

Marina Coast Water District

Marina, California

Comprehensive Annual Financial Report

For The Fiscal Years Ended

June 30, 2020 and 2019



11 Reservation Road, Marina California 93933



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For The Fiscal Years Ended

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**11 Reservation Road
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

THOMAS P. MOORE
President

JAN SHRINER
Vice President

HERBERT CORTEZ
PETER LE
MATT ZEFFERMAN

December 14, 2020

Board of Directors
Marina Coast Water District
Marina, California

It is a pleasure to submit the Marina Coast Water District's (MCWD or District) Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2020 and 2019. The CAFR gives an assessment of the District's financial condition, informs readers about District services, gives details of infrastructure replacement projects, discusses current issues, and provides financial and demographic trend information.

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

The CAFR is believed to be accurate in all material respect and is presented in a manner designed to fairly set forth the financial position, the changes in financial position and cash flows for the District. All disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activity have been included. 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 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 35,000 residents through 10,000 connections in its Marina and former Fort Ord (Ord Community) service areas.

The District currently pumps all of its supply or approximately 3,200 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 140 miles of gravity pipeline and 7 miles of forced main to convey in excess of two million gallons per day of sewage to the Monterey One Water Treatment Plant. Monterey One Water (M1W), previously named, “Monterey Regional Water Pollution Control Agency”, operates the regional wastewater treatment plant. Sewage is conveyed to an interceptor and measured at the M1W pump station for Central Marina and at the Flume structure for Ord Community.

The District’s system encompasses approximately 162 miles of water pipeline and owns and operates eight production wells with an estimated capacity of approximately twenty 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 for 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 40 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, 211 Hillcrest Avenue, 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, storm water, desalination water and recycled 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.

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 GSA's within these Subbasins. The 180/400 Aquifer Subbasin GS plan has to be 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).

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 fiscal year 2019-20, water and sewer rate increases occurred January 1, 2020 for both the Central Marina and the Ord Community as stated in the Proposition 218 notification in 2018 and approved by the Board through 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 the audit of the District's financial statements. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The firm's report has been included in the financial section of this report.

Other References

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2019. This was the twelfth 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 CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Keith Van Der Maaten
General Manager



Kelly M. Cadiente
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 Comprehensive Annual
Financial Report
For the Fiscal Year Ended

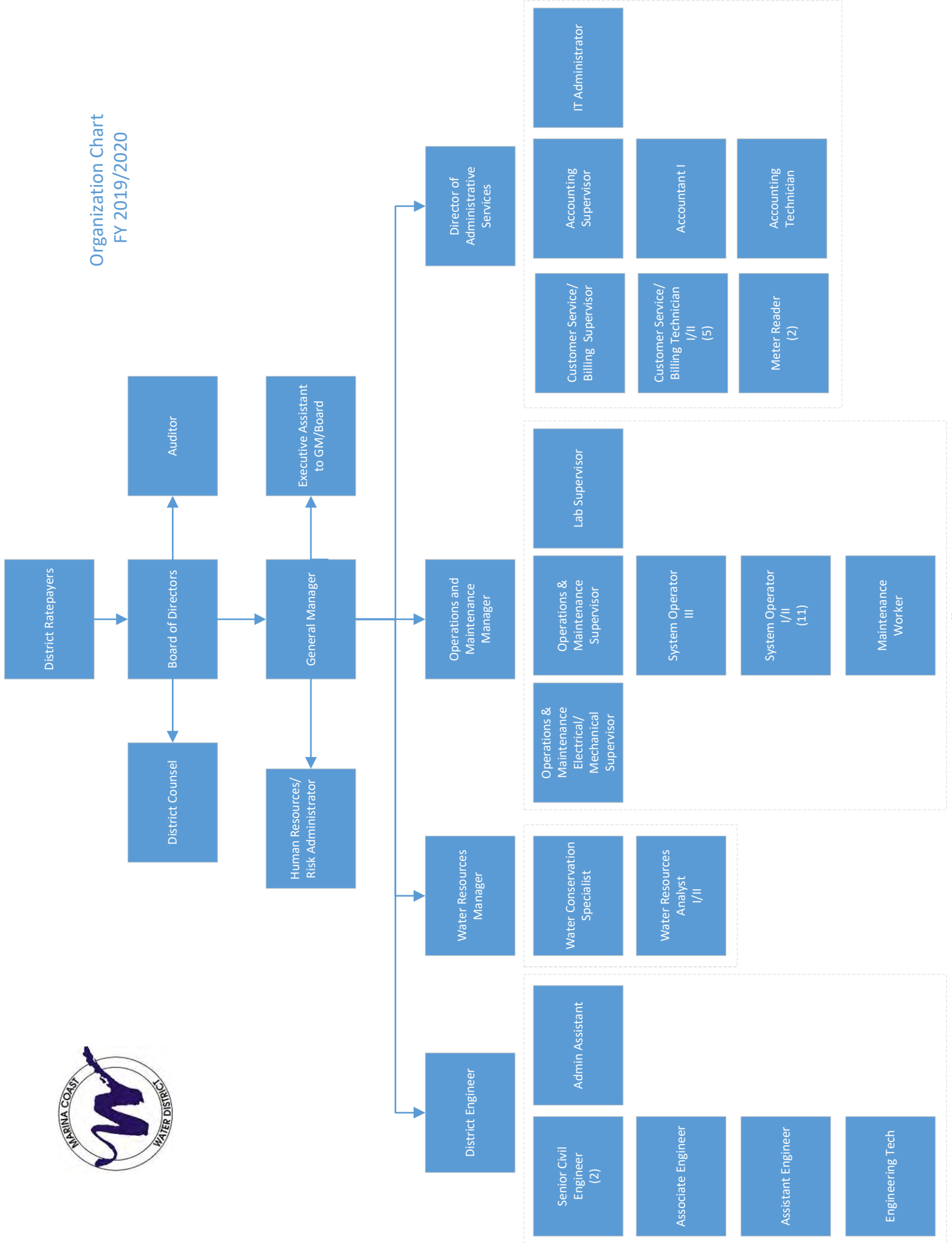
June 30, 2019

Christopher P. Morill

Executive Director/CEO



Organization Chart FY 2019/2020



Marina Coast Water District

Directory

Board of Directors

June 30, 2020

Thomas P. Moore	President
Jan Shriner	Vice-President
Herbert Cortez	Director
Peter Le	Director
Matt Zefferman	Director

Management Staff

Keith Van Der Maaten	General Manager
Mike Wegley	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

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, 2020 and 2019, 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.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of June 30, 2020 and 2019, 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.

Other Matters

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 on pages 4 to 14 and 62 to 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, the Schedule of Net Position – Proprietary Funds, the Schedule of Revenues, Expenses, and Changes in Net Position – Proprietary Funds, the Schedule of Cash Flows – Proprietary Funds, and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Net Position – Proprietary Funds, the Schedule of Revenues, Expenses, and Changes in Net Position – Proprietary Funds, the Schedule of Cash Flows – Proprietary Funds, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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, the Schedule of Net Position – Proprietary Funds, the Schedule of Revenues, Expenses, and Changes in Net Position – Proprietary Funds, the Schedule of Cash Flows – Proprietary Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Directors
of the Marina Coast Water District
Marina, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December __, 2020 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.

Santa Ana, California
December __, 2020

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MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2020 and 2019

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, 2020 and 2019. 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 and liabilities and 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, 2020 and 2019

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, 2020 and 2019

Financial Highlights for Fiscal Years 2020 and 2019

- At June 30, 2020, the District's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$185.9 million (net position), which is a decrease of \$16.0 million or 7.9% from the 2019 fiscal year-end balance. At June 30, 2019, the District's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$201.9 million (net position), which is an increase of \$15.5 million or 8.3% over the 2018 fiscal year-end balance.
- The total long-term debt for the current fiscal year increased by \$14.6 million or 36.5% due to the addition of the 2019 Enterprise Revenue Certificates of Participation in the amount of \$17.7 million offset by annual debt service payments and a reduction of \$2.0 million in the California State Revolving Fund Loan. Prior year increased by \$3.6 million or 10.0% due to the addition of the California State Revolving Fund Loan in the amount of \$5.6 million offset by annual debt service payments.
- For fiscal year 2020, capital assets decreased by \$22.1 million or 9.6% primarily due to the close out of the Regional Desalination Project. For fiscal year 2019, capital assets increased by \$10.0 million or 4.6% due to the RUWAP project and the completion of several improvement projects on existing infrastructure.
- Expenses increased \$28.1 million in the current year primarily due to the close out of the Regional Desalination Project. In the prior year, expenses increased \$2.0 million over fiscal year 2018.



MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2020 and 2019

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		
	2020	2019	2018	2020 and 2019		2019 and 2018		
Assets:								
Current assets	\$ 10,376,086	\$ 12,929,700	\$ 15,884,659	\$ (2,553,614)	-19.7%	\$ (2,954,959)	-18.6%	
Noncurrent assets	32,534,349	15,894,953	12,957,240	16,639,396	104.7%	2,937,713	22.7%	
Capital assets, net	207,705,001	229,817,197	219,785,960	(22,112,196)	-9.6%	10,031,237	4.6%	
Total Assets	250,615,436	258,641,850	248,627,859	(8,026,414)	-3.1%	10,013,991	4.0%	
Deferred outflows	1,341,775	1,079,009	1,221,945	262,766	24.4%	(142,936)	-11.7%	
Liabilities:								
Current liabilities	5,931,347	11,329,663	19,581,104	(5,398,316)	-47.6%	(8,251,441)	-42.1%	
Noncurrent liabilities	58,592,246	45,380,174	42,621,285	13,212,072	29.1%	2,758,889	6.5%	
Total Liabilities	64,523,593	56,709,837	62,202,389	7,813,756	13.8%	(5,492,552)	-8.8%	
Deferred inflows	1,508,065	1,080,413	1,187,121	427,652	39.6%	(106,708)	-9.0%	
Net Position:								
Net investment in capital assets	167,935,356	184,250,677	176,633,556	(16,315,321)	-8.9%	7,617,121	4.3%	
Restricted for capacity fees	15,587,995	15,042,160	12,105,493	545,835	3.6%	2,936,667	24.3%	
Restricted for debt service	-	852,793	851,747	(852,793)	-100.0%	1,046	0.1%	
Unrestricted	2,402,202	1,784,979	(3,130,502)	617,223	34.6%	4,915,481	-157.0%	
Total Net Position	\$ 185,925,553	\$ 201,930,609	\$ 186,460,294	\$ (16,005,056)	-7.9%	\$ 15,470,315	8.3%	

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 \$185.9 million, \$201.9 million and \$186.5 million as of June 30, 2020, 2019 and 2018, respectively.

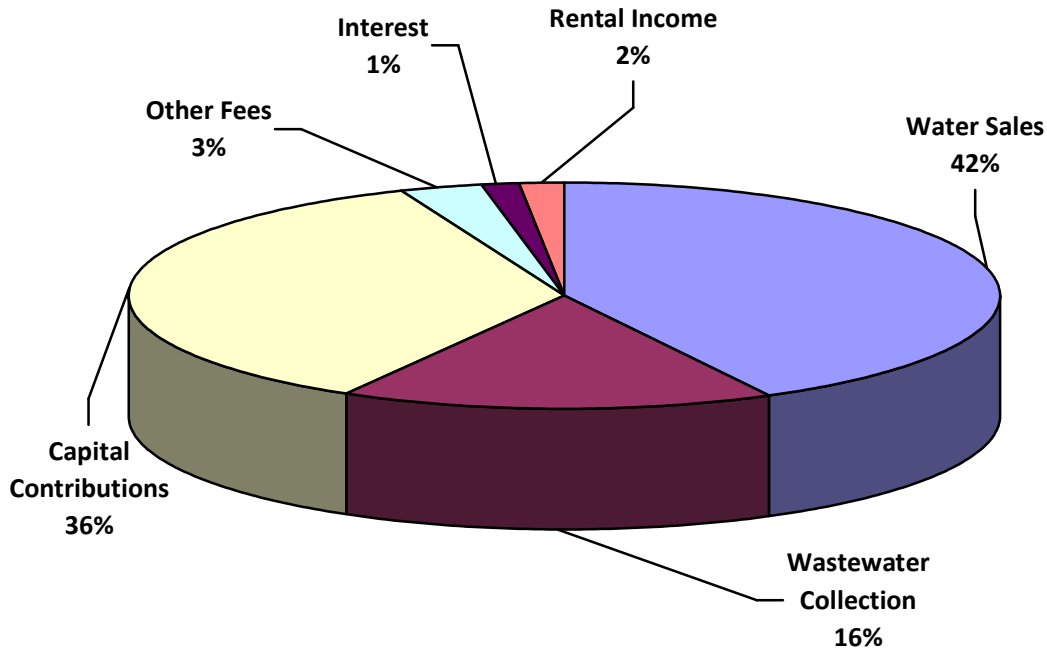
One of the largest portions of the District's net position (90.3%, 91.2% and 94.7% as of June 30, 2020, 2019 and 2018, respectively) reflects the District's net investment in capital assets. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2020 and 2019, the District showed a positive balance in its unrestricted net position of \$2.4 million, \$1.8 million, respectively, and a negative balance of \$3.1 million in FY 2018.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2020 and 2019

Revenues

The District finances its water sales and wastewater collection operations through user fees and other income. Total revenue for fiscal year 2020 was \$27.7 million, down \$1.0 million or 3.4% from prior year. Total revenue for fiscal year 2019 was \$28.7 million, down \$4.4 million or 13.2% from 2018. Capital contributions decreased \$2.3 million or 18.7% in the current year and in the prior year decreased \$4.2 million or 25.8%.



