services, and activities to be carried out during the fiscal year and the estimated revenue available to finance these operating

and capital costs. The budget represents a process wherein policy decisions made by the Board of Directors are adopted, implemented, and controlled. Budget control is maintained through the use of project codes and account appropriations. Actual expenditures are then compared to these appropriations on a monthly basis. The General Manager has the discretion to transfer appropriations between activities. Board approval is required for any overall increase in appropriations or changes to the Capital Improvement Program.

Economic Condition and Outlook

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

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

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

Long-term Financial Planning

The District contracted with Carollo Engineers to prepare a five-year rate study and financial plan (Study) for the District. The Study was completed in January 2018 and identified those resources necessary for the District to properly fund its operations and capital program for the fiscal years 2019 through 2023. The Study provides the appropriate means to obtain the needed resources through a combination of rate increases and project financing. A full version of the Study can be viewed on the District's website www.mcwd.org.

MCWD also conducted a formal Cost Allocation Plan, which was completed by Carollo Engineers, documenting their review of how MCWD overhead costs are allocated among its four cost centers. The study determined that MCWD's approach not only meets State and Federal requirements, but also achieves best management principles of financial statements that are reasonable, consistent, repeatable, and documented.

In 2022, the District also contracted with Raftelis Financial Consultants to prepare the Recycled Water Rate Study Report. The rate study was conducted to establish new recycled water rates for FY2022/23 through FY2026/27 that was intended to equitably recover costs for the newly operational recycled water system.

Major Initiatives

The District completed its water, sewer, and recycled water master plans in May 2020. These plans are long-term planning documents that provide hydraulic models of the District's existing systems

used to evaluate the capacity of the existing systems and recommend improvements. The plans also assist in determining future water and recycled water demands and supply requirements for the District and to identify the water facilities needed to produce, deliver, store and transport this supply to its customers as well as determine future sewer flows for the District and identify sewer facilities needed to collect and convey sewer flows to the existing District discharge locations. The full version of each plan can be viewed on the District's website www.mcwd.org.

The Marina Coast Water District's Central Marina and Ord Community water service areas overlie portions of the Monterey Subbasin, the 180/400 Foot Aquifer Subbasin, and part of the Seaside Adjudicated Basin. Three of the District wells are located in Central Marina and five wells are in the Ord Community. The California Department of Water Resources (DWR) granted the District exclusive Groundwater Sustainability Agency (GSA) status within its jurisdictional boundaries within the Monterey Subbasin and the 180/400 Subbasin. Since the District has been determined to be an exclusive GSA in both the Monterey Subbasin and the 180/400 Subbasin, the MCWD GSA will be engaged in the development of Groundwater Sustainability Plans (GS plans) for the entirety of these two Subbasins, in coordination with other GSAs within these Subbasins. The 180/400 Aquifer Subbasin GS was prepared by January 31, 2020, and the Monterey Subbasin GS plan has to be prepared by January 31, 2022.

Internal Control

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

Investment Policy

The Board of Directors periodically adopts an Investment Policy that conforms to California State Law, District ordinances and resolutions, prudent money management, and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity, and yield. District funds are normally invested in the State Treasurer's Local Agency Investment Fund (LAIF), Certificates of Deposits, and guaranteed investment contracts (GIC). In June 2022, the investment policy was updated to include United States Treasury securities as an investment type.

Water Rates and District Revenues

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

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

During the FY2021-22, water and sewer rate increased in January 1, 2022, for both the Central Marina and the Ord Community as stated in the Proposition 218 notification in 2018 and approved by the Board through the adoption of Resolution No. 2018-12 on March 12, 2018.

Independent Audit

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

Other References

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

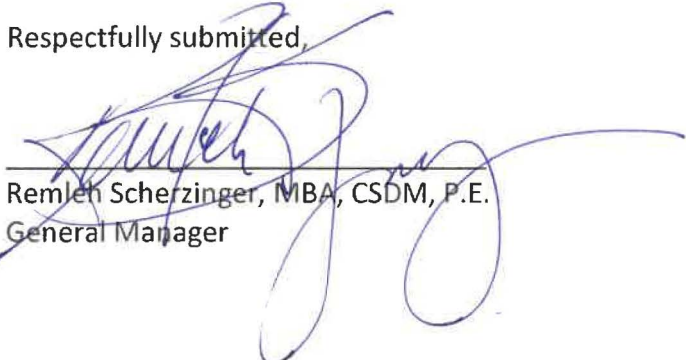
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its ACFR for the fiscal year ended June 30, 2021. This was the fourteenth consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District had to publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable legal requirements.

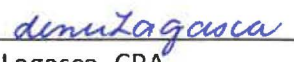
A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Remleh Scherzinger, MBA, CSDM, P.E.
General Manager



Mary Lagasca, CPA
Director of Administrative Services



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

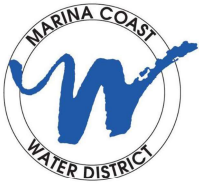
**Marina Coast Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

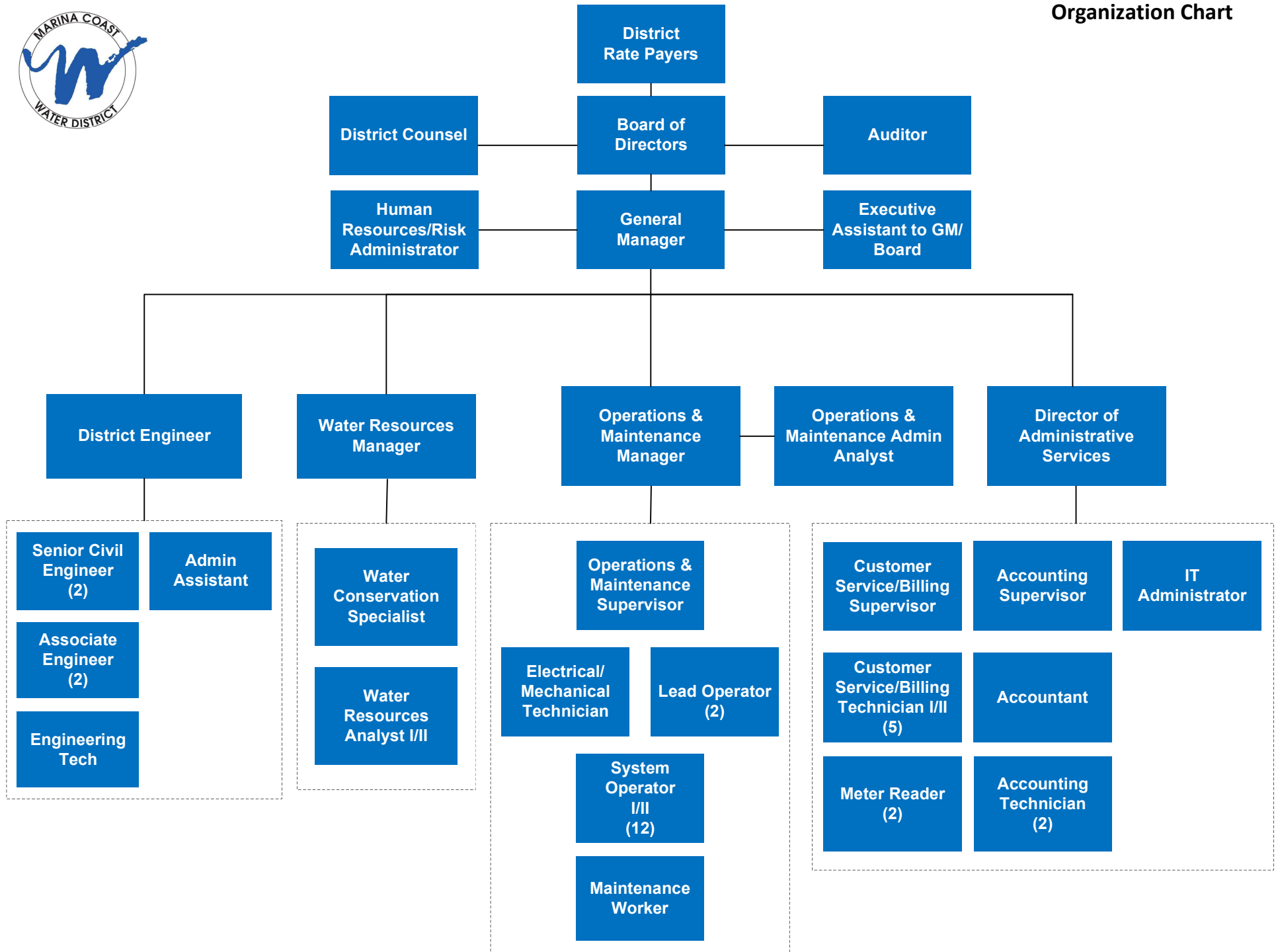
June 30, 2021

Christopher P. Morill

Executive Director/CEO



Organization Chart



Marina Coast Water District

Directory

Board of Directors

June 30, 2022

Jan Shriner	President
Herbert Cortez	Vice-President
Thomas P. Moore	Director
Gail Morton	Director
Matt Zefferman	Director

Management Staff

Remleh Scherzinger	General Manager
Patrick Breen	Interim District Engineer
Kelly Cadiente	Director of Administrative Services
Rose Gill	Human Resources/ Risk Administrator
Derek Cray	Operations & Maintenance Manager
Patrick Breen	Water Resources Manager

FINANCIAL SECTION



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**INDEPENDENT AUDITORS' REPORT**www.pungroup.cpa

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Marina Coast Water District, California (the "District"), as of and for the years ended June 30, 2022 and 2021, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2022 and 2021, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter*Implementation of New GASB Pronouncements*

As discussed in Note 1 and Note 11 to the basic financial statements, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases* during the year. As a result of the implementation, the District reported the leases and related assets, liabilities and deferred inflows of resources, and reported a restatement of its net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Contributions – Defined Benefit Pension Plan, and the Schedules of Changes in the Total OPEB Liability – Other Post-Employment Benefits, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Net Position – Proprietary Funds, the Schedule of Revenues, Expenses, and Changes in Net Position – Proprietary Funds, and the Schedule of Cash Flows – Proprietary Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the Schedule of Net Position – Proprietary Funds, the Schedule of Revenues, Expenses, and Changes in Net Position – Proprietary Funds, and the Schedule of Cash Flows – Proprietary Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The Pw Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 31, 2022



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MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2022 and 2021

This section of the Marina Coast Water District's (District) financial statements presents an analysis of the District's financial performance during the fiscal years ended June 30, 2022 and 2021. This information is presented in conjunction with the transmittal letter in the Introductory Section, and with the basic financial statements and related notes, which follow this section.

Overview of the District's Financial Statements

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

Basic Financial Statements

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

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2022 and 2021

Supplementary Information

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

Financial Analysis of the District

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



MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2022 and 2021

Financial Highlights for Fiscal Years 2022 and 2021

- At June 30, 2022, the District's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$198.6 million (net position), which is an increase of \$6.6 million or 3.4% from the 2021 fiscal year-end balance. At June 30, 2021, the District's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$192.1 million (net position), which is an increase of \$6.2 million or 3.3% from the 2020 fiscal year-end balance.
- The total long-term liabilities for the current fiscal year decreased by \$1.6 million or 2.9% due to annual debt service payments. Prior year increased by \$1.0 million or 1.8% due to an increase of \$2.4 million in the California State Revolving Fund Loan offset by annual debt service payments.
- For fiscal year 2022, capital assets increased by \$14.9 million or 6.9% primarily due to the construction of the RUWAP Distribution Main, the A1/A2 Reservoirs and B/C Zones Booster Pump Station Project, Ord Village Lift Station and Force Main Improvements, and the Gigling Lift Station and Force Main Improvements. For fiscal year 2021, capital assets increased by \$9.0 million or 4.3% primarily due to the construction of the RUWAP Distribution Main.



MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2022 and 2021

Net Position

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

Condensed Statements of Net Position

	June 30			Change between		Change between	
	2022	2021	2020	2022 and 2021		2021 and 2020	
<u>Assets:</u>							
Current assets	\$ 14,207,847	\$ 10,679,991	\$ 10,376,086	\$ 3,527,856	33.0%	\$ 303,905	2.9%
Noncurrent assets	27,258,108	35,290,011	32,534,349	(8,031,903)	-22.8%	2,755,662	8.5%
Capital assets, net	231,533,678	216,660,203	207,705,001	14,873,475	6.9%	8,955,202	4.3%
Total Assets	272,999,633	262,630,205	250,615,436	10,369,428	3.9%	12,014,769	4.8%
Deferred outflows	1,394,493	1,511,674	1,341,775	(117,181)	-7.8%	169,899	12.7%
<u>Liabilities:</u>							
Current liabilities	14,392,104	7,573,262	5,931,347	6,818,842	90.0%	1,641,915	27.7%
Noncurrent liabilities	55,443,713	60,261,786	58,592,246	(4,818,073)	-8.0%	1,669,540	2.8%
Total Liabilities	69,835,817	67,835,048	64,523,593	2,000,769	2.9%	3,311,455	5.1%
Deferred inflows	5,921,905	4,221,056	1,508,065	1,700,849	40.3%	2,712,991	179.9%
<u>Net Position:</u>							
Net investment in capital assets	183,411,333	176,866,309	167,935,356	6,545,024	3.7%	8,930,953	5.3%
Restricted for capacity fees	12,906,699	15,367,302	15,587,995	(2,460,603)	-16.0%	(220,693)	-1.4%
Restricted for debt service	171,828	-	-	171,828	100.0%	-	0.0%
Unrestricted (deficit)	2,146,544	(147,836)	2,402,202	2,294,380	-1552.0%	(2,550,038)	-106.2%
Total Net Position	\$ 198,636,404	\$ 192,085,775	\$ 185,925,553	\$ 6,550,629	3.4%	\$ 6,160,222	3.3%

As noted earlier, net position may serve over time as a useful indicator of a district's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$198.6 million, \$192.1 million and \$185.9 million as of June 30, 2022, 2021 and 2020, respectively.

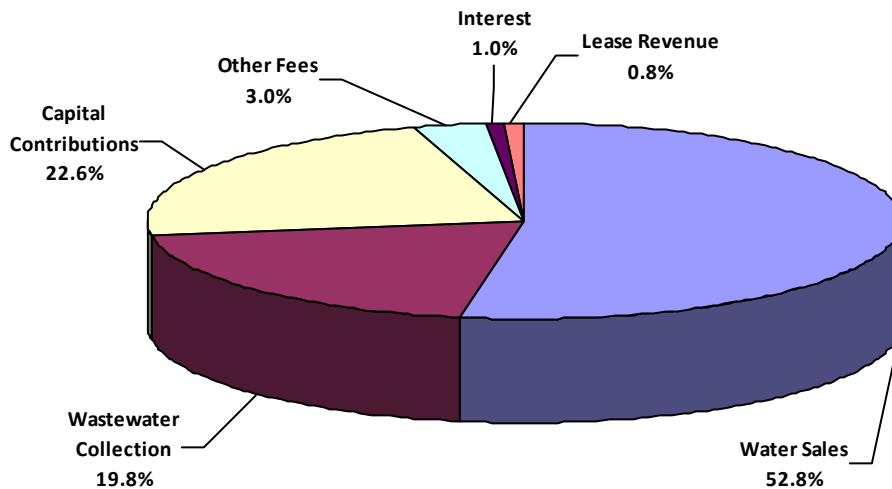
One of the largest portions of the District's net position (92.4%, 92.1% and 90.3% as of June 30, 2022, 2021 and 2020, respectively) reflects the District's net investment in capital assets. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal year 2022, the District showed a positive balance of \$2.1 million in its unrestricted net position. In FY 2021, the District showed a negative balance in its unrestricted net position of \$0.1 million and a positive balance of \$2.4 million in FY 2020.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2022 and 2021

Revenues

The District finances its water sales and wastewater collection operations through user fees and other income. Total revenue for fiscal year 2022 was \$24.9 million, up \$1.1 million or 4.7% from prior year. Total revenue for fiscal year 2021 was \$23.8 million, down \$4.0 million or 14.1% from 2020. Capital contributions decreased \$0.1 million or 1.2% in the current year and \$4.2 million or 42.3% in the prior year.



