



MARINA COAST WATER DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

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Marina Coast Water District

Annual Comprehensive Financial Report

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INTRODUCTORY SECTION

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MARINA COAST WATER DISTRICT & GROUNDWATER SUSTAINABILITY AGENCY

920 SECOND AVENUE, SUITE A, MARINA, CA 93933-6009

District Office: 831-384-6131 www.mcwd.org

DIRECTORS

GAIL MORTON
President

JAN SHRINER
Vice President

BRAD IMAMURA
THOMAS P. MOORE
STACEY SMITH

October 16, 2025

Board of Directors
Marina Coast Water District
Marina, California

It is a pleasure to submit the Marina Coast Water District's (MCWD or District) Annual Comprehensive Financial Report (ACFR) for the fiscal years ended June 30, 2025 and 2024. The ACFR gives an assessment of the District's financial condition, informs readers about District services, gives details of infrastructure replacement projects, discusses current issues, and provides financial and demographic trend information.

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

The ACFR is believed to be accurate in all material respects and is presented in a manner designed to clearly present 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 that MCWD's financial statements are presented in conformity with the U.S. generally accepted accounting principles (GAAP), responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the District.

District Overview

The Marina Coast Water District (the "District") is a county water district formed in 1960 under the provisions of the County Water District Law. The District provides water (including recycled water) and wastewater services to customers within the service area of the District. The District serves approximately 41,000 residents through more than 11,000 customer accounts and approximately 21,000 connections in its Marina and Ord service areas. The District currently pumps all of its supply, or approximately 3,504 acre feet of potable water (both Marina and Ord Community systems) annually, from groundwater wells.

The District's recycled water system has approximately 13 miles of pressurized pipe and one (1) 2-million-gallon storage tank. The District began delivering recycled water to its first account, Bayonet and Black Horse Golf Course, in November 2022. In FY 2023, the District delivered over 195 acre-feet of irrigation water, and it delivered 394 and 418 acre-feet to Bayonet and Black Horse Golf Course in FY 2024 and 2025, respectively.

The District owns and operates twenty (20) sewer lift stations, more than 170 miles of gravity pipeline, and 7.5 miles of force main to convey in excess of two million gallons per day of sewage to the Monterey One Water Treatment Plant. Monterey One Water (M1W), operates the regional wastewater treatment plant. M1W is a joint powers agency formed in 1972, of which the District is a member. The District owns 4.22 MGD of capacity and participates as a share member based on the District's service population. Sewage is conveyed to an interceptor and measured at the M1W pump station for Central Marina and the Flume structure for Ord Community.

The District's water system encompasses approximately 225 miles of potable water pipeline, 17 miles of recycled water pipeline and own eight (8) production wells (7 of which are active) with an estimated capacity of approximately 20 million gallons of potable water per day ("MGD"). District water storage includes eight (8) potable water storage tanks with a combined capacity of fourteen million (14) gallons, two (2) non potable storage tanks with a combined capacity of one million (1) gallons, one (1) recycled water tank with a capacity of two (2) million gallons, and six (6) booster pump stations with a combined capacity of 42.75 MGD. In addition, 34 monitoring wells are strategically located throughout the District to monitor water quality and groundwater levels in the aquifers that are the source for the District's potable 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 50 full-time employees providing services to its six (6) service area funds: Marina Water, Marina Sewer, Ord Water, Ord Sewer, Recycled Water, and Groundwater Sustainability Agency (GSA).

Governance

MCWD is a public agency (special district) governed by a five-member independently elected Board of Directors (Board) serving staggered four-year (4) terms elected from within the District's service area. The District began service in 1958. 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 6:00 p.m. at the Imjin Office Park, 920 2nd Avenue Suite B, Marina, California. Board meetings are open to the public.

Budget Process

The District's budget is prepared and adopted in accordance with Generally Accepted Accounting Principles (GAAP). Each year, the District develops and adopts an Operating Budget and updates its

10-Year Capital Improvement Program (CIP). Together, these serve as essential tools for long-term financial planning and short-term fiscal control. The adopted budget outlines projected revenues and expenditures for the fiscal year and identifies the services, projects, and operating activities to be carried out.

The budget process transforms the policy direction of the Board of Directors into actionable financial plans and provides a framework for performance monitoring and accountability.

Budget Control and Oversight

Budgetary control is maintained at the department level to ensure adherence to the adopted budget. Controls are enforced through project codes and account-level appropriations, and actual expenditures are monitored against budgeted amounts monthly.

- The General Manager is authorized to transfer appropriations between activities within the operating budget, provided there is no change to the total approved appropriation.
- Board approval is required for:
 - Increases to overall appropriations
 - Revisions to the Capital Improvement Program (CIP)

Long-term Financial Planning

The District engaged Hilderbrand Consulting LLC to conduct a comprehensive five-year rate study and financial plan. The 2024 Rate Study also includes a review and update of the cost allocation plan between the District's various cost centers. Between the two service areas there are six "cost centers": Marina Water, Ord Water, Marina Sewer, Ord Sewer, Recycled Water and the Groundwater Sustainability Agency (GSA).

Hilderbrand Consulting also completed a formal Cost Allocation Plan, documenting the review of direct and indirect cost allocations across cost centers. Their findings indicate that the allocation methodology and foundational data are both reasonable and appropriate. Hilderbrand recommends that the District continue to review and update these allocation factors regularly to maintain accuracy and equity.

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 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 Marina and Ord Community service areas overlie portions of the Monterey Subbasin, the 180/400 Foot Aquifer Subbasin, and part of the Seaside Adjudicated Basin. Three (3) of the District wells are located in Marina and five (5) 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 MCWDGSA engaged in the development of Groundwater Sustainability Plans (GSP) for the entirety of these two Subbasins, in coordination with other GSAs within these Subbasins. The 180/400 Aquifer Subbasin GSP was prepared on January 31, 2020, and the Monterey Subbasin GS plan was prepared on January 31, 2022. Both plans were subsequently approved by the California Department of Water Resources. MCWDGSA is currently implementing these plans to achieve sustainability for both basins beginning in 2040.

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 assurance 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 annually 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 currently are invested in the State Treasurer's Local Agency Investment Fund (LAIF), a Joint Powers Authority investment pool, United States Treasury Securities, and interest-bearing collateralized bank deposits.

Water Rates and District Revenues

In April 2024, the District adopted new rates and charges for its water system, wastewater system and recycled water system. The rates and charges are based on a rate study and final plan prepared by Hilderbrand Consulting, LLC and delivered to the District in April 2024 that covers a 5-year period.

The new rates and charges were adopted by the Board of Directors on June 17, 2024, after conducting a notification process under Proposition 218, effective July 1, 2024. The new rate structure includes tiered water usage charges for single family units, a uniform rate for multi family and non-residential, and fixed monthly service charges based on meter size for water. Sewer rates consist of a fixed monthly charge and a flow-based charge determined by the average of winter water for residential and actual water usage for non-residential.

District policy ensures that all revenues from user charges generated from District customers must support all District operations. The District projects substantial capital improvements to the Water Enterprise for existing and future users in the amount of approximately \$92.9 million over the next five fiscal years. The District expects that such capital improvements will be funded by capacity fees, grants, loans, the net proceeds of the Certificates, and net revenues remaining after the payment of the installment payments and debt service on the prior parity debt, any additional parity debt, and any other debt of the District. Such capital improvements include 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, demolition of existing corporation yard and construction of new yard, and well rehabilitation.

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 Chavan and Associates, LLP has conducted an audit of the District's financial statements. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The firm's report has been included in the financial section of this report.

Other References

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

Awards and Acknowledgements


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its ACFR for the fiscal year ended June 30, 2024. This was the seventeenth consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District had to publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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,



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



Mary Lagasca, CPA
Director of Administrative Services



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Marina Coast Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