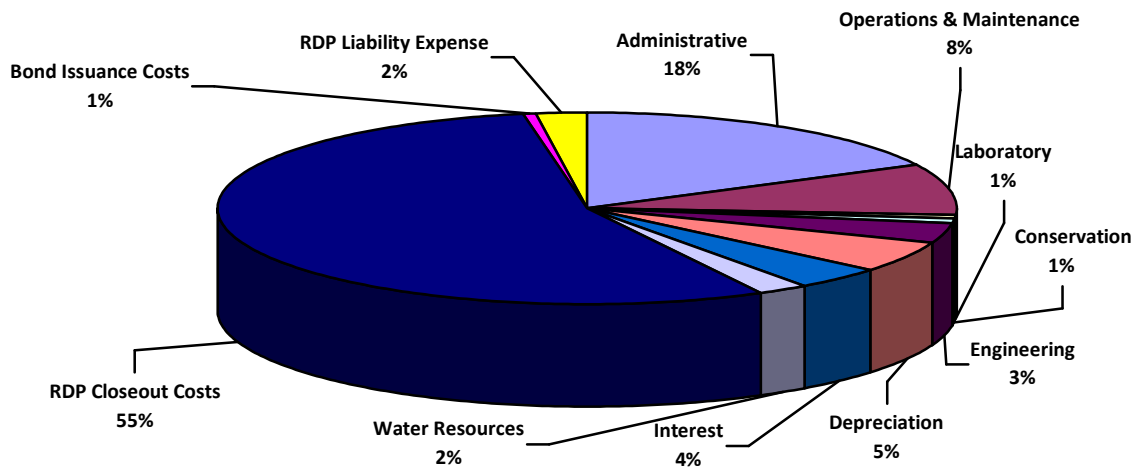
Revenues

	June 30			Change between		Change between	
	2020	2019	2018	2020 and 2019		2019 and 2018	
<u>Operating Revenues:</u>							
Water sales	\$ 11,652,404	\$ 10,693,992	\$ 10,844,656	\$ 958,412	9.0%	\$ (150,664)	-1.4%
Wastewater collection	4,484,940	4,196,352	3,828,160	288,588	6.9%	368,192	9.6%
Other services & fees	822,682	912,885	1,345,278	(90,203)	-9.9%	(432,393)	-32.1%
Total Operating Revenues	16,960,026	15,803,229	16,018,094	1,156,797	7.3%	(214,865)	-1.3%
<u>Nonoperating Revenues:</u>							
Rental income	497,152	497,767	519,024	(615)	-0.1%	(21,257)	-4.1%
Interest earned	359,505	220,362	132,986	139,143	63.1%	87,376	65.7%
Total Nonoperating Revenues	856,657	718,129	652,010	138,528	19.3%	66,119	10.1%
Capital Contributions:	9,868,096	12,136,994	16,364,028	(2,268,898)	-18.7%	(4,227,034)	-25.8%
Total Revenues	\$ 27,684,779	\$ 28,658,352	\$ 33,034,132	\$ (973,573)	-3.4%	\$ (4,375,780)	-13.2%

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2020 and 2019

Expenses

Total expenses for fiscal year 2020 was \$43.7 million, an increase of \$28.1 million or 181.0% from prior year, primarily due to the closeout of the Regional Desalination Project. Administration expenses increased \$2.1 million over prior year due to an increase of \$1.3 million in legal fees, \$0.4 million in pension expense and \$0.6 million for 2019 Bond fees and interest expense. Total expenses for fiscal year 2019 was \$15.5 million, an increase of \$2.0 million or 14.9% from fiscal year 2018. There were increases of \$0.7 million in Administrative expenses, \$0.5 million in Operations and Maintenance expenses, and \$0.3 million in depreciation expense. The Water Resources department is newly created with expenses totaling \$0.9 million, offset by a decrease of \$0.4 million in Engineering expenses.



	Expenses			Change between 2020 and 2019		Change between 2019 and 2018	
	2020	June 30 2019	2018				
Operating Expenses:							
Administrative	\$ 7,703,802	\$ 5,579,270	\$ 4,907,644	\$ 2,124,532	38.1%	\$ 671,626	13.7%
Operations and maintenance	3,698,491	3,658,830	3,181,860	39,661	1.1%	476,970	15.0%
Laboratory	255,418	280,385	251,818	(24,967)	-8.9%	28,567	11.3%
Conservation	326,074	336,553	301,155	(10,479)	-3.1%	35,398	11.8%
Engineering	1,525,620	1,470,323	1,822,501	55,297	3.8%	(352,178)	-19.3%
Water Resources	948,216	871,915	-	76,301	8.8%	871,915	100.0%
Depreciation	2,223,979	1,853,720	1,555,935	370,259	20.0%	297,785	19.1%
Total Operating Expenses	<u>16,681,600</u>	<u>14,050,996</u>	<u>12,020,913</u>	<u>2,630,604</u>	18.7%	<u>2,030,083</u>	16.9%
Nonoperating Expenses and Special Item:							
Interest expense	1,753,074	1,498,610	1,510,940	254,464	17.0%	(12,330)	-0.8%
Bond issuance costs	235,361	-	-	235,361	100.0%	-	0.0%
RDP liability expense	1,000,000	-	-	1,000,000	100.0%	-	0.0%
RDP closeout	24,019,800	-	-	24,019,800	100.0%	-	0.0%
Total Nonoperating Expenses	<u>27,008,235</u>	<u>1,498,610</u>	<u>1,510,940</u>	<u>25,509,625</u>	1702.2%	<u>(12,330)</u>	-0.8%
Total Expenses	<u>\$ 43,689,835</u>	<u>\$ 15,549,606</u>	<u>\$ 13,531,853</u>	<u>\$ 28,140,229</u>	181.0%	<u>\$ 2,017,753</u>	14.9%

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2020 and 2019

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 decreased by \$16.0 million, for the current fiscal year and increased by \$13.1 million and \$19.5 million for the fiscal years ended June 30, 2019 and 2018, respectively.

	June 30			Change between		Change between	
	2020	2019	2018	2020 and 2019		2019 and 2018	
Beginning Net Position, as restated	\$ 201,930,609	\$ 188,821,863	\$ 166,958,015	\$ 13,108,746	6.9%	\$ 21,863,848	13.1%
Income before contributions and Special Item	(1,853,352)	971,752	3,138,251	(2,825,104)	-290.7%	(2,166,499)	-69.0%
Capital contributions	9,868,096	12,136,994	16,364,028	(2,268,898)	-18.7%	(4,227,034)	-25.8%
Special Item	(24,019,800)	-	-	(24,019,800)	100.0%	-	0.0%
Change in net position	(16,005,056)	13,108,746	19,502,279	(29,113,802)	-222.1%	(6,393,533)	-32.8%
Ending Net Position	\$ 185,925,553	\$ 201,930,609	\$ 186,460,294	\$ (16,005,056)	-7.9%	\$ 15,470,315	8.3%



MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2020 and 2019

Capital Assets

At the end of fiscal years 2020, 2019 and 2018, the District's capital assets amounted to \$207.7 million, \$229.8 million and \$219.8 million, respectively, (net of accumulated depreciation). Capital assets includes 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

	June 30			Change between 2020 and 2019		Change between 2019 and 2018	
	2020	2019	2018				
<u>Capital Assets:</u>							
Non-depreciable assets	\$ 129,289,102	\$ 180,689,555	\$ 173,098,996	\$ (51,400,453)	-28.4%	\$ 7,590,559	4.4%
Depreciable assets	127,161,008	95,648,772	91,354,374	31,512,236	32.9%	4,294,398	4.7%
Less accumulated depreciation	(48,745,109)	(46,521,130)	(44,667,410)	(2,223,979)	4.8%	(1,853,720)	4.2%
Total Capital Assets, Net	<u>\$ 207,705,001</u>	<u>\$ 229,817,197</u>	<u>\$ 219,785,960</u>	<u>\$ (22,112,196)</u>	-9.6%	<u>\$ 10,031,237</u>	4.6%

Additional information on the District's capital assets is provided in Note 4 on pages 30-31 of the financial statements.



MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2020 and 2019

Debt Administration

As of June 30, 2020, the District had \$54.6 million in outstanding debt compared to \$40.0 million as of June 30, 2019 and \$36.4 million as of June 30, 2018. 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. The District bought land in 2009 and 2010, securing both purchases with a promissory note. In 2010 subordinate enterprise revenue refunding bonds in the amount of \$8.5 million were issued to refinance the promissory note associated with the Armstrong Ranch land purchase and as of this year are paid in full. 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 2010 subordinate enterprise revenue refunding bonds were assigned an "A+" long-term rating at the time of issue and the 2015 revenue refunding bonds were assigned a rating of "AA-". The 2019 Enterprise Revenue Certificates of Participation were 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.

Changes in long-term debt amounts were as follows:

	Outstanding Debt at Year End							
	June 30			Change between		Change between		
	2020	2019	2018	2020 and 2019		2019 and 2018		
<u>Long-Term Debt:</u>								
Bonds payable	\$ 43,635,000	\$ 28,780,000	\$ 30,590,000	\$ 14,855,000	51.6%	\$ (1,810,000)	-5.9%	
Loans payable	6,211,842	8,268,477	2,722,387	(2,056,635)	-24.9%	5,546,090	203.7%	
Compensated absences	463,227	488,537	447,151	(25,310)	-5.2%	41,386	9.3%	
Unamortized premiums, net	4,274,693	2,465,149	2,612,777	1,809,544	73.4%	(147,628)	-5.7%	
Total Long-Term Debt	<u>\$ 54,584,762</u>	<u>\$ 40,002,163</u>	<u>\$ 36,372,315</u>	<u>\$ 14,582,599</u>	36.5%	<u>\$ 3,629,848</u>	10.0%	

Additional information on the District's long-term debt is provided in Note 6 on pages 33-39 of the financial statements.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2020 and 2019

Economic Factors and Next Year's Budget and Rates

The Board of Directors adopted the District's 2020-2021 Marina and Ord Community budgets and rates on June 15, 2020. The approval of the budget provides funding for the District's operating, capital, and debt service costs for the 2020-2021 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, 2020 and 2019

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, 2020 and 2019

	<u>2020</u>	<u>2019 (As Restated)</u>
ASSETS		
Current assets:		
Cash and investments	\$ 5,279,317	\$ 5,500,550
Accounts receivable, net	3,149,883	2,903,272
Interest receivable	44,726	51,921
Other receivable	1,641,784	4,206,011
Inventories	203,048	207,214
Deposits	3,612	3,612
Prepaid items	53,716	57,120
Total current assets	<u>10,376,086</u>	<u>12,929,700</u>
Noncurrent assets:		
Restricted cash and investments	32,534,349	15,894,953
Capital assets, net	207,705,001	229,817,197
Total noncurrent assets	<u>240,239,350</u>	<u>245,712,150</u>
TOTAL ASSETS	<u>250,615,436</u>	<u>258,641,850</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	1,278,327	1,031,867
Deferred outflows related to OPEB	63,448	47,142
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,341,775</u>	<u>1,079,009</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,192,190	2,112,533
Accrued expenses	132,286	98,225
Interest payable	248,702	191,214
Line of credit	1,999,872	5,423,325
Customer deposits payable	829,564	604,629
Current portion of long-term debt	1,519,535	2,890,539
Other current liabilities	9,198	9,198
Total current liabilities	<u>5,931,347</u>	<u>11,329,663</u>
Noncurrent liabilities:		
Long-term debt	53,065,227	37,111,624
Total OPEB liability	2,113,230	2,374,949
Aggregate net pension liability	3,413,789	2,893,601
Other noncurrent liability	-	3,000,000
Total noncurrent liabilities	<u>58,592,246</u>	<u>45,380,174</u>
TOTAL LIABILITIES	<u>64,523,593</u>	<u>56,709,837</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	491,680	422,629
Deferred inflows related to OPEB	421,793	28,215
Deferred gains on refunding debt	594,592	629,569
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,508,065</u>	<u>1,080,413</u>
NET POSITION		
Net investment in capital assets	167,935,356	184,250,677
Restricted for capacity fees	15,587,995	15,042,160
Restricted for debt service	-	852,793
Unrestricted	2,402,202	1,784,979
TOTAL NET POSITION	<u>\$ 185,925,553</u>	<u>\$ 201,930,609</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, 2020 and 2019

	2020	2019 (As Restated)
OPERATING REVENUES:		
Water services	\$ 11,652,404	\$ 10,693,992
Wastewater services	4,484,940	4,196,352
Other services and fees	822,682	912,885
Total operating revenues	16,960,026	15,803,229
OPERATING EXPENSES:		
Administrative	7,703,802	5,579,270
Operations and maintenance	3,698,491	3,658,830
Laboratory	255,418	280,385
Conservation	326,074	336,553
Engineering	1,525,620	1,470,323
Water Resources	948,216	871,915
Depreciation	2,223,979	1,853,720
Total operating expenses	16,681,600	14,050,996
Operating income (loss)	278,426	1,752,233
NONOPERATING REVENUES (EXPENSES):		
Rental income	497,152	497,767
Interest earned	359,505	220,362
Interest expense	(1,753,074)	(1,498,610)
RDP liability expense	(1,000,000)	-
Bond issuance costs	(235,361)	-
Total nonoperating revenue (expenses)	(2,131,778)	(780,481)
Income (loss) before capital contributions and special item	(1,853,352)	971,752
CAPITAL CONTRIBUTIONS:		
Grants	6,063,324	5,101,452
Capacity and connection fees	3,296,628	4,306,233
Developer contributions	508,144	2,729,309
Total capital contributions	9,868,096	12,136,994
SPECIAL ITEM:		
RDP closeout (Note 11)	(24,019,800)	-
Increase (decrease) in net position	(16,005,056)	13,108,746
Net position, beginning of year	201,930,609	186,460,294
Prior Period Adjustment (Note 12)	-	2,361,569
Net position, beginning of year (as restated)	201,930,609	188,821,863
Net position, end of year	\$ 185,925,553	\$ 201,930,609