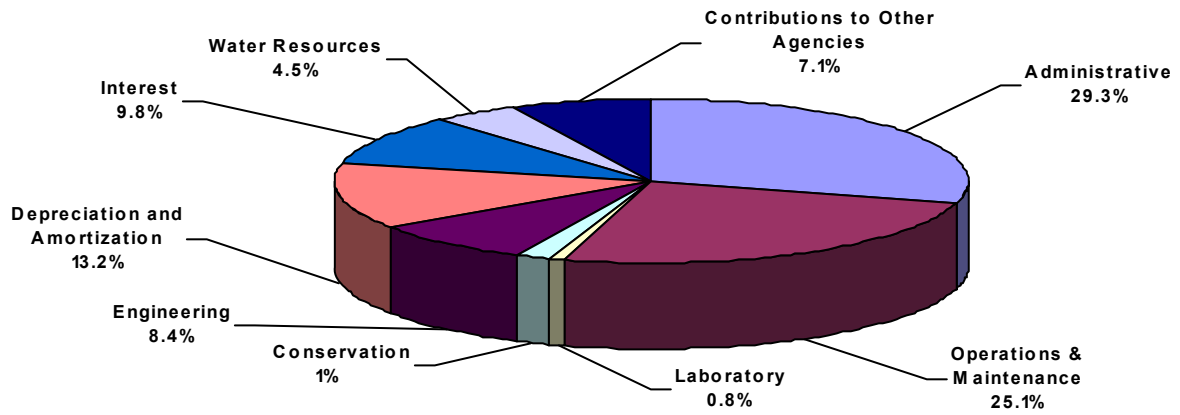
Revenues

	June 30			Change between		Change between	
	2022	2021	2020	2022 and 2021		2021 and 2020	
<u>Operating Revenues:</u>							
Water sales	\$ 13,133,302	\$ 12,366,437	\$ 11,652,404	\$ 766,865	6.2%	\$ 714,033	6.1%
Wastewater collection	4,930,600	4,633,032	4,484,940	297,568	6.4%	148,092	3.3%
Other services & fees	747,980	599,085	822,682	148,895	24.9%	(223,597)	-27.2%
Total Operating Revenues	18,811,882	17,598,554	16,960,026	1,213,328	6.9%	638,528	3.8%
<u>Nonoperating Revenues:</u>							
Lease revenue	204,702	204,702	497,152	-	0.0%	(292,450)	-58.8%
Interest earned	241,183	274,738	359,505	(33,555)	-12.2%	(84,767)	-23.6%
Total Nonoperating Revenues	445,885	479,440	856,657	(33,555)	-7.0%	(377,217)	-44.0%
<u>Capital Contributions:</u>	5,625,994	5,695,353	9,868,096	(69,359)	-1.2%	(4,172,743)	-42.3%
Total Revenues	\$ 24,883,761	\$ 23,773,347	\$ 27,684,779	\$ 1,110,414	4.7%	\$ (3,911,432)	-14.1%

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2022 and 2021

Expenses

Total expenses for fiscal year 2022 was \$18.3 million, an increase of \$0.5 million or 2.5% from prior year. Total expenses for fiscal year 2021 was \$17.9 million, a decrease of \$25.8 million or 59.1% from fiscal year 2020 primarily due to the closeout of the Regional Desalination Project. In the current year, Administration expenses decrease by \$1.5 million, whereas Operations and Maintenance increased by \$0.5 million and Engineering by \$0.2 million. In fiscal year 2021, Administration expenses decrease by \$0.8 million, whereas Operations and Maintenance increased by \$0.4 million.



	Expenses			Change between		Change between	
	2022	2021	2020	2022 and 2021		2021 and 2020	
Operating Expenses:							
Administrative	\$ 5,374,514	\$ 6,855,325	\$ 7,703,802	\$ (1,480,811)	-21.6%	\$ (848,477)	-11.0%
Operations and maintenance	4,600,041	4,083,157	3,698,491	516,884	12.7%	384,666	10.4%
Laboratory	142,525	87,294	255,418	55,231	63.3%	(168,124)	-65.8%
Conservation	341,615	286,123	326,074	55,492	19.4%	(39,951)	-12.3%
Engineering	1,534,122	1,336,329	1,525,620	197,793	14.8%	(189,291)	-12.4%
Water Resources	824,856	1,019,506	948,216	(194,650)	-19.1%	71,290	7.5%
Depreciation and amortization	2,425,528	2,369,364	2,223,979	56,164	2.4%	145,385	6.5%
Total Operating Expenses	15,243,201	16,037,098	16,681,600	(793,897)	-5.0%	(644,502)	-3.9%
Nonoperating Expenses and Special Item:							
Interest expense	1,788,554	1,843,746	1,753,074	(55,192)	-3.0%	90,672	5.2%
Contributions to other agencies	1,301,377	-	-	1,301,377	100.0%	-	0.0%
Bond issuance costs	-	-	235,361	-	0.0%	(235,361)	100.0%
RDP liability expense	-	-	1,000,000	-	0.0%	(1,000,000)	100.0%
RDP closeout	-	-	24,019,800	-	0.0%	(24,019,800)	100.0%
Total Nonoperating Expenses	3,089,931	1,843,746	27,008,235	1,246,185	67.6%	(25,164,489)	-93.2%
Total Expenses	\$ 18,333,132	\$ 17,880,844	\$ 43,689,835	\$ 452,288	2.5%	\$ (25,808,991)	-59.1%

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2022 and 2021

Net Position

The Statement of Revenues, Expenses and Changes in Net Position on page 16 show how the District's net position changed during the fiscal year. Net position increased by \$6.6 million for the current fiscal year and \$5.9 million for the prior year and decreased by \$16.0 million for the fiscal year ended June 30, 2020.

Changes in Net Position

	June 30			Change between		Change between	
	2022	2021	2020	2022 and 2021		2021 and 2020	
Beginning Net Position, as restated	\$ 192,085,775	\$ 186,193,272	\$ 201,930,609	\$ 5,892,503	3.2%	\$ (15,737,337)	-7.8%
Income before contributions and Special Item	924,635	197,150	(1,853,352)	727,485	369.0%	2,050,502	-110.6%
Capital contributions	5,625,994	5,695,353	9,868,096	(69,359)	-1.2%	(4,172,743)	-42.3%
Special Item	-	-	(24,019,800)	-	0.0%	24,019,800	100.0%
Change in net position	6,550,629	5,892,503	(16,005,056)	658,126	11.2%	21,897,559	-136.8%
Ending Net Position	\$ 198,636,404	\$ 192,085,775	\$ 185,925,553	\$ 6,550,629	3.4%	\$ 6,160,222	3.3%



MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2022 and 2021

Capital Assets

At the end of fiscal years 2022, 2021 and 2020, the District's capital assets were \$231.5 million, \$216.7 million and \$207.7 million, respectively, (net of accumulated depreciation and amortization). Capital assets include land, water/wastewater rights, easements, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles, and construction-in-progress.

Changes in capital assets were as follows:

	Capital Assets			Change between 2022 and 2021		Change between 2021 and 2020	
	2022	June 30 2021	2020				
<u>Capital Assets:</u>							
Non-depreciable assets	\$ 153,275,899	\$ 137,758,833	\$ 129,289,102	\$ 15,517,066	11.3%	\$ 8,469,731	6.6%
Depreciable assets	131,393,748	129,831,640	127,161,008	1,562,108	1.2%	2,670,632	2.1%
Less accumulated depreciation and amortization	(53,135,969)	(50,930,270)	(48,745,109)	(2,205,699)	4.3%	(2,185,161)	4.5%
Total Capital Assets, Net	<u>\$ 231,533,678</u>	<u>\$ 216,660,203</u>	<u>\$ 207,705,001</u>	<u>\$ 14,873,475</u>	6.9%	<u>\$ 8,955,202</u>	4.3%

Additional information on the District's capital assets is provided in Note 4 on pages 35-36 of the financial statements.



MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2022 and 2021

Long-Term Liabilities

As of June 30, 2022, the District had \$53.9 million outstanding in long-term liabilities compared to \$55.6 million as of June 30, 2021, and \$54.6 million as of June 30, 2020. Revenue certificates of participation in the amount of \$42.3 million were issued in August 2006 to fund costs associated with several major capital improvement projects and were also used to refund the District's existing outstanding debt obligations. These bonds were refinanced with the issue of the 2015 revenue bonds as an advanced refunding and were called on June 1, 2016. In December 2019, the District issued 2019 Enterprise Revenue Certificates of Participation in the amount of \$17.7 million to finance required capital improvement projects. The District has covenanted that it will fix, prescribe, and collect rates, fees, and charges for use of the District's water system during each fiscal year which is at least sufficient to yield in each fiscal year net revenues equal to 125% of the debt service for such fiscal year. The 2015 revenue refunding bonds were assigned a rating of "AA-". The 2019 Enterprise Revenue Certificates of Participation were also assigned an "AA-" rating. In January 2017, the District converted the \$2.8 million BLM construction loan into an Installment Purchase Agreement with a 20-year fixed rate. On January 28, 2018, the District entered into a construction installment sale agreement and grant with the California State Revolving Fund Loan Program with a maximum amount of \$10,513,217 at an interest rate of 1.8% per annum. On June 27, 2018, the District entered into a second construction installment sale agreement and grant with the California State Revolving Loan Program for the construction of the RUWAP distribution system with a maximum amount of \$11,439,582 at an interest rate of 1.8% annum.

Changes in long-term liability amounts were as follows:

Schedule of Long-Term Liabilities							
	June 30			Change between		Change between	
	2022	2021	2020	2022 and 2021		2021 and 2020	
<u>Long-Term Liabilities:</u>							
Bonds payable	\$ 40,870,000	\$ 42,285,000	\$ 43,635,000	\$ (1,415,000)	-3.3%	\$ (1,350,000)	-3.1%
Loans payable	8,527,203	8,624,420	6,211,842	(97,217)	-1.1%	2,412,578	38.8%
Lease payable	55,160	29,475	-	25,685	100.0%	29,475	0.0%
Unamortized premiums, net	3,867,066	4,070,879	4,274,693	(203,813)	-5.0%	(203,814)	-4.8%
Total Long-Term Liabilities	<u>\$ 53,319,429</u>	<u>\$ 55,009,774</u>	<u>\$ 54,121,535</u>	<u>\$ (1,690,345)</u>	-3.1%	<u>\$ 888,239</u>	1.6%

Additional information on the District's long-term liabilities is provided in Note 6 on pages 38-45 of the financial statements.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2022 and 2021

Economic Factors and Next Year's Budget and Rates

The Board of Directors adopted the District's 2022-2023 Marina and Ord Community budgets and rates on May 16, 2022. The approval of the budget provides funding for the District's operating, capital, and debt service costs for the 2022-2023 fiscal year. The District's water and wastewater rates are reviewed by staff on an annual basis.

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



MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2022 and 2021

Requests for Information

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



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BASIC FINANCIAL STATEMENTS



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MARINA COAST WATER DISTRICT
Statements of Net Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021 (As Restated)</u>
ASSETS		
Current assets:		
Cash and investments	\$ 8,742,742	\$ 5,424,249
Accounts receivable, net	4,068,167	3,703,782
Interest receivable	31,682	13,778
Lease receivable	163,147	152,589
Other receivable	808,210	1,008,810
Inventories	260,123	268,338
Deposits	6,792	5,312
Prepaid items	126,984	103,133
Total current assets	<u>14,207,847</u>	<u>10,679,991</u>
Noncurrent assets:		
Restricted cash and investments	24,303,663	32,172,419
Lease receivable	2,954,445	3,117,592
Capital assets, net	231,533,678	216,660,203
Total noncurrent assets	<u>258,791,786</u>	<u>251,950,214</u>
TOTAL ASSETS	<u>272,999,633</u>	<u>262,630,205</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	1,169,798	1,246,095
Deferred outflows related to OPEB	224,695	265,579
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,394,493</u>	<u>1,511,674</u>
LIABILITIES		
Current liabilities:		
Accounts payable	2,952,381	3,367,365
Accrued expenses	1,721,903	164,186
Interest payable	209,019	237,471
Line of credit	5,503,412	1,029,621
Customer deposits payable	2,317,519	1,161,880
Current portion of long-term liabilities	1,835,398	1,605,547
Other current liabilities	9,198	9,198
Total current liabilities	<u>14,548,830</u>	<u>7,575,268</u>
Noncurrent liabilities:		
Long-term liabilities	52,097,788	53,960,073
Total OPEB liability	1,533,102	2,462,886
Net pension liability	1,656,097	3,836,821
Total noncurrent liabilities	<u>55,286,987</u>	<u>60,259,780</u>
TOTAL LIABILITIES	<u>69,835,817</u>	<u>67,835,048</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	1,690,570	336,530
Deferred inflows related to OPEB	962,662	380,095
Deferred gains on refunding debt	524,640	559,616
Deferred inflows related to leases	2,744,033	2,944,815
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,921,905</u>	<u>4,221,056</u>
NET POSITION		
Net investment in capital assets	183,411,333	176,866,309
Restricted for capacity fees	12,906,699	15,367,302
Restricted for debt service	171,828	-
Unrestricted (deficit)	2,146,544	(147,836)
TOTAL NET POSITION	<u>\$ 198,636,404</u>	<u>\$ 192,085,775</u>

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

MARINA COAST WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For The Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021 (As Restated)</u>
OPERATING REVENUES:		
Water services	\$ 13,133,302	\$ 12,366,437
Wastewater services	4,930,600	4,633,032
Other services and fees	747,980	599,085
Total operating revenues	<u>18,811,882</u>	<u>17,598,554</u>
OPERATING EXPENSES:		
Administrative	5,374,514	6,855,325
Operations and maintenance	4,600,041	4,083,157
Laboratory	142,525	87,294
Conservation	341,615	286,123
Engineering	1,534,122	1,336,329
Water resources	824,856	1,019,506
Depreciation and amortization	2,425,528	2,369,364
Total operating expenses	<u>15,243,201</u>	<u>16,037,098</u>
Operating income	<u>3,568,681</u>	<u>1,561,456</u>
NONOPERATING REVENUES (EXPENSES):		
Lease revenue	204,702	204,702
Interest earned	241,183	274,738
Interest expense	(1,788,554)	(1,843,746)
Contributions to other agencies	(1,301,377)	-
Total nonoperating revenue (expenses)	<u>(2,644,046)</u>	<u>(1,364,306)</u>
Income before capital contributions	924,635	197,150
CAPITAL CONTRIBUTIONS:		
Grants	590,598	2,187,939
Capacity and connection fees	4,192,221	1,209,529
Developer contributions	843,175	2,297,885
Total capital contributions	<u>5,625,994</u>	<u>5,695,353</u>
Increase in net position	6,550,629	5,892,503
Net position, beginning of year	<u>192,085,775</u>	<u>185,925,553</u>
Prior Period Adjustment (Note 11)	-	267,719
Net position, beginning of year (as restated)	<u>192,085,775</u>	<u>186,193,272</u>
Net position, end of year	<u>\$ 198,636,404</u>	<u>\$ 192,085,775</u>

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

MARINA COAST WATER DISTRICT
Statements of Cash Flows
For The Years Ended June 30, 2022 and 2021

	2022	2021 (As Restated)
OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 19,603,136	\$ 17,376,972
Payments to employees	(6,424,857)	(6,266,487)
Payments to suppliers	(7,798,598)	(4,812,018)
Net cash provided by operating activities	5,379,681	6,298,467
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(17,262,363)	(9,412,817)
Proceeds from grants	1,139,156	2,489,046
Developer contributions, capacity and connection receipts	4,918,657	1,927,531
Lease revenues	156,184	147,056
Proceeds from line of credit	4,473,790	-
Principal paid on line of credit	-	(970,250)
Proceeds from capital debt	-	2,504,437
Principal paid on capital debt and leases	(1,522,848)	(1,412,385)
Interest paid on capital debt and leases	(2,055,798)	(2,093,768)
Net cash provided by (used in) capital and related financing activities	(10,153,222)	(6,821,150)
INVESTING ACTIVITIES:		
Investment earnings	223,279	305,685
Net cash provided by investing activities	223,279	305,685
Net decrease in cash and cash equivalents	(4,550,262)	(216,998)
Cash and cash equivalents, beginning of year	37,596,667	37,813,666
Cash and cash equivalents, end of year	\$ 33,046,405	\$ 37,596,668
RECONCILIATION TO STATEMENTS OF NET POSITION:		
Cash and investments	\$ 8,742,742	\$ 5,424,249
Restricted cash and investments	24,303,663	32,172,419
Total cash and cash equivalents	\$ 33,046,405	\$ 37,596,668
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 3,568,681	\$ 1,561,456
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,425,528	2,369,364
(Increase) decrease in accounts receivable	(364,385)	(553,899)
(Increase) decrease in inventories	8,215	(65,290)
(Increase) decrease in prepaid items	(23,851)	(49,417)
(Increase) decrease in deposits	(1,480)	(1,700)
(Increase) decrease in deferred outflows of resources	117,182	(169,899)
Increase (decrease) in accounts payable	(414,980)	2,175,177
Increase (decrease) in accrued expenses	25,122	31,900
Increase (decrease) in customer deposits payable	1,155,639	332,316
Increase (decrease) in compensated absences	57,911	92,619
Increase (decrease) in net pension liability	(2,180,724)	423,032
Increase (decrease) in total OPEB liability	(929,784)	349,656
Increase (decrease) in deferred inflows of resources	1,936,607	(196,848)
Total adjustments	1,811,000	4,737,011
Net cash provided by operating activities	\$ 5,379,681	\$ 6,298,467
Amortization of deferred charges and premium	\$ 238,789	\$ 238,789

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



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MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

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

Note 1 - Summary of Significant Accounting Policies

Note 2 - Cash and Investments

Note 3 - Receivables

Note 4 - Capital Assets

Note 5 - Line of Credit

Note 6 - Long-Term Debt

Note 7 - Defined Benefit Pension Plan

Note 8 - Other Post-Employment Benefits

Note 9 - Risk Management

Note 10 - Commitments and Contingencies

Note 11 - Restatement of Net Position



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MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

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

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

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

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (concluded)

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

C. Measurement Focus and Basis of Accounting

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

D. Statement of Net Position

Net Position consists of the following components:

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

D. Statement of Net Position (concluded)

Net investment in capital assets as of June 30, 2022 and 2021 are as follows:

	2022	2021
Capital assets, net	\$ 231,533,678	\$ 216,660,203
2015 Series A Bonds	(25,969,870)	(27,196,195)
2019 Revenue Bonds	(18,767,196)	(19,159,684)
Unspent 2019 Bond proceeds	11,225,136	16,805,117
Santa Cruz County Bank Installment Loan	(2,364,501)	(2,461,718)
SRF Loan - Agreement 1	(4,932,096)	(4,932,096)
SRF Loan - Agreement 2	(1,230,606)	(1,230,606)
Line of credit	(5,503,412)	(1,029,621)
Lease obligations	(55,160)	(29,475)
Deferred gains on refunding debt	(524,640)	(559,616)
Net investment in capital assets	<u>\$ 183,411,333</u>	<u>\$ 176,866,309</u>

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

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

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

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

F. Budget

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

G. Cash, Cash Equivalents, and Investments

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

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

H. Accounts Receivable

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

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

I. Inventories

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

J. Restricted Assets

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

K. Bond Premiums

Bond premiums are added to the related debt and included in bonds payable.

L. Capital Assets

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

Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets which range from 30 to 80 years for the plant and pipelines, and 5 to 10 years for other equipment.