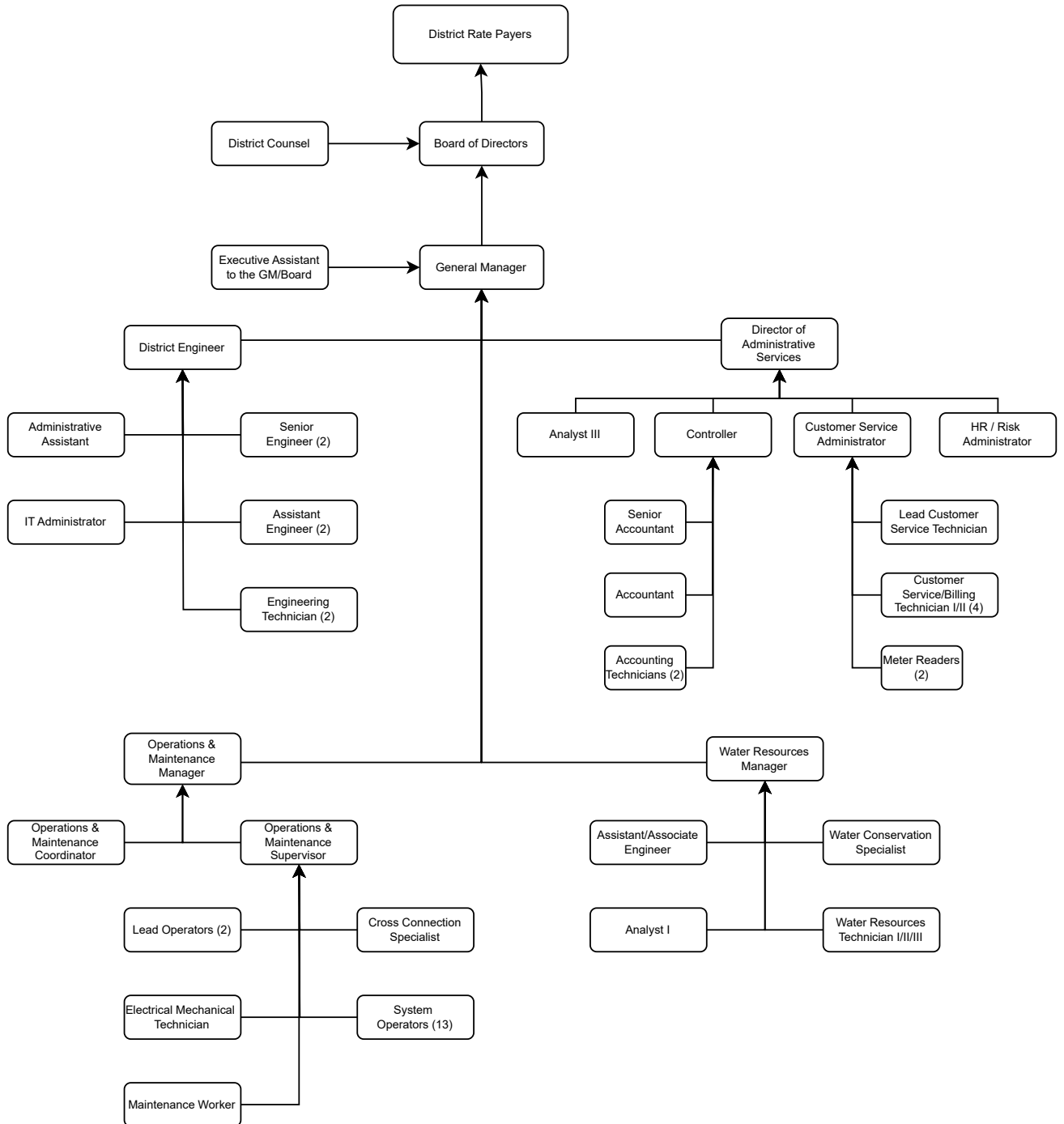
June 30, 2024

Christopher P. Morill

Executive Director/CEO



MARINA COAST WATER DISTRICT ORGANIZATIONAL CHART



Marina Coast Water District

Directory

Board of Directors June 30, 2025

Gail Morton	President
Jan Shriner	Vice-President
Brad Imamura	Director
Thomas P. Moore	Director
Stacey Smith	Director

Management Staff

Remleh Scherzinger	General Manager
Mary Lagasca	Director of Administrative Services
Garrett Haertel	District Engineer
Derek Cray	Operations & Maintenance Manager
Patrick Breen	Water Resources Manager

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Marina Coast Water District (the "District"), as of and for the year ended June 30, 2025 and June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Marina Coast Water District, as of June 30, 2025 and June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAGAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of contributions for pension plans, the schedule of proportionate share of the net pension liability, and the schedule of changes in total OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of



financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2025 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 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 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.

C & A LLP

October 16, 2025
Morgan Hill, California

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2025 and 2024

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, 2025 and 2024. 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 about the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, which provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities).

The Statement of Revenues, Expenses, and Changes in Net Position identifies the District's revenues and expenses for the fiscal year. This statement provides information about 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 about 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, 2025 and 2024

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 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, and 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, 2025 and 2024

Financial Highlights for Fiscal Years 2025 and 2024

- As of June 30, 2025, the District's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$234.7 million (net position), which is an increase of \$13.2 million or 6.0% from the 2024 fiscal year-end balance. As of June 30, 2024, the District's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$221.5 million (net position), which is an increase of \$10.1 million or 4.8% from the 2023 fiscal year-end balance.
- The total long-term liabilities for the current fiscal year increased by \$16.1 million or 29.0% due to the issuance of new 2024 Series Revenue Bonds of \$19.3 million and 2025 Series Revenue Refunding Bonds of \$17.9 million with related unamortized premiums of \$1 million and \$2.5 million, respectively offset by the defeasance of the 2015 series bonds of \$21.6 million and associated unamortized premiums of \$1.8 million and \$1.2 million in annual debt service payments. Prior year increased by \$0.7 million or 1.2% due to an increase of \$3.0 million in California State Revolving Fund Loan offset by \$2.3 million in annual debt service payments.
- For fiscal year 2025, capital assets increased by \$11.9 million or 5.0% primarily due to the completion of the construction of new A1/A2 reservoirs and the B/C zones booster pump station, the Imjin Office Park site improvements project, and the second phase of the PLC replacement project. For fiscal year 2024, capital assets increased by \$1.5 million or 0.6% primarily due to the completion of the Flygt Pump Replacement Project, first phase of the PLC Replacement Project, Ord Village Lift Station and Force Main Project, and Gigling Force Main Project.



MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2025 and 2024

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	
	2025	2024	2023	2025 and 2024		2024 and 2023	
<u>Assets:</u>							
Current assets	\$ 38,118,808	\$ 31,903,679	\$ 16,840,294	\$ 6,215,129	19.5%	\$ 15,063,385	89.4%
Noncurrent assets	39,220,122	23,741,168	27,544,273	15,478,954	65.2%	(3,803,105)	-13.8%
Capital assets, net	249,445,480	237,507,997	236,040,249	11,937,483	5.0%	1,467,748	0.6%
Total Assets	326,784,410	293,152,844	280,424,816	33,631,566	11.5%	12,728,028	4.5%
Deferred outflows	2,553,651	3,098,327	3,352,549	(544,676)	-17.6%	(254,222)	-7.6%
<u>Liabilities:</u>							
Current liabilities	11,645,090	9,815,471	7,975,170	1,829,619	18.6%	1,840,301	23.1%
Noncurrent liabilities	76,957,878	60,175,386	60,115,165	16,782,492	27.9%	60,221	0.1%
Total Liabilities	88,602,968	69,990,857	68,090,335	18,612,111	26.6%	1,900,522	2.8%
Deferred inflows	6,002,290	4,719,777	4,227,546	1,282,513	27.2%	492,231	11.6%
<u>Net Position:</u>							
Net investment in capital assets	191,166,484	182,083,302	184,477,706	9,083,182	5.0%	(2,394,404)	-1.3%
Restricted for capacity fees	19,230,618	19,034,665	19,824,027	195,953	1.0%	(789,362)	-4.0%
Restricted for debt service	655,143	580,020	229,343	75,123	13.0%	350,677	152.9%
Restricted for blight removal	655,408	1,043,435	998,106	(388,027)	-37.2%	45,329	4.5%
Unrestricted (deficit)	23,025,150	18,799,115	5,930,302	4,226,035	22.5%	12,868,813	217.0%
Total Net Position	\$ 234,732,803	\$ 221,540,537	\$ 211,459,484	\$ 13,192,266	6.0%	\$ 10,081,053	4.8%

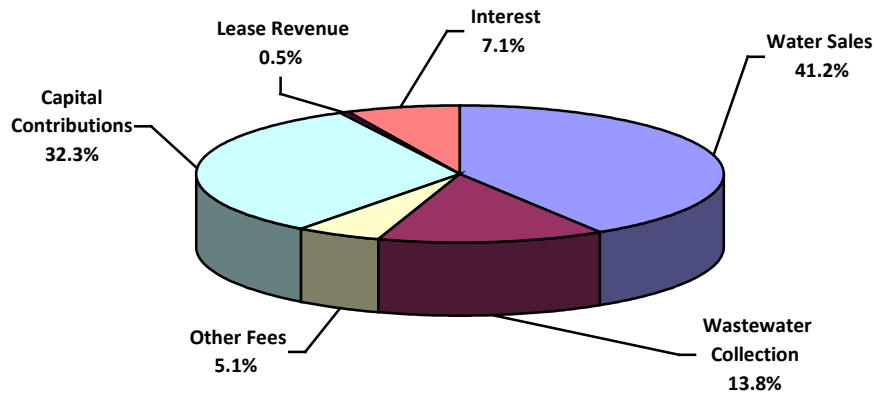
As noted earlier, net position may serve over time as an indicator of a district's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$234.7 million, \$221.5 million, and \$211.5 million as of June 30, 2025, 2024, and 2023, respectively, showing a long-term trend of net position increases with increases in each of the categories of net position.

One of the largest portions of the District's net position (81.4%, 82.2%, and 87.2% as of June 30, 2025, 2024 and 2023, respectively) is 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. Continuing increases to the District's net investment in capital assets is a reflection of the District's ongoing capital investment through the strategic capital improvement plan.

The District showed a positive and growing balance in its unrestricted net position of \$23.0 million, \$18.8 million, and \$5.9 million as of June 30, 2025, 2024, and 2023, respectively.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2025 and 2024

Revenues



Revenues

	Year Ended June 30			Change between		Change between		
	2025	2024	2023	2025 and 2024		2024 and 2023		
<u>Operating Revenues:</u>								
Water sales	\$ 17,755,955	\$ 15,323,077	\$ 13,624,939	\$ 2,432,878	15.9%	\$ 1,698,138	12.5%	
Wastewater collection	5,950,416	5,580,361	5,315,471	370,055	6.6%	264,890	5.0%	
Other services & fees	2,207,125	1,828,640	1,654,967	378,485	20.7%	173,673	10.5%	
Total Operating Revenues	25,913,496	22,732,078	20,595,377	3,181,418	14.0%	2,136,701	10.4%	
<u>Nonoperating Revenues:</u>								
Lease revenue	205,862	204,256	201,755	1,606	0.8%	2,501	1.2%	
Gains on disposal of capital assets	-	12,714	31,436	(12,714)	-100.0%	(18,722)	100.0%	
Investment income	3,051,757	1,871,214	1,117,546	1,180,543	63.1%	753,668	67.4%	
Total Nonoperating Revenues	3,257,619	2,088,184	1,350,737	1,169,435	56.0%	737,447	54.6%	
<u>Capital Contributions:</u>	13,916,416	11,678,749	19,653,296	2,237,667	19.2%	(7,974,547)	-40.6%	
Total Revenues	\$ 43,087,531	\$ 36,499,011	\$ 41,599,410	\$ 6,588,520	18.1%	\$ (5,100,399)	-12.3%	

The District finances its water sales and wastewater collection operations through user fees and other income. Total revenue for fiscal year 2025 was \$43.1 million, an increase of \$6.6 million or 18.1% from prior year. Total revenue for fiscal year 2024 was \$36.5 million, down \$5.1 million or 12.3% from 2023.