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, 2020 and 2019

	2020	2019 (As Restated)
OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 16,938,351	\$ 15,682,617
Payments to employees	(6,200,149)	(5,563,276)
Payments to suppliers	(7,651,752)	(6,504,824)
Net cash provided by operating activities	3,086,450	3,614,517
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(5,057,464)	(15,631,057)
Proceeds from grants	6,710,790	5,101,452
Developer contributions, capacity and connection receipts	3,626,165	7,035,542
Principal paid on line of credit	(3,423,453)	(1,139,371)
Proceeds from capital debt	19,749,662	5,628,103
Principal paid on capital debt	(2,956,797)	(1,892,013)
Bond fees paid on capital debt	(235,361)	-
Interest paid on capital debt	(1,945,681)	(1,642,748)
Settlement payment for RDP closeout (Note 11)	(4,000,000)	-
Net cash provided by (used in) capital and related financing activities	12,467,861	(2,540,092)
INVESTING ACTIVITIES:		
Rental income	497,152	497,767
Investment earnings	366,700	204,559
Net cash provided by investing activities	863,852	702,326
Net increase in cash and cash equivalents	16,418,163	1,776,751
Cash and cash equivalents, beginning of year	21,395,503	19,618,752
Cash and cash equivalents, end of year	\$ 37,813,666	\$ 21,395,503
RECONCILIATION TO STATEMENTS OF NET POSITION:		
Cash and investments	\$ 5,279,317	\$ 5,500,550
Restricted cash and investments	32,534,349	15,894,953
Total cash and cash equivalents	\$ 37,813,666	\$ 21,395,503
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 278,426	\$ 1,752,233
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,223,979	1,853,720
(Increase) decrease in accounts receivable	(246,611)	(120,612)
(Increase) decrease in inventories	4,166	(72,672)
(Increase) decrease in prepaid items	3,404	11,983
(Increase) decrease in deferred outflows of resources	(262,766)	146,472
Increase (decrease) in customer deposits	224,935	(21,891)
Increase (decrease) in accounts payable	131,068	69,370
Increase (decrease) in accrued expenses	34,061	(12,177)
Increase (decrease) in compensated absences	(25,310)	41,386
Increase (decrease) in net pension liability	520,188	(72,334)
Increase (decrease) in total OPEB liability	(261,719)	173,962
Increase (decrease) in deferred inflows	462,629	(134,923)
Total adjustments	2,808,024	1,862,284
Net cash provided by operating activities	\$ 3,086,450	\$ 3,614,517
CAPITAL AND RELATED FINANCING NONCASH ITEMS:		
RDP closeout (Note 11)	\$ (24,019,800)	\$ -
Amortization of deferred charges and premium	\$ 250,094	\$ 147,628



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MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

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 - Operating Leases

Note 8 - Defined Benefit Pension Plan

Note 9 - Other Post-Employment Benefits

Note 10 - Risk Management

Note 11 - Commitments and Contingencies

Note 12 - Restatement of Net Position

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

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, 2020 and 2019

Note 1 – Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (concluded)

The **Regional Project fund** accounts for operations of the Regional Desalination Project.

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 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, 2020 and 2019

Note 1 – Summary of Significant Accounting Policies (continued)

D. Statement of Net Position (concluded)

Net investment in capital assets as of June 30, 2020 and 2019 are as follows:

	2020	2019
Capital assets, net	\$ 207,705,001	\$ 229,817,197
2010 Revenue Bonds	-	(1,746,305)
2015 Series A Bonds	(28,367,520)	(29,498,844)
2019 Revenue Bonds	(19,542,173)	-
Unspent 2019 Bond proceeds	16,946,354	-
Santa Cruz County Bank Installment Loan	(2,553,577)	(2,640,374)
SRF Loan	(3,658,265)	(5,628,103)
Line of credit	(1,999,872)	(5,423,325)
Deferred gains on refunding debt	(594,592)	(629,569)
Net investment in capital assets	\$ 167,935,356	\$ 184,250,677

- **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, 2020 and 2019

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 improvements 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, 2020 and 2019

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. 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, 2020 and 2019, the District's liability was estimated at \$0 for both years.

O. 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, 2020 and 2019

Note 1 – Summary of Significant Accounting Policies (continued)

P. 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)

Q. 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.

R. 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 8). 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, 2020 and 2019

Note 1 – Summary of Significant Accounting Policies (continued)

R. Pension (concluded)

The following timeframes are used for pension reporting:

2020

Valuation Date:	June 30, 2018
Measurement Date:	June 30, 2019
Measurement Period:	July 1, 2018 to June 30, 2019

2019

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2018
Measurement Period:	July 1, 2017 to June 30, 2018

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.

S. 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, 2020 and 2019

Note 1 – Summary of Significant Accounting Policies (continued)

S. 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:

2020

Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2019
Measurement Period:	July 1, 2018 to June 30, 2019

2019

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2018
Measurement Period:	July 1, 2017 to June 30, 2018

T. Implementation of New GASB Pronouncements

GASB Statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an 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.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance (GASB Statement No. 95)*, to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of provisions in certain GASB Statements and Implementation Guides which became effective or were scheduled to become effective for periods beginning after June 15, 2018, and later.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 1 – Summary of Significant Accounting Policies (concluded)

T. Implementation of New GASB Pronouncements (concluded)

The District implemented GASB Statement No. 95 in the fiscal year ended June 30, 2020 and postponed the effective dates of the following GASB Statements:

- GASB Statement No. 84, Fiduciary Activities
- GASB Statement No. 87, Leases
- GASB Statement No. 90, Majority Equity Interests
- GASB Statement No. 91, Conduit Debt Obligations
- GASB Statement No. 92, Omnibus 2020
- GASB Statement No. 93, Replacement of Interbank Offered Rates

Note 2 - Cash and Investments

Cash and investments as of June 30, 2020 and 2019 are classified in the accompanying financial statements as follows:

	2020	2019
Statement of Net Position:		
Cash and investments	\$ 5,279,317	\$ 5,500,550
Restricted cash and investments	32,534,349	15,894,953
Total cash and investments	\$ 37,813,666	\$ 21,395,503

Cash and investments as of June 30, 2020 and 2019 consisted of the following:

	2020	2019
Cash on hand	\$ 1,050	\$ 1,050
Deposits with financial institutions	1,286,545	2,566,676
Investments - cash equivalent	36,526,071	18,827,777
Total cash and investments	\$ 37,813,666	\$ 21,395,503

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in money market funds, certificates of deposits, guaranteed investment 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, 2020 and 2019

Note 2 - Cash and Investments (continued)

Disclosures Relating to Interest Rate Risk

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

	Fair Value		Maturity
	2020	2019	
State Investment Pool (LAIF)	\$ 17,147,945	\$ 12,384,178	N/A - due on demand
Money Market Fund	2,431,711	5,589,239	N/A - due on demand
Debt Reserve Fund/ Bond Project Fund (T-Fund Money Market)	16,946,415	854,360	N/A - due on demand
Total	<u>\$ 36,526,071</u>	<u>\$ 18,827,777</u>	

Disclosures Relating to Credit Risk

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

Concentration of Credit Risk

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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 2 - Cash and Investments (continued)

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, 2020, the District's carrying amount of demand deposits was \$1,286,545 and the bank account balance was \$2,061,514. The difference of \$774,969 represented outstanding checks and deposits in transit. Of the total deposit balance, \$250,000 was insured by federal depository insurance and \$1,811,514 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, 2019, the District's carrying amount of demand deposits was \$2,566,676 and the bank account balance was \$2,901,500. The difference of \$334,824 represented outstanding checks and deposits in transit. Of the total deposit balance, \$250,000 was insured by federal depository insurance and \$2,651,500 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, 2020 and 2019

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, 2020 and 2019, the District had \$17,147,945 and \$12,384,178, respectively invested in LAIF, which had invested 3.37% and 1.77%, 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, 2020 and 2019, accounts receivable consisted of utility customer receivables of \$3,342,793 and \$3,032,198, respectively. The allowance for uncollectible accounts related to utility customers was \$192,910 and \$128,926, respectively.

Other receivable balance, net of allowance for doubtful accounts, currently outstanding at June 30, 2020 and 2019 was \$1,641,784 and \$4,206,011, 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, 2020 and 2019

Note 4 - Capital Assets

Changes in capital assets for the fiscal year ended June 30, 2020, is as follows:

	Balance July 1, 2019	Additions	Deletions	Transfers	Balance at June 30, 2020
<u>Non-depreciable assets:</u>					
Land	\$ 9,582,134	\$ -	\$ -	\$ -	\$ 9,582,134
Property easement	25,181,584	-	-	-	25,181,584
Water/sewer rights	75,129,410	-	-	-	75,129,410
Construction in progress	70,796,427	3,412,060	(24,019,800)	(30,792,713)	19,395,974
Total non-depreciable assets	<u>180,689,555</u>	<u>3,412,060</u>	<u>(24,019,800)</u>	<u>(30,792,713)</u>	<u>129,289,102</u>
<u>Depreciable assets:</u>					
Land improvements	190,092	-	-	-	190,092
Buildings and improvements	8,502,823	-	-	-	8,502,823
Equipment	3,658,316	593,993	-	1,715,094	5,967,403
Infrastructure	83,297,541	125,530	-	29,077,619	112,500,690
Total depreciable assets	<u>95,648,772</u>	<u>719,523</u>	<u>-</u>	<u>30,792,713</u>	<u>127,161,008</u>
<u>Less accumulated depreciation:</u>					
Land improvements	(70,501)	(9,714)	-	-	(80,215)
Buildings and improvements	(2,003,050)	(214,745)	-	-	(2,217,795)
Equipment	(2,978,430)	(116,381)	-	-	(3,094,811)
Infrastructure	(41,469,149)	(1,883,139)	-	-	(43,352,288)
Total accumulated depreciation	<u>(46,521,130)</u>	<u>(2,223,979)</u>	<u>-</u>	<u>-</u>	<u>(48,745,109)</u>
Depreciable assets, net	<u>49,127,642</u>	<u>(1,504,456)</u>	<u>-</u>	<u>30,792,713</u>	<u>78,415,899</u>
Total capital assets, net	<u>\$ 229,817,197</u>	<u>\$ 1,907,604</u>	<u>\$ (24,019,800)</u>	<u>\$ -</u>	<u>\$ 207,705,001</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 4 - Capital Assets (concluded)

Changes in capital assets for the fiscal year ended June 30, 2019, is as follows:

	Balance July 1, 2018	Additions	Deletions	Transfers	Balance at June 30, 2019
<u>Non-depreciable assets:</u>					
Land	\$ 9,582,134	\$ -	\$ -	\$ -	\$ 9,582,134
Property easement	25,181,584	-	-	-	25,181,584
Water/sewer rights	75,129,410	-	-	-	75,129,410
Construction in progress	63,205,868	9,020,736	-	(1,430,177)	70,796,427
Total non-depreciable assets	<u>173,098,996</u>	<u>9,020,736</u>	<u>-</u>	<u>(1,430,177)</u>	<u>180,689,555</u>
<u>Depreciable assets:</u>					
Land improvements	190,092	-	-	-	190,092
Buildings and improvements	8,502,823	-	-	-	8,502,823
Equipment	3,564,124	94,192	-	-	3,658,316
Infrastructure	79,097,335	2,770,029	-	1,430,177	83,297,541
Total depreciable assets	<u>91,354,374</u>	<u>2,864,221</u>	<u>-</u>	<u>1,430,177</u>	<u>95,648,772</u>
<u>Less accumulated depreciation:</u>					
Land improvements	(60,787)	(9,714)	-	-	(70,501)
Buildings and improvements	(1,779,265)	(223,785)	-	-	(2,003,050)
Equipment	(2,882,001)	(96,429)	-	-	(2,978,430)
Infrastructure	(39,945,357)	(1,523,792)	-	-	(41,469,149)
Total accumulated depreciation	<u>(44,667,410)</u>	<u>(1,853,720)</u>	<u>-</u>	<u>-</u>	<u>(46,521,130)</u>
Depreciable assets, net	<u>46,686,964</u>	<u>1,010,501</u>	<u>-</u>	<u>1,430,177</u>	<u>49,127,642</u>
Total capital assets, net	<u>\$ 219,785,960</u>	<u>\$ 10,031,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,817,197</u>

Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The depreciation expense for the years ended June 30, 2020 and 2019 totaled \$2,223,979, and \$1,853,720, respectively.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

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 for the RUWAP through a Revolving Line of Credit (RLOC) from BBVA Compass Bank in the amount of \$16 million. The RLOC has 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 is 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.