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

M. Compensated Absences

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

N. Leases

Lessee

The District has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in the financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

N. Leases (continued)

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the District has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right to use along with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Lessor

The District is a lessor for a lease of office space. The District recognizes lease receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset should not be included in the measurement of the lease receivable.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

N. Leases (concluded)

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

O. Rebate Arbitrage

Rebate arbitrage earnings related to the 2019 revenue certificates of participation and the 2015 Series A revenue refunding bonds are being recorded as a liability. As of June 30, 2022 and 2021, the District's liability was estimated at \$0 for both years.

P. Interfund Transactions

Interfund transactions may result from loans or transfers. "Due to" and "due from" balances are generally used to reflect short-term interfund receivables and payables where as "advance to" and "advance from" balances are for long-term. All interfund transactions are eliminated in the Statements of Net Position.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Q. Property Taxes

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

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

The property tax calendar is as follows:

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

R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

S. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 7). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefits terms. Investments are reported at fair value.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

S. Pension (concluded)

The following timeframes are used for pension reporting:

2022

Valuation Date:	June 30, 2020
Measurement Date:	June 30, 2021
Measurement Period:	July 1, 2020 to June 30, 2021

2021

Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2020
Measurement Period:	July 1, 2019 to June 30, 2020

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

T. Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

T. Other Post-Employment Benefits (OPEB) (concluded)

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. The following timeframes are used for OPEB reporting:

2022

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2021
Measurement Period:	July 1, 2020 to June 30, 2021

2021

Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2020
Measurement Period:	July 1, 2019 to June 30, 2020

U. Implementation of New GASB Pronouncements

During the fiscal year ended June 30, 2022, the District implemented the following new GASB pronouncements:

- In June 2017, GASB issued Statement No. 87, Leases (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on the District's financial statements for the year ended June 30, 2022.
- In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

U. Implementation of New GASB Pronouncements (continued)

expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement did not have a material effect on the District's financial statements for the fiscal year ending June 30, 2022.

- In January 2020, GASB issued Statement No. 92, Omnibus 2020. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Application of this statement did not have a material effect on the District's financial statements for the fiscal year ending June 30, 2022.
- In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Application of this statement did not have a material effect on the District's financial statements for the fiscal year ending June 30, 2022.
- In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (concluded)

U. Implementation of New GASB Pronouncements (concluded)

plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Application of this statement did not have a material effect on the District's financial statements for the fiscal year ending June 30, 2022.

Note 2 - Cash and Investments

Cash and investments as of June 30, 2022 and 2021 are classified in the accompanying financial statements as follows:

	2022	2021
Statement of Net Position:		
Cash and investments	\$ 8,742,742	\$ 5,424,249
Restricted cash and investments	24,303,663	32,172,419
Total cash and investments	<u>\$ 33,046,405</u>	<u>\$ 37,596,668</u>

Cash and investments as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Cash on hand	\$ 1,050	\$ 1,050
Deposits with financial institutions	2,837,422	1,857,079
Investments - cash equivalent	30,207,933	35,738,539
Total cash and investments	<u>\$ 33,046,405</u>	<u>\$ 37,596,668</u>

Investments Authorized by the District's Investment Policy

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 2 - Cash and Investments (continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2022.

Investment Type	Investment Maturities (in Years)		Fair Value Total
	Less Than 1 Year	1 to 3 Years	
State Investment Pool (LAIF)	\$ 16,922,020	\$ -	\$ 16,922,020
Money Market Fund	2,060,412	-	2,060,412
Debt Reserve Fund/ Bond Project Fund (T-Fund Money Market)	8,705,387	2,520,114	11,225,501
Total	<u>\$ 27,687,819</u>	<u>\$ 2,520,114</u>	<u>\$ 30,207,933</u>

As of June 30, 2021, District had the following investments and maturities:

Investment Type	Investment Maturities (in Years)		Fair Value Total
	Less Than 1 Year	1 to 3 Years	
State Investment Pool (LAIF)	\$ 16,874,905	\$ -	\$ 16,874,905
Money Market Fund	2,058,497	-	2,058,497
Debt Reserve Fund/ Bond Project Fund (T-Fund Money Market)	5,579,636	11,225,501	16,805,137
Total	<u>\$ 24,513,038</u>	<u>\$ 11,225,501</u>	<u>\$ 35,738,539</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 2 - Cash and Investments (continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table are the Standard and Poor's credit ratings for the District's investments as of June 30, 2022.

Investment Type	Total as of June 30, 2022	Minimum Legal Rating	A or Higher	Not Rated
State Investment Pool (LAIF)	\$ 16,922,020	N/A	\$ -	\$ 16,922,020
Money Market Fund	2,060,412	AAA	2,060,412	-
Debt Reserve Fund/ Bond Project Fund (T-Fund Money Market)	11,225,501	N/A	11,225,501	-
Total	<u>\$ 30,207,933</u>		<u>\$ 13,285,913</u>	<u>\$ 16,922,020</u>

Presented in the following table are the Standard and Poor's credit ratings for the District's investments as of June 30, 2021.

Investment Type	Total as of June 30, 2021	Minimum Legal Rating	A or Higher	Not Rated
State Investment Pool (LAIF)	\$ 16,874,905	N/A	\$ -	\$ 16,874,905
Money Market Fund	2,058,497	AAA	2,058,497	-
Debt Reserve Fund/ Bond Project Fund (T-Fund Money Market)	16,805,137	N/A	16,805,137	-
Total	<u>\$ 35,738,539</u>		<u>\$ 18,863,634</u>	<u>\$ 16,874,905</u>

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government agency will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 2 - Cash and Investments (continued)

undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

Collateral and Categorization Requirements

On June 30, 2022, the District's carrying amount of demand deposits was \$2,837,422 and the bank account balance was \$4,927,966. The difference of \$2,090,544 represented outstanding checks and deposits in transit. Of the total deposit balance, \$250,000 was insured by federal depository insurance and \$4,677,966 was collateralized 110% in accordance with California Government Code requirements by securities held by the pledging financial institution in the District's name.

On June 30, 2021, the District's carrying amount of demand deposits was \$1,857,079 and the bank account balance was \$2,281,479. The difference of \$424,400 represented outstanding checks and deposits in transit. Of the total deposit balance, \$250,000 was insured by federal depository insurance and \$2,031,479 was collateralized 110% in accordance with California Government Code requirements by securities held by the pledging financial institution in the District's name.

Investment in State Investment Pool

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

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 2 - Cash and Investments (concluded)

The District's investments with LAIF include a portion of the pooled funds invested in medium-term and short-term 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.

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

As of June 30, 2022 and 2021, the District had \$16,922,020 and \$16,874,905, respectively invested in LAIF, which had invested 1.88% and 2.31%, respectively, of the pooled investment funds in short-term and medium-term structured notes and asset-backed securities. The fair value of the District's position in the pool is the same as the value of the pool shares.

Note 3 – Receivables

At June 30, 2022 and 2021, accounts receivable consisted of utility customer receivables of \$4,261,077 and \$3,896,692, respectively. The allowance for uncollectible accounts related to utility customers was \$192,910 for both years.

Other receivable balance, net of allowance for doubtful accounts, currently outstanding at June 30, 2022 and 2021 was \$808,210 and \$1,008,810, respectively. Other receivables include balances from agreements with local developers, grant receivables, lease payments, and miscellaneous reimbursements.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 3 – Receivables (concluded)

Lease Receivable

The District is a lessor for a lease of office space. Lease receivable consists of agreements with others for the right-to-use of the underlying assets owned by the District. The term of the arrangement is for 20 years. For the fiscal year ended June 30, 2022, the District recognized \$152,589 in lease revenue and \$160,066 in interest revenue. In addition, the District recognized \$325,366 in lease revenue for variable payments not previously included in measurement of lease receivable.

A summary of changes in lease receivable for fiscal years ended June 30, 2022 and 2021 are as follows:

Year Ending June 30,	Beginning Balance, as Restated	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
2021	\$ 3,413,486	\$ -	\$ (143,305)	\$ 3,270,181	\$ 152,589	\$ 3,117,592
2022	3,270,181	-	(152,589)	3,117,592	163,147	2,954,445

Lease receivable are due in the upcoming years as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 163,147	\$ 152,175	\$ 315,321
2024	171,494	143,828	315,321
2025	180,268	135,054	315,321
2026	189,491	125,831	315,321
2027	199,185	116,136	315,321
2028-2032	1,159,622	416,984	1,576,607
2033-2036	1,054,386	101,793	1,156,178
	<u>\$ 3,117,592</u>	<u>\$ 1,191,800</u>	<u>\$ 4,309,392</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 4 - Capital Assets

Changes in capital assets for the fiscal year ended June 30, 2022, is as follows:

	Balance July 1, 2021	Additions	Deletions	Transfers	Balance at June 30, 2022
<u>Capital assets, not being depreciated/amortized:</u>					
Land	\$ 9,582,134	\$ -	\$ -	\$ 4,855,526	\$ 14,437,660
Property easement	25,181,584	-	-	-	25,181,584
Water/sewer rights	75,129,410	-	-	-	75,129,410
Construction in progress	27,865,705	16,794,045	-	(6,132,506)	38,527,245
<u>Total capital assets, not being depreciated/amortized:</u>	<u>137,758,833</u>	<u>16,794,045</u>	<u>-</u>	<u>(1,276,980)</u>	<u>153,275,899</u>
<u>Capital assets, being depreciated/amortized:</u>					
Land improvements	190,092	-	-	-	190,092
Buildings and improvements	8,502,823	27,787	-	44,105	8,574,715
Equipment	6,596,283	440,745	(219,829)	-	6,817,199
Infrastructure	114,502,385	-	-	1,232,875	115,735,260
Lease asset	40,057	36,425	-	-	76,482
<u>Total capital assets, being depreciated/amortized:</u>	<u>129,831,640</u>	<u>504,957</u>	<u>(219,829)</u>	<u>1,276,980</u>	<u>131,393,748</u>
<u>Less accumulated depreciation/ amortization:</u>					
Land improvements	(89,929)	(9,714)	-	-	(99,643)
Buildings and improvements	(2,388,885)	(175,558)	-	-	(2,564,443)
Equipment	(3,123,709)	(285,565)	219,829	-	(3,189,444)
Infrastructure	(45,316,839)	(1,943,187)	-	-	(47,260,026)
Lease asset	(10,908)	(11,505)	-	-	(22,413)
<u>Total accumulated depreciation/ amortization:</u>	<u>(50,930,270)</u>	<u>(2,425,528)</u>	<u>219,829</u>	<u>-</u>	<u>(53,135,969)</u>
<u>Total capital assets, being depreciated/amortized, net:</u>	<u>78,901,370</u>	<u>(1,920,570)</u>	<u>-</u>	<u>1,276,980</u>	<u>78,257,779</u>
<u>Total capital assets, net</u>	<u>\$ 216,660,203</u>	<u>\$ 14,873,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,533,678</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 4 - Capital Assets (concluded)

Changes in capital assets for the fiscal year ended June 30, 2021, is as follows:

	Balance July 1, 2020	Prior Period Adjustments	Adjusted Balance	Additions	Deletions	Transfers	Balance at June 30, 2021
<u>Capital assets, not being depreciated/amortized:</u>							
Land	\$ 9,582,134	\$ -	\$ 9,582,134	\$ -	\$ -	\$ -	\$ 9,582,134
Property easement	25,181,584	-	25,181,584	-	-	-	25,181,584
Water/sewer rights	75,129,410	-	75,129,410	-	-	-	75,129,410
Construction in progress	19,395,974	-	19,395,974	8,857,159	-	(387,428)	27,865,705
<u>Total capital assets, not being depreciated/amortized:</u>	<u>129,289,102</u>	<u>-</u>	<u>129,289,102</u>	<u>8,857,159</u>	<u>-</u>	<u>(387,428)</u>	<u>137,758,833</u>
<u>Capital assets, being depreciated/amortized:</u>							
Land improvements	190,092	-	190,092	-	-	-	190,092
Buildings and improvements	8,502,823	-	8,502,823	-	-	-	8,502,823
Equipment	5,967,403	-	5,967,403	519,872	(188,475)	297,483	6,596,283
Infrastructure	112,500,690	-	112,500,690	1,911,750	-	89,945	114,502,385
Lease asset	-	23,556	23,556	16,501	-	-	40,057
<u>Total capital assets, being depreciated/amortized:</u>	<u>127,161,008</u>	<u>-</u>	<u>127,161,008</u>	<u>2,448,123</u>	<u>(188,475)</u>	<u>387,428</u>	<u>129,831,640</u>
<u>Less accumulated depreciation/ amortization:</u>							
Land improvements	(80,215)	-	(80,215)	(9,714)	-	-	(89,929)
Buildings and improvements	(2,217,795)	-	(2,217,795)	(171,090)	-	-	(2,388,885)
Equipment	(3,094,811)	-	(3,094,811)	(217,373)	188,475	-	(3,123,709)
Infrastructure	(43,352,288)	-	(43,352,288)	(1,964,551)	-	-	(45,316,839)
Lease asset	-	(4,272)	(4,272)	(6,636)	-	-	(10,908)
<u>Total accumulated depreciation/ amortization:</u>	<u>(48,745,109)</u>	<u>-</u>	<u>(48,745,109)</u>	<u>(2,369,364)</u>	<u>188,475</u>	<u>-</u>	<u>(50,930,270)</u>
<u>Total capital assets, being depreciated/ amortized, net:</u>	<u>78,415,899</u>	<u>-</u>	<u>78,415,899</u>	<u>78,759</u>	<u>-</u>	<u>387,428</u>	<u>78,901,370</u>
<u>Total capital assets, net</u>	<u>\$ 207,705,001</u>	<u>\$ -</u>	<u>\$ 207,705,001</u>	<u>\$ 8,935,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,660,203</u>

Depreciation and Amortization Allocations

Depreciation and amortization expense was charged to functions and programs based on their usage of the related assets. The depreciation and amortization expense for the years ended June 30, 2022 and 2021 totaled \$2,425,528, and \$2,369,364, respectively.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 5 – Line of Credit

The District submitted a Financial Assistance Application for a State Revolving Fund (SRF) Loan to the State Water Resources Control Board (SWRCB) to finance the costs of constructing certain transmission and distribution pipelines and other infrastructure associated with the RUWAP Pipeline. This pipeline is an advanced treated recycled water conveyance system intended to serve both the District and Monterey One Water. Due to SRF loan draws being funded on a reimbursement basis, interim financing was required to cash flow anticipated costs in connection with the engineering, design, and construction of the recycled water pipeline. On May 15, 2017, the Board adopted Resolution No. 2017-31 to obtain interim financing through a Revolving Line of Credit (RLOC) from BBVA Compass Bank (BBVA) in the amount of \$16 million. The RLOC had a 36-month term with an interest rate of 65% of 1-month LIBOR plus a spread of 1.5% combined with no additional fee on any unused portion of the RLOC. The RLOC was secured by the District's Net Revenues, the SRF loan agreements, an agreement with Monterey One Water for their capacity share of the transmission pipeline, and contributions from the Fort Ord Reuse Authority.

Due to delays in the construction of the distribution pipelines, the State amended the project completion dates of the SRF loans for the transmission pipeline and the distribution system to March 30, 2022. On July 1, 2020, the District and BBVA amended the RLOC to accommodate the change project completion dates with the following terms:

- Loan amount reduced to \$8,000,000 with the loan term extended to March 31, 2022
- The outstanding principal components shall bear interest at a variable rate equal to 79.01% of the 30-Day LIBOR plus 1.25% (125 basis points) with the 30-Day LIBOR no less than 1.00%.
- If the LIBOR is no longer published, the Lender may substitute an alternative index rate recommended by the Federal Reserve Board and/or the Federal Reserve Bank of New York (FRB/NYFRB).

On June 1, 2022, the loan term was extended to March 30, 2023.