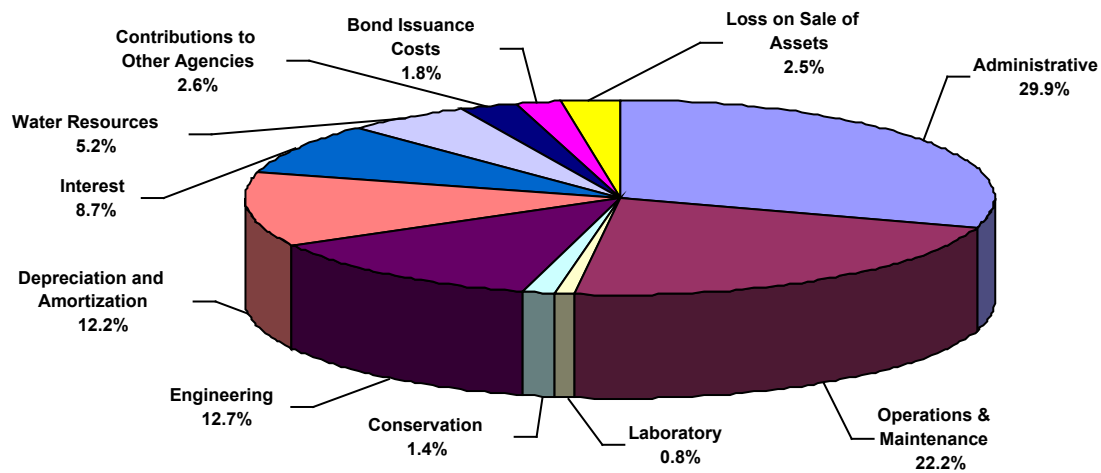
The District implemented a new rate structure and an overall increase in rates as of July 1, 2024 in connection with the 2024 Water, Wastewater & Recycled Water Rate Study from April 2024. Water sales increased \$2.4 million primarily due to the increase in rates and an additional 500 new accounts.

The District continued its focus on actively managing its cash and cash equivalent balances by maximizing investment of balances not immediately needed to fund operations in interest bearing accounts. The District's interest investment income was \$3.1 million in 2025, an increase over prior year of \$1.2 million or 63.1%.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2025 and 2024

The District collected \$5.6 million in capital contributions from developers for projects donated to the District upon completion. The District did not receive any developer capital contributions in 2024. While new construction in the District's service area remained very active, the capacity fees collected from developers for new service connections was \$7.8 million, a decrease of \$3.4 million or 30.4% from 2024.

Expenses



Expenses

	Year Ended June 30			Change between		Change between	
	2025	2024	2023	2025 and 2024		2024 and 2023	
<u>Operating Expenses:</u>							
Administrative	\$ 8,943,641	\$ 9,229,769	\$ 9,445,914	\$ (286,128)	-3.1%	\$ (216,145)	-2.3%
Operations and maintenance	6,596,025	5,828,094	4,916,612	767,931	13.2%	911,482	18.5%
Laboratory	240,154	223,150	208,003	17,004	7.6%	15,147	7.3%
Conservation	448,199	415,930	385,864	32,269	7.8%	30,066	7.8%
Engineering	3,787,514	2,572,644	1,690,881	1,214,870	47.2%	881,763	52.1%
Water Resources	1,548,561	1,041,941	715,230	506,620	48.6%	326,711	45.7%
Depreciation and amortization	3,653,472	3,193,801	2,763,165	459,671	14.4%	430,636	15.6%
Total Operating Expenses	25,217,566	22,505,329	20,125,669	2,712,237	12.1%	2,379,660	11.8%
<u>Nonoperating Expenses:</u>							
Interest expense	2,588,180	1,794,052	2,354,838	794,128	44.3%	(560,786)	-23.8%
Bond issuance costs	533,762	-	-	533,762	100.0%	-	0.0%
Loss on sales of assets	754,348	-	-	754,348	100.0%	-	0.0%
Contributions to other agencies	801,409	2,118,577	791,083	(1,317,168)	-62.2%	1,327,494	167.8%
Total Nonoperating Expenses	4,677,699	3,912,629	3,145,921	765,070	19.6%	766,708	24.4%
Total Expenses	\$ 29,895,265	\$ 26,417,958	\$ 23,271,590	\$ 3,477,307	13.2%	\$ 3,146,368	13.5%

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2025 and 2024

Total expenses for fiscal year 2025 were \$29.9 million, an increase of \$3.5 million or 13.2% from prior year. Total expenses for fiscal year 2024 were \$26.4 million, an increase of \$3.1 million or 13.5% from prior year.

Engineering expenses increased by \$1.2 million or 47.2% primarily due to expensing non-capitalizable costs from current year capital project expenditures and an increase in wages and benefits from all authorized positions being fully staffed. Operations and Maintenance expenses increased by \$0.8 million or 13.2% due to an increase in wages from the annual cost of living allowance and higher maintenance costs on current assets. Water Resources expenses increased \$0.5 million or 48.6% due to an increase in grant-related consultant costs and an increase in wages and benefits due to all positions being fully staffed. Also, new in the current year are \$0.5 million in bond issuance costs and the net loss on sale of assets totaling \$0.8 million, primarily driven by the identification of abandoned and obsolete assets for disposal.

In fiscal year 2024, Operations and Maintenance expenses increased by \$0.9 million or 18.5% primarily due to unexpected emergency repairs and an increase in wages and benefits from the annual cost of living allowance (COLA). Engineering expenses increased by \$0.9 million or 52.1% because of information technology costs being transitioned from the Administration department to the Engineering department along with wage and benefit increases from the annual COLA.

Net Position

The Statement of Revenues, Expenses and Changes in Net Position on page 32 shows how the District's net position changed during the fiscal year. Net position increased by \$13.2 million, \$10.1 million, and \$18.3 million for the fiscal years ended June 30, 2025, 2024, and 2023, respectively.

Changes in Net Position

	Year Ended June 30			Change between		Change between	
	2025	2024	2023	2025 and 2024		2024 and 2023	
Beginning Net Position as restated	\$ 221,540,537	\$ 211,459,484	\$ 193,131,664	\$ 10,081,053	4.8%	\$ 18,327,820	9.5%
Income (loss) before contributions	(724,150)	(1,597,696)	(1,325,476)	873,546	-54.7%	(272,220)	20.5%
Capital contributions	13,916,416	11,678,749	19,653,296	2,237,667	19.2%	(7,974,547)	-40.6%
Change in net position	13,192,266	10,081,053	18,327,820	3,111,213	30.9%	(8,246,767)	-45.0%
Ending Net Position	\$ 234,732,803	\$ 221,540,537	\$ 211,459,484	\$ 13,192,266	6.0%	\$ 10,081,053	4.8%

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2025 and 2024

Capital Assets

At the end of fiscal years 2025, 2024, and 2023, the District's capital assets were \$249.4 million, \$237.5 million, and \$236.0 million, respectively, (net of accumulated depreciation and amortization). Capital assets include: land; water/wastewater rights; easements; infrastructure such as transmission and distribution systems, wells, tanks, reservoirs, and pumps; buildings and structures; equipment; and construction in progress. Current year increase is due to the completion of the A1/A2 Reservoirs and B/C Zones Booster Pump Station Project, IOP B-Side Improvements Project and the 2nd phase of the PLC Replacement Project along with equipment purchases, such as water quality monitoring equipment, five work trucks, and a John Deere Loader. For fiscal year 2024, capital assets increased primarily due to the completion of the Flygt Pump Replacement Project, PLC Replacement Project, Ord Village Lift Station and Force Main Project, and Gigling Force Main Project along with equipment purchases, such as the CCTV Camera System, two 2023 Hyundai IONIQ5 SUVs and a 2023 CAT Electric Forklift.



Changes in capital assets were as follows:

Capital Assets							
	June 30			Change between		Change between	
	2025	2024	2023	2024 and 2024		2024 and 2023	
<u>Capital Assets:</u>							
Non-depreciable assets	\$ 118,388,085	\$ 131,400,313	\$ 133,470,554	\$ (13,012,228)	-9.9%	\$ (2,070,241)	-1.6%
Depreciable assets	180,853,664	166,293,274	159,669,387	14,560,390	8.8%	6,623,887	4.1%
Less accumulated depreciation and amortization	(49,796,269)	(60,185,590)	(57,099,692)	10,389,321	-17.3%	(3,085,898)	5.4%
Total Capital Assets, Net	\$ 249,445,480	\$ 237,507,997	\$ 236,040,249	\$ 11,937,483	5.0%	\$ 1,467,748	0.6%

Additional information on the District's capital assets is provided in Note 6 of the financial statements.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2025 and 2024

Long-Term Liabilities

As of June 30, 2025, the District had \$71.5 million outstanding in long-term liabilities compared to \$55.4 million as of June 30, 2024, and \$54.8 million as of June 30, 2023.

Revenue certificates of participation in the amount of \$19.3 million were issued in August 2024 to fund costs associated with several major capital improvement projects. Enterprise revenue refunding bonds in the amount of \$17.9 million were issued in February 2025 to refinance the 2015 revenue bonds discussed below.

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 2015 revenue bonds were refinanced themselves with the issue of the 2025 enterprise revenue refunding bonds as an advanced refunding and were called on June 1, 2025.

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 2019 Enterprise Revenue Certificates of Participation, 2024 Enterprise Revenue Certificates of Participation, and the 2025 Enterprise Revenue Refunding bonds were each 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 25, 2018, the District entered into a construction installment sale agreement and grant with the California State Revolving Fund Loan Program with a maximum amount of \$10,513,217 at an interest rate of 1.8% per annum. On June 27, 2018, the District entered into a second construction installment sale agreement and grant with the California State Revolving Fund Loan Program for the construction of the RUWAP distribution system with a maximum amount of \$11,439,582 at an interest rate of 1.8% annum.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2025 and 2024

Changes in long-term liability amounts were as follows:

Schedule of Long-Term Liabilities								
	June 30			Change between		Change between		
	2025	2024	2023	2025 and 2024		2024 and 2023		
<u>Long-Term Liabilities:</u>								
Bonds payable	\$ 53,045,000	\$ 37,855,000	\$ 39,400,000	\$ 15,190,000	40.1%	\$ (1,545,000)	-3.9%	
Loans payable	13,386,350	13,819,181	11,244,419	(432,831)	-3.1%	2,574,762	22.9%	
Lease payable	109,891	195,878	291,623	(85,987)	-43.9%	(95,745)	-32.8%	
Subscription payable	56,679	109,032	162,008	(52,353)	-48.0%	(52,976)	100.0%	
Unamortized premiums, net	4,915,192	3,459,440	3,663,253	1,455,752	42.1%	(203,813)	-5.6%	
Total Long-Term Liabilities	<u>\$ 71,513,112</u>	<u>\$ 55,438,531</u>	<u>\$ 54,761,303</u>	<u>\$ 16,074,581</u>	29.0%	<u>\$ 677,228</u>	1.2%	

Additional information on the District's long-term liabilities is provided in Note 7 of the financial statements.