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, 2020 and 2019, the outstanding line of credit balance was \$1,999,872 and \$5,423,325, respectively.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 6 - Long-Term Debt

Changes in long-term liability activity for the fiscal year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2010 Revenue Bonds - Publicly offered	\$ 1,735,000	\$ -	\$ (1,735,000)	\$ -	\$ -
plus unamortized premiums	11,305	-	(11,305)	-	-
Net 2010 Revenue Bonds	1,746,305	-	(1,746,305)	-	-
2015 Series A Bonds - Publicly offered	27,045,000	-	(995,000)	26,050,000	1,035,000
plus unamortized premiums	2,453,844	-	(136,324)	2,317,520	-
Net 2015 Series A Bonds	29,498,844	-	(1,131,324)	28,367,520	1,035,000
2019 Series Revenue Bonds - Publicly offered	-	17,725,000	(140,000)	17,585,000	315,000
plus unamortized premiums	-	2,024,662	(67,489)	1,957,173	-
Net 2019 Series Revenue Bonds	-	19,749,662	(207,489)	19,542,173	315,000
SRF Loan - Direct borrowing	5,628,103	-	(1,969,838)	3,658,265	-
Santa Cruz County Bank Installment Loan - Private placement	2,640,374	-	(86,797)	2,553,577	91,859
Compensated absences	488,537	381,841	(407,151)	463,227	77,676
Totals	<u>\$ 40,002,163</u>	<u>\$ 20,131,503</u>	<u>\$ (5,548,904)</u>	<u>\$ 54,584,762</u>	<u>\$ 1,519,535</u>

Changes in long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2010 Revenue Bonds - Publicly offered	\$ 2,585,000	\$ -	\$ (850,000)	\$ 1,735,000	\$ 1,735,000
plus unamortized premiums	22,609	-	(11,304)	11,305	-
Net 2010 Revenue Bonds	2,607,609	-	(861,304)	1,746,305	1,735,000
2015 Series A Bonds - Publicly offered	28,005,000	-	(960,000)	27,045,000	995,000
plus unamortized premiums	2,590,168	-	(136,324)	2,453,844	-
Net 2015 Series A Bonds	30,595,168	-	(1,096,324)	29,498,844	995,000
SRF Loan - Direct borrowing	-	5,628,103	-	5,628,103	-
Santa Cruz County Bank Installment Loan - Private placement	2,722,387	-	(82,013)	2,640,374	86,797
Compensated absences	447,151	419,209	(377,823)	488,537	73,742
Totals	<u>\$ 36,372,315</u>	<u>\$ 6,047,312</u>	<u>\$ (2,417,464)</u>	<u>\$ 40,002,163</u>	<u>\$ 2,890,539</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 6 - Long-Term Debt (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, 2020 and 2019

Note 6 - Long-Term Debt (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, 2020 and 2019, the outstanding balance was \$2,553,577 and \$2,640,374, respectively.

Future payments are as follows:

Year Ending June 30,	Santa Cruz County Bank Installment Loan		
	Principal	Interest	Total
2021	\$ 91,859	\$ 145,529	\$ 237,388
2022	97,217	140,171	237,388
2023	102,887	134,501	237,388
2024	108,888	128,500	237,388
2025	115,240	122,148	237,388
2026-2030	685,213	501,728	1,186,941
2031-2035	909,753	277,187	1,186,940
2036-2037	442,520	32,257	474,777
	<u>\$ 2,553,577</u>	<u>\$ 1,482,021</u>	<u>\$ 4,035,598</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 6 - Long-Term Debt (continued)

B. SRF Loan

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 with a maximum amount of \$10,513,217 at an interest rate of 1.8% per annum. This Agreement was part of the District's original application for the Regional Urban Water Augmentation Project 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. The State then 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 break down of each funds request. As of June 30, 2020 and 2019, a total of \$5,628,103 has been received by the District of which, \$1,969,838 are grant funds and \$3,658,265 are loan proceeds. The loan repayment was originally scheduled to commence September 30, 2021 but has been amended to March 30, 2023.

This Agreement 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 this Agreement after such violation has been called to the attention of the District and after failure of the District to bring itself into compliance with the provisions of this Agreement 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, 2020 and 2019

Note 6 - Long-Term Debt (continued)

C. 2010 Revenue Bonds

On December 16, 2010, the District issued refunding revenue bonds in the amount of \$8,495,000 due in semi-annual installments on December 1 and June 1 through 2020 at a weighted average interest rate of 4.340% per annum. The proceeds from the bond issue were used to refinance the Armstrong Ranch Promissory Note. The 2010 bonds are payable solely from, and secured by, the revenues received from the operation of the District's water and wastewater systems. The outstanding balance at June 30, 2019 was \$1,735,000, which was paid in June 2020.

D. 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, 2020 and 2019 was \$26,050,000 and \$27,045,000, respectively.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 6 - Long-Term Debt (continued)

D. 2015 Series A & B Revenue Bonds (concluded)

Future payments are as follows:

Year Ending June 30,	2015 Series A Revenue Refunding Bonds		
	Principal	Interest	Total
2021	\$ 1,035,000	\$ 1,214,350	\$ 2,249,350
2022	1,090,000	1,162,600	2,252,600
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
2026-2030	7,170,000	4,083,000	11,253,000
2031-2035	9,015,000	2,238,663	11,253,663
2036-2037	4,185,000	316,500	4,501,500
	<u>\$ 26,050,000</u>	<u>\$ 12,211,513</u>	<u>\$ 38,261,513</u>

E. 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, 2020 was \$17,585,000.

Future payments are as follows:

Year ending June 30,	2019 Revenue Bonds		
	Principal	Interest	Total
2021	\$ 315,000	\$ 692,300	\$ 1,007,300
2022	325,000	679,700	1,004,700
2023	340,000	666,700	1,006,700
2024	355,000	653,100	1,008,100
2025	365,000	638,900	1,003,900
2026-2030	2,130,000	2,900,750	5,030,750
2031-2035	2,695,000	2,329,700	5,024,700
2036-2040	3,305,000	1,727,500	5,032,500
2041-2045	4,015,000	1,012,300	5,027,300
2046-2049	3,740,000	284,550	4,024,550
	<u>\$ 17,585,000</u>	<u>\$ 11,585,500</u>	<u>\$ 29,170,500</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 6 - Long-Term Debt (concluded)

F. 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, 2020 and 2019 was \$215,118 and \$147,628, respectively.

G. 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, 2020 and 2019 was \$463,227 and \$488,537, respectively.

Note 7 – Operating Leases

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

Minimum lease payments under the obligations are as follows:

<u>Year ending June 30,</u>	
2021	<u>\$ 9,229</u>
Total	<u><u>\$ 9,229</u></u>

The District's total operating lease expense for the years ended June 30, 2020 and 2019 was \$21,032 and \$18,420, respectively.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 8 - 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.

Employees Covered by Benefit Terms

At June 30, 2018 and 2017 valuation dates, the following employees were covered by the benefit terms:

	2018		2017	
	Classic	PEPRA	Classic	PEPRA
Active employees	28	10	28	10
Transferred and terminated employees	16	7	15	4
Retired employees and beneficiaries	13	-	13	-
Total	57	17	56	14

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.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 8 - Defined Benefit Pension Plan (continued)

A. General Information (continued)

The Plan's provisions and benefits in effect at June 30, 2020 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	8.563%	6.985%

The Plan's provisions and benefits in effect at June 30, 2019 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%	6.25%
Required employer contribution rates	8.099%	6.842%

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.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 8 - Defined Benefit Pension Plan (continued)

A. General Information (concluded)

For the years ended June 30, 2020 and 2019, the contributions for the Plan were as follows:

Classic Miscellaneous Plan	2020	2019
Contributions - employer	\$ 259,501	\$ 248,830
Contributions - employee (paid by employer)	212,135	215,082
Contributions - unfunded accrued liability	184,785	-
Total	\$ 656,421	\$ 463,912
PEPRA Miscellaneous Plan		
Contributions - employer	\$ 80,747	\$ 56,551
Contributions - employee	78,031	51,658
Contributions - unfunded accrued liability	383	-
Total	\$ 159,161	\$ 108,209

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

As of June 30, 2020 and 2019, the District reported net pension liabilities of \$3,413,789 and \$2,893,601, 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, 2020 is measured as of June 30, 2019, 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, 2018 rolled forward to June 30, 2019 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 2019, 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, 2019 was measured as of June 30, 2018, 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, 2017 rolled forward to June 30, 2018 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.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 8 - Defined Benefit Pension Plan (continued)

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

For the year ended June 30, 2020, 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	\$ 162,784	\$ (57,705)
Differences between Expected and Actual Experience	237,102	(18,371)
Differences between Projected and Actual Investment Earnings	-	(59,684)
Changes in Proportion	353,025	-
Differences between Contributions and Proportionate Share of Contributions	-	(355,920)
Contributions made after Measurement Date	525,416	-
Total	\$ 1,278,327	\$ (491,680)

Contributions subsequent to the measurement date, in the amount of \$525,416, will be recognized as a reduction of the collective net pension liability in the year ending June 30, 2021. 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
2021	\$ 240,069
2022	(21,577)
2023	30,679
2024	12,060
2025	-
Thereafter	-
Total	\$ 261,231

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 8 - Defined Benefit Pension Plan (continued)

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

For the year ended June 30, 2019, the District recognized pension expense of \$279,572 and reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Classic Miscellaneous Plan		
Changes of Assumptions	\$ 329,879	\$ (80,847)
Differences between Expected and Actual Experience	111,022	(37,780)
Differences between Projected and Actual Investment Earnings	14,305	-
Changes in Proportion	271,280	-
Differences between Contributions and Proportionate Share of Contributions	-	(304,002)
Contributions made after Measurement Date	305,381	-
Total	\$ 1,031,867	\$ (422,629)

Contributions subsequent to the measurement date for fiscal year 2019, in the amount of \$305,381, was recognized as a reduction of the collective net pension liability in the year ending June 30, 2020. 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
2020	\$ 262,938
2021	150,458
2022	(83,513)
2023	(26,026)
2024	-
Thereafter	-
Total	\$ 303,857

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 8 - Defined Benefit Pension Plan (continued)

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability determined in the June 30, 2018 actuarial accounting valuation. The June 30, 2019 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.

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 best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 8 - Defined Benefit Pension Plan (continued)

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

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 returns of 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 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 2020 and 2019. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global 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

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 8 - Defined Benefit Pension Plan (continued)

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

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:

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)
Balance at: 6/30/18 (Valuation date)	\$ 15,886,130	\$ 12,992,529	\$ 2,893,601
Balance at: 6/30/19 (Measurement date)	17,340,353	13,926,564	3,413,789
Net changes during 2018-2019	1,454,223	934,035	520,188
Balance at: 6/30/17 (Valuation date)	\$ 14,788,078	\$ 11,822,143	\$ 2,965,935
Balance at: 6/30/18 (Measurement date)	15,886,130	12,992,529	2,893,601
Net changes during 2017-2018	1,098,052	1,170,386	(72,334)

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, 2019 and 2018.

- 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, 2018 and 2017). 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.
- 2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2019 and 2018). 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, 2019 and 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2018-2019 and 2017-2018).
- 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.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 8 - Defined Benefit Pension Plan (continued)

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

- 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:

	2020		2019
Measurement Date:		Measurement Date:	
June 30, 2018	0.03003%	June 30, 2017	0.02991%
June 30, 2019	0.03331%	June 30, 2018	0.03003%
Change - Increase		Change - Increase	
(Decrease)	0.00328%	(Decrease)	0.00012%

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:

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 8 - Defined Benefit Pension Plan (concluded)

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

Miscellaneous Plan 2020:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability/ (Asset)	\$ 5,746,120	\$ 3,413,789	\$ 1,488,616

Miscellaneous Plan 2019:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability/ (Asset)	\$ 5,042,537	\$ 2,893,601	\$ 1,119,691

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 CAFR closing and final reconciled reserves.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 9 – 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. 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, 2019 (the census date), the benefit terms covered the following employees:

Active employees:	37
Inactive employees currently receiving benefits:	5
Inactive employees entitled to, but not yet receiving benefits:	<u>0</u>
Total:	<u><u>42</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, 2020, the District paid \$26,247 in pay-as-you-go premiums and the estimated implied subsidy was \$37,201 resulting in total payments of \$63,448. For fiscal year ended June 30, 2019, the District paid \$24,432 in pay-as-you-go premiums and the estimated implied subsidy was \$22,710 resulting in total payments of \$47,142.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 9 – Other Post-Employment Benefits (OPEB) (continued)

D. Total OPEB Liability

The District's total OPEB liability was valued as of June 30, 2019 and was used to calculate the net OPEB liability measured as of June 30, 2019.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 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, 2018</u>	<u>June 30, 2019</u>	
Discount Rate	3.62%	3.13%	
Inflation	2.50%	2.50%	
Healthcare Cost Trend Rates	N/A	7.00%	Trending down to 3.84% over 56 years. Applies to calendar years.
Salary Increases	2.75%	2.75%	Additional merit-based increases based on CalPERS merit salary increase tables.
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.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13%. 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, 2020 and 2019

Note 9 – Other Post-Employment Benefits (OPEB) (continued)

E. Changes in the Total OPEB Liability

The changes in the total OPEB liability for 2020 are as follows:

	Total OPEB Liability
Balance as of Report Date June 30, 2019	\$ 2,374,949
Changes for the year:	
Service Cost	134,969
Interest	90,006
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	(265,724)
Changes of Assumptions	(173,828)
Benefit Payments, Including Refunds of Employee Contributions	(24,432)
Implicit Rate Subsidy Fulfilled	(22,710)
Net Changes	(261,719)
Balance as of Report Date June 30, 2020	\$ 2,113,230

The changes in the total OPEB liability for 2019 are as follows:

	Total OPEB Liability
Balance as of Report Date June 30, 2018	\$ 2,225,665
Changes for the year:	
Service Cost	132,712
Interest	83,597
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	(31,095)
Benefit Payments, Including Refunds of Employee Contributions	(20,896)
Implicit Rate Subsidy Fulfilled	(15,034)
Net Changes	149,284
Balance as of Report Date June 30, 2019	\$ 2,374,949

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 9 – 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 2020

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	2.13%	3.13%	4.13%
Total OPEB Liability	<u>\$ 2,434,435</u>	<u>\$ 2,113,230</u>	<u>\$ 1,848,943</u>

Fiscal Year 2019

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	2.62%	3.62%	4.62%
Total OPEB Liability	<u>\$ 2,803,547</u>	<u>\$ 2,374,949</u>	<u>\$ 2,029,407</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 2020

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
	6.00% Decreasing to 2.84%	7.00% Decreasing to 3.84%	8.00% Decreasing to 4.84%
Total OPEB Liability	<u>\$ 1,795,262</u>	<u>\$ 2,113,230</u>	<u>\$ 2,516,304</u>

Fiscal Year 2019

	<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>\$ 1,970,838</u>	<u>\$ 2,374,949</u>	<u>\$ 2,896,024</u>

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 9 – 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, 2020, the District recognized an OPEB expense of \$179,000. At June 30, 2020, 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	\$ -	\$ (239,672)
Changes of Assumptions	-	(182,121)
District Contributions Subsequent to the Measurement Date	63,448	-
Total	\$ 63,448	\$ (421,793)

The \$63,448 reported as deferred outflows of resources related to contributions subsequent to June 30, 2019 measurement date will be recognized as a reduction of the total OPEB liability during fiscal year ending June 30, 2021.