Whenever any event of default shall have happened and be continuing, the lender shall have the right, at its option upon notice to the District, to declare the unpaid aggregate principal components of the loan, and the interest accrued thereon, to be immediately due and payable, whereupon the same shall immediately become due and payable. The lender shall also have the right, at its option upon notice to the District, to (i) apply to and obtain from any court of competent jurisdiction such decree or order as may be necessary to require officials of the District to charge and collect rates for services provided by the District and the enterprises sufficient to meet all requirements of this loan agreement, and (ii) take whatever action at law or in equity as may appear necessary or desirable to collect the loan payments then due or thereafter to become due during the term of this loan agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this loan agreement. At June 30, 2022 and 2021, the outstanding line of credit balance was \$5,503,412 and \$1,029,621, respectively.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 6 - Long-Term Liabilities

Changes in long-term liability activity for the fiscal year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2015 Series A Bonds - Publicly offered	\$ 25,015,000	\$ -	\$ (1,090,000)	\$ 23,925,000	\$ 1,130,000
plus unamortized premiums	2,181,195	-	(136,325)	2,044,870	-
Net 2015 Series A Bonds	27,196,195	-	(1,226,325)	25,969,870	1,130,000
2019 Series Revenue Bonds - Publicly offered	17,270,000	-	(325,000)	16,945,000	340,000
plus unamortized premiums	1,889,684	-	(67,488)	1,822,196	-
Net 2019 Series Revenue Bonds	19,159,684	-	(392,488)	18,767,196	340,000
SRF Loan 1 - Direct borrowing	4,932,096	-	-	4,932,096	125,430
SRF Loan 2 - Direct borrowing	1,230,606	-	-	1,230,606	31,296
Santa Cruz County Bank Installment Loan - Private placement	2,461,718	-	(97,217)	2,364,501	102,887
Compensated absences	555,846	426,603	(368,692)	613,757	91,324
Lease payable	29,475	36,316	(10,631)	55,160	14,461
Totals	<u>\$ 55,565,620</u>	<u>\$ 462,919</u>	<u>\$ (2,095,353)</u>	<u>\$ 53,933,186</u>	<u>\$ 1,835,398</u>

Changes in long-term liability activity for the fiscal year ended June 30, 2021, was as follows:

	Beginning Balance, as Restated	Additions	Reductions	Ending Balance	Due within One Year
2015 Series A Bonds - Publicly offered	\$ 26,050,000	\$ -	\$ (1,035,000)	\$ 25,015,000	\$ 1,090,000
plus unamortized premiums	2,317,520	-	(136,325)	2,181,195	-
Net 2015 Series A Bonds	28,367,520	-	(1,171,325)	27,196,195	1,090,000
2019 Series Revenue Bonds - Publicly offered	17,585,000	-	(315,000)	17,270,000	325,000
plus unamortized premiums	1,957,173	-	(67,489)	1,889,684	-
Net 2019 Series Revenue Bonds	19,542,173	-	(382,489)	19,159,684	325,000
SRF Loan 1 - Direct borrowing	3,658,265	1,273,831	-	4,932,096	-
SRF Loan 2 - Direct borrowing	-	1,230,606	-	1,230,606	-
Santa Cruz County Bank Installment Loan - Private placement	2,553,577	-	(91,859)	2,461,718	97,217
Compensated absences	463,227	486,477	(393,858)	555,846	85,463
Lease payable	19,454	16,393	(6,372)	29,475	7,867
Totals	<u>\$ 54,604,216</u>	<u>\$ 3,007,307</u>	<u>\$ (2,045,903)</u>	<u>\$ 55,565,620</u>	<u>\$ 1,605,547</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 6 - Long-Term Liabilities (continued)

A. Santa Cruz County Bank Installment Loan

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

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

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 6 - Long-Term Liabilities (continued)

A. Santa Cruz County Bank Installment Loan (concluded)

In the event of default, the lender may (1) declare the entire principal amount of the unpaid 2017 Installment Payments and the accrued interest thereon to be accelerated and immediately due and payable, whereupon the same shall immediately become due and payable; provided however, that in the event payment on any Parity Debt is accelerated, the entire principal amount of the unpaid 2017 Installment Payments and the accrued interest thereon shall be accelerated and immediately due and payable without notice to the District and without requiring any act of the lender, whereupon the same shall immediately become due and payable; and/or (2) for the account of the District, incur and pay reasonable expenses for repair and maintenance of the building and such other reasonable expenses as may be necessary to cure the cause of default; and/or (3) take all actions and pursue all other rights and remedies that lender may have, at law or in equity, including, without limitation, seeking a mandamus, requesting specific performance, or taking action to enjoin the District from taking any action not permitted or contradictory to the express terms, conditions and requirements of the Agreement.

As of June 30, 2022 and 2021, the outstanding balance was \$2,364,501 and \$2,461,718, respectively.

Future payments are as follows:

Year Ending June 30,	Santa Cruz County Bank Installment Loan		
	Principal	Interest	Total
2023	\$ 102,887	\$ 134,501	\$ 237,388
2024	108,888	128,500	237,388
2025	115,240	122,148	237,388
2026	121,961	115,427	237,388
2027	129,075	108,314	237,389
2028-2032	767,476	419,464	1,186,940
2033-2037	1,018,974	167,967	1,186,941
	<u>\$ 2,364,501</u>	<u>\$ 1,196,321</u>	<u>\$ 3,560,822</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 6 - Long-Term Liabilities (continued)

B. SRF Loans

In December 2015, the District submitted an application to the California State Revolving Fund Loan Program for the Regional Urban Water Augmentation Project ("RUWAP") which included the transmission pipeline as well as the distribution system. The State bifurcated the application into separate agreements for the transmission pipeline and the distribution system. On January 28, 2018, the District entered into a construction installment sale agreement and grant (the "Agreement") with the California State Revolving Fund Loan Program for the construction of the RUWAP transmission pipeline with a maximum amount of \$10,513,217 at an interest rate of 1.8% per annum and a completion date of September 30, 2020. However, the State amended the contract completion date to coincide with the completion date of the distribution system of March 30, 2022, as the distribution system will provide the revenue to pay the debt service on both the transmission and distribution of recycled water. Per the Agreement, there is no interest during construction and has a maximum grant component of \$3,595,789.

Originally, the District was instructed by the State to record all funds drawn from the Agreement as loan funds. Once the project was completed, the State would provide what portion would be classified as grant funds. However, the State has now advised the District that grant funds may be recorded based on the distribution breakdown of each funds request. As of June 30, 2022 and 2021, a total of \$7,587,844 has been received by the District of which, \$2,655,748 are grant funds and \$4,932,096 are loan proceeds. The loan repayment was originally scheduled to commence September 30, 2021 but has been amended to March 30, 2023.

Future payments are as follows:

Year Ending June 30,	SRF Loan Agreement 1		
	Principal	Interest	Total
2023	\$ 125,430	\$ 88,778	\$ 214,208
2024	127,688	86,520	214,208
2025	129,986	84,222	214,208
2026	132,326	81,882	214,208
2027	134,708	79,500	214,208
2028-2032	710,796	360,244	1,071,040
2033-2037	777,113	293,927	1,071,040
2038-2042	849,616	221,424	1,071,040
2043-2047	928,884	142,156	1,071,040
2048-2052	1,015,549	55,492	1,071,041
	<u>\$ 4,932,096</u>	<u>\$ 1,494,145</u>	<u>\$ 6,426,241</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 6 - Long-Term Liabilities (continued)

B. SRF Loans (concluded)

On June 27, 2018, the District entered into a second construction installment sale agreement and grant ("2nd Agreement") with the California State Revolving Loan Program for the construction of the RUWAP distribution system with a maximum amount of \$11,439,582 at an interest rate of 1.8% annum and a completion date of March 30, 2020. Due to the project's bid process issues and construction timing issues, the State amended the completion date of the 2nd Agreement to March 30, 2022. As of June 30, 2022 and 2021, a total of \$2,461,210 has been received by the District of which, \$1,230,604 are grant funds and \$1,230,606 are loan proceeds. The loan repayment was originally scheduled to commence September 30, 2021, but has been amended to March 30, 2023.

Future payments are as follows:

Year Ending June 30,	SRF Loan Agreement 2		
	Principal	Interest	Total
2023	\$ 31,296	\$ 22,151	\$ 53,447
2024	31,859	21,588	53,447
2025	32,433	21,014	53,447
2026	33,017	20,430	53,447
2027	33,611	19,836	53,447
2028-2032	177,351	89,884	267,235
2033-2037	193,897	73,338	267,235
2038-2042	211,988	55,247	267,235
2043-2047	231,766	35,469	267,235
2048-2052	253,388	13,846	267,234
	<u>\$ 1,230,606</u>	<u>\$ 372,803</u>	<u>\$ 1,603,409</u>

These Agreements may be terminated by written notice during construction of the Project, or thereafter at any time prior to complete satisfaction of the Obligation by the District, at the option of the State Water Board, upon violation by the District of any material provision of the Agreements after such violation has been called to the attention of the District and after failure by the District to bring itself into compliance with the provisions of the Agreements within a reasonable time as established by the Division. In the event of such termination, the District agrees, upon demand, to immediately repay to the State Water Board an amount equal to Project Funds disbursed hereunder, accrued interest, penalty assessments, and Additional Payments. In the event of termination, interest shall accrue on all amounts due at the highest legal rate of interest from the date that notice of termination is mailed to the District to the date all monies due have been received by the State Water Board.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 6 - Long-Term Liabilities (continued)

C. 2015 Series A & B Revenue Bonds

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

In an Event of Default, the Bond Trustee shall give notice of such Event of Default to the District by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds has been declared to be or have immediately become due and payable.

The outstanding balance at June 30, 2022 and 2021 was \$23,925,000 and \$25,015,000, respectively.

Future payments are as follows:

Year Ending June 30,	2015 Series A Revenue Refunding Bonds		
	Principal	Interest	Total
2023	\$ 1,130,000	\$ 1,119,000	\$ 2,249,000
2024	1,190,000	1,062,500	2,252,500
2025	1,235,000	1,014,900	2,249,900
2026	1,300,000	953,150	2,253,150
2027	1,365,000	888,150	2,253,150
2028-2032	7,900,000	3,348,250	11,248,250
2033-2037	9,805,000	1,448,613	11,253,613
	<u>\$ 23,925,000</u>	<u>\$ 9,834,563</u>	<u>\$ 33,759,563</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 6 - Long-Term Liabilities (continued)

D. 2019 Enterprise Revenue Certificates of Participation

On December 19, 2019, the District issued 2019 Enterprise Revenue Certificates of Participation in the amount of \$17,725,000 (the "COPs"). The COPs were issued to finance \$19,500,000 of required capital improvement projects including, but not limited to, the construction of pipeline improvements, replacement of booster pumps, lift station enhancements, construction of reservoir tanks, acquisition of emergency generators at key well sites, booster stations, and sewer pumping facilities to maintain operation during power outages. The true cost for the transaction, which included all annualized costs, is 2.99% over a thirty-year period. In the event of default, the bond trustee has the right to declare all principal components of the unpaid installment payments, together with accrued interest to be immediately due and payable.

The outstanding balance at June 30, 2022 and 2021 was \$16,945,000 and \$17,270,000, respectively.

Future payments are as follows:

Year ending June 30,	2019 Revenue Bonds		
	Principal	Interest	Total
2023	\$ 340,000	\$ 666,700	\$ 1,006,700
2024	355,000	653,100	1,008,100
2025	365,000	638,900	1,003,900
2026	385,000	620,650	1,005,650
2027	405,000	601,400	1,006,400
2028-2032	2,345,000	2,682,500	5,027,500
2033-2037	2,935,000	2,094,100	5,029,100
2038-2042	3,570,000	1,457,900	5,027,900
2043-2047	4,320,000	711,250	5,031,250
2048-2049	1,925,000	87,000	2,012,000
	<u>\$ 16,945,000</u>	<u>\$ 10,213,500</u>	<u>\$ 27,158,500</u>

E. Bond Premiums

Unamortized bond premiums are netted against the related debt and included in bonds payable. They are amortized annually to interest expense. Amortization expense for the years ended June 30, 2022 and 2021 was \$203,813 and \$203,814, respectively.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 6 - Long-Term Liabilities (concluded)

F. Compensated Absences

District employees accumulate earned, but unused, vacation and sick pay benefits which can be converted to cash at termination of employment. The compensated absences balance at June 30, 2022 and 2021 was \$613,757 and \$555,846, respectively.

G. Lease Payable

The District has entered into leases for equipment use. The terms of the agreements are for 5 years. The calculated interest rate used ranged from 2.0% to 3.0%. In addition, the District recognized \$325 in lease expenditures for variable payments not previously included in measurement of lease payable. The lease payable balance at June 30, 2022 and 2021 was \$55,160 and \$29,475, respectively.

Principal and interest payments to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2023	\$ 15,093	\$ 1,082	\$ 16,175
2024	13,901	738	14,639
2025	14,118	440	14,558
2026	7,472	191	7,663
2027	4,576	59	4,634
	\$ 55,160	\$ 2,509	\$ 57,669

Note 7 - Defined Benefit Pension Plan

A. General Information

Plan Description

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 7 - Defined Benefit Pension Plan (continued)

A. General Information (continued)

Employees Covered by Benefit Terms

At June 30, 2020 and 2019 valuation dates, the following employees were covered by the benefit terms:

	2020		2019	
	Classic	PEPRA	Classic	PEPRA
Active employees	23	17	24	15
Transferred and terminated employees	18	14	17	10
Retired employees and beneficiaries	17	-	16	-
Total	58	31	57	25

Benefits Provided

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

The Plan's provisions and benefits in effect at June 30, 2022 are summarized as follows:

	Miscellaneous	
	Prior to July 1, 2015	On or After July 1, 2015
Hire Date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63+	52 - 67+
Monthly benefits, as a % of eligible compensation	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	9.13%	7.59%

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 7 - Defined Benefit Pension Plan (continued)

A. General Information (concluded)

The Plan's provisions and benefits in effect at June 30, 2021 are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to July 1, 2015</u>	<u>On or After July 1, 2015</u>
Hire Date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63+	52 - 67+
Monthly benefits, as a % of eligible compensation	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	9.281%	7.732%

Contributions

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

For the years ended June 30, 2022 and 2021, the contributions for the Plan were as follows:

Classic Miscellaneous Plan	<u>2022</u>	<u>2021</u>
Contributions - employer	\$ 242,876	\$ 267,381
Contributions - employee (paid by employer)	186,214	201,651
Contributions - unfunded accrued liability	<u>275,084</u>	<u>222,024</u>
Total	<u><u>\$ 704,174</u></u>	<u><u>\$ 691,056</u></u>
PEPRA Miscellaneous Plan	<u>2022</u>	<u>2021</u>
Contributions - employer	\$ 124,896	\$ 100,360
Contributions - employee	111,074	87,613
Contributions - unfunded accrued liability	<u>2,919</u>	<u>2,714</u>
Total	<u><u>\$ 238,889</u></u>	<u><u>\$ 190,687</u></u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 7 - Defined Benefit Pension Plan (continued)

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

As of June 30, 2022 and 2021, the District reported net pension liabilities of \$1,656,097 and \$3,836,821, respectively, for its proportionate shares of the net pension liability of the Plan.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan at June 30, 2022 is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For 2021, the District's net pension liability for the Plan was measured as the proportionate share of the net pension liability. The net pension liability of the Plan at June 30, 2021 was measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2022, the District recognized pension expense of \$750,387 and reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Miscellaneous Plan		
Differences between Expected and Actual Experience	\$ 185,714	\$ -
Differences between Projected and Actual Investment Earnings	-	(1,445,685)
Changes in Proportion	338,308	-
Differences between Contributions and Proportionate Share of Contributions	-	(244,885)
Contributions made after Measurement Date	645,776	-
Total	\$ 1,169,798	\$ (1,690,570)

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 7 - Defined Benefit Pension Plan (continued)

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

Contributions subsequent to the measurement date, in the amount of \$645,776, will be recognized as a reduction of the collective net pension liability in the year ending June 30, 2023. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2023	\$ (221,524)
2024	(245,821)
2025	(299,691)
2026	(399,512)
2027	-
Thereafter	-
Total	\$ (1,166,548)

For the year ended June 30, 2021, the District recognized pension expense of \$868,195 and reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Miscellaneous Plan		
Changes of Assumptions	\$ -	\$ (27,366)
Differences between Expected and Actual Experience	197,723	-
Differences between Projected and Actual Investment Earnings	113,979	-
Changes in Proportion	341,914	-
Differences between Contributions and Proportionate Share of Contributions	-	(309,164)
Contributions made after Measurement Date	592,479	-
Total	\$ 1,246,095	\$ (336,530)

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 7 - Defined Benefit Pension Plan (continued)

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

Contributions subsequent to the measurement date for fiscal year 2021, in the amount of \$592,479, was recognized as a reduction of the collective net pension liability in the year ending June 30, 2022. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2022	\$ 58,536
2023	114,522
2024	89,361
2025	54,667
2026	-
Thereafter	-
Total	\$ 317,086

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020 total pension liability determined in the June 30, 2020 actuarial accounting valuation. The June 30, 2021 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

The mortality rate table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. Please refer to the December 2017 experience study report on the CalPERS website for more information.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 7 - Defined Benefit Pension Plan (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

The table below reflects the long-term expected real rate of return by asset class for both 2021 and 2020. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 7 - Defined Benefit Pension Plan (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Public Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%

(a) An expected inflation of 2.0% used for this period

(b) An expected inflation of 2.92% used for this period

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)
		Increase (Decrease)	
Balance at: 6/30/20 (Valuation date)	\$ 19,558,056	\$ 15,721,235	\$ 3,836,821
Balance at: 6/30/21 (Measurement date)	20,337,932	18,681,835	1,656,097
Net changes during 2020-2021	779,876	2,960,600	(2,180,724)
Balance at: 6/30/19 (Valuation date)	\$ 17,340,353	\$ 13,926,564	\$ 3,413,789
Balance at: 6/30/20 (Measurement date)	19,558,056	15,721,235	3,836,821
Net changes during 2019-2020	2,217,703	1,794,671	423,032

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement periods ended June 30, 2021 and 2020.

- 1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2020 and 2019). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 7 - Defined Benefit Pension Plan (continued)

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

- 2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2021 and 2020). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2021 and 2020 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2020-2021 and 2019-2020).
- 3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the market value assets.
- 4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- 5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- 6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the District's share of risk pool actuarial accrued liability at the beginning of measurement period.

The District's proportionate share of the net pension liability was as follows:

2022		2021	
Measurement Date:		Measurement Date:	
June 30, 2020	0.03526%	June 30, 2019	0.03331%
June 30, 2021	<u>0.03062%</u>	June 30, 2020	<u>0.03526%</u>
Change - Increase		Change - Increase	
(Decrease)	<u><u>-0.00464%</u></u>	(Decrease)	<u><u>0.00195%</u></u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 7 - Defined Benefit Pension Plan (concluded)

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

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

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

Miscellaneous Plan 2022:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability/ (Asset)	\$ 4,341,332	\$ 1,656,097	\$ (563,749)

Miscellaneous Plan 2021:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability/ (Asset)	\$ 6,439,522	\$ 3,836,821	\$ 1,686,292

Pension Plan Fiduciary Net Position

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 8 – Other Post-Employment Benefits (OPEB)

A. Plan Description

The District administers a single-employer defined-benefit post-employment healthcare plan. Dependents are ineligible to enroll, and benefits do not continue to surviving spouses. Retirees are eligible for medical benefits if they retire at age 55+ and have 20+ years of District service. The District pays for 50% of single party premiums for retirees with a retirement date of June 30, 2019 or earlier and 75% for retirees with a retirement date of July 1, 2019 or later. The District pays 100% of medical, vision, and dental premiums to a retired GM who had at least 3 years of District service.