Economic Factors and Next Year's Budget and Rates

The Board of Directors adopted the District's 2025-2026 Marina and Ord Community budgets and rates on May 19, 2025. The approval of the budget provides funding for the District's operating, capital, and debt service costs for the 2025-2026 fiscal year.

The following Water and Sewer Rate Structures are based on a rate study conducted by Hilderbrand Consulting which was presented to the District in April 2024 and approved by the Board on June 17, 2024.

Water Rate Structure Begun FY 2024-2025

- **Fixed Monthly Service Charge:** The fixed monthly charge is determined by the size of the water meter and is consistent across all customers.
- **Water Consumption Rates:** Based on actual water usage, this rate reflects the volume of water consumed by each customer. Escalating, tiered rates based on consumption in excess of initial 10 HCF.
- **Uniform Consumption Charge:** All non-residential and multifamily customers (i.e. excluding single-family residences) transitioned to a uniform consumption rate.

Sewer Rate Structure Begun FY 2024-25

The District implemented a new sewer rate structure effective fiscal year 2024-2025, targeted at a 50/50 split between flow-based and fixed-cost charges for both non-residential and residential customers. This approach is designed to align costs more closely with actual usage, promoting fair and equitable billing.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2025 and 2024

Residential customers:

- Flow-Based Charge (50%): Based on the customer's average water usage during the winter months (December, January, and February). Winter water usage is used as an estimate for indoor water use since outdoor watering is minimal during this period. Each residential account's indoor water usage value will be updated annually on July 1st based on the previous winter's data. New accounts without water usage history will use a temporary default value of 5 HCF per month reflecting the current average for a single-family home
- Fixed-Cost Charge (50%): Recovers fixed costs that the sewage collection system incurs regardless of increased or decreased sewage flow into the system

Non-Residential customers:

- Flow-Based Charge (50%): Based on the customer's actual monthly water usage.
- Fixed-Cost Charge (50%): Recovers fixed costs that the sewage collection system incurs regardless of increased or decreased sewage flow into the system.

Correction of an Error in Previously Issued Financial Statements

During fiscal year 2025, the District determined that certain expenditures related to capital improvement projects were improperly included in infrastructure and related assets when they should have been treated as an expense. Additionally, the District determined that certain infrastructure and related assets were appropriately capitalized but did not accrue related depreciation expense. The District also determined that certain interest expenses should have been capitalized as construction in progress (CIP), as required by GASB 62 when in effect, but were treated as an expense. Therefore, capital assets, net of depreciation were overstated by \$5.3 million for the fiscal year ended June 30, 2024. In addition, departmental operating expenses were understated by \$1.9 million and depreciation expense was understated by \$3.4 million for the fiscal year ended June 30, 2024.

Additionally, the District reclassified unspent grant proceeds restricted for blight removal in the former Fort Ord of approximately \$1.0 million from net investment in capital assets to its own restricted net position category.

Finally, the District determined that capital surcharge revenue and associated receivable was overstated by approximately \$212,000.

MARINA COAST WATER DISTRICT
Management's Discussion and Analysis
June 30, 2025 and 2024

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, 920 Second Avenue, Marina, California 93933.



BASIC FINANCIAL STATEMENTS

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Marina Coast Water District

Statements of Net Position

June 30, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash and investments	\$ 27,021,592	\$ 20,959,006
Accounts receivable - net	7,712,832	8,016,237
Interest receivable	295,130	258,427
Other receivables	2,117,790	1,851,435
Inventories	597,231	533,808
Prepaid items	137,124	88,737
Deposits	15,762	15,762
Leases receivable, current	221,347	180,267
Total current assets	<u>38,118,808</u>	<u>31,903,679</u>
Noncurrent assets:		
Restricted cash and investments	36,695,515	21,138,483
Leases receivable, noncurrent	2,524,607	2,602,685
Capital assets - net	249,445,480	237,507,997
Total noncurrent assets	<u>288,665,602</u>	<u>261,249,165</u>
TOTAL ASSETS	<u><u>\$ 326,784,410</u></u>	<u><u>\$ 293,152,844</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension adjustments	\$ 2,116,329	\$ 2,596,991
OPEB adjustments	437,322	501,336
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 2,553,651</u></u>	<u><u>\$ 3,098,327</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 3,333,968	\$ 1,952,069
Accrued liabilities	3,493,098	3,109,406
Accrued payroll liabilities	345,447	284,577
Interest payable	575,191	245,772
Customer Deposits	762,702	1,943,949
Retention Payable	864,622	-
Current portion of long-term liabilities	1,918,426	2,180,921
Compensated absences, current	351,636	98,777
Total current liabilities	<u>11,645,090</u>	<u>9,815,471</u>
Noncurrent liabilities:		
Long-term liabilities	69,594,686	53,257,610
Net pension liability	5,186,776	5,205,724
Total OPEB liability	1,172,024	1,129,856
Compensated absences	1,004,392	582,196
Total noncurrent liabilities	<u>76,957,878</u>	<u>60,175,386</u>
TOTAL LIABILITIES	<u><u>\$ 88,602,968</u></u>	<u><u>\$ 69,990,857</u></u>
DEFERRED INFLOWS OF RESOURCES		
Pension adjustments	\$ 62,040	\$ 176,351
OPEB Adjustments	1,599,688	1,746,273
Debt refunding gains	2,055,608	454,687
Leases	2,284,954	2,342,466
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 6,002,290</u></u>	<u><u>\$ 4,719,777</u></u>
NET POSITION		
Net investment in capital assets	\$ 191,166,484	\$ 182,083,302
Restricted for capacity fees	19,230,618	19,034,665
Restricted for debt service	655,143	580,020
Restricted for blight removal	655,408	1,043,435
Unrestricted (deficit)	23,025,150	18,799,115
TOTAL NET POSITION	<u><u>\$ 234,732,803</u></u>	<u><u>\$ 221,540,537</u></u>

The accompanying notes are an integral part of these financial statements.

Marina Coast Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Water services	\$ 17,755,955	\$ 15,323,077
Wastewater services	5,950,416	5,580,361
Other services and fees	2,207,125	1,828,640
Total operating revenues	<u>25,913,496</u>	<u>22,732,078</u>
OPERATING EXPENSES		
Administrative	8,943,641	9,229,769
Operations and maintenance	6,596,025	5,828,094
Laboratory	240,154	223,150
Conservation	448,199	415,930
Engineering	3,787,514	2,572,644
Water resources	1,548,561	1,041,941
Depreciation and amortization	3,653,472	3,193,801
Total operating expenses	<u>25,217,566</u>	<u>22,505,329</u>
Operating income (loss)	<u>695,930</u>	<u>226,749</u>
NONOPERATING REVENUES (EXPENSES)		
Lease revenue	205,862	204,256
Gain (loss) on sales of assets	(754,348)	12,714
Contributions to other agencies	(801,409)	(2,118,577)
Investment income	3,051,757	1,871,214
Interest expense	(2,588,180)	(1,794,052)
Bond Issuance Cost	(533,762)	-
Total nonoperating revenues(expenses)	<u>(1,420,080)</u>	<u>(1,824,445)</u>
Income (loss) before capital contributions	<u>(724,150)</u>	<u>(1,597,696)</u>
CAPITAL CONTRIBUTIONS		
Grants	486,036	505,877
Developer capacity and connection fees	7,777,440	11,172,872
Developer contributions	5,652,940	-
Total capital contributions	<u>13,916,416</u>	<u>11,678,749</u>
Change in net position	<u>13,192,266</u>	<u>10,081,053</u>
Total net position - beginning	221,540,537	216,964,224
Prior period restatement	-	(5,504,740)
Total net position - beginning, as adjusted	<u>221,540,537</u>	<u>211,459,484</u>
Total net position - ending	<u>\$ 234,732,803</u>	<u>\$ 221,540,537</u>

The accompanying notes are an integral part of these financial statements.

Marina Coast Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Received from customers and users	\$ 26,446,426	\$ 18,507,685
Paid to suppliers	(11,023,034)	(11,001,822)
Paid to employees	(9,030,912)	(7,830,813)
Net cash provided (used) by operating activities	<u>6,392,480</u>	<u>(324,950)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(13,679,673)	(4,936,133)
Proceeds from insurance claim on stolen property	-	150
Sale of capital assets	20,591	12,564
Lease receipts	42,077	174,966
Grant receipts	668,862	155,819
Payments to other agencies	(595,814)	(1,492,020)
Developer contributions, capacity and connection receipts	11,167,294	11,326,548
Issuance of long-term liabilities	40,688,938	2,979,413
Principal paid on long-term liabilities	(22,552,017)	(2,063,392)
Interest paid on long-term liabilities	(3,014,412)	(2,028,039)
Bond issuance cost	(533,762)	-
Net cash provided (used) by capital and related financing activities	<u>12,212,084</u>	<u>4,129,876</u>
Cash flows from investing activities:		
Investment income (loss)	3,015,054	1,783,161
Net cash provided (used) by investing activities	<u>3,015,054</u>	<u>1,783,161</u>
Net increase (decrease) in cash and cash equivalents	21,619,618	5,588,087
Cash and cash equivalents - beginning	42,097,489	36,509,402
Cash and cash equivalents - ending	<u>\$ 63,717,107</u>	<u>\$ 42,097,489</u>
Reconciliation to the Statement of Net Position		
Cash and investments	\$ 27,021,592	\$ 20,959,006
Restricted cash and investments	36,695,515	21,138,483
Total cash and cash equivalents	<u>\$ 63,717,107</u>	<u>\$ 42,097,489</u>

Continued

Marina Coast Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2025 and 2024

	2025	2024
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 695,930	\$ 226,749
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	3,653,472	3,193,801
Change in operating assets and liabilities:		
Accounts receivables	515,440	(4,212,238)
Inventories	(63,423)	(143,150)
Prepaid items	(48,387)	17,418
Deposits	-	(8,970)
Deferred outflows of resources	544,676	254,222
Accounts payable	662,659	(16,113)
Accrued liabilities	(83,626)	73,141
Accrued payroll liabilities	60,870	49,436
Customer deposits	17,490	(12,155)
Other current liabilities	-	(9,198)
Net pension liabilities	(18,948)	373,433
Total OPEB liability	42,168	(903,522)
Compensated absences	675,055	64,203
Deferred inflows of resources	(260,896)	727,993
Net cash provided (used) by operating activities	<u>\$ 6,392,480</u>	<u>\$ (324,950)</u>
Capital and related financing noncash items		
Amortization of deferred charges and premiums	\$ 755,651	\$ 238,792
Amortization of leases	\$ 200,783	\$ 200,783
Developer contribution of capital assets	\$ 5,652,940	\$ -

Concluded

The accompanying notes are an integral part of these financial statements.