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
2021	\$ (45,974)
2022	(45,974)
2023	(45,974)
2024	(45,974)
2025	(45,974)
Thereafter	(191,923)
Total	\$ (421,793)

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 9 – 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, 2019, the District recognized an OPEB expense of \$213,429. At June 30, 2019, 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
Changes of Assumptions	\$ -	\$ (28,215)
District Contributions Subsequent to the Measurement Date	47,142	-
Total	\$ 47,142	\$ (28,215)

The \$47,142 reported as deferred outflows of resources related to contributions subsequent to June 30, 2018 measurement date was recognized as a reduction of the total OPEB liability during fiscal year ended June 30, 2020.

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
2020	\$ (2,880)
2021	(2,880)
2022	(2,880)
2023	(2,880)
2024	(2,880)
Thereafter	(13,815)
Total	\$ (28,215)

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 10 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA), a public entity risk pool currently operating as a common risk carrier management and insurance program for member agencies. The ACWA-JPIA arranges and administers pooled coverage programs where loss is retained and shared among its member agencies, and it purchases excess or specialty-insurance coverage above retained limits.

As of June 30, 2020, the District participated in the ACWA-JPIA liability, and property coverage programs as follows:

- General, auto, public officials' liability coverage up to the ACWA/JPIA pooled self-insured limit of \$5,000,000 per occurrence. ACWA/JPIA purchased additional excess coverage layers which increases the program limits to \$55,000,000.
- Cyber Liability coverage up to \$3,000,000 per occurrence with a \$5,000,000 program aggregate, subject to a retention. The District's retention is based on annual revenues.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total program limit of \$500 million, subject to a deductible option that generally ranges from \$1,000 to \$50,000 depending on the type of property.
- Employee dishonesty coverage up to \$100,000, which includes public employee dishonesty, forgery or alteration and computer fraud, with a \$1,000 deductible.
- Workers' Compensation & Employer's Liability Coverage up to the ACWA/JPIA pooled self-insured limit of \$2,000,000 per incident. ACWA/JPIA purchased additional excess coverage which increases the Program coverage limits to \$4,000,000.

The District has deductibles of \$500 for automobile comprehensive and collision coverage and \$1,000 for other property types. There is no retention for general liability insurance. 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.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 11 - Commitments and Contingencies

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

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 Desalination 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, 2020 and 2019

Note 11 - 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 to 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 MCWD's motion for Summary Judgement and adjudication was granted on MCWRA's amended complaint. On June 20, 2019, MCWD'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 MCWD 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 judgement on June 8, 2020. CAW and MCWRA have appealed from the judgement challenging the Court's earlier granting of summary judgement 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.

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 and reported as a special item.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 11 - 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 (Monterey County Superior Court, Case No. 18CV00816)

On March 5, 2018, MCWD filed a Petition for Writ of Mandate and Complaint for Injunctive Relief challenging the County of Monterey's approval of Well Permit 17-12898 for Well ERS-20. MCWD alleges that the County violated CEQA in approving the permit. MCWD, the County and the Real Party in Interest have been engaged in settlement discussions since the case began. The litigation continues to be stayed and additional settlement discussions may continue.

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 City of Marina. MCWD alleges that the County's approval violated CEQA, State Planning and Zoning Law, the California Water Code and the Monterey County Code. MCWD 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 MCWD's request and stayed any construction activity on the project. The Court has continued the stay until it issues a decision following additional briefing. Briefing on the merits is complete and the final oral argument occurred on November 18, 2020. A decision from the trial court is expected within the next 30 to 60 days. MCWD is vigorously prosecuting its case against the County.

Marina Coast Water District v. County of Monterey, et al. (Monterey Superior Court, Case No. 19CV001387)

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, 2020 and 2019

Note 11 - Commitments and Contingencies (concluded)

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. MCWD’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 is preparing a First Amended Complaint.

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 \$464,795. The District has been vigorously defending the case.

The court bifurcated the case into 3 phases. The first phase was completed 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 MCWD’s rates adopted in 2014 and 2018 violated Proposition 218. The court’s rationale was that MCWD bears the burden of correlating its tiered prices with actual cost of providing water at those tiered levels, and the court stated the rate study prepared by Carollo Engineers for MCWD 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 actually increase. Nothing in the court’s phase 1 decision prohibits MCWD from covering all of its costs, expenses, bonded indebtedness, and debt through water rates. The parties engaged in settlement discussions which did not result in settlement. Phase 2 Trial was set by the Court for December 14 and 15, 2020.

MARINA COAST WATER DISTRICT
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 12 – Restatement of Net Position

During the fiscal year, the District performed a review of its accounts receivable, which resulted in a prior period adjustment. The beginning net position at July 1, 2018 was restated as follows:

Net position, as previously reported, at June 30, 2018	\$ 186,460,294
Other Receivable - RUWAP	1,585,957
Accounts Receivable - Utility Billing	<u>775,612</u>
Net position, as restated, July 1, 2018	<u>\$ 188,821,863</u>



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REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)



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MARINA COAST WATER DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2020 and 2019

Defined Benefit Pension Plan

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

<i>Measurement Date</i>	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Proportion of the net pension liability	0.03331%	0.03003%	0.02991%	0.02802%	0.02383%	0.03046%
Proportionate share of the net pension liability	\$ 3,413,789	\$ 2,893,601	\$ 2,965,935	\$ 2,424,531	\$ 1,635,836	\$ 1,895,347
Covered payroll	\$ 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	87.65%	84.01%	91.80%	79.60%	60.08%	69.81%
Plan fiduciary net position as a percentage of the total pension liability	80.31%	81.79%	79.94%	84.43%	88.48%	83.03%

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

Schedule of Contributions – Last 10 Fiscal Years**

<i>Fiscal Year</i>	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Actuarially Determined Contribution	\$ 525,416	\$ 305,381	\$ 257,161	\$ 242,478	\$ 216,963	\$ 227,120	\$ 228,140
Contributions in Relation to the Actuarially Determined Contribution	(525,416)	(305,381)	(257,161)	(242,478)	(216,963)	(227,120)	(228,140)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 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	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 seven years are shown.

MARINA COAST WATER DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2020 and 2019

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>	2019	2018	2017
Total OPEB Liability	\$ 134,969	\$ 132,712	\$ 129,003
Service cost	90,006	83,597	75,849
Interest	-	-	-
Changes in benefit terms	(265,724)	-	-
Differences between expected and actual experience	(173,828)	(31,095)	-
Changes of assumptions	(24,432)	(20,896)	(20,082)
Benefit payments, including refunds of employee contributions	(22,710)	(15,034)	(14,526)
Implicit rate subsidy fulfilled	(261,719)	149,284	170,244
Net change in total OPEB liability	2,374,949	2,225,665	2,055,421
Total OPEB liability - beginning	\$ 2,113,230	\$ 2,374,949	\$ 2,225,665
Total OPEB liability - ending			

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%
Covered-Employee Payroll	\$ 3,616,988	\$ 3,162,056	\$ 3,235,398
Total OPEB Liability as a Percentage of Covered-Employee Payroll	58.4%	75.1%	68.8%

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

SUPPLEMENTARY INFORMATION



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MARINA COAST WATER DISTRICT
Schedule of Net Position
Proprietary Funds
June 30, 2020

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Interfund Eliminations	Total
ASSETS								
Current assets:								
Cash and investments	\$ 1,500,259	\$ 746,048	\$ 1,828,222	\$ 1,204,788	\$ -	\$ -	\$ -	\$ 5,279,317
Accounts receivable, net	624,350	156,526	1,937,284	431,723	-	-	-	3,149,883
Interest receivable	7,155	1,818	20,180	15,573	-	-	-	44,726
Due from other funds	10,454,108	2,000,000	-	10,000,000	-	-	(22,454,108)	-
Other receivable	70,074	2,692	362,696	250,485	955,837	-	-	1,641,784
Inventories	54,583	2,724	139,384	6,357	-	-	-	203,048
Deposits	3,612	-	-	-	-	-	-	3,612
Prepaid items	10,929	3,316	23,681	15,790	-	-	-	53,716
Total current assets	12,725,070	2,913,124	4,311,447	11,924,716	955,837	-	(22,454,108)	10,376,086
Noncurrent assets:								
Restricted cash and investments	6,998,594	1,975,003	13,244,159	10,311,773	4,820	-	-	32,534,349
Capital assets, net	12,177,872	5,761,610	112,794,368	42,640,361	34,330,790	-	-	207,705,001
Total noncurrent assets	19,176,466	7,736,613	126,038,527	52,952,134	34,335,610	-	-	240,239,350
TOTAL ASSETS	31,901,536	10,649,737	130,349,974	64,876,850	35,291,447	-	(22,454,108)	250,615,436
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows related to pensions	332,642	89,290	693,150	163,245	-	-	-	1,278,327
Deferred outflows related to OPEB	14,593	3,807	36,165	8,883	-	-	-	63,448
TOTAL DEFERRED OUTFLOWS OF RESOURCES	347,235	93,097	729,315	172,128	-	-	-	1,341,775

continued

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Interfund Eliminations	Total
LIABILITIES								
Current liabilities:								
Accounts payable	305,037	44,812	659,632	120,894	61,815	-	-	1,192,190
Accrued expenses	109,706	-	22,580	-	-	-	-	132,286
Interest payable	46,204	17,431	105,992	48,514	30,561	-	-	248,702
Line of credit	-	-	-	-	1,999,872	-	-	1,999,872
Due to other funds	-	-	14,728,279	-	7,725,829	-	(22,454,108)	-
Customer deposits payable	215,935	18,478	296,824	298,327	-	-	-	829,564
Current portion of long-term debt	208,323	95,218	675,308	302,636	238,050	-	-	1,519,535
Other current liability	9,198	-	-	-	-	-	-	9,198
Total current liabilities	894,403	175,939	16,488,615	770,371	10,056,127	-	(22,454,108)	5,931,347
Noncurrent liabilities:								
Long-term debt	7,965,435	3,507,241	19,959,274	11,688,533	9,944,744	-	-	53,065,227
Total OPEB liability	532,049	150,543	1,133,293	297,345	-	-	-	2,113,230
Net pension liability	922,277	252,717	1,821,144	417,651	-	-	-	3,413,789
Other noncurrent liability	-	-	-	-	-	-	-	-
Total noncurrent liabilities	9,419,761	3,910,501	22,913,711	12,403,529	9,944,744	-	-	58,592,246
TOTAL LIABILITIES	10,314,164	4,086,440	39,402,326	13,173,900	20,000,871	-	(22,454,108)	64,523,593
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows related to pensions	151,076	40,305	254,421	45,878	-	-	-	491,680
Deferred inflows related to OPEB	97,012	25,308	240,422	59,051	-	-	-	421,793
Deferred gains on refunding debt	56,609	31,084	325,188	127,724	53,987	-	-	594,592
TOTAL DEFERRED INFLOWS OF RESOURCES	304,697	96,697	820,031	232,653	53,987	-	-	1,508,065
NET POSITION								
Net investment in capital assets	8,634,273	3,742,096	96,380,638	37,084,212	22,094,137	-	-	167,935,356
Restricted for capacity fees	2,420,215	386,554	8,967,694	3,808,712	4,820	-	-	15,587,995
Unrestricted (Deficit)	10,575,422	2,431,047	(14,491,400)	10,749,501	(6,862,368)	-	-	2,402,202
TOTAL NET POSITION	\$ 21,629,910	\$ 6,559,697	\$ 90,856,932	\$ 51,642,425	\$ 15,236,589	\$ -	\$ -	\$ 185,925,553
								concluded

MARINA COAST WATER DISTRICT
Schedule of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For The Year Ended June 30, 2020