B. Employees Covered

At June 30, 2021 (the census date), the benefit terms covered the following employees:

Active employees:	39
Inactive employees currently receiving benefits:	6
Inactive employees entitled to, but not yet receiving benefits:	<u>0</u>
Total:	<u><u>45</u></u>

C. Contributions

The contribution requirements of the plan members and the District are established and may be amended by the District's Board of Directors, and/or employee associations. Currently, contributions from plan members are not required. The District pays retiree benefits (premium contributions) as they come due. For fiscal year ended June 30, 2022, the District paid \$29,537 in pay-as-you-go premiums and the estimated implied subsidy was \$14,953 resulting in total payments of \$44,490. For fiscal year ended June 30, 2021, the District paid \$29,533 in pay-as-you-go premiums and the estimated implied subsidy was \$33,865 resulting in total payments of \$63,398.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 8 – Other Post-Employment Benefits (OPEB) (continued)

D. Total OPEB Liability

The District's total OPEB liability was valued as of June 30, 2021 and was used to calculate the OPEB liability measured as of June 30, 2021.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Discount Rate	2.45%	3.69%
Inflation	0.75%	5.50%
Healthcare Cost Trend Rates		
Pre-Medicare	6.50%	7.00% *
Medicare	4.00%	6.00% *
Salary Increases	2.75%	2.75% **
Mortality Rates	Based on CalPERS tables.	

- Projections of the sharing of benefit-related costs are based on an established pattern of practice.
- Experience studies come from the CalPERS Pension Assumption Model, revised May 14, 2018.
- Inactive employees (retirees) pay the cost of benefits in excess of the District's contribution.
- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.
- There were no changes between the measurement date and the report date that are expected to have a significant effect on the net OPEB liability.

* Trending down to 4.04% over 56 years. Applies to calendar years.

** Additional merit-based increases based on CalPERS merit salary increase tables.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2021 and 2020 was 3.69% and 2.45%, respectively. The District's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 8 – Other Post-Employment Benefits (OPEB) (continued)

E. Changes in the Total OPEB Liability

The changes in the total OPEB liability for 2022 are as follows:

	Total OPEB Liability
Balance as of Report Date June 30, 2021	\$ 2,462,886
Changes for the year:	
Service Cost	150,737
Interest	63,257
Changes in Benefit Terms	(387,188)
Differences Between Expected and Actual Experience	(592,836)
Changes of Assumptions	(100,356)
Benefit Payments	(29,533)
Implicit Subsidy Credit	(33,865)
Net Changes	(929,784)
Balance as of Report Date June 30, 2022	<u>\$ 1,533,102</u>

The changes in the total OPEB liability for 2021 are as follows:

	Total OPEB Liability
Balance as of Report Date June 30, 2020	\$ 2,113,230
Changes for the year:	
Service Cost	124,636
Interest	69,052
Differences Between Expected and Actual Experience	(4,741)
Changes of Assumptions	224,157
Benefit Payments	(26,247)
Implicit Subsidy Credit	(37,201)
Net Changes	349,656
Balance as of Report Date June 30, 2021	<u>\$ 2,462,886</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 8 – Other Post-Employment Benefits (OPEB) (continued)

E. Changes in the Total OPEB Liability (concluded)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following represents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Fiscal Year 2022

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	2.69%	3.69%	4.69%
Total OPEB Liability	<u>\$ 1,789,422</u>	<u>\$ 1,533,102</u>	<u>\$ 1,324,042</u>

Fiscal Year 2021

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	1.45%	2.45%	3.45%
Total OPEB Liability	<u>\$ 2,853,620</u>	<u>\$ 2,462,886</u>	<u>\$ 2,143,115</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates:

Fiscal Year 2022

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
	6.00%	7.00%	8.00%
Total OPEB Liability	<u>\$ 1,296,847</u>	<u>\$ 1,533,102</u>	<u>\$ 1,831,006</u>

Fiscal Year 2021

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
	5.50% Decreasing to 2.84%	6.50% Decreasing to 3.84%	7.50% Decreasing to 4.84%
Total OPEB Liability	<u>\$ 2,056,290</u>	<u>\$ 2,462,886</u>	<u>\$ 2,985,488</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 8 – Other Post-Employment Benefits (OPEB) (continued)

F. OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended June 30, 2022, the District recognized an OPEB expense of -\$261,842. The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Actual and Expected Experience	\$ -	\$ (729,322)
Changes of Assumptions	180,204	(233,340)
District Contributions Subsequent to the Measurement Date	44,490	-
Total	<u>\$ 224,694</u>	<u>\$ (962,662)</u>

The \$44,490 reported as deferred outflows of resources related to contributions subsequent to June 30, 2022 measurement date will be recognized as a reduction of the total OPEB liability during fiscal year ending June 30, 2023.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Report Year Ending June 30:	Amount
2023	\$ (88,648)
2024	(88,648)
2025	(88,648)
2026	(88,648)
2027	(88,648)
Thereafter	(339,218)
Total	<u>\$ (782,458)</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 8 – Other Post-Employment Benefits (OPEB) (concluded)

F. OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (concluded)

For the year ended June 30, 2021, the District recognized an OPEB expense of \$169,226. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Actual and Expected Experience	\$ -	\$ (217,896)
Changes of Assumptions	202,181	(162,199)
District Contributions Subsequent to the Measurement Date	<u>63,398</u>	<u>-</u>
Total	<u><u>\$ 265,579</u></u>	<u><u>\$ (380,095)</u></u>

The \$63,398 reported as deferred outflows of resources related to contributions subsequent to June 30, 2021 measurement date was recognized as a reduction of the total OPEB liability during fiscal year ended June 30, 2022.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Report Year Ending June 30:	Amount
2022	\$ (24,462)
2023	(24,462)
2024	(24,462)
2025	(24,462)
2026	(24,462)
Thereafter	(55,604)
Total	\$ (177,914)

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 9 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). JPIA is an intergovernmental risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

On June 30, 2021, the District's participation in the self-insurance programs of JPIA is as follows:

- General, Automobile, Employment Practices & Public Officials' Liability: Broad coverage against third-party claims for the District, its directors, employees, and volunteers. Covered up to the following limits: the JPIA pools for first \$5 million and purchases excess coverage with limit up to \$55 million with aggregated policy limits.
- Property Loss: Covered up to replacement value with a \$1,000 deductible per occurrence on scheduled buildings, fixed equipment and contents, actual cash value on scheduled mobile equipment with a \$1,000 deductible per occurrence and actual cash value on scheduled vehicles with a \$500 deductible per occurrence. JPIA is self-insured up to \$100,000 per loss and has purchased re-insurance coverage up to a \$500,000,000 limit per occurrence. Scheduled fixed equipment is covered for Accidental Mechanical Breakdown up to sub-limit of \$100,000,000 with deductible \$25,000 to \$50,000 depending on type of equipment.
- Cyber Liability: Including Cyber Security up to \$5,000,000 per occurrence and \$5,000,000 Policy Aggregate Limit. Cyber Liability Deductible varies from \$10,000 to \$50,000 depending on District Total Insured Values.
- Employee Dishonesty/Crime Supplement: Covered up to \$100,000 per occurrence with a \$1,000 deductible for employee dishonesty, forgery or alteration and computer fraud. The program covers all employees, the Board of Directors, and the Treasurer.

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, and employee health and accident insurance. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Separate financial statements of JPIA can be obtained at 2100 Professional Drive, Roseville, CA 95661 or <http://www.acwaipia.com/FinancialStatements.aspx>.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 10 - Commitments and Contingencies

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

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

Regional Desalination Project

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

On September 18, 2012, CAW presented a claim to the District related to project costs pursuant to the California Government Claims Act, Government Code Section 810. On October 4, 2012, CAW filed an action against the District and MCWRA seeking a declaratory judgment, but no damages, concerning the validity of the RDP Agreements and the lawfulness of MCWRA's repudiation of the RDP Agreements. The District filed a cross-complaint for declaratory relief, but no damages, against CAW and MCWRA. The trial court entered a judgment during April 2015 following trial finding that certain of the RDP Agreements, including the Water Purchase Agreement were subject to the Validating Acts, but still could be rendered invalid due to the application of the four-year statute of limitations which is concerned with contractual conflicts of interest violations. That Judgment was timely appealed by the District and the Court of Appeal affirmed the court's decision. The District filed a Petition for Review before the California Supreme Court which had not ruled on whether it would grant the Petition. A lawsuit seeking damages due to the failure of the Regional Desalinization Project was filed by the District against CAW and MCWRA and those entities brought suit seeking damages against the District on the same subject matter. On June 1, 2015, the Superior Court entered judgment and the District appealed to the First Appellate District Court of Appeal, Case No. A145604. On August 26, 2015, the Court of Appeal granted the District's motion for calendar preference and expedited treatment. After full briefing and oral argument, the Court of Appeal rendered its decision in Case No. A145604 on August 18, 2016, affirming the judgment of the Superior Court. The District petitioned to the California Supreme Court for review of the Court

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 10 – Commitments and Contingencies (continued)

of Appeal decision, but on November 9, 2016, in Case No. S237534, the Supreme Court denied the petition for review. Separately, the District also appealed the Superior Court's post-judgment orders awarding costs and fees to CAW and MCWRA as prevailing parties, First District Court of Appeal Case Nos. A146166 and A146405. Those appeals were fully briefed, and the Court of Appeal thereafter held oral argument on December 6, 2017. On December 15, 2017, the Court of Appeal rendered its decision affirming the awards of costs and attorney fees. The District petitioned the Supreme Court for review of the Court of Appeal decision in Supreme Court Case No. S246648, but on February 28, 2018, its petition for review was denied by the Supreme Court. In June and July 2018, the District paid in full the awards of costs and fees (including interest thereon) to CAW in the amount of \$2,088,510 and MCWRA in the amount of \$760,680. CAW and MCWRA have each presented written breach of contract and tort claims for damages against the District, and the District has presented a breach of contract and tort claim for damages against MCWRA. The District has also made a written demand on its breach of contract and tort claims against CAW. In San Francisco Superior Court Case No. CGC-15-546632, CAW, and MCWRA filed a complaint for damages against the District seeking recovery and damages related to the termination of the RDP. In San Francisco Superior Court Case No. CGC-15-547125, the District filed a complaint for damages against CAW and MCWRA seeking recovery and damages related to the termination of the RDP. On February 22, 2019, the District's motion for Summary Judgment and adjudication was granted on MCWRA's amended complaint. On June 20, 2019, the District's motion for Summary Adjudication was granted. MCWRA has stated that it will appeal the final judgment in this action. On July 22, 2019, CAW filed a petition for writ of mandate challenging the decision and the District filed a preliminary opposition to CAW's petition. That petition was denied on January 14, 2020. CAW had four causes of action remaining against the District, all related to CAW's \$3 million loan to the District under the Credit Line Agreement. A jury trial was scheduled to begin on January 27, 2020; however, on the eve of trial, the parties reached a settlement as to the remaining causes of action. The settlement agreement was signed by the parties in February and March 2020. On May 8, 2020, CAW dismissed its breach of contract, account, and return, money lent, and unjust enrichment causes of action. The court entered a stipulated judgment on June 8, 2020. CAW and MCWRA have appealed from the judgment challenging the Court's earlier granting of summary judgment in favor of the District on the tort causes of action. On October 20, 2020, the Superior Court sent a Certification Notice indicating that the Reporter's transcripts on the appeal have been completed and certified to the Court of Appeal and stating that the parties would receive notice of a briefing schedule from the Court of Appeal. The appeal is now fully briefed and oral arguments are scheduled to be heard in late December 2022.

As a result of the settlement, the District paid CAW \$4,000,000 during the year ended June 30, 2020. Due to the District discontinuing the Regional Desalination Project, construction in progress in the amount of \$24,019,800 was written off in 2020.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 10 - Commitments and Contingencies (continued)

Based on the latest information, the District is unable to estimate a potential range of loss, or the likelihood of the outcome of litigation regarding this matter. However, if final judgments are made against the District, the losses, individually and in the aggregate, could have a material effect to the financial statements.

Marina Coast Water District v. County of Monterey, et al. (Monterey Superior Court, Case No. 19CV003305)

On August 15, 2019, the District filed a Petition for Writ of Review/Mandate challenging the County's approval of desalination plant component of the Monterey Peninsula Water Supply Project ("MPWSP") proposed by Real Party in Interest CAW in the county adjoining the City of Marina. The District alleges that the County's approval violated CEQA, State Planning and Zoning Law, the California Water Code, and the Monterey County Code. The District also sought a stay and preliminary injunction to stop CAW from commencing construction of the desalination plant until after the Court decides the merits of the case. On October 8, 2019, the trial court granted the District's request and stayed any construction activity on the project. Briefing on the merits is complete and the final oral argument occurred on November 18, 2020. The trial court granted the District's Petition in part and issued a writ directing the County to vacate its approvals for the construction of the Cal-Am Desalination plant. Both Cal-Am and the County appealed the trial court's judgment. The District filed a cross-appeal. Briefing on the appeal and the cross-appeal were completed in November 2022. It is unknown when the appellate court will set a hearing on the matter, but it is likely that will occur sometime within the next 6 months to a year. This matter does not involve monetary damages or relief and would not constitute material pending or threatened litigation, claims, and assessments against the District involving amounts exceeding \$50,000 individually or in the aggregate.

City of Marina, et al. v. RMC Lonestar et al. (Monterey Superior Court, Case No. 20CV001387)

On May 11, 2020, the City of Marina ("City") filed a lawsuit against RMC Lonestar and RMC Pacific Materials, LLC (collectively "CEMEX"), as well as the CAW. On June 29, 2020, the City filed its First

Amended Complaint adding the District and the MCWRA as defendants. The City alleged two causes of actions: (1) breach of the 1996 Annexation Agreement and Groundwater Mitigation Framework for Marina Area Lands, and (2) declaratory relief regarding whether the Monterey County Water Resources Act, California Water Code Appendix, Chapter 52, prohibits CAW from exporting groundwater outside the Salinas Valley Groundwater Basin ("SVGB"). The District answered the City's First Amended Complaint and is not challenging the City's request for relief.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 10 - Commitments and Contingencies (continued)

The City filed its Second Amended Complaint on October 15, 2020. The District filed a Cross-Complaint on August 4, 2020, naming CAW, CEMEX, and the MCWRA as defendants. Cal-AM intends to build a desalination plant with extraction wells located on property owned by CEMEX ("the "CEMEX Property"). The District alleges that under the 1996 Annexation Agreement and Groundwater Mitigation Framework for Marina Area Lands, neither CEMEX, CAW, nor any other person is entitled to withdraw more than 500 AFY of groundwater from the CEMEX Property. The District also alleges that CAW does not have the water rights to extract groundwater from the SVGB necessary to operate its planned desalination plant and cannot acquire them. The District has alleged five causes of action, the first and the fifth causes of action seek a declaration and injunction regarding the District's right to enforce a restrictive covenant in the 1996 Annexation Agreement and Groundwater Mitigation Framework for Marina Area Lands that would prohibit the extraction of more than 500 AFY of water from the CEMEX property. The District's second, third, and fourth causes of action seek declarations and injunctions prohibiting CAW from interfering with the District's superior water rights under various theories. CAW, CEMEX, and MCWRA filed demurrers and a motion to strike the Cross-Complaint. On October 14, 2020, the Court sustained the demurrers as to causes of action 1 – 4, with leave to amend. The District has since filed a First Amended Cross-Complaint. It is anticipated that Cal-AM, CEMEX, and MCWRA will file demurrers and motion to strike the First Amended Cross-Complaint.

The demurrers to the amended complaint were sustained as to the third cause of action for a public nuisance but denied as to the rest. All parties have filed answers and are proceeding with discovery. A trial was scheduled for June 20, 2022, but the Court referred certain factual issues to the SWRCB. Evidentiary hearings have been conducted with the SWRCB's administrative hearing officer but to date no decision on the referred issues has been rendered.

Although the District is a party, it is not seeking monetary relief in this litigation; nor has the County or Cal-Am filed any counterclaims against the District seeking monetary relief. If the District is not successful in this matter, the District could be responsible for the Cal-Am, MCWRA and CEMEX's court costs (but not attorney's fees). The amount of any potential awarded costs in this matter is too uncertain to estimate at this time.

Bayview Community DE, LLC v. Marina Coast Water District (Monterey Superior Court, Case No. 18CV000765)

The Bayview mobile home park owner and a few of its residents have filed a breach of contract claim and challenged the District's water rates charged to the mobile home park, which were set in 2014 and 2018. Plaintiffs have not specified their alleged damages however, Plaintiffs state that their overdue water bills based on the disputed rates at issue approximate \$465,000.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 10 - Commitments and Contingencies (concluded)

The court bifurcated the case into 3 phases. The first phase was completed on August 20, 2019. The court agreed with the District that it is allowed to charge Bay View Community for the difference between water delivered to Bay View's 8-inch water meter, and the amounts used by the Bay View tenants. The court also found that the District's rates adopted in 2014 and 2018 violated Proposition 218. The court's rationale was that the District bears the burden of correlating its tiered prices with the actual cost of providing water at those tiered levels, and the court stated the rate study prepared by Carollo Engineers for the District did not adequately do so. However, the court did not specify how the rates should be re-set and acknowledged that when they are re-set most study prepared by Carollo Engineers for the District did not adequately do so. However, the court did not specify how the rates should be re-set and acknowledged that when they are re-set most customers' rates may increase. Nothing in the court's phase 1 decision prohibits the District from covering all of its costs, expenses, bonded indebtedness, and debt through water rates. Phase 2 Trial was conducted in January 2021 in which the court found that the District owned certain water infrastructure at Bay View and had the right to place liens for \$232,385.83 and \$157,064.10 on the Bay View property for unpaid water bills owed through September 13, 2016. On or about July 29, 2022 the court entered judgment against the District and in favor of plaintiff on its breach of contract and declaratory relief causes of action. On September 28, 2022, the District filed its Notice of Appeal and the District is vigorously pursuing the appeal.