Marina Coast Water District
Index to Notes to the Basic Financial Statements
For the Years Ended June 30, 2025 and June 30, 2024

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:

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Marina Coast Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2025 and June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity

The Marina Coast Water District (the “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.

Basis of Presentation

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for governmental accounting financial reporting purposes.

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 fund** accounts for operations of the water system within the former Fort Ord service area.
- The **Ord Sewer fund** accounts for operations of the wastewater collection system within the former Fort Ord service area.
- The **Recycled Water fund** accounts for operations of the recycled or augmented water system within the District service area.
- The **Groundwater Sustainability Agency fund** accounts for operations of the Groundwater Sustainability Agency within the District jurisdictional boundaries within the Monterey Subbasin and the 180/400 Subbasin.

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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.

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 accounted for using the flow of economic resources measurement focus, utilizing full accrual accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the enterprise are recorded on its statement of net position, and under the full accrual basis of accounting, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unavailable resources.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time.

Statement of Net Position

The statement of net position is designed to display the financial position of the District. The District's net position is classified into three categories as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those 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 investment in capital assets, net of related debt. Deferred outflows

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of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.

The following summarizes the District's net investment in capital assets for the last two years:

	2025	2024
Capital assets, net	\$ 249,445,480	\$ 237,507,997
2015 Series A Bonds	-	(23,377,221)
2019 Revenue Bonds	(17,504,730)	(17,937,219)
2024 Revenue Bonds	(20,297,500)	-
2025 Refunding Revenue Bonds	(20,157,961)	-
Unspent 2019 Bond proceeds	874	480,360
Unspent 2024 Bond proceeds	16,153,471	
CWSRF Loan - Transmission	(3,703,138)	(3,808,954)
WRFP Prop 1 Loan - Transmission	(1,084,391)	(1,116,515)
CWSRF Loan - Distribution	(4,624,234)	(4,750,509)
WRFP Prop 1 Loan - Distribution	(1,937,100)	(1,990,477)
Santa Cruz Bank Installment Loan	(2,037,486)	(2,152,726)
Leases payable	(109,892)	(195,878)
SBITAs payable	(56,679)	(109,032)
Retention payable	(864,622)	(11,837)
Deferred gain on refunding debt	(2,055,608)	(454,687)
Net investment in capital assets	<u>\$ 191,166,484</u>	<u>\$ 182,083,302</u>

- **Restricted** - This component of net position consists of constraints placed on an asset's use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law and regulations of other governments, and reduced by liabilities and deferred inflows of resources related to those assets. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.
- **Unrestricted** - This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Amounts included as unrestricted net position are available for designation for specific purposes established by the District's Board of Directors.

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

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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, water resources and depreciation. All expenses not meeting these categories are reported as nonoperating.

Budgets and Budgetary Accounting

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.

Pensions

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

The following time frames were used for pension reporting:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

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.

Other Postemployment Benefits Other Than Pensions (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.

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GAAP required that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. The following timeframes were used for OPEB reporting:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

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

Cash and Investments

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No.3)*, certain disclosure requirements for deposits and investment risks were made in the areas of interest rate risk and credit risk. The credit risk disclosures include the following components: overall credit risk, custodial credit risk and concentrations of credit risk. In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The following is a summary of the definition of fair value:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

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Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with original maturities of three months or less are considered cash equivalents.

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.

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.

Inventories

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

Restricted Assets

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

Lessor

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

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

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

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

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

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 or amortization. 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 and amortization 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.

Subscription-Based Information Technology Arrangements (SBITAs)

The District has a policy to recognize a subscription liability and a right-to-use subscription asset (subscription asset) in the financial statements. The District recognizes subscription liabilities with an initial, individual value of \$10,000 or more with a subscription term greater than one year. Variable payments based on future performance of the District, usage of the underlying IT asset, or number of user seats are not included in the measurement of the subscription liability, rather, those variable payments are recognized as outflows of resources (expenses) in the period the obligation for those payments is incurred.

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

Subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, less any payments made to the SBITA vendor before the commencement of the subscription term, and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

- **Preliminary Project Stage:** Outlays are expensed as incurred.
- **Initial Implementation Stage:** Outlays are capitalized as an addition to the subscription asset.
- **Operation and Additional Implementation Stage:** Outlays are expensed as incurred unless they meet specific capitalization criteria.

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Upon adoption, the District elected to exclude the capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage that were incurred prior to the implementation of this Statement in the measurement of subscription assets as of July 1, 2022.

Subscription assets are reported in capital assets and subscription liabilities are reported with long-term liabilities on the statement of net position. Subscription assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT asset, unless the subscription contains a purchase option that the District has determined is reasonably certain of being exercised. In this case, the subscription asset is amortized over the useful life of the underlying IT asset.

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

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

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

Lessee Leases

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

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

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

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determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

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

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

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

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

Long-Term Liabilities

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported with applicable bond premium and discounts are reported as noncurrent assets along with any insurance payments made during issuance of the bond. Bond issuance costs, other than prepaid insurance, are expensed in the period incurred.

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, four types of leave qualify for liability recognition for compensated absences – vacation, management leave, sick leave and compensated time. The liability for compensated absences is reported as incurred in the financial statements. The liability for compensated absences includes employer portion of FICA payroll tax, SUI, ETT (Employment Training Tax), and employer contribution match for employee deferred compensation made on a percentage basis.

Each of the leave types are paid in cash upon reaching a cap in total hours allowed to accrue, or upon termination or retirement with two exceptions: 20 hours of management leave are “use it or lose it” and the remainder is paid out if unused after the first quarter of the year subsequent to which it was earned; 60% of sick leave up to a maximum of 240 hours is payable upon retirement for employees

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with >10 years of service and at 62 years of age and above, and 30% of sick leave up to a maximum of 240 hours is payable upon separation of employees in good standing.

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.

Interfund loans are formal agreements where one fund lends money to another fund with a documented expectation of repayment. Interfund loans are typically used for temporary financing for specific projects or to cover cash shortfalls, and they are expected to be repaid with interest.

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.

Accounting Estimates

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

Accounting and Reporting Changes

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

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This Statement requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. The implementation of this standard did not have a material impact on the District's financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions for (1) the concentration or constraint (2) each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements (3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The implementation of this standard did not have a material impact on the District's financial statements and management determined there were no concentrations or constraints that make the District vulnerable to the risk of substantial impact.

Upcoming Accounting and Reporting Changes

Management will continue to analyze its accounting practices to determine the potential impact of the following recent GASB Statements on the District's financial statements:

GASB Statement No. 103, *Financial Reporting Model Improvements*

This Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to (a) Management's discussion and analysis (MD&A) (b) Unusual or infrequent items (c) Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position (d) Information about major component units in basic financial statements (5) Budgetary comparison information (6) Financial trend information in the statistical section

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The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

NOTE 2 - CASH AND INVESTMENTS

The following summarizes the District's cash and investments:

	2025	2024
Unrestricted Cash and Investments:		
Cash on hand	\$ 1,350	\$ 1,050
Deposits with Financial Institutions	18,362,120	14,085,896
Local Agency Investment Fund	4,933,732	3,319,611
California CLASS Investment Pool	3,724,390	3,552,449
Total Unrestricted Cash and Investments	<u>27,021,592</u>	<u>20,959,006</u>
Restricted Cash and Investments		
Deposits with Financial Institutions	28,863,030	12,268,899
Local Agency Investment Fund	2,490,440	3,774,163
California CLASS Investment Pool	5,342,045	5,095,421
Total Restricted Cash and Investments	<u>36,695,515</u>	<u>21,138,483</u>
Total Cash and Investments	<u>\$ 63,717,107</u>	<u>\$ 42,097,489</u>

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Cash Deposits (Collateral and Categorization Requirements)

As of June 30, 2025, the District's carrying amount of demand deposits was \$31,057,367 and the bank account balance was \$31,323,557. The difference of \$266,190 represented outstanding checks and deposits in transit. Of the total deposit balance, \$250,000 was insured by federal depository insurance and \$31,073,557 was 110% collateralized in accordance with California Government Code requirements by securities held by the pledging financial institution in the District's name.

As of June 30, 2024, the District's carrying amount of demand deposits was \$25,865,541 and the bank account balance was \$26,011,718. The difference of \$146,177 represented outstanding checks and deposits in transit. Of the total deposit balances, \$250,000 was insured by federal depository insurance and \$25,761,718 was 110% collateralized in accordance with California Government Code requirements by securities held by the pledging financial institution in the District's name.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

Investment Policy

The District's investment policy authorizes investments in money market funds, certificates of deposit, US Treasury Securities, Federal agency or United States government-sponsored enterprise obligations, guaranteed investment contracts (GIC), investment pools with Joint Powers Authorities meeting the requirements of Government Code Section 53601(p), the local government investment pool administered by the State of California's Local Agency Investment Fund (LAIF), bonds issued by the local agency, registered state warrants or treasury notes or bonds of this state, and investments in repurchase agreements. 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.