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Total
OPERATING REVENUES:							
Water services	\$ 3,970,782	\$ -	\$ 7,681,622	\$ -	\$ -	\$ -	\$ 11,652,404
Wastewater services	-	1,398,578	-	3,086,362	-	-	4,484,940
Other services and fees	90,320	6,453	700,743	25,166	-	-	822,682
Total operating revenues	4,061,102	1,405,031	8,382,365	3,111,528	-	-	16,960,026
OPERATING EXPENSES:							
Administrative	1,707,118	241,473	4,975,273	779,794	144	-	7,703,802
Operations and maintenance	870,366	394,747	1,727,250	706,128	-	-	3,698,491
Laboratory	75,302	-	180,116	-	-	-	255,418
Conservation	98,021	-	228,053	-	-	-	326,074
Engineering	292,862	68,983	888,870	274,905	-	-	1,525,620
Water Resources	378,113	-	570,103	-	-	-	948,216
Depreciation	316,552	196,916	842,481	386,970	481,060	-	2,223,979
Total operating expenses	3,738,334	902,119	9,412,146	2,147,797	481,204	-	16,681,600
Operating income (loss)	322,768	502,912	(1,029,781)	963,731	(481,204)	-	278,426
NONOPERATING REVENUES (EXPENSES):							
Rental income	139,203	39,772	248,576	69,601	-	-	497,152
Interest earned	77,350	38,154	176,756	67,124	121	-	359,505
Interest expense	(230,096)	(102,922)	(717,529)	(312,780)	(389,747)	-	(1,753,074)
RDP liability expense	(111,111)	-	(888,889)	-	-	-	(1,000,000)
Bond issuance costs	(61,194)	(23,536)	(65,901)	(84,730)	-	-	(235,361)
Total nonoperating revenue (expenses)	(185,848)	(48,532)	(1,246,987)	(260,785)	(389,626)	-	(2,131,778)
Income (loss) before capital contributions and special item	136,920	454,380	(2,276,768)	702,946	(870,830)	-	(1,853,352)
CAPITAL CONTRIBUTIONS:							
Grants	106,121	-	159,181	977,624	4,820,398	-	6,063,324
Capacity and connection fees	141,619	120,966	2,114,929	919,114	-	-	3,296,628
Developer contributions	150,904	16,478	201,187	139,575	-	-	508,144
Total capital contributions	398,644	137,444	2,475,297	2,036,313	4,820,398	-	9,868,096
SPECIAL ITEM:							
RDP closeout (Note 11)	(2,396,282)	-	(19,170,259)	-	-	(2,453,259)	(24,019,800)
Increase (decrease) in net position	(1,860,718)	591,824	(18,971,730)	2,739,259	3,949,568	(2,453,259)	(16,005,056)
Net position, beginning of year	23,228,301	5,878,304	109,519,964	48,788,148	9,701,064	2,453,259	199,569,040
Prior Period Adjustment (Note 12)	262,327	89,569	308,698	115,018	1,585,957	-	2,361,569
Net position, end of year	\$ 21,629,910	\$ 6,559,697	\$ 90,856,932	\$ 51,642,425	\$ 15,236,589	\$ -	\$ 185,925,553

MARINA COAST WATER DISTRICT
Schedule of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2020

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Total
OPERATING ACTIVITIES:							
Receipts from customers and users	\$ 4,050,610	\$ 1,408,478	\$ 8,480,277	\$ 2,998,986	\$ -	\$ -	\$ 16,938,351
Payments to employees	(1,484,009)	(551,363)	(3,273,990)	(890,787)	-	-	(6,200,149)
Payments to suppliers	(1,654,857)	(95,749)	(4,852,877)	(809,652)	(238,617)	-	(7,651,752)
Net cash provided by (used in) operating activities	<u>911,744</u>	<u>761,366</u>	<u>353,410</u>	<u>1,298,547</u>	<u>(238,617)</u>	<u>-</u>	<u>3,086,450</u>
NONCAPITAL FINANCING ACTIVITIES:							
Due from other funds	-	(2,000,000)	3,241,544	(971,598)	-	-	269,946
Due to other funds	(14,948)	-	-	-	(254,998)	-	(269,946)
Net cash provided by (used in) noncapital financing	<u>(14,948)</u>	<u>(2,000,000)</u>	<u>3,241,544</u>	<u>(971,598)</u>	<u>(254,998)</u>	<u>-</u>	<u>-</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	(662,323)	(409,094)	(2,299,147)	(647,976)	(1,038,924)	-	(5,057,464)
Proceeds from grants	47,859	-	71,789	977,624	5,613,518	-	6,710,790
Developer contributions, capacity and connection receipts	170,046	125,874	2,298,046	1,032,199	-	-	3,626,165
Principal paid on line of credit	-	-	-	-	(3,423,453)	-	(3,423,453)
Proceeds from capital debt	5,134,912	1,974,966	5,529,906	7,109,878	-	-	19,749,662
Principal paid on capital debt	(626,102)	(209,494)	(1,427,700)	(464,651)	(228,850)	-	(2,956,797)
Bond fees paid on capital debt	(61,194)	(23,536)	(65,901)	(84,730)	-	-	(235,361)
Interest paid on capital debt	(248,324)	(113,049)	(808,537)	(346,753)	(429,018)	-	(1,945,681)
Settlement payment for RDP closeout (Note 11)	(444,444)	-	(3,555,556)	-	-	-	(4,000,000)
Net cash provided by (used in) capital and related financing activities	<u>3,310,430</u>	<u>1,345,667</u>	<u>(257,100)</u>	<u>7,575,591</u>	<u>493,273</u>	<u>-</u>	<u>12,467,861</u>
INVESTING ACTIVITIES:							
Rental income	139,203	39,772	248,576	69,601	-	-	497,152
Investment earnings	86,220	46,227	176,407	57,725	121	-	366,700
Net cash provided by investing activities	<u>225,423</u>	<u>85,999</u>	<u>424,983</u>	<u>127,326</u>	<u>121</u>	<u>-</u>	<u>863,852</u>
Net increase (decrease) in cash and cash equivalents	<u>4,432,649</u>	<u>193,032</u>	<u>3,762,837</u>	<u>8,029,866</u>	<u>(221)</u>	<u>-</u>	<u>16,418,163</u>
Cash and cash equivalents, beginning of year	<u>4,066,204</u>	<u>2,528,019</u>	<u>11,309,544</u>	<u>3,486,695</u>	<u>5,041</u>	<u>-</u>	<u>21,395,503</u>
Cash and cash equivalents, end of year	<u>\$ 8,498,853</u>	<u>\$ 2,721,051</u>	<u>\$ 15,072,381</u>	<u>\$ 11,516,561</u>	<u>\$ 4,820</u>	<u>\$ -</u>	<u>\$ 37,813,666</u>

continued

RECONCILIATION TO STATEMENT OF NET POSITION:

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund	New Water Fund	Regional Project	Total
Cash and investments	\$ 1,500,259	\$ 746,048	\$ 1,828,222	\$ 1,204,788	\$ -	\$ -	\$ 5,279,317
Restricted cash and investments	6,998,594	1,975,003	13,244,159	10,311,773	4,820	-	32,534,349
Total cash and cash equivalents	\$ 8,498,853	\$ 2,721,051	\$ 15,072,381	\$ 11,516,561	\$ 4,820	\$ -	\$ 37,813,666

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

Operating income (loss)	\$ 322,768	\$ 502,912	\$ (1,029,781)	\$ 963,731	\$ (481,204)	\$ -	\$ 278,426
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	316,552	196,916	842,481	386,970	481,060	-	2,223,979
(Increase) decrease in accounts receivable	(95,329)	3,062	(186,115)	31,771	-	-	(246,611)
(Increase) decrease in inventories	5,736	(572)	746	(1,744)	-	-	4,166
(Increase) decrease in prepaid items	1,757	(420)	3,582	(1,515)	-	-	3,404
(Increase) decrease in deferred outflow of resources	(59,964)	(15,295)	(151,191)	(36,316)	-	-	(262,766)
Increase (decrease) in customer deposits	84,837	385	284,026	(144,313)	-	-	224,935
Increase (decrease) in accounts payable	149,425	35,140	182,523	2,453	(238,473)	-	131,068
Increase (decrease) in accrued expenses	33,423	-	638	-	-	-	34,061
Increase (decrease) in compensated absences	(13,030)	(3,747)	(5,371)	(3,162)	-	-	(25,310)
Increase (decrease) in pension liability	119,643	31,211	296,507	72,827	-	-	520,188
Increase (decrease) in total OPEB liability	(60,196)	(15,703)	(149,179)	(36,641)	-	-	(261,719)
Increase (decrease) in deferred inflows	106,122	27,477	264,544	64,486	-	-	462,629
Total adjustments	588,976	258,454	1,383,191	334,816	242,587	-	2,808,024
Net cash provided by (used in) operating activities	\$ 911,744	\$ 761,366	\$ 353,410	\$ 1,298,547	\$ (238,617)	\$ -	\$ 3,086,450

CAPITAL AND RELATED FINANCING NONCASH ITEMS:

RDP closeout (Note 11)	\$ (2,396,282)	\$ -	\$ (19,170,259)	\$ -	\$ -	\$ (2,453,259)	\$ (24,019,800)
Amortization of deferred charges and premium	\$ 34,948	\$ 16,298	\$ 109,114	\$ 55,204	\$ 34,530	\$ -	\$ 250,094

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**STATISTICAL
SECTION
(UNAUDITED)**



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MARINA COAST WATER DISTRICT
Statistical Section

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

Contents

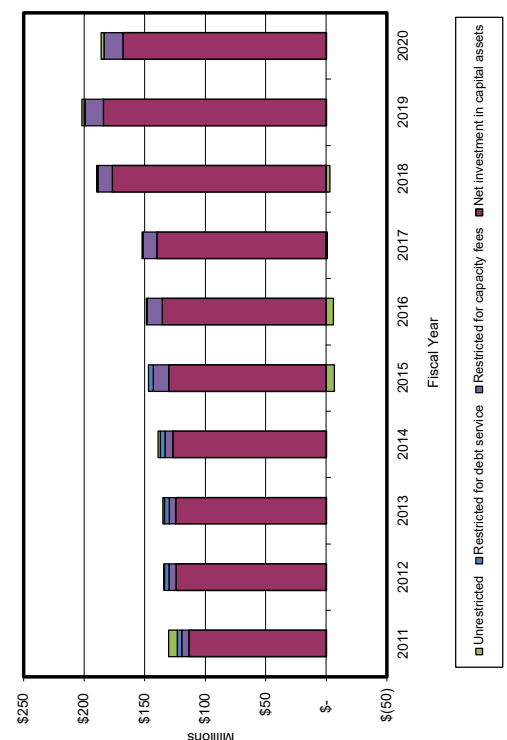
Financial Trends	69-71
These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	
Revenue Capacity	72-75
These schedules contain information to help the reader assess the District’s most significant revenue sources, water sales and wastewater collection.	
Debt Capacity	76-77
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	78-79
This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	
Operating Information	80-81
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

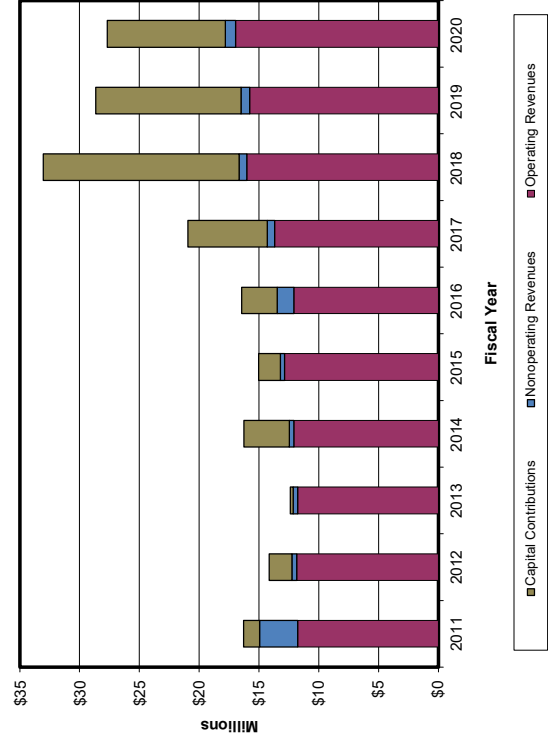
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Changes in net position:										
Operating revenues	\$ 11,774,989	\$ 11,858,010	\$ 11,768,732	\$ 12,086,128	\$ 12,862,362	\$ 12,100,265	\$ 13,685,334	\$ 16,018,094	\$ 15,803,229	\$ 16,960,026
Operating expenses	(10,895,356)	(9,332,976)	(9,375,761)	(9,407,367)	(9,458,477)	(9,948,528)	(11,226,580)	(12,020,913)	(14,050,996)	(16,681,600)
Operating income (loss)	879,633	2,525,034	2,388,971	2,678,761	3,403,885	2,151,737	2,458,754	3,997,181	1,752,233	278,426
Non-operating revenues (expenses)	1,120,230	(1,886,000)	(1,793,893)	(1,689,013)	(1,621,996)	(2,313,611)	(881,262)	(858,930)	(780,481)	(2,131,778)
Net income before capital contributions	1,999,863	639,034	595,078	989,748	1,781,889	(161,874)	1,577,492	3,138,251	971,752	(1,853,352)
Capital contributions	1,327,733	1,895,449	222,268	3,800,217	1,808,824	2,948,012	6,630,732	16,364,028	12,136,994	9,868,096
Special Item - RDP Closeout	-	-	-	-	-	-	-	-	-	(24,019,800)
Changes in net position	3,327,596	2,534,483	817,346	4,789,965	3,590,713	2,786,138	8,208,224	19,502,279	13,108,746	(16,005,056)
Net position, beginning of year	126,730,975	130,058,571	134,213,783	135,031,129	138,994,781	140,246,516	143,032,654	151,240,878	186,460,294	201,930,609
Prior period adjustments	-	1,620,729	-	(826,313)	(2,338,978)	-	-	15,717,137	2,361,569	-
Net position, end of year	\$ 130,058,571	\$ 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
Net position by component:										
Net investment in capital assets	\$ 113,545,277	\$ 124,124,544	\$ 124,274,008	\$ 126,769,451	\$ 130,072,044	\$ 135,455,049	\$ 139,827,693	\$ 176,633,556	\$ 184,250,677	\$ 167,935,356
Restricted for capacity fees	5,727,249	5,752,842	5,516,166	6,344,936	12,927,953	12,521,538	11,531,344	12,105,493	15,042,160	15,587,995
Restricted for debt service	3,933,757	3,933,752	3,933,549	3,933,764	3,933,765	849,786	850,404	851,747	852,793	-
Unrestricted	6,852,288	402,645	1,307,406	1,946,630	(6,687,246)	(5,793,719)	(968,563)	(3,130,502)	1,784,979	2,402,202
Total net position	\$ 130,058,571	\$ 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