Marina Coast Water District v. Trustees of the California State University (Monterey Superior Court Case No. 21CV001296)

On April 20, 2021, the District filed the foregoing action seeking declaratory and injunctive relief in order to prevent defendants from interfering or otherwise precluding, the District from exercising rights under express easements held by the District. On May 26, 2022 the parties concluded non-binding judicial arbitration and are working to resolve their dispute per the arbitrator's ruling.

Note 11 – Restatement of Net Position

The District implemented GASB Statement No. 87 during the year ended June 30, 2022. The beginning net position at July 1, 2020 was restated as follows:

Net position, as previously reported, at June 30, 2020	\$ 185,925,553
Change in Accounting Principle - GASB 87:	
Leases	<u>267,719</u>
Net position, as restated, July 1, 2020	<u><u>\$ 186,193,272</u></u>



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REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)



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MARINA COAST WATER DISTRICT
Required Supplementary Information

Defined Benefit Pension Plan

Schedule of The District's Proportionate Share of The Net Pension Liability – Last 10 Fiscal Years*

<i>Measurement Date</i>	<i>FY 2021</i>	<i>FY 2020</i>	<i>FY 2019</i>	<i>FY 2018</i>	<i>FY 2017</i>	<i>FY 2016</i>	<i>FY 2015</i>	<i>FY 2014</i>
Proportion of the net pension liability	0.03062%	0.03526%	0.03331%	0.03003%	0.02991%	0.02802%	0.02383%	0.03046%
Proportionate share of the net pension liability	\$ 1,656,097	\$ 3,836,821	\$ 3,413,789	\$ 2,893,601	\$ 2,965,935	\$ 2,424,531	\$ 1,635,836	\$ 1,895,347
Covered payroll	\$ 4,178,492	\$ 4,186,505	\$ 3,894,712	\$ 3,444,211	\$ 3,230,862	\$ 3,046,005	\$ 2,722,805	\$ 2,714,872
Proportionate share of the net pension liability as a percentage of its covered payroll	39.63%	91.65%	87.65%	84.01%	91.80%	79.60%	60.08%	69.81%
Plan fiduciary net position as a percentage of the total pension liability	91.86%	80.38%	80.31%	81.79%	79.94%	84.43%	88.48%	83.03%

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

Schedule of Contributions – Last 10 Fiscal Years**

<i>Fiscal Year</i>	<i>FY 2022</i>	<i>FY 2021</i>	<i>FY 2020</i>	<i>FY 2019</i>	<i>FY 2018</i>	<i>FY 2017</i>	<i>FY 2016</i>	<i>FY 2015</i>	<i>FY 2014</i>
Actuarially Determined Contribution	\$ 645,776	\$ 592,479	\$ 525,416	\$ 305,381	\$ 257,161	\$ 242,478	\$ 216,963	\$ 227,120	\$ 228,140
Contributions in Relation to the Actuarially Determined Contribution	(645,776)	(592,479)	(525,416)	(305,381)	(257,161)	(242,478)	(216,963)	(227,120)	(228,140)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,316,313	\$ 4,178,492	\$ 4,186,505	\$ 3,894,712	\$ 3,444,211	\$ 3,230,862	\$ 3,046,005	\$ 2,722,805	\$ 2,714,872
Contributions as a Percentage of Covered Payroll	14.96%	14.18%	12.55%	7.84%	7.47%	7.51%	7.12%	8.34%	8.40%

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

MARINA COAST WATER DISTRICT
Required Supplementary Information

Other Post-Employment Benefits (OPEB) Plan

Schedule of Changes in the Total OPEB Liability and Related Ratios – Last 10 Fiscal Years*

<i>Measurement Period</i>	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 150,737	\$ 124,636	\$ 134,969	\$ 132,712	\$ 129,003
Interest	63,257	69,052	90,006	83,597	75,849
Changes in benefit terms	(387,188)	-	-	-	-
Differences between expected and actual experience	(592,836)	(4,741)	(265,724)	-	-
Changes of assumptions	(100,356)	224,158	(173,828)	(31,095)	-
Benefit payments, including refunds of employee contributions	(29,533)	(26,247)	(24,432)	(20,896)	(20,082)
Implicit rate subsidy fulfilled	(33,865)	(37,201)	(22,710)	(15,034)	(14,526)
Net change in total OPEB liability	(929,784)	349,657	(261,719)	149,284	170,244
Total OPEB liability - beginning	2,462,886	2,113,229	2,374,949	2,225,665	2,055,421
Total OPEB liability - ending	<u>\$ 1,533,102</u>	<u>\$ 2,462,886</u>	<u>\$ 2,113,230</u>	<u>\$ 2,374,949</u>	<u>\$ 2,225,665</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-Employee Payroll	\$ 3,361,265	\$ 3,716,455	\$ 3,616,988	\$ 3,162,056	\$ 3,235,398
Total OPEB Liability as a Percentage of Covered-Employee Payroll	45.6%	66.3%	58.4%	75.1%	68.8%

* Fiscal year 2018 was the 1st year of implementation, therefore only five years are shown.

SUPPLEMENTARY INFORMATION



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MARINA COAST WATER DISTRICT
Combining Schedule of Net Position
Proprietary Funds
June 30, 2022

ASSETS

Current assets:

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Interfund Eliminations	Total
Cash and investments	\$ 1,199,934	\$ 467,734	\$ 4,221,810	\$ 2,853,264	\$ -	\$ -	\$ 8,742,742
Accounts receivable, net	740,500	210,738	2,521,593	595,336	-	-	4,068,167
Interest receivable	6,245	1,318	17,747	6,050	322	-	31,682
Lease receivable - due within one year	45,681	13,052	81,573	22,841	-	-	163,147
Due from other funds	10,961,852	3,266,476	-	10,000,000	-	(24,228,328)	-
Other receivable	236,671	5,009	545,509	15,229	5,792	-	808,210
Inventories	70,700	3,228	177,801	8,394	-	-	260,123
Deposits	1,698	1,698	1,698	1,698	-	-	6,792
Prepaid items	30,914	8,171	64,760	23,139	-	-	126,984
Total current assets	13,294,195	3,977,424	7,632,491	13,525,951	6,114	(24,228,328)	14,207,847

Noncurrent assets:

Restricted cash and investments	5,778,929	2,085,318	9,106,165	7,157,118	176,133	-	24,303,663
Lease receivable - due in more than one year	827,245	236,356	1,477,222	413,622	-	-	2,954,445
Capital assets, net	14,868,206	5,564,122	119,388,659	48,171,929	43,540,762	-	231,533,678
Total noncurrent assets	21,474,380	7,885,796	129,972,046	55,742,669	43,716,895	-	258,791,786

TOTAL ASSETS

	34,768,575	11,863,220	137,604,537	69,268,620	43,723,009	(24,228,328)	272,999,633
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	306,595	83,542	630,846	148,815	-	-	1,169,798
Deferred outflows related to OPEB	53,927	11,235	130,323	29,210	-	-	224,695

TOTAL DEFERRED OUTFLOWS OF RESOURCES

	360,522	94,777	761,169	178,025	-	-	1,394,493
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continued

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Interfund Eliminations	Total
LIABILITIES							
Current liabilities:							
Accounts payable	765,115	8,875	1,693,444	125,554	359,393	-	2,952,381
Accrued expenses	256,979	102	163,179	266	1,301,377	-	1,721,903
Interest payable	38,761	15,034	90,426	43,350	21,448	-	209,019
Line of credit	-	-	-	-	5,503,412	-	5,503,412
Due to other funds	-	-	13,566,476	-	10,661,852	(24,228,328)	-
Customer deposits payable	227,416	30,671	1,406,665	639,759	13,008	-	2,317,519
Current portion of long-term liabilities	233,019	103,997	750,458	331,298	416,626	-	1,835,398
Other current liabilities	9,198	-	-	-	-	-	9,198
Total current liabilities	1,530,488	158,679	17,670,648	1,140,227	18,277,116	(24,228,328)	14,548,830
Noncurrent liabilities:							
Long-term liabilities	7,549,771	3,290,693	18,548,249	10,989,929	11,719,146	-	52,097,788
Total OPEB liability	392,818	125,033	789,826	225,425	-	-	1,533,102
Net pension liability	500,431	169,063	793,221	193,382	-	-	1,656,097
Total noncurrent liabilities	8,443,020	3,584,789	20,131,296	11,408,736	11,719,146	-	55,286,987
TOTAL LIABILITIES	9,973,508	3,743,468	37,801,944	12,548,963	29,996,262	(24,228,328)	69,835,817
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to pensions	438,809	98,699	952,881	200,181	-	-	1,690,570
Deferred inflows related to OPEB	231,039	48,133	558,344	125,146	-	-	962,662
Deferred gains on refunding debt	49,949	27,427	286,931	112,698	47,635	-	524,640
Deferred inflows related to leases	768,329	219,523	1,372,016	384,165	-	-	2,744,033
TOTAL DEFERRED INFLOWS OF RESOURCES	1,488,126	393,782	3,170,172	822,190	47,635	-	5,921,905
NET POSITION							
Net investment in capital assets	10,445,346	3,695,006	102,874,775	40,542,263	25,853,943	-	183,411,333
Restricted for capacity fees	2,519,481	559,876	6,398,522	3,424,515	4,305	-	12,906,699
Restricted for debt service	-	-	-	-	171,828	-	171,828
Unrestricted (Deficit)	10,702,636	3,565,865	(11,879,707)	12,108,714	(12,350,964)	-	2,146,544
TOTAL NET POSITION	\$ 23,667,463	\$ 7,820,747	\$ 97,393,590	\$ 56,075,492	\$ 13,679,112	\$ -	\$ 198,636,404

concluded

MARINA COAST WATER DISTRICT
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For The Year Ended June 30, 2022

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Total
OPERATING REVENUES:						
Water services	\$ 4,280,991	\$ -	\$ 8,852,311	\$ -	\$ -	\$ 13,133,302
Wastewater services	-	1,514,468	-	3,416,132	-	4,930,600
Other services and fees	99,023	8,092	614,925	25,940	-	747,980
Total operating revenues	4,380,014	1,522,560	9,467,236	3,442,072	-	18,811,882
OPERATING EXPENSES:						
Administrative	1,356,302	140,852	3,308,909	390,018	178,433	5,374,514
Operations and maintenance	1,167,079	431,648	2,185,554	796,847	18,913	4,600,041
Laboratory	46,659	-	95,411	-	455	142,525
Conservation	117,952	-	223,663	-	-	341,615
Engineering	472,126	42,476	701,690	313,691	4,139	1,534,122
Water Resources	328,171	-	496,685	-	-	824,856
Depreciation and amortization	297,077	196,507	917,907	449,080	564,957	2,425,528
Total operating expenses	3,785,366	811,483	7,929,819	1,949,636	766,897	15,243,201
Operating income (loss)	594,648	711,077	1,537,417	1,492,436	(766,897)	3,568,681
NONOPERATING REVENUES (EXPENSES):						
Lease revenue	57,317	16,376	102,351	28,658	-	204,702
Contributions to other agencies	-	-	-	-	(1,301,377)	(1,301,377)
Interest earned	61,192	16,898	122,340	40,370	383	241,183
Interest expense	(271,612)	(120,159)	(704,327)	(393,257)	(299,199)	(1,788,554)
Total nonoperating revenue (expenses)	(153,103)	(86,885)	(479,636)	(324,229)	(1,600,193)	(2,644,046)
Income (loss) before capital contributions	441,545	624,192	1,057,781	1,168,207	(2,367,090)	924,635
CAPITAL CONTRIBUTIONS:						
Grants	197,967	3,746	296,950	1,948	89,987	590,598
Capacity and connection fees	271,145	92,995	3,058,563	769,518	-	4,192,221
Developer contributions	323,052	7,456	241,934	267,841	2,892	843,175
Total capital contributions	792,164	104,197	3,597,447	1,039,307	92,879	5,625,994
Increase (decrease) in net position	1,233,709	728,389	4,655,228	2,207,514	(2,274,211)	6,550,629
Net position, beginning of year	22,433,754	7,092,358	92,738,362	53,867,978	15,953,323	192,085,775
Net position, end of year	\$ 23,667,463	\$ 7,820,747	\$ 97,393,590	\$ 56,075,492	\$ 13,679,112	\$ 198,636,404

MARINA COAST WATER DISTRICT
Combining Schedule of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2022

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Total
OPERATING ACTIVITIES:						
Receipts from customers and users	\$ 4,291,911	\$ 1,489,100	\$ 10,215,939	\$ 3,593,178	\$ 13,008	\$ 19,603,136
Payments to employees	(1,676,811)	(538,583)	(3,262,713)	(939,557)	(7,193)	(6,424,857)
Payments to suppliers	(1,516,266)	(135,779)	(3,993,731)	(713,479)	(1,439,343)	(7,798,598)
Net cash provided by (used in) operating activities	<u>1,098,834</u>	<u>814,738</u>	<u>2,959,495</u>	<u>1,940,142</u>	<u>(1,433,528)</u>	<u>5,379,681</u>
NONCAPITAL FINANCING ACTIVITIES:						
Due from other funds	128,432	(566,476)	-	(300,000)	-	(738,044)
Due to other funds	-	-	(897,275)	-	1,635,319	738,044
Net cash provided by (used in) noncapital financing	<u>128,432</u>	<u>(566,476)</u>	<u>(897,275)</u>	<u>(300,000)</u>	<u>1,635,319</u>	<u>-</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(2,984,777)	(83,030)	(6,096,914)	(3,854,341)	(4,243,301)	(17,262,363)
Proceeds from grants	323,114	3,746	484,670	1,948	325,678	1,139,156
Developer contributions, capacity and connection receipts	561,700	97,994	3,194,693	1,061,378	2,892	4,918,657
Lease revenues	43,744	12,504	78,067	21,869	-	156,184
Proceeds from line of credit	-	-	-	-	4,473,790	4,473,790
Principal paid on capital debt and leases	(201,472)	(95,309)	(668,975)	(306,392)	(250,700)	(1,522,848)
Interest paid on capital debt and leases	(309,491)	(137,421)	(819,690)	(450,610)	(338,586)	(2,055,798)
Net cash provided by (used in) capital and related financing activities	<u>(2,567,182)</u>	<u>(201,516)</u>	<u>(3,828,149)</u>	<u>(3,526,148)</u>	<u>(30,227)</u>	<u>(10,153,222)</u>
INVESTING ACTIVITIES:						
Investment earnings	57,663	16,153	112,451	36,951	61	223,279
Net cash provided by investing activities	<u>57,663</u>	<u>16,153</u>	<u>112,451</u>	<u>36,951</u>	<u>61</u>	<u>223,279</u>
Net increase (decrease) in cash and cash equivalents	(1,282,253)	62,899	(1,653,478)	(1,849,055)	171,625	(4,550,262)
Cash and cash equivalents, beginning of year	<u>8,261,116</u>	<u>2,490,153</u>	<u>14,981,453</u>	<u>11,859,437</u>	<u>4,508</u>	<u>37,596,667</u>
Cash and cash equivalents, end of year	<u>\$ 6,978,863</u>	<u>\$ 2,553,052</u>	<u>\$ 13,327,975</u>	<u>\$ 10,010,382</u>	<u>\$ 176,133</u>	<u>\$ 33,046,405</u>

continued

RECONCILIATION TO STATEMENT OF NET POSITION:

Cash and investments
 Restricted cash and investments
 Total cash and cash equivalents

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Total
\$	1,199,934	\$ 467,734	\$ 4,221,810	\$ 2,853,264	\$ -	\$ 8,742,742
	5,778,929	2,085,318	9,106,165	7,157,118	176,133	24,303,663
\$	6,978,863	\$ 2,553,052	\$ 13,327,975	\$ 10,010,382	\$ 176,133	\$ 33,046,405

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

Operating income (loss)
 Adjustments to reconcile operating income (loss) to
 net cash provided by (used in) operating activities:
 Depreciation and amortization
 (Increase) decrease in accounts receivable
 (Increase) decrease in inventories
 (Increase) decrease in prepaid items
 (Increase) decrease in deposits
 (Increase) decrease in deferred outflow of resources
 Increase (decrease) in accounts payable
 Increase (decrease) in accrued expenses
 Increase (decrease) in customer deposits payable
 Increase (decrease) in compensated absences
 Increase (decrease) in net pension liability
 Increase (decrease) in total OPEB liability
 Increase (decrease) in deferred inflows of resources
 Total adjustments

\$	594,648	\$ 711,077	\$ 1,537,417	\$ 1,492,436	\$ (766,897)	\$ 3,568,681
	297,077	196,507	917,907	449,080	564,957	2,425,528
(98,080)	(32,223)	(166,825)	(67,257)	(67,257)	-	(364,385)
4,275	184	4,189	(433)	-	-	8,215
(8,898)	(494)	(13,277)	(1,182)	-	-	(23,851)
(370)	(370)	(370)	(370)	-	-	(1,480)
28,124	8,514	62,655	17,889	-	-	117,182
513,173	(1,699)	330,439	(12,297)	(1,244,596)	-	(414,980)
25,837	102	(1,083)	266	-	-	25,122
9,977	(1,237)	915,528	218,363	13,008	-	1,155,639
14,808	(3,127)	46,175	55	-	-	57,911
(523,374)	(109,036)	(1,264,820)	(283,494)	-	-	(2,180,724)
(223,148)	(46,489)	(539,275)	(120,872)	-	-	(929,784)
464,785	93,029	1,130,835	247,958	-	-	1,936,607
504,186	103,661	1,422,078	447,706	(666,631)	-	1,811,000
\$	1,098,834	\$ 814,738	\$ 2,959,495	\$ 1,940,142	\$ (1,433,528)	\$ 5,379,681