Interest Rate Risk

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

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Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2025:

Investment Type	Investment Maturities (in Years)	
	Less Than 1	Fair Value
State Investment Pool (LAIF)	\$ 7,424,172	\$ 7,424,172
Money Market Funds	1,869,267	1,869,267
California CLASS Investment Pool	9,066,435	9,066,435
Debt Reserve Fund/ Bond Project Fund (T-Fund Money Market)	16,809,489	16,809,489
Total	<u>\$ 35,169,363</u>	<u>\$ 35,169,363</u>

The following table summarizes the District's investments and maturities as of June 30, 2024:

Investment Type	Investment Maturities (in Years)	
	Less Than 1	Fair Value
State Investment Pool (LAIF)	\$ 7,093,774	\$ 7,093,774
Money Market Funds	2,202,821	2,202,821
California CLASS Investment Pool	8,647,870	8,647,870
Debt Reserve Fund/ Bond Project Fund (T-Fund Money Market)	489,254	489,254
Total	<u>\$ 18,433,719</u>	<u>\$ 18,433,719</u>

Credit Risk

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

The following table summarizes the Standard and Poor's credit ratings for the District's investments as of June 30, 2025:

Investment Type	Total as of June 30, 2025	Minimum Legal Rating	A or Higher	Not Rated
State Investment Pool (LAIF)	\$ 7,424,172	N/A	\$ -	\$ 7,424,172
Money Market Funds	1,869,267	AAA	1,869,267	-
California CLASS Investment Pool	9,066,435	N/A	-	9,066,435
Debt Reserve Fund/ Bond Project Fund (T-Fund Money Market)	16,809,489	N/A	16,809,489	-
Total	<u>\$ 35,169,363</u>		<u>\$ 18,678,756</u>	<u>\$ 16,490,607</u>

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The following table summarizes the Standard and Poor's credit ratings for the District's investments as of June 30, 2024:

Investment Type	Total as of June 30, 2024	Minimum Legal Rating	A or Higher	Not Rated
State Investment Pool (LAIF)	\$ 7,093,774	N/A	\$ -	\$ 7,093,774
Money Market Funds	2,202,821	AAA	2,202,821	-
California CLASS Investment Pool	8,647,870	N/A	-	8,647,870
Debt Reserve Fund/ Bond Project Fund (T-Fund Money Market)	489,254	N/A	489,254	-
Total	<u>\$ 18,433,719</u>		<u>\$ 2,692,075</u>	<u>\$ 15,741,644</u>

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

State of California Local Agency Investment Fund (LAIF)

The District participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition,

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the structured notes and asset-backed securities are subject to market risk as to change in interest rates. LAIF allows local agencies such as the District to participate in a Pooled Money Investment Account managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value. The total amount invested by all public agencies in LAIF, as of June 30, 2025 and 2024, was approximately \$178 and \$178 billion, respectively, which was invested in non-derivative financial products.

California Cooperative Liquid Assets Securities System (CLASS)

California CLASS is a Joint Powers Authority investment pool that provides public agencies the opportunity to invest funds on a cooperative basis in rated pools that are managed in accordance with state law with the primary objectives of offering Participants safety, daily and next-day liquidity, and optimized returns. The California CLASS fund is a \$1.00 NAV local government investment pool that offers daily liquidity. Investments include U.S. Agencies and Treasuries, commercial paper, collateralized bank deposits, money market funds, and more. The total amount invested by all public agencies in California CLASS, as of June 30, 2025, was approximately \$2 billion.

NOTE 3 - RECEIVABLES

Accounts Receivable

At June 30, 2025 and 2024, accounts receivable consisted of utility customer receivables of \$7,964,265 and \$8,575,849, respectively. The allowance for uncollectible accounts related to utility customers was \$251,433 and \$347,577, respectively.

Other Receivables

Other receivable balance, net of allowance for doubtful accounts, currently outstanding at June 30, 2025 and 2024 was \$2,613,037 and \$1,851,435, respectively. Other receivables include balances from agreements with local developers, grant receivables, lease payments, and miscellaneous reimbursements. The allowance for doubtful accounts reported net of the other receivables balances were \$495,247 and \$429,000, respectively, as of June 30, 2025 and 2024.

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NOTE 4 - LEASES RECEIVABLE

The District is a lessor of office space and has an agreement with others for the right to use the underlying assets owned by the District with a term of 20 years. For the fiscal year ended June 30, 2025, the District recognized \$200,783 in lease revenue and \$135,054 in interest revenue. For the fiscal year ended June 30, 2024, the District recognized \$200,783 in lease revenue and \$143,828 in interest revenue. The following summarizes the changes in leases receivable for fiscal years ended June 30, 2025 and 2024:

Year Ending June 30,	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2025	\$ 2,782,952	\$ 143,270	\$ (180,268)	\$ 2,745,954	\$ 221,347
2024	2,954,445	-	(171,493)	2,782,952	180,267

The following summarizes the future collections for leases:

Year Ending June 30	Principal	Interest	Total
2026	\$ 221,347	\$ 128,945	\$ 350,292
2027	231,576	118,716	350,292
2028	242,642	107,650	350,292
2029	254,253	96,039	350,292
2030	242,940	84,038	326,978
2031 - 2035	1,346,869	229,738	1,576,607
2036	206,327	3,887	210,214
	<u>2,745,954</u>	<u>769,013</u>	<u>3,514,967</u>

The following summarizes the amounts reported as deferred inflows of resources related to leases that will be recognized as lease revenue:

Year Ending June 30	Total
2026	\$ 233,845
2027	233,845
2028	233,845
2029	233,845
2030	211,804
2031 - 2035	1,003,914
2036	133,856
	<u>2,284,954</u>

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NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables and Payables

Amounts due to or due from other funds reflect inter-fund balances for services rendered or short-term loans expected to be repaid in the next fiscal year. Advances to or from other funds are long-term loans between funds that are to be repaid in their entirety over several years. Interfund loans between funds are long-term advances that are more formal with set interest rates and repayment terms.

The following summarizes the amounts due to or due from other funds as of June 30, 2025:

Fund	Due from Other Funds	Due to Other Funds
Marina Water	\$ 155,559	\$ 2,557,064
Marina Sewer	2,929,869	75,112
Ord Water	1,366,991	308,914
Ord Sewer	384,026	-
Recycled Water	-	1,895,355
Total due from/to	<u>\$ 4,836,445</u>	<u>\$ 4,836,445</u>

The following summarizes interfund loans as of June 30, 2025:

Fund	Interfund Loans Receivable	Interfund Loans Payable
Ord Sewer	\$ 10,882,265	\$ -
Recycled Water	-	10,882,265
Total	<u>\$ 10,882,265</u>	<u>\$ 10,882,265</u>

On October 21, 2024, the District authorized inter-fund loan from the Ord Sewer Fund to Recycled Water Fund for \$11,400,000 to improve financial stability and improve cash flow management. The loan will be repaid for a period of 20 years for annual interest rate of 1%.

The future loan payment requirements were as follows as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	522,912	108,823	631,735
2027	528,141	103,594	631,735
2028	533,422	98,312	631,734
2029	538,757	92,978	631,735
2030	544,144	87,590	631,734
2031 - 2035	2,803,439	355,234	3,158,673
2036 - 2040	2,946,443	212,230	3,158,673
2041 - 2044	2,465,007	55,677	2,520,684
Total	<u>10,882,265</u>	<u>1,114,438</u>	<u>11,996,703</u>

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NOTE 6 - CAPITAL ASSETS

The District's capital assets consisted of the following as of June 30, 2025:

Description	Restated Beginning Balance	Additions	Deletions	Transfers/ Adjustments	Ending Balance
Non-depreciable:					
Land	\$ 14,437,014	\$ -	\$ -	\$ -	\$ 14,437,014
Property easement	25,206,643	-	-	-	25,206,643
Water/sewer rights	74,879,410	-	-	-	74,879,410
Construction in progress	16,877,246	9,855,660	-	(22,867,888)	3,865,018
Total Non-Depreciable	<u>131,400,313</u>	<u>9,855,660</u>	<u>-</u>	<u>(22,867,888)</u>	<u>118,388,085</u>
Depreciable/Amortizable:					
Land Improvements	180,099	98,950	(28,128)	-	250,921
Property easement	369,000	-	-	-	369,000
Buildings & Improvements	8,393,365	-	(16,197)	1,633,501	10,010,669
Equipment	6,690,249	657,886	(258,811)	246,625	7,335,949
Infrastructure	150,076,020	5,748,526	(14,520,678)	20,987,762	162,291,630
Subscription assets	189,744	-	-	-	189,744
Lease assets:					
Buildings and improvements	318,315	-	-	-	318,315
Equipment	76,482	10,954	-	-	87,436
Total Depreciable/Amortizable	<u>166,293,274</u>	<u>6,516,316</u>	<u>(14,823,814)</u>	<u>22,867,888</u>	<u>180,853,664</u>
Less Accumulated Depreciation/Amortization:					
Land Improvements	(109,077)	(9,732)	28,128	-	(90,681)
Property easement	(48,539)	(7,380)	-	-	(55,919)
Buildings & Improvements	(2,366,941)	(202,255)	12,848	-	(2,556,348)
Equipment	(2,395,467)	(490,061)	252,806	-	(2,632,722)
Infrastructure	(55,042,315)	(2,772,480)	13,749,011	-	(44,065,784)
Subscription assets	(65,571)	(52,457)	-	-	(118,028)
Lease assets					
Buildings and improvements	(106,105)	(106,105)	-	-	(212,210)
Equipment	(51,575)	(13,002)	-	-	(64,577)
Total Accumulated Dep/Amort	<u>(60,185,590)</u>	<u>(3,653,472)</u>	<u>14,042,793</u>	<u>-</u>	<u>(49,796,269)</u>
Total Dep/Amort - Net	<u>106,107,684</u>	<u>2,862,844</u>	<u>(781,021)</u>	<u>22,867,888</u>	<u>131,057,395</u>
Total Capital Assets - Net	<u>\$ 237,507,997</u>	<u>\$ 12,718,504</u>	<u>\$ (781,021)</u>	<u>\$ -</u>	<u>\$ 249,445,480</u>

Depreciation and amortization expense was charged to functions and programs based on their usage of the related assets. Depreciation and amortization expense for the year ended June 30, 2025 was \$3,653,472.