Source: Marina Coast Water District, Audited Financial Statements

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

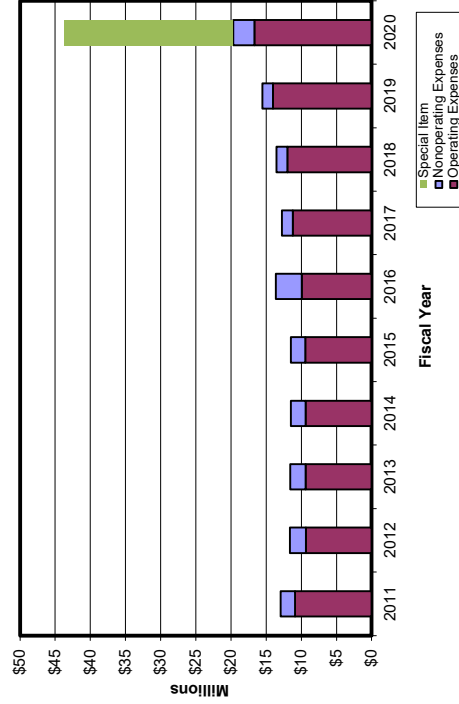
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating revenues:										
Water sales	\$ 8,750,650	\$ 9,051,906	\$ 8,839,288	\$ 9,106,401	\$ 9,581,388	\$ 8,620,556	\$ 9,486,324	\$ 10,844,656	\$ 10,693,992	\$ 11,652,404
Wastewater services	2,354,013	2,453,627	2,513,613	2,507,048	2,800,880	3,116,103	3,450,138	3,828,160	4,196,352	4,484,940
Other services and fees	670,326	352,477	415,851	472,679	480,094	363,606	748,872	1,345,278	912,885	822,682
Total operating revenues	11,774,989	11,858,010	11,768,732	12,086,128	12,862,362	12,100,265	13,685,334	16,018,094	15,803,229	16,960,026
Nonoperating revenues:										
Interest earned	273,267	233,276	208,531	197,277	192,909	618,904	64,012	132,986	220,362	359,505
Rental income	2,914,028	164,485	179,438	179,438	179,438	764,986	566,651	519,024	497,767	497,152
Total nonoperating revenues	3,187,295	397,761	387,969	376,715	372,347	1,383,890	630,663	652,010	718,129	856,657
Capital contributions:										
Grant revenue	783,326	1,185,312	11,680	-	-	-	555,104	10,676,158	5,101,452	6,063,324
Capacity and connection fees	544,407	640,191	210,588	3,197,978	1,129,206	2,270,405	5,503,637	5,151,848	4,306,233	3,296,628
Developer contributions	-	69,946	-	602,239	679,618	677,607	571,991	536,022	2,729,309	508,144
Total capital contributions	1,327,733	1,895,449	222,268	3,800,217	1,808,824	2,948,012	6,630,732	16,364,028	12,136,994	9,868,096
Total revenues	\$ 16,290,017	\$ 14,151,220	\$ 12,378,969	\$ 16,263,060	\$ 15,043,533	\$ 16,432,167	\$ 20,946,729	\$ 33,034,132	\$ 28,658,352	\$ 27,684,779



Source: Marina Coast Water District, Audited Financial Statements

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

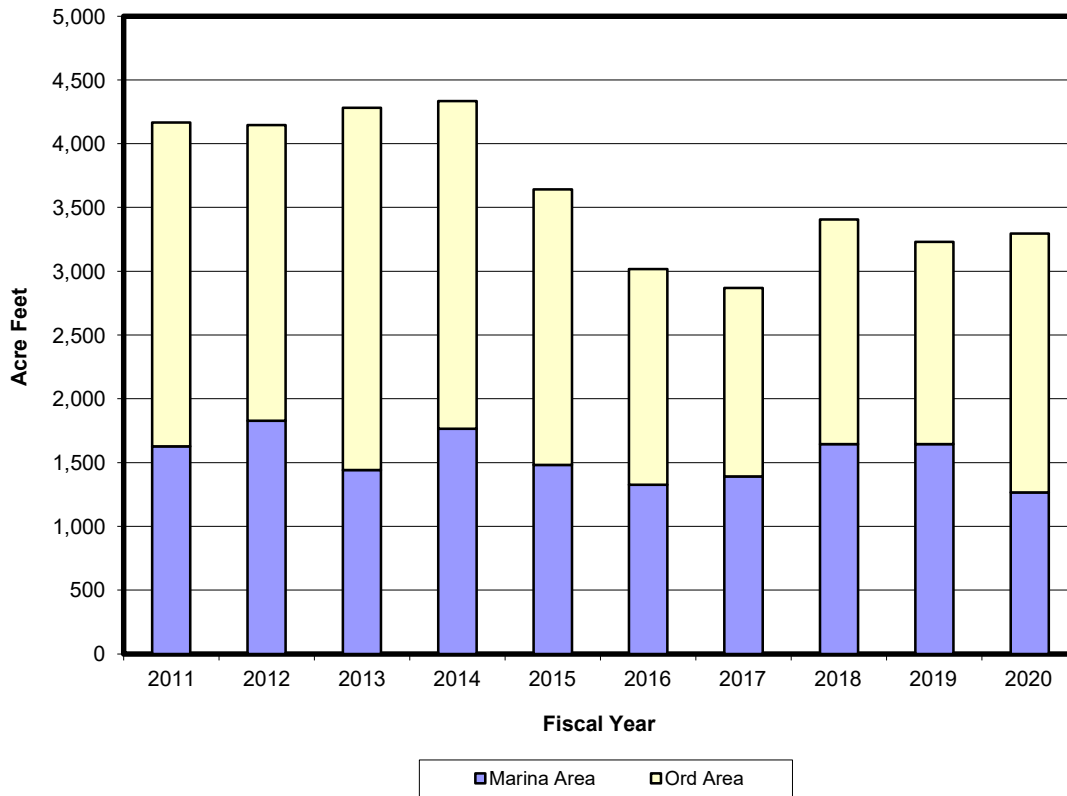
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating expenses:										
Administrative	\$ 2,682,047	\$ 2,181,146	\$ 2,919,025	\$ 2,868,768	\$ 2,979,535	\$ 3,118,186	\$ 4,220,398	\$ 4,907,644	\$ 5,579,270	\$ 7,703,802
Operations and maintenance	3,001,131	2,722,037	2,970,097	3,154,941	3,036,913	3,140,765	3,173,240	3,181,860	3,658,830	3,698,491
Laboratory	324,244	216,448	225,119	263,015	245,496	238,256	256,607	251,818	280,385	255,418
Conservation	318,589	214,378	219,964	241,849	319,617	376,383	304,338	301,155	336,553	326,074
Engineering	869,790	969,643	983,105	1,087,355	1,280,311	1,494,965	1,656,803	1,822,501	1,470,323	1,525,620
Water Resources	-	-	-	-	-	-	-	-	871,915	948,216
Depreciation	3,699,555	3,029,324	2,062,451	1,791,439	1,596,605	1,579,973	1,615,194	1,555,935	1,853,720	2,223,979
Total operating expenses	10,895,356	9,332,976	9,379,761	9,407,367	9,458,477	9,948,528	11,226,580	12,020,913	14,050,996	16,681,600
Nonoperating expenses:										
Interest expense	2,027,898	2,233,550	2,132,688	2,065,728	1,994,343	2,954,075	1,511,925	1,510,940	1,498,610	1,753,074
RDP liability expense	-	-	-	-	-	-	-	-	-	1,000,000
Investment loss	-	-	-	-	-	474,892	-	-	-	-
Bond issuance costs	39,167	50,211	49,174	-	-	268,534	-	-	-	235,361
Total nonoperating expenses	2,067,065	2,283,761	2,181,862	2,065,728	1,994,343	3,697,501	1,511,925	1,510,940	1,498,610	2,988,435
Special Item:										
RDP closeout	-	-	-	-	-	-	-	-	-	24,019,800
Total expenses	\$ 12,962,421	\$ 11,616,737	\$ 11,561,623	\$ 11,473,095	\$ 11,452,820	\$ 13,646,029	\$ 12,738,505	\$ 13,531,853	\$ 15,549,606	\$ 43,689,835



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)
2011	1,626	2,540	4,167
2012	1,827	2,318	4,145
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



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				
	2020	2019	2018	2017	2016	2015	2015	2014	2013	2012	2011
	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	7/1/2011	7/1/2010
0-8 hcf	\$ 3.38	\$ 3.25	\$ 2.78	\$ 2.70	\$ 2.62	\$ 2.55	\$ 2.47	\$ 2.29	\$ 2.29	\$ 2.18	\$ 2.08
9-16 hcf	5.15	4.95	3.19	3.10	3.01	2.92	2.83	2.79	2.79	2.66	2.53
16+ hcf	N/A	N/A	5.63	5.47	5.31	5.15	5.00	5.09	5.09	4.85	4.62

Marina Service Area Water & Sewer Service Charges (monthly)

Meter Size	Calendar Year						Fiscal Year				
	2020	2019	2018	2017	2016	2015	2015	2014	2013	2012	2011
	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	7/1/2011	7/1/2010
5/8" - 3/4"	\$ 25.21	\$ 24.24	\$ 22.36	\$ 21.71	\$ 21.07	\$ 20.46	\$ 19.87	\$ 18.85	\$ 18.85	\$ 17.95	\$ 17.11
1"	33.99	32.69	36.07	35.02	34.00	33.01	32.05	47.09	47.09	44.85	42.75
1 1/2"	55.95	53.80	58.94	57.22	55.55	53.94	52.36	94.19	94.19	89.70	85.51
2"	82.30	79.14	86.36	83.85	81.41	79.04	76.73	150.68	150.68	143.50	136.80
3"	152.57	146.72	150.41	146.03	141.78	137.65	133.64	282.52	282.52	269.07	256.50
4"	231.62	222.74	241.82	234.77	227.93	221.30	214.85	470.87	470.87	448.45	427.50
6"	451.22	433.91	470.42	456.71	443.41	430.50	417.96	941.75	941.75	896.90	855.00
8"	890.40	856.25	927.88	900.86	874.62	849.14	824.41	1,883.49	1,883.49	1,793.80	1,710.01
Sewer (EDU)	15.99	15.37	14.78	13.44	12.22	11.11	10.10	9.15	9.15	8.71	8.30

Ord Service Area Water Consumption Rates (hcf)

Description	Calendar Year						Fiscal Year				
	2020	2019	2018	2017	2016	2015	2015	2014	2013	2012	2011
	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	7/1/2011	7/1/2010
0-8 hcf	\$ 4.37	\$ 4.13	\$ 3.68	\$ 3.40	\$ 2.97	\$ 2.60	\$ 2.22	\$ 2.33	\$ 2.33	\$ 2.33	\$ 2.22
9-16 hcf	8.51	8.04	5.65	5.22	4.56	3.98	3.40	3.27	3.27	3.27	3.12
16+ hcf	N/A	N/A	7.62	7.03	6.14	5.37	4.59	4.22	4.22	4.22	4.02
Flat Rate	172.75	162.95	153.99	143.94	127.29	112.65	98.36	84.34	84.34	84.34	80.40
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)