Net cash provided by (used in) operating activities

CAPITAL AND RELATED FINANCING NONCASH ITEMS:

Amortization of deferred charges and premium

\$	31,783	\$ 15,394	\$ 103,461	\$ 53,621	\$ 34,530	\$ 238,789
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STATISTICAL SECTION

(UNAUDITED)



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MARINA COAST WATER DISTRICT
Statistical Section

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

Contents

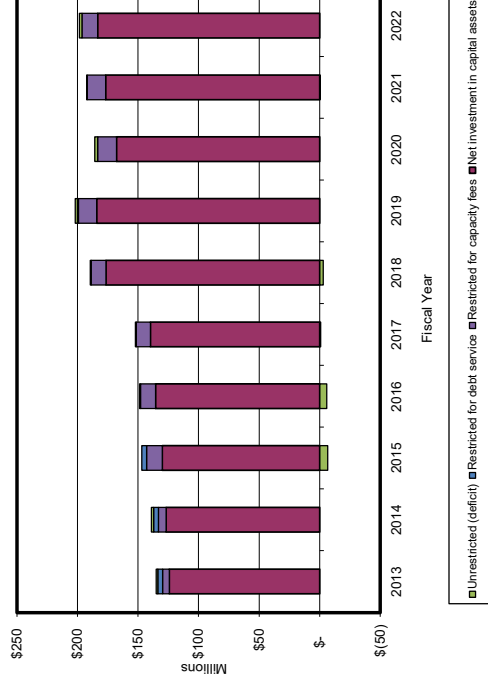
Financial Trends	74-76
These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	77-80
These schedules contain information to help the reader assess the District's most significant revenue sources, water sales and wastewater collection.	
Debt Capacity	81-82
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic Information	83-84
This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	85-86
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	



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

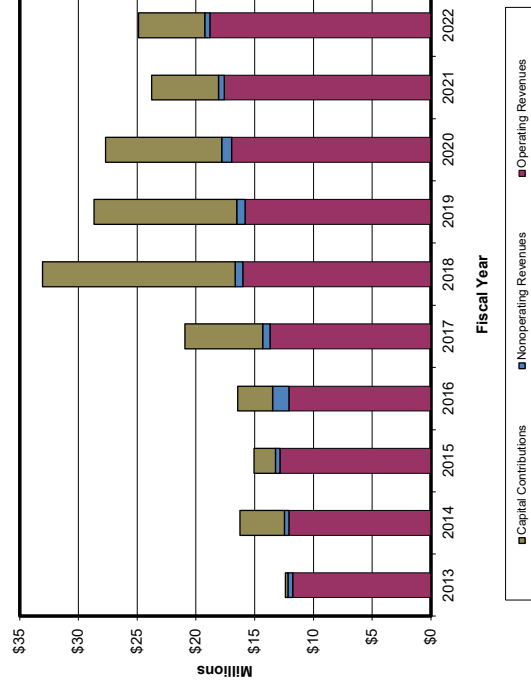
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Changes in net position:										
Operating revenues	\$ 11,768,732	\$ 12,086,128	\$ 12,862,362	\$ 12,100,265	\$ 13,685,334	\$ 16,018,094	\$ 15,803,229	\$ 16,960,026	\$ 17,598,554	\$ 18,811,882
Operating expenses	(9,379,761)	(9,407,367)	(9,458,477)	(9,948,528)	(11,226,580)	(12,020,913)	(14,050,996)	(16,681,600)	(16,037,098)	(15,243,201)
Operating income (loss)	2,388,971	2,678,761	3,403,885	2,151,737	2,458,754	3,997,181	1,752,233	278,426	1,561,456	3,568,681
Non-operating revenues (expenses)	(1,793,893)	(1,689,013)	(1,621,996)	(2,313,611)	(881,262)	(858,930)	(780,481)	(2,131,778)	(1,364,306)	(2,644,046)
Net income before capital contributions	595,078	989,748	1,781,889	(161,874)	1,577,492	3,138,251	971,752	(1,853,352)	197,150	924,635
Capital contributions	222,268	3,800,217	1,808,824	2,948,012	6,630,732	16,364,028	12,136,994	9,868,096	5,695,353	5,625,994
Special Item - RDP Closeout	-	-	-	-	-	-	-	(24,019,800)	-	-
Changes in net position	817,346	4,789,965	3,590,713	2,786,138	8,208,224	19,502,279	13,108,746	(16,005,056)	5,892,503	6,550,629
Net position, beginning of year	134,213,783	135,031,129	138,994,781	140,246,516	143,032,654	151,240,878	186,460,294	201,930,609	185,925,553	192,085,775
Prior period adjustments	-	(826,313)	(2,338,978)	-	-	15,717,137	2,361,569	-	267,719	-
Net position, end of year	\$ 135,031,129	\$ 138,994,781	\$ 140,246,516	\$ 143,032,654	\$ 151,240,878	\$ 186,460,294	\$ 201,930,609	\$ 185,925,553	\$ 192,085,775	\$ 198,636,404
Net position by component:										
Net investment in capital assets	\$ 124,274,008	\$ 126,769,451	\$ 130,072,044	\$ 135,455,049	\$ 139,827,693	\$ 176,633,556	\$ 184,250,677	\$ 167,935,356	\$ 176,866,309	\$ 183,411,333
Restricted for capacity fees	5,516,166	6,344,936	12,927,953	12,521,538	11,531,344	12,105,493	15,042,160	15,587,995	15,367,302	12,906,699
Restricted for debt service	3,933,549	3,933,764	3,933,765	849,786	850,404	851,747	852,793	-	-	171,828
Unrestricted (deficit)	1,307,406	1,946,630	(6,687,246)	(5,793,719)	(968,563)	(3,130,502)	1,784,979	2,402,202	(147,836)	2,146,544
Total net position	\$ 135,031,129	\$ 138,994,781	\$ 140,246,516	\$ 143,032,654	\$ 151,240,878	\$ 186,460,294	\$ 201,930,609	\$ 185,925,553	\$ 192,085,775	\$ 198,636,404



Source: Marina Coast Water District, Audited Financial Statements

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

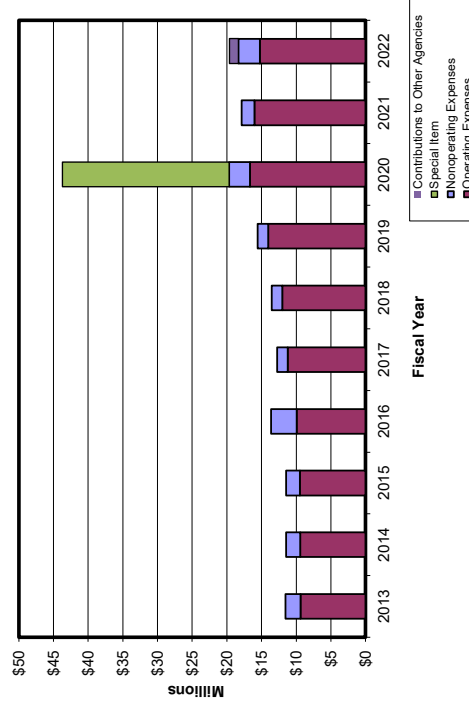
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating revenues:										
Water sales	\$ 8,839,268	\$ 9,106,401	\$ 9,581,388	\$ 8,620,556	\$ 9,486,324	\$ 10,844,656	\$ 10,693,992	\$ 11,652,404	\$ 12,366,437	\$ 13,133,302
Wastewater services	2,513,613	2,507,048	2,800,880	3,116,103	3,450,138	3,828,160	4,196,352	4,484,940	4,633,032	4,930,600
Other services and fees	415,851	472,679	480,094	363,606	748,872	1,345,278	912,885	822,682	599,085	747,980
Total operating revenues	11,768,732	12,086,128	12,862,362	12,100,265	13,685,334	16,018,094	15,803,229	16,960,026	17,598,554	18,811,882
Nonoperating revenues:										
Interest earned	208,531	197,277	192,909	618,904	64,012	132,986	220,362	359,505	274,738	241,183
Lease revenue	179,438	179,438	179,438	764,986	566,651	519,024	497,767	497,152	204,702	204,702
Total nonoperating revenues	387,969	376,715	372,347	1,383,890	630,663	652,010	718,129	856,657	479,440	445,885
Capital contributions:										
Grant revenue	11,680	-	-	-	555,104	10,676,158	5,101,452	6,063,324	2,187,939	590,598
Capacity and connection fees	210,588	3,197,978	1,129,206	2,270,405	5,503,637	5,151,848	4,306,233	3,296,628	1,209,529	4,192,221
Developer contributions	-	602,239	679,618	677,607	571,991	536,022	2,729,309	508,144	2,297,885	843,175
Total capital contributions	222,268	3,800,217	1,808,824	2,948,012	6,630,732	16,364,028	12,136,994	9,868,096	5,695,353	5,625,994
Total revenues	\$ 12,378,969	\$ 16,263,060	\$ 15,043,533	\$ 16,432,167	\$ 20,946,729	\$ 33,034,132	\$ 28,658,352	\$ 27,684,779	\$ 23,773,347	\$ 24,883,761



Source: Marina Coast Water District, Audited Financial Statements

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

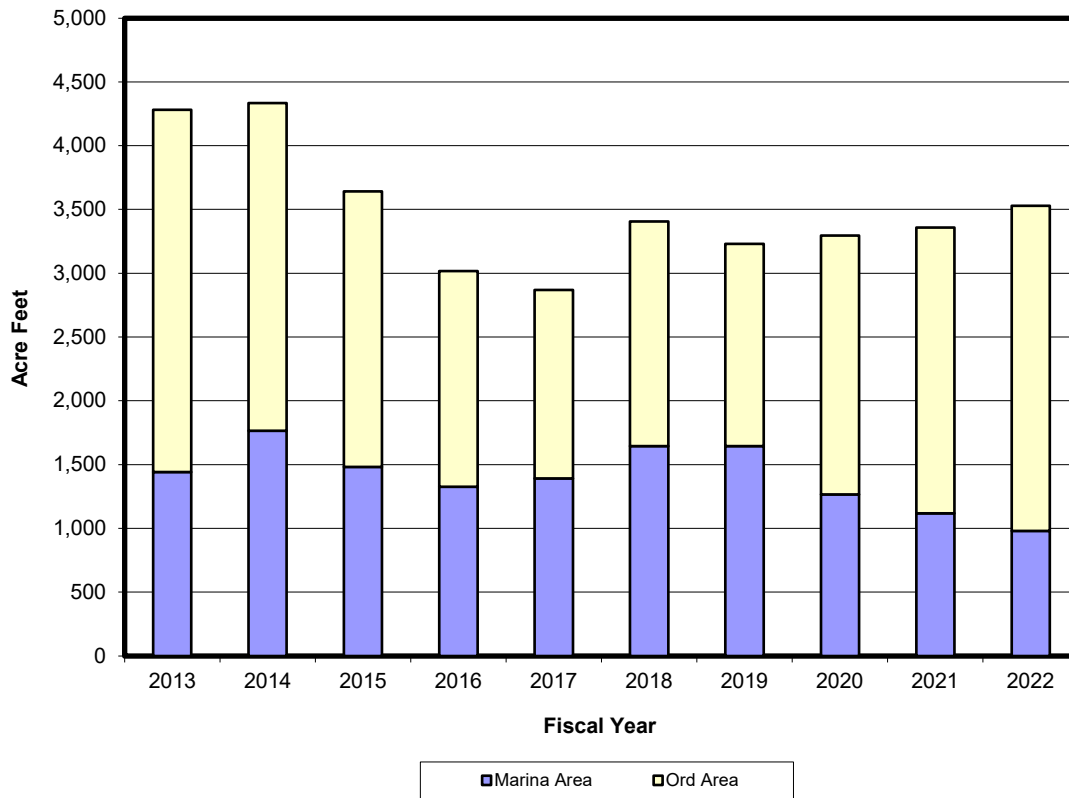
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating expenses:										
Administrative	\$ 2,919,025	\$ 2,868,768	\$ 2,979,535	\$ 3,118,186	\$ 4,220,398	\$ 4,907,644	\$ 5,579,270	\$ 7,703,802	\$ 6,855,325	\$ 5,374,514
Operations and maintenance	2,970,097	3,154,941	3,036,913	3,140,765	3,173,240	3,181,860	3,658,830	3,698,491	4,083,157	4,600,041
Laboratory	225,119	263,015	245,496	238,256	256,607	251,818	280,385	255,418	87,294	142,525
Conservation	219,964	241,849	319,617	376,383	304,338	301,155	336,553	326,074	286,123	341,615
Engineering	983,105	1,087,355	1,280,311	1,494,965	1,656,803	1,822,501	1,470,323	1,525,620	1,336,329	1,534,122
Water Resources	-	-	-	-	-	-	871,915	948,216	1,019,506	824,856
Depreciation and amortization	2,062,451	1,791,439	1,596,605	1,579,973	1,615,194	1,555,935	1,853,720	2,223,979	2,369,364	2,425,528
Total operating expenses	9,379,761	9,407,367	9,458,477	9,948,528	11,226,580	12,020,913	14,050,996	16,681,600	16,037,098	15,243,201
Nonoperating expenses:										
Interest expense	2,132,688	2,065,728	1,994,343	2,954,075	1,511,925	1,510,940	1,498,610	1,753,074	1,843,746	1,788,554
Contributions to other agencies	-	-	-	-	-	-	-	-	-	1,301,377
RDP liability expense	-	-	-	-	-	-	-	1,000,000	-	-
Investment loss	-	-	-	474,892	-	-	-	-	-	-
Bond issuance costs	49,174	-	-	268,534	-	-	-	235,361	-	-
Total nonoperating expenses	2,181,862	2,065,728	1,994,343	3,697,501	1,511,925	1,510,940	1,498,610	2,988,435	1,843,746	3,089,931
Special item:										
RDP closeout	-	-	-	-	-	-	-	24,019,800	-	-
Total expenses	\$ 11,561,623	\$ 11,473,095	\$ 11,452,820	\$ 13,646,029	\$ 12,738,505	\$ 13,531,853	\$ 15,549,606	\$ 43,689,835	\$ 17,880,844	\$ 18,333,132



Source: Marina Coast Water District, Audited Financial Statements

MARINA COAST WATER DISTRICT
Water Production by Service Area
Last Ten Fiscal Years
Schedule 4

Fiscal Year	Marina Area	Ord Area	Water Production (acre feet)
2013	1,441	2,841	4,282
2014	1,764	2,570	4,334
2015	1,483	2,159	3,642
2016	1,327	1,691	3,018
2017	1,392	1,476	2,868
2018	1,644	1,763	3,407
2019	1,645	1,586	3,231
2020	1,266	2,029	3,295
2021	1,119	2,239	3,358
2022	981	2,548	3,529



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

Source: Marina Coast Water District's Finance Department

MARINA COAST WATER DISTRICT
Rates, Fees & Charges
Last Ten Years
Schedule 5

Marina Service Area Water Consumption Rates (hcf)

Description	Calendar Year								Fiscal Year		
	2022	2021	2020	2019	2018	2017	2016	2015	2015	2014	2013
	1/1/2022	1/1/2021	1/1/2020	1/1/2019	1/1/2018	1/1/2017	1/1/2016	1/1/2015	7/1/2014	7/1/2013	7/1/2012
0-8 hcf	\$ 3.65	\$ 3.51	\$ 3.38	\$ 3.25	\$ 2.78	\$ 2.70	\$ 2.62	\$ 2.55	\$ 2.47	\$ 2.29	\$ 2.29
9-16 hcf	5.57	5.36	5.15	4.95	3.19	3.10	3.01	2.92	2.83	2.79	2.79
16+ hcf	N/A	N/A	N/A	N/A	5.63	5.47	5.31	5.15	5.00	5.09	5.09

Marina Service Area Water & Sewer Service Charges (monthly)

Meter Size	Calendar Year								Fiscal Year		
	2022	2021	2020	2019	2018	2017	2016	2015	2015	2014	2013
	1/1/2022	1/1/2021	1/1/2020	1/1/2019	1/1/2018	1/1/2017	1/1/2016	1/1/2015	7/1/2014	7/1/2013	7/1/2012
5/8" - 3/4"	\$ 27.26	\$ 26.22	\$ 25.21	\$ 24.24	\$ 22.36	\$ 21.71	\$ 21.07	\$ 20.46	\$ 19.87	\$ 18.85	\$ 18.85
1"	36.77	35.35	33.99	32.69	36.07	35.02	34.00	33.01	32.05	47.09	47.09
1 1/2"	60.52	58.19	55.95	53.80	58.94	57.22	55.55	53.94	52.36	94.19	94.19
2"	89.02	85.60	82.30	79.14	86.36	83.85	81.41	79.04	76.73	150.68	150.68
3"	165.03	158.69	152.57	146.72	150.41	146.03	141.78	137.65	133.64	282.52	282.52
4"	250.55	240.92	231.62	222.74	241.82	234.77	227.93	221.30	214.85	470.87	470.87
6"	488.08	469.33	451.22	433.91	470.42	456.71	443.41	430.50	417.96	941.75	941.75
8"	963.15	926.15	890.40	856.25	927.88	900.86	874.62	849.14	824.41	1,883.49	1,883.49
Sewer (EDU)	17.29	16.63	15.99	15.37	14.78	13.44	12.22	11.11	10.10	9.15	9.15

Ord Service Area Water Consumption Rates (hcf)