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The District's capital assets consisted of the following as of June 30, 2024:

Description	Beginning Balance	Additions	Deletions	Transfers/ Adjustments	Ending Balance
Non-depreciable:					
Land	\$ 14,437,660	\$ -	\$ -	\$ (646)	\$ 14,437,014
Property easement	25,181,584	-	-	25,059	25,206,643
Water/sewer rights	75,129,410	-	-	(250,000)	74,879,410
Construction in progress	32,275,847	4,173,650	-	(19,572,251)	16,877,246
Total Non-Depreciable	147,024,501	4,173,650	-	(19,797,838)	131,400,313
Depreciable/Amortizable:					
Land improvements	190,092	-	-	(9,993)	180,099
Property easement	-	-	-	369,000	369,000
Buildings and improvements	8,699,562	-	-	(306,197)	8,393,365
Equipment	5,995,982	489,744	(107,903)	312,426	6,690,249
Infrastructure	132,897,237	-	-	17,178,783	150,076,020
Subscription assets	191,589	-	(1,845)	-	189,744
Lease assets:					
Buildings and improvements	318,315	-	-	-	318,315
Equipment	76,482	-	-	-	76,482
Total Depreciable/Amortizable	148,369,259	489,744	(109,748)	17,544,019	166,293,274
Less Accumulated Depreciation/Amortization:					
Land improvements	(109,357)	(9,714)	-	9,994	(109,077)
Property easement	-	-	-	(48,539)	(48,539)
Buildings and improvements	(2,743,572)	(191,800)	-	568,431	(2,366,941)
Equipment	(1,800,502)	(429,538)	107,903	(273,330)	(2,395,467)
Infrastructure	(49,356,436)	(2,390,437)	-	(3,295,442)	(55,042,315)
Subscription assets	(13,230)	(52,341)	-	-	(65,571)
Lease assets					
Buildings and improvements	-	(106,105)	-	-	(106,105)
Equipment	(37,709)	(13,866)	-	-	(51,575)
Total Accumulated Dep/Amort	(54,060,806)	(3,193,801)	107,903	(3,038,886)	(60,185,590)
Total Dep/Amort - Net	94,308,453	(2,704,057)	(1,845)	14,505,133	106,107,684
Total Capital Assets - Net	\$ 241,332,954	\$ 1,469,593	\$ (1,845)	\$ (5,292,705)	\$ 237,507,997

Depreciation and amortization expense for the year ended June 30, 2024 was \$3,193,801.

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NOTE 7 - LONG-TERM LIABILITIES

The District's changes in long-term liabilities consisted of the following as of June 30, 2025:

Long-term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Long-term Debt:					
2015 Series A Bonds - Publicly offered	\$21,605,000	\$ -	\$(21,605,000)	\$ -	\$ -
Unamortized premiums	1,772,221	-	(1,772,221)	-	-
Total 2015 Series A Bonds	23,377,221	-	(23,377,221)	-	-
2019 Series Revenue Bonds - Publicly offered	16,250,000	-	(365,000)	15,885,000	385,000
Unamortized premiums	1,687,219	-	(67,489)	1,619,730	-
Total 2019 Series Revenue Bonds	17,937,219	-	(432,489)	17,504,730	385,000
2024 Series Revenue Bonds - Publicly offered	-	19,310,000	-	19,310,000	-
Unamortized premiums	-	1,028,648	(41,147)	987,501	-
Total 2024 Series Bonds	-	20,338,648	(41,147)	20,297,501	-
2025 Refunding Bonds - Publicly offered	-	17,850,000	-	17,850,000	935,000
Unamortized premiums	-	2,500,290	(192,329)	2,307,961	-
Total 2025 Refunding Bonds	-	20,350,290	(192,329)	20,157,961	935,000
CWSRF Loan - Transmission	3,808,954	-	(105,816)	3,703,138	107,721
WRFP Prop 1 Loan - Transmission	1,116,515	-	(32,124)	1,084,391	32,702
CWSRF Loan - Distribution	4,750,509	-	(126,274)	4,624,235	128,466
WRFP Prop 1 Loan - Distribution	1,990,477	-	(53,377)	1,937,100	53,815
Santa Cruz Cnty Bank Inst. Loan (Pvt Placement)	2,152,726	-	(115,240)	2,037,486	121,962
Total Long-Term Debt	55,133,621	40,688,938	(24,476,017)	71,346,542	1,764,666
Lease payable	195,878	10,846	(96,833)	109,891	97,081
Subscription payable	109,032	-	(52,353)	56,679	56,679
Net Pension Liabilities	5,205,724	2,649,272	(2,668,220)	5,186,776	-
Total OPEB Liability	1,129,856	1,772,633	(1,730,465)	1,172,024	-
Compensated absences	680,973	1,238,711	(563,656)	1,356,028	351,636
Total Long-term Liabilities	\$62,455,084	\$46,360,400	\$(29,587,544)	\$79,227,940	\$ 2,270,062

The District's changes in long-term liabilities consisted of the following as of June 30, 2024:

Long-term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Long-term Debt:					
2015 Series A Bonds - Publicly offered	\$22,795,000	\$ -	\$(1,190,000)	\$21,605,000	\$ 1,235,000
Unamortized premiums	1,908,545	-	(136,324)	1,772,221	-
Total 2015 Series A Bonds	24,703,545	-	(1,326,324)	23,377,221	1,235,000
2019 Series Revenue Bonds - Publicly offered	16,605,000	-	(355,000)	16,250,000	365,000
Unamortized premiums	1,754,708	-	(67,489)	1,687,219	-
Total 2019 Series Revenue Bonds	18,359,708	-	(422,489)	17,937,219	365,000
CWSRF Loan - Transmission	3,912,925	-	(103,971)	3,808,954	105,816
WRFP Prop 1 Loan - Transmission	1,147,643	-	(31,128)	1,116,515	32,124
CWSRF Loan - Distribution	3,831,930	1,048,708	(130,129)	4,750,509	126,196
WRFP Prop 1 Loan - Distribution	90,307	1,930,705	(30,535)	1,990,477	52,877
Santa Cruz Cnty Bank Inst. Loan (Pvt Placement)	2,261,614	-	(108,888)	2,152,726	115,240
Total Long-Term Debt	54,307,672	2,979,413	(2,153,464)	55,133,621	2,032,253
Lease payable	291,623	-	(95,745)	195,878	96,315
Subscription payable	162,008	-	(52,976)	109,032	52,353
Net Pension Liabilities	4,832,291	2,299,066	(1,925,633)	5,205,724	-
Total OPEB Liability	2,033,377	971,625	(1,875,146)	1,129,856	-
Compensated absences	616,770	498,268	(434,065)	680,973	98,777
Total Long-term Liabilities	\$62,243,741	\$ 6,748,372	\$(6,537,029)	\$62,455,084	\$ 2,279,698

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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.

The future debt service requirements were as follows as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	\$ 385,000	\$ 620,650	\$ 1,005,650
2027	405,000	601,400	1,006,400
2028	425,000	581,150	1,006,150
2029	445,000	559,900	1,004,900
2030	470,000	537,650	1,007,650
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
Total Debt Service	<u>\$ 15,885,000</u>	<u>\$ 8,254,800</u>	<u>\$ 24,139,800</u>

2024 Enterprise Revenue Certificates of Participation

On August 14, 2024, the District issued 2024 Enterprise Revenue Certificates of Participation in the amount of \$19,310,000 (the “COPs”). The COPs were issued to finance \$20,000,000 of required capital improvement projects including, but not limited to, infrastructure improvements to pipelines, pumping stations, storage, groundwater wells, other water supply sources, facilities, and District operational systems to modernize the District’s water, wastewater, and recycled water systems. The true cost for the transaction, which included all annualized costs, is 4% over a twenty four year period.

The future debt service requirements were as follows as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	-	826,100	826,100
2027	-	826,100	826,100
2028	-	826,100	826,100
2029	-	826,100	826,100
2030	-	826,100	826,100
2031 - 2035	-	4,130,500	4,130,500
2036 - 2040	3,925,000	3,940,500	7,865,500
2041 - 2045	7,870,000	2,487,050	10,357,050
2046 - 2049	7,515,000	766,200	8,281,200
Total Debt Service	<u>19,310,000</u>	<u>15,454,750</u>	<u>34,764,750</u>

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2025 Enterprise Revenue Refunding Bonds

On February 6, 2025, the District issued 2025 Enterprise Revenue Refunding Bonds to refinance the District's 2015 Senior Lien Enterprise Revenue Refunding Bonds, Tax-Exempt Series A (the "2015 Bonds") and pay the cost of the issuing bonds. The amount of principal refunded for the 2015 bonds was \$21,605,000. The cash flows required to service the 2015 Series A bond was \$27,008,163 and the cash flows required to service the 2025 Enterprise Revenue Refunding Bonds is \$24,205,699 for an economic gain of \$2,802,464 with a net present value of \$2,669,013.

The future debt service requirements were as follows as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	935,000	1,084,099	2,019,099
2027	1,195,000	826,350	2,021,350
2028	1,250,000	766,600	2,016,600
2029	1,310,000	704,100	2,014,100
2030	1,375,000	638,600	2,013,600
2031 - 2035	8,000,000	2,088,500	10,088,500
2036 - 2037	3,785,000	247,450	4,032,450
Total Debt Service	<u>17,850,000</u>	<u>6,355,699</u>	<u>24,205,699</u>

SRF Loans

In December 2015, the District submitted an application to the California State Revolving Fund Loan Program for the Regional Urban Water Augmentation Project ("RUWAP") which included the transmission pipeline as well as the distribution system. The State bifurcated the application into separate agreements for the transmission pipeline and the distribution system.

State Revolving Fund (SRF) Loan Agreement 110 – Transmission

On January 25, 2018, the District entered into a construction installment sale agreement and grant (the "Agreement") with the California State Water Resources Control Board (SWRCB) under the California State Revolving Fund Loan Program for the construction of the RUWAP transmission pipeline, with an initial completion date of September 30, 2020. The maximum approved amount was \$10,513,217, with a total grant component of \$3,595,789, Water Recycling Funding Program Prop 1 ("WRFP Prop 1") loan component of \$1,660,819, and Clean Water State Revolving Fund ("CWSRF") loan component of \$5,256,609.

However, on June 29, 2020, the State amended the contract completion date to coincide with the revised 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. This amendment also changed the loan repayment date, originally scheduled to commence September 30, 2021 to March 30, 2023.

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Initially, 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 since advised the District that grant funds may be recorded based on the distribution breakdown of each funds request.

Both the WRFPP Prop 1 and CWSRF loans accrue interest at 1.8% per annum, with principal and interest payments due annually through March 30, 2052. As of June 30, 2025, a total of \$7,595,158 has been received by the District of which, \$2,655,747 are grant funds and \$4,939,411 are loan proceeds.