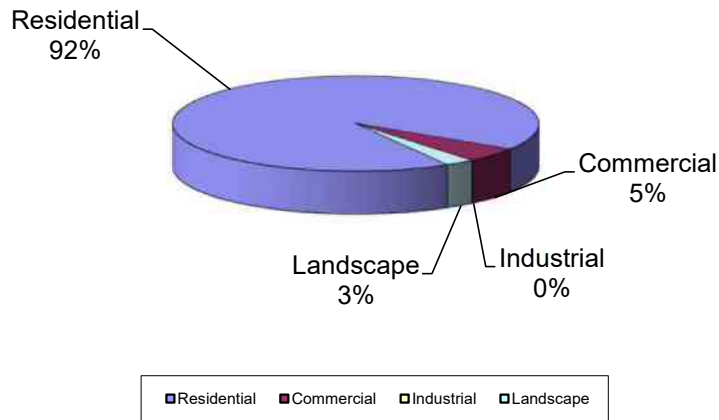
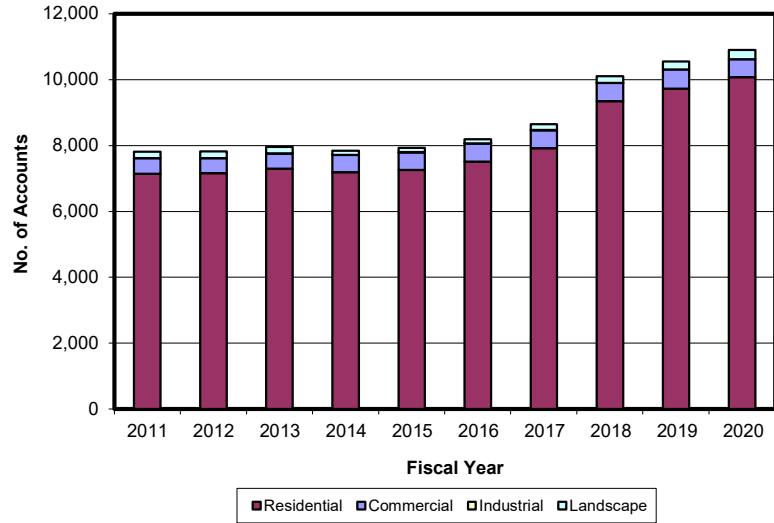
Description	Calendar Year						Fiscal Year				
	2020	2019	2018	2017	2016	2015	2015	2014	2013	2012	2011
	1/1/2020	1/1/2019	1/1/2018	1/1/2017	1/1/2016	1/1/2015	7/1/2014	7/1/2013	7/1/2012	7/1/2011	7/1/2010
5/8" - 3/4"	\$ 43.62	\$ 41.20	\$ 38.79	\$ 37.55	\$ 34.37	\$ 31.48	\$ 28.96	\$ 17.11	\$ 17.11	\$ 17.11	\$ 16.31
1"	61.28	57.88	60.51	58.57	53.62	49.11	45.18	42.76	42.76	42.76	40.76
1 1/2"	105.43	99.57	96.71	93.62	85.71	78.49	72.21	85.49	85.49	85.49	81.50
2"	158.41	149.61	140.14	135.66	124.20	113.74	104.64	136.78	136.78	136.78	130.39
3"	299.68	283.05	241.57	233.85	214.09	196.05	180.37	256.47	256.47	256.47	244.49
4"	458.62	433.16	386.31	373.96	342.36	313.52	288.45	427.45	427.45	427.45	407.48
6"	900.12	850.15	748.31	724.39	663.18	607.31	558.75	854.89	854.89	854.89	814.96
8"	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	1,709.79	1,629.93
Sewer (EDU)	34.85	33.80	32.18	29.80	28.65	27.55	26.49	25.56	25.56	25.56	24.36
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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water customer accounts										
Residential	7,142	7,162	7,295	7,184	7,255	7,509	7,917	9,340	9,729	10,071
Commercial	467	448	461	527	542	551	547	560	582	546
Industrial	3	3	3	3	3	3	3	4	4	4
Landscape	197	203	203	125	128	121	185	204	246	284
Total water accounts	7,809	7,816	7,962	7,839	7,928	8,184	8,652	10,108	10,561	10,905



Source: Marina Coast Water District's Finance Department

MARINA COAST WATER DISTRICT
Principal Water Users
Fiscal Years Ended June 30, 2011 and June 30, 2020
Schedule 7

Customer	2011		2020	
	Water Usage (acre feet)	Percentage of Water Sold	Water Usage (acre feet)	Percentage of Water Sold
Monterey Bay Military Housing	647	15.46%	237	7.19%
Bayonet/Blackhorse Club House	384	9.19%	157	4.76%
FOAM-RS	265	6.33%	109	3.31%
CSU Monterey Bay	137	3.28%	67	2.03%
Sun Bay Apartments	65	1.55%	62	1.88%
Seaside Highlands H.O. Association	64	1.52%	57	1.73%
Bay View Mobile Home Park	63	1.51%	53	1.61%
MPUSD - Seaside High School	60	1.43%	38	1.15%
City of Marina	56	1.34%	35	1.06%
LV44 Ltd Partnership	55	1.32%	30	0.91%
Total Principal Water Users	1,795	42.93%	845	25.64%
Total All Users	4,181	100.00%	3,295	100.00%

Source: Marina Coast Water District's Finance Department

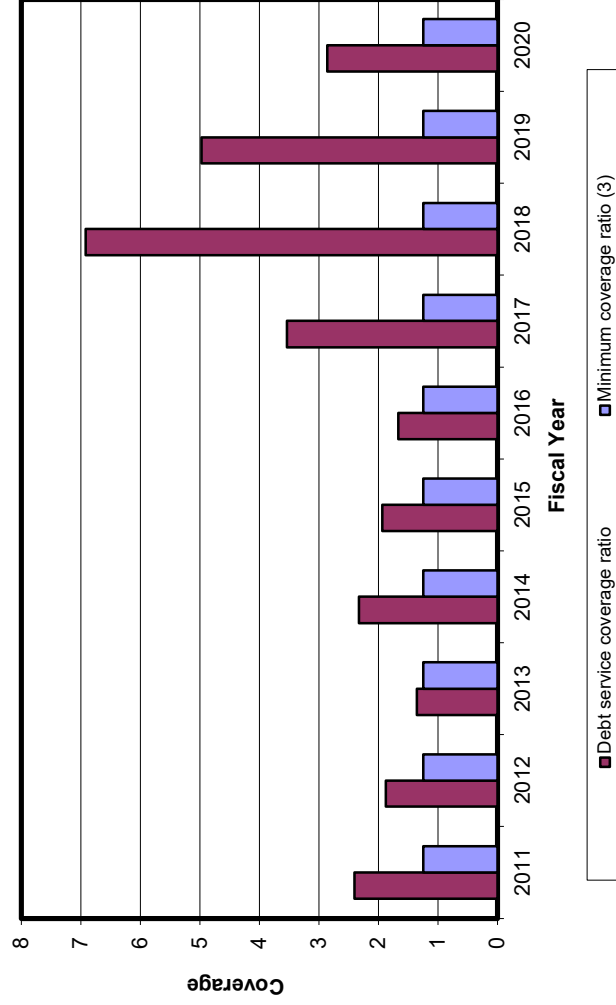
MARINA COAST WATER DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Schedule 8

Fiscal Year	Loans Payable	Notes Payable	Bonds Payable	Capital Leases	Debt	Total Accounts	Total Debt per Account
2011	490,971	-	47,631,905	98,039	48,220,915	7,809	6,175
2012	49,520	-	46,048,967	26,407	46,124,894	7,816	5,901
2013	21,224	-	44,401,309	-	44,422,533	7,962	5,579
2014	-	-	42,703,651	-	42,703,651	7,839	5,448
2015	-	-	40,940,994	-	40,940,994	7,928	5,164
2016	2,776,000	-	36,938,034	-	39,714,034	8,184	4,853
2017	2,799,880	-	35,100,405	-	37,900,285	8,652	4,381
2018	2,722,387	-	33,202,777	-	35,925,164	10,108	3,554
2019	8,268,477	-	31,245,149	-	39,513,626	10,561	3,741
2020	6,211,842	-	47,909,693	-	54,121,535	10,905	4,963

Source: Marina Coast Water District, Audited Financial Statements

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt service coverage										
Gross revenues (1)	\$ 16,290,017	\$ 14,151,220	\$ 12,378,969	\$ 16,263,060	\$ 15,043,533	\$ 16,432,167	\$ 20,946,729	\$ 33,034,132	\$ 28,658,352	\$ 27,684,779
Operating expenses (2)	(7,195,801)	(6,303,652)	(7,317,310)	(7,615,928)	(7,861,872)	(8,368,555)	(9,611,386)	(10,464,978)	(12,197,276)	(14,457,621)
Net available revenues	\$ 9,094,216	\$ 7,847,568	\$ 5,061,659	\$ 8,647,132	\$ 7,181,661	\$ 8,063,612	\$ 11,335,343	\$ 22,569,154	\$ 16,461,076	\$ 13,227,158
Debt service										
Principal	\$ 1,757,615	\$ 1,948,155	\$ 1,600,000	\$ 1,650,000	\$ 1,715,000	\$ 1,870,000	\$ 1,690,000	\$ 1,750,000	\$ 1,810,000	\$ 2,870,000
Interest	2,027,898	2,233,550	2,132,688	2,065,728	1,994,343	2,954,075	1,511,925	1,510,940	1,498,610	1,753,074
	\$ 3,785,513	\$ 4,181,705	\$ 3,732,688	\$ 3,715,728	\$ 3,709,343	\$ 4,824,075	\$ 3,201,925	\$ 3,260,940	\$ 3,308,610	\$ 4,623,074
Debt service coverage ratio	2.40	1.88	1.36	2.33	1.94	1.67	3.54	6.92	4.98	2.86
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)
2010	415,057	17,574,000	42,176	33	12.8%
2011	421,898	17,355,940	41,138	33	12.4%
2012	426,762	18,365,298	43,034	33	11.4%
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	**	**	**	**	**

Source: Monterey County CAFR Report (Fiscal Year Ended June 30, 2019)

** Data not available at time of print.

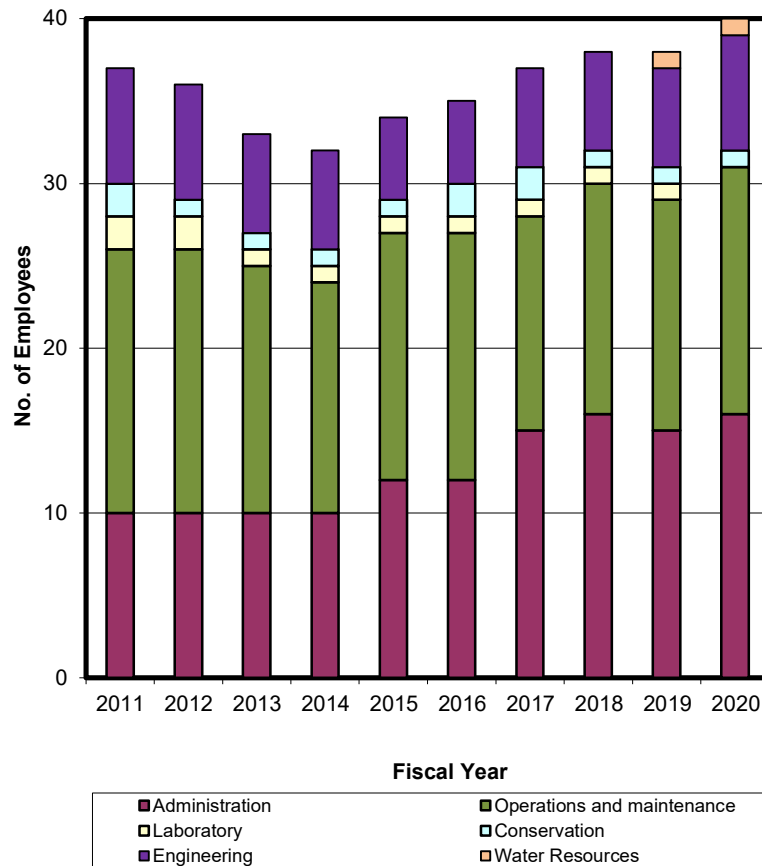
MARINA COAST WATER DISTRICT
Employment by Industry for Monterey County - by Annual Average
Prior Year and Ten Years Ago
Schedule 11

2019				2010			
Employer	Employees	Rank	Percentage of Total Employment Listed	Employer	Employees	Rank	Percentage of Total City Employment Listed
Agriculture	54,700	1	27.34%	Agriculture	45,100	1	26.58%
Government	34,600	2	17.29%	Government	32,600	2	19.21%
Leisure and Hospitality	26,200	3	13.09%	Leisure and Hospitality	20,000	3	11.79%
Educational and Health Services	20,400	4	10.19%	Educational and Health Services	16,500	4	9.72%
Retail Trade	16,800	5	8.40%	Retail Trade	15,200	5	8.96%
Professional and Business Services	14,800	6	7.40%	Professional and Business Services	11,500	6	6.78%
Natural Resources, Mining and Construction	6,800	7	3.40%	Manufacturing	5,600	7	3.30%
Wholesale Trade	5,800	8	2.90%	Wholesale Trade	4,900	8	2.89%
Manufacturing	5,300	9	2.65%	Other Services	4,600	9	2.71%
Other Services	5,100	10	2.55%	Natural Resources, Mining and Construction	4,300	10	2.53%
Financial Activities	4,400	11	2.20%	Financial Activities	4,300	11	2.53%
Transportation, Warehousing and Utilities	4,200	12	2.10%	Transportation, Warehousing and Utilities	3,400	12	2.00%
Information	1,000	13	0.50%	Information	1,700	13	1.00%
Total	<u>200,100</u>		<u>100.00%</u>	Total	<u>169,700</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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Employees by department										
Administration	10	10	10	10	12	12	15	16	15	16
Operations and maintenance	16	16	15	14	15	15	13	14	14	15
Laboratory	2	2	1	1	1	1	1	1	1	-
Conservation	2	1	1	1	1	2	2	1	1	1
Engineering	7	7	6	6	5	5	6	6	6	7
Water Resources	-	-	-	-	-	-	-	-	1	1
Total employees	37	36	33	32	34	35	37	38	38	40



Source: Marina Coast Water District's Finance Department

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Facilities										
Distribution pipeline (miles)	142	142	142	142	147	147	147	147	162	162
Storage capacity (mg)(1)	11	11	11	11	11	11	11	11	11.2	11.2
System capacity (mgd)(2)	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	15.6	15.6
Water produced										
Water produced - Marina (mg)(1)	530	595	470	575	483	432	454	536	536	413
Average per day (mgd)(2)	1.5	1.6	1.3	1.6	1.3	1.2	1.2	1.5	1.5	1.1
Water produced - Ord (mg)(1)	828	755	926	837	703	551	481	574	517	661
Average per day (mgd)(2)	2.3	2.1	2.5	2.3	1.9	1.5	1.3	1.6	1.4	1.8
Total water produced (mg)(1)	1,357	1,351	1,395	1,412	1,187	983	935	1,110	1,053	1,074
Average per day (mgd)(2)	3.7	3.7	3.8	3.9	3.3	2.7	2.6	3.0	2.9	2.9

(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***

Independent Auditors' Report

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 Marina Coast Water District, California (the "District"), as of and for the years ended June 30, 2020 and 2019, 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 **December**, 2020.

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") to determine the 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 determination of financial statement amounts. 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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Santa Ana, California
December __, 2020

DRAFT 12-7-2020

Marina Coast Water District



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