Description	Calendar Year								Fiscal Year		
	2022	2021	2020	2019	2018	2017	2016	2015	2015	2014	2013
	1/1/2022	1/1/2021	1/1/2020	1/1/2019	1/1/2018	1/1/2017	1/1/2016	1/1/2015	7/1/2014	7/1/2013	7/1/2012
0-8 hcf	\$ 4.72	\$ 4.54	\$ 4.37	\$ 4.13	\$ 3.68	\$ 3.40	\$ 2.97	\$ 2.60	\$ 2.22	\$ 2.33	\$ 2.33
9-16 hcf	9.19	8.84	8.51	8.04	5.65	5.22	4.56	3.98	3.40	3.27	3.27
16+ hcf	N/A	N/A	N/A	N/A	7.62	7.03	6.14	5.37	4.59	4.22	4.22
Flat Rate	186.90	179.70	172.75	162.95	153.99	143.94	127.29	112.65	98.36	84.34	84.34
CS ¹ - Water	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00

Ord Service Area Water & Sewer Service Charges (monthly)

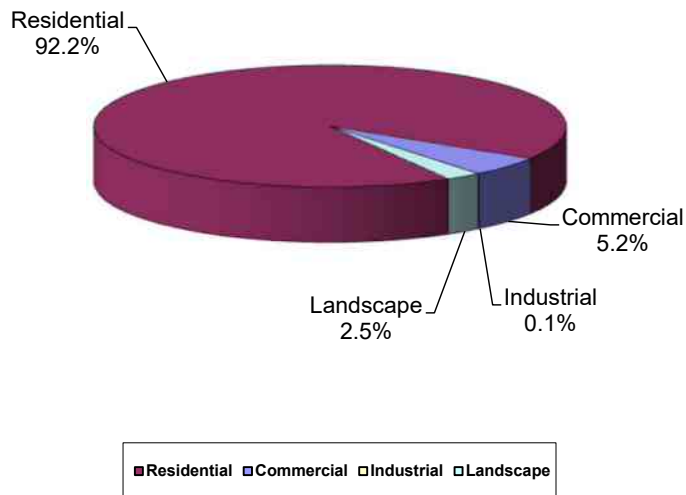
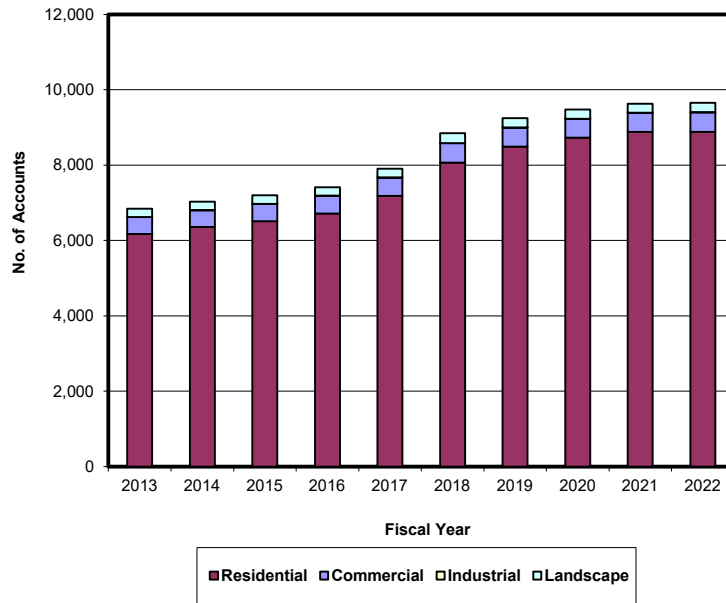
Description	Calendar Year								Fiscal Year		
	2022	2021	2020	2019	2018	2017	2016	2015	2015	2014	2013
	1/1/2022	1/1/2021	1/1/2020	1/1/2019	1/1/2018	1/1/2017	1/1/2016	1/1/2015	7/1/2014	7/1/2013	7/1/2012
5/8" - 3/4"	\$ 47.09	\$ 45.32	\$ 43.62	\$ 41.20	\$ 38.79	\$ 37.55	\$ 34.37	\$ 31.48	\$ 28.96	\$ 17.11	\$ 17.11
1"	66.16	63.68	61.28	57.88	60.51	58.57	53.62	49.11	45.18	42.76	42.76
1 1/2"	113.82	109.55	105.43	99.57	96.71	93.62	85.71	78.49	72.21	85.49	85.49
2"	171.02	164.61	158.41	149.61	140.14	135.66	124.20	113.74	104.64	136.78	136.78
3"	323.55	311.42	299.68	283.05	241.57	233.85	214.09	196.05	180.37	256.47	256.47
4"	495.14	476.58	458.62	433.16	386.31	373.96	342.36	313.52	288.45	427.45	427.45
6"	971.80	935.37	900.12	850.15	748.31	724.39	663.18	607.31	558.75	854.89	854.89
8"	1,925.11	1,852.94	1,783.11	1,684.12	1,472.72	1,425.66	1,305.19	1,195.24	1,099.66	1,709.79	1,709.79
Sewer (EDU)	37.00	35.90	34.85	33.80	32.18	29.80	28.65	27.55	26.49	25.56	25.56
CS ¹ - Sewer	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00

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

Source: Marina Coast Water District's Finance Department

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water customer accounts										
Residential	6,176	6,359	6,511	6,717	7,182	8,066	8,491	8,726	8,881	9,182
Commercial	445	445	458	469	488	518	502	501	507	522
Industrial	4	5	4	4	4	4	4	4	4	5
Landscape	216	225	227	222	232	258	247	246	240	245
Total water accounts	6,841	7,034	7,200	7,412	7,906	8,846	9,244	9,477	9,632	9,954



Source: Marina Coast Water District's Finance Department

MARINA COAST WATER DISTRICT
Principal Water Users
Fiscal Years Ended June 30, 2013 and June 30, 2022
Schedule 7

2013			2022		
Customer	Water Usage (acre feet)	Percentage of Water Sold	Customer	Water Usage (acre feet)	Percentage of Water Sold
Monterey Bay Military Housing	637	16.71%	Monterey Bay Military Housing	235	7.00%
Bayonet/Blackhorse Club House	259	6.79%	University Corporation at Monterey Bay	154	4.59%
University Corporation at Monterey Bay	232	6.08%	California State Univ Mtry Bay	153	4.56%
CSU Monterey Bay	168	4.40%	Bay View Mobile Home Park	65	1.94%
Bay View Mobile Home Park	91	2.39%	MPUSD -Dual Language Academy of Monterey Peninsula	63	1.88%
Sun Bay Apartments	67	1.75%	Seaside Highlands H.O. Association	53	1.58%
City of Marina	62	1.63%	Bayonet/Blackhorse Club House	52	1.55%
Seaside Highlands H.O. Association	57	1.48%	Sun Bay Apartments	49	1.46%
LV44 Ltd Partnership	50	1.31%	MPUSD -Seaside High School	34	1.01%
MPUSD - Seaside High School	44	1.15%	MPUSD - Marina High School	33	0.98%
Total Principal Water Users	1,665	43.69%	Total Principal Water Users	891	26.53%
Total All Users	3,811	100.00%	Total All Users	3,358	100.00%

Source: Marina Coast Water District's Finance Department

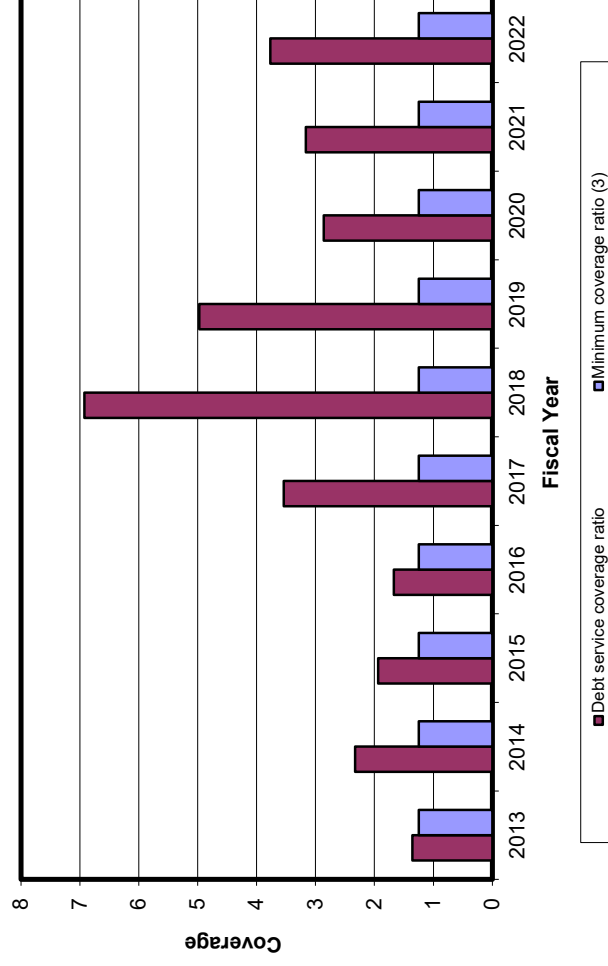
MARINA COAST WATER DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Schedule 8

Fiscal Year	Loans Payable	Notes Payable	Bonds Payable	Leases Payable	Debt	Total Accounts	Total Debt per Account
2013	\$ 21,224	\$ -	\$ 44,401,309	\$ -	\$ 44,422,533	\$ 6,841	\$ 6,494
2014	-	-	42,703,651	-	42,703,651	7,034	6,071
2015	-	-	40,940,994	-	40,940,994	7,200	5,686
2016	2,776,000	-	36,938,034	-	39,714,034	7,412	5,358
2017	2,799,880	-	35,100,405	-	37,900,285	7,906	4,794
2018	2,722,387	-	33,202,777	-	35,925,164	8,846	4,061
2019	8,268,477	-	31,245,149	-	39,513,626	9,244	4,275
2020	6,211,842	-	47,909,693	-	54,121,535	9,477	5,711
2021	8,624,420	-	46,355,879	-	54,980,299	9,632	5,708
2022	8,527,203	-	44,737,066	55,160	53,319,429	9,954	5,357

Source: Marina Coast Water District, Audited Financial Statements

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt service coverage										
Gross revenues (1)	\$ 12,378,969	\$ 16,263,060	\$ 15,043,533	\$ 16,432,167	\$ 20,946,729	\$ 33,034,132	\$ 28,658,352	\$ 27,684,779	\$ 23,773,347	\$ 24,883,761
Operating expenses (2)	(7,317,310)	(7,615,928)	(7,861,872)	(8,368,555)	(9,611,386)	(10,464,978)	(12,197,276)	(14,457,621)	(13,667,734)	(12,817,673)
Net available revenues	\$ 5,061,659	\$ 8,647,132	\$ 7,181,661	\$ 8,063,612	\$ 11,335,343	\$ 22,569,154	\$ 16,461,076	\$ 13,227,158	\$ 10,105,613	\$ 12,066,088
Debt service										
Principal	\$ 1,600,000	\$ 1,650,000	\$ 1,715,000	\$ 1,870,000	\$ 1,690,000	\$ 1,750,000	\$ 1,810,000	\$ 2,870,000	\$ 1,350,000	\$ 1,415,000
Interest	2,132,688	2,065,728	1,994,343	2,954,075	1,511,925	1,510,940	1,498,610	1,753,074	1,843,746	1,788,554
	\$ 3,732,688	\$ 3,715,728	\$ 3,709,343	\$ 4,824,075	\$ 3,201,925	\$ 3,260,940	\$ 3,308,610	\$ 4,623,074	\$ 3,193,746	\$ 3,203,554
Debt service coverage ratio	1.36	2.33	1.94	1.67	3.54	6.92	4.98	2.86	3.16	3.77
Minimum coverage ratio (3)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25



Notes:

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

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

Calendar Year Ended December 31	Population (1)	Personal Income (2)	Per Capita Income (3)	Median Age (4)	Unemployment Rate (5)
2013	428,826	19,233,171	44,851	33	10.1%
2014	431,344	19,889,054	46,109	34	9.1%
2015	433,898	21,623,627	49,836	34	8.1%
2016	435,232	22,827,059	52,448	34	7.6%
2017	437,907	23,819,797	54,395	34	7.2%
2018	435,594	24,477,179	56,193	35	4.7%
2019	434,061	25,973,189	59,838	35	7.8%
2020	434,172	26,504,847	61,510	38	6.6%
2021	**	**	**	**	**
2022	**	**	**	**	**

Source: Monterey County ACFR Report (Fiscal Year Ended June 30, 2021)

** Data not available at time of print.

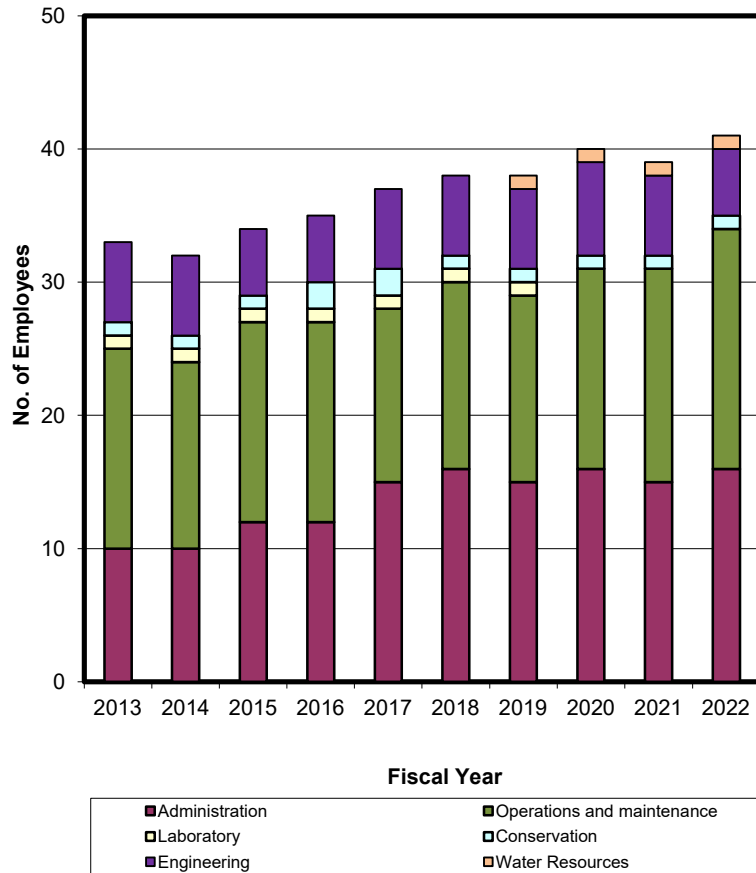
MARINA COAST WATER DISTRICT
Employment by Industry for Monterey County - by Annual Average
Prior Year and Ten Years Ago
Schedule 11

2021				2012			
Employer	Employees	Rank	Percentage of Total Employment Listed	Employer	Employees	Rank	Percentage of Total City Employment Listed
Agriculture	54,800	1	28.77%	Agriculture	48,200	1	27.75%
Government	33,700	2	17.69%	Government	31,300	2	18.02%
Leisure and Hospitality	20,300	3	10.66%	Leisure and Hospitality	21,200	3	12.20%
Educational and Health Services	20,200	4	10.60%	Educational and Health Services	16,800	4	9.67%
Retail Trade	16,100	5	8.45%	Retail Trade	15,900	5	9.15%
Professional and Business Services	15,100	6	7.93%	Professional and Business Services	11,400	6	6.56%
Natural Resources, Mining and Construction	6,600	7	3.46%	Wholesale Trade	5,200	7	2.99%
Wholesale Trade	5,300	8	2.78%	Manufacturing	5,200	8	2.99%
Manufacturing	5,100	9	2.68%	Other Services	4,700	9	2.71%
Other Services	4,800	10	2.52%	Natural Resources, Mining and Construction	4,300	10	2.48%
Financial Activities	4,100	11	2.15%	Financial Activities	4,200	11	2.42%
Transportation, Warehousing and Utilities	3,600	12	1.89%	Transportation, Warehousing and Utilities	3,800	12	2.19%
Information	800	13	0.42%	Information	1,500	13	0.86%
Total	<u>190,500</u>		<u>100.00%</u>	Total	<u>173,700</u>		<u>100.00%</u>

Source: State of California Employment Development Department

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Employees by department										
Administration	10	10	12	12	15	16	15	16	15	16
Operations and maintenance	15	14	15	15	13	14	14	15	16	18
Laboratory	1	1	1	1	1	1	1	-	-	-
Conservation	1	1	1	2	2	1	1	1	1	1
Engineering	6	6	5	5	6	6	6	7	6	5
Water Resources	-	-	-	-	-	-	1	1	1	1
Total employees	33	32	34	35	37	38	38	40	39	41



Source: Marina Coast Water District's Finance Department

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Facilities										
Distribution pipeline (miles)	142	142	147	147	147	147	162	162	162	215
Storage capacity (mg)(1)	11	11	11	11	11	11	11.2	11.2	11.2	11.2
System capacity (mgd)(2)	16.6	16.6	16.6	16.6	16.6	16.6	15.6	15.6	15.6	19.0
Water produced										
Water produced - Marina (mg)(1)	470	575	483	432	454	536	536	413	365	320
Average per day (mgd)(2)	1.3	1.6	1.3	1.2	1.2	1.5	1.5	1.1	1.0	0.9
Water produced - Ord (mg)(1)	926	837	703	551	481	574	517	661	730	830
Average per day (mgd)(2)	2.5	2.3	1.9	1.5	1.3	1.6	1.4	1.8	2.0	2.3
Total water produced (mg)(1)	1,395	1,412	1,187	983	935	1,110	1,053	1,074	1,094	1,150
Average per day (mgd)(2)	3.8	3.9	3.3	2.7	2.6	3.0	2.9	2.9	3.0	3.2

(1) mg = million gallons

(2) mgd = million gallons per day

Source: Marina Coast Water District's Finance Department



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OTHER REPORT



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

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

We have audited, in accordance with the 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, the financial statements of the business-type activities of the Marina Coast Water District, California (the “District”), as of and for the years ended June 30, 2022 and 2021, and the related notes to the basic financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated January 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
of Marina Coast Water District
Marina, California
Page 2

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
January 13, 2023

Marina Coast Water District



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