The future principal and interest payments on the CWSRF Loan - Transmission were as follows as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	\$ 107,721	\$ 66,657	\$ 174,378
2027	109,660	64,718	174,378
2028	111,634	62,744	174,378
2029	113,643	60,735	174,378
2030	115,689	58,689	174,378
2031 - 2035	610,440	261,447	871,887
2036 - 2040	667,393	204,494	871,887
2041 - 2045	729,660	142,227	871,887
2046 - 2050	797,737	74,150	871,887
2051 - 2052	339,561	9,195	348,756
Total Debt Service	<u>\$ 3,703,138</u>	<u>\$ 1,005,056</u>	<u>\$ 4,708,194</u>

The future principal and interest payments on the WRFPP Prop 1 Loan – Transmission were as follows as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	\$ 32,702	\$ 19,519	\$ 52,221
2027	33,291	18,930	52,221
2028	33,890	18,331	52,221
2029	34,500	17,721	52,221
2030	35,121	17,100	52,221
2031 - 2035	185,319	75,787	261,106
2036 - 2040	202,609	58,497	261,106
2041 - 2045	221,512	39,594	261,106
2046 - 2050	242,179	18,927	261,106
2051 - 2052	63,268	1,358	64,626
Total Debt Service	<u>\$ 1,084,391</u>	<u>\$ 285,764</u>	<u>\$ 1,370,155</u>

State Revolving Fund (SRF) Loan Agreement 120 – Distribution

On June 27, 2018, the District entered into a second construction installment sale agreement and grant (“2nd Agreement”) with the California State Water Resources Control Board (SWRCB) under

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the California State Revolving Fund Loan Program for the construction of the RUWAP distribution system, with an initial completion date of March 30, 2020. The maximum approved amount was \$11,439,582, with a total grant component of \$3,698,779, Water Recycling Funding Program Prop 1 ("WRFP Prop 1") loan component of \$2,021,012, and Clean Water State Revolving Fund ("CWSRF") loan component of \$5,719,791. Both the WRFP Prop 1 and CWSRF loans accrue interest at 1.8% per annum, with principal and interest payments due annually through March 30, 2053.

On April 20, 2020, due to the project's bid process issues and construction timing issues, the State amended the completion date of the 2nd Agreement to March 30, 2022. Again, on July 7, 2022, the completion date was subsequently amended to March 30, 2023. The amendments effectively changed the loan repayment date, originally scheduled to commence March 30, 2021 to March 30, 2024.

As of June 30, 2025, a total of \$10,600,429 has been received by the District of which, \$3,698,779 are grant funds and \$6,901,650 are loan proceeds. The future principal and interest payments on the CWSRF Loan – Distribution were as follows as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	\$ 128,466	\$ 83,236	\$ 211,702
2027	130,778	80,924	211,702
2028	133,132	78,570	211,702
2029	135,528	76,174	211,702
2030	137,968	73,734	211,702
2031 - 2035	727,997	330,512	1,058,509
2036 - 2040	795,918	262,591	1,058,509
2041 - 2045	870,176	188,333	1,058,509
2046 - 2050	951,363	107,146	1,058,509
2051 - 2053	612,909	22,196	635,105
Total Debt Service	<u>\$ 4,624,235</u>	<u>\$ 1,303,416</u>	<u>\$ 5,927,651</u>

The future principal and interest payments on the WRFP Prop 1 Loan – Distribution were as follows as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	\$ 53,815	\$ 34,868	\$ 88,683
2027	54,783	33,899	88,682
2028	55,769	32,913	88,682
2029	56,773	31,909	88,682
2030	57,795	30,887	88,682
2031 - 2035	304,959	138,452	443,411
2036 - 2040	333,411	110,000	443,411
2041 - 2045	364,518	78,893	443,411
2046 - 2050	398,527	44,884	443,411
2051 - 2053	256,750	9,298	266,048
Total Debt Service	<u>\$ 1,937,100</u>	<u>\$ 546,003</u>	<u>\$ 2,483,103</u>

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

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 London Interbank Offered Rate (LIBOR) SWAP index plus 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% - 7% 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

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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.

The future principal and interest payments were as follows as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	\$ 121,962	\$ 115,427	\$ 237,389
2027	129,074	108,314	237,388
2028	136,603	100,785	237,388
2029	144,571	92,817	237,388
2030	153,003	84,385	237,388
2031 - 2035	909,754	277,187	1,186,941
2036 - 2038	442,520	32,257	474,776
Total Debt Service	<u>\$ 2,037,486</u>	<u>\$ 811,172</u>	<u>\$ 2,848,658</u>

Lease Payable

The District entered into leases for the use of equipment and office space. The terms of the agreements are for 3 to 5 years. The calculated interest rate ranges were from 2% to 3%.

The future principal and interest payments were as follows as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	\$ 97,081	\$ 1,744	\$ 98,825
2027	6,712	204	6,916
2028	2,179	102	2,281
2029	2,223	58	2,281
2030	1,696	14	1,710
Total Debt Service	<u>\$ 109,891</u>	<u>\$ 2,122</u>	<u>\$ 112,013</u>

Subscription-Based Information Technology Arrangement (SBITA) Liability

The District has entered into various subscription-based IT arrangements and has recorded a liability to offset the right-to-use assets. These are calculated using the District's incremental borrowing rate ranging from 2.33% to 2.36%.

The future principal and interest payments were as follows as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	\$ 56,679	\$ 1,329	\$ 58,008
Total Debt Service	<u>\$ 56,679</u>	<u>\$ 1,329</u>	<u>\$ 58,008</u>

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NOTE 8 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plans

Plan Description - The District provides benefits to eligible employees through cost-sharing multiple employers defined benefit pension plans (the Plans) administered by the California Public Employees' Retirement System (CalPERS). Members of the Plans include all permanent employees working full-time. Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or from CalPERS Executive Office - 400 Q Street - Sacramento, CA 95811.

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 (age 52 for employees affected by the California Public Employee's Pension Reform Act) with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2025 and 2024, are summarized as follows:

	2025		2024	
	Tier 1	PEPRA	Tier 1	PEPRA
Benefit formula	2% @ 60	2% @ 62	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	50 to 63+	52 to 67+	50 to 63+	52 to 67+
Monthly benefits as a				
% of eligible compensation	1.1% to 2.4%	1% to 2.5%	1.1% to 2.4%	1% to 2.5%
Required employee contribution rates	7.00%	7.75%	7%	7.75%
Required employer contribution rates	10.71%	7.87%	10.66%	7.68%

Employees Covered - The following employees were covered by the benefit terms for the Plan:

	2025	2024
Active	41	41
Transferred	13	13
Separated	33	33
Retired	17	17
Total	104	104

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 the July 1 following notice of a change in the rate. Funding

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contributions for the Plan are 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.

The contributions recognized as part of pension expense for the Plan were as follows:

	2025	2024
Contributions - employer	\$ 972,921	\$ 810,311
Contributions - employee	458,495	390,312
Total	<u>\$ 1,431,416</u>	<u>\$ 1,200,623</u>

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

The District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	2025	2024
Proportionate Share of NPL	\$ 5,186,776	\$ 5,205,724

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 is measured as of June 30, 2024, 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, 2023 rolled forward to June 30, 2024 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. The District's proportionate share of the net pension liability for the Plan was as follows:

	2025	2024
Beginning Proportion	0.10411%	0.10327%
Ending Proportion	0.10724%	0.10411%
Change - Increase/(Decrease)	<u>-0.00313%</u>	<u>-0.00084%</u>

For the year ended June 30, 2025 and 2024, the District recognized a pension expense of \$1,320,326 and \$1,218,359.

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The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 133,391	\$ -	\$ 314,319	\$ -
Differences between Expected and Actual Experience	448,444	17,498	265,959	41,257
Differences between Projected and Actual Investment Earnings	298,596	-	842,923	-
Differences between Employer's Contributions and Proportionate Share of Contributions	82,268	44,543	24,490	135,094
Change in Employer's Proportion	180,708	-	338,988	-
Pension Contributions Made Subsequent to Measurement Date	972,921	-	810,311	-
Total	<u>\$ 2,116,329</u>	<u>\$ 62,041</u>	<u>\$ 2,596,990</u>	<u>\$ 176,351</u>

The District reported \$972,921 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability during the year ended June 30, 2026.

Other 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	
	2025	2024
2025	\$ -	\$ 564,039
2026	426,829	372,116
2027	715,497	650,341
2028	41,287	23,834
2029	(102,245)	-
2030	-	-
Thereafter	-	-
Total	<u>\$ 1,081,368</u>	<u>\$ 1,610,330</u>

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Actuarial Assumptions - The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	(1)
Investment Rate of Return	6.8% (2)
Mortality	(3)

- (1) Varies by entry age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

Further details of the Experience Study can be found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 6.9 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.9 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.9 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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.

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 (11-60 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 equivalent to the single equivalent rate calculated above and rounded down to the

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nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class (a)	Assumed Asset Allocation	Long-Term Expected Real Return (1)(2)
Global Equity Cap Weighted	30.00%	4.54%
Global Equity NonCap Weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	<u>100.00%</u>	

(1) An expected inflation of 2.3% used for this period.

(2) Figures are based on the 2021-22 Asset Liability Study.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate 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:

	<u>2025</u>	<u>2024</u>
1% Decrease	5.90%	5.90%
Net Pension Liability \$	8,433,256	8,186,274
Current	6.90%	6.90%
Net Pension Liability \$	5,186,776	5,205,724
1% Increase	7.90%	7.90%
Net Pension Liability \$	2,514,446	2,753,263

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

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NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

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.

Benefits Provided

Retirees are eligible for medical benefits if they retire at age 63+ and have 20+ years of District service. The District pays for 50% for single party premiums for retirees with a retirement date of June 30, 2019 or earlier and 75% of single party premiums for retirees with a retirement date of July 1, 2019 or later. The District pays 100% of medical, vision, and dental premiums to a retired GM who retires with at least 3 years of District Service. The Plan is open and may only be changed through negotiations between employee groups and the District. There are no automatic increases in benefits offered other than due to changes in premium rates.

Employees Covered by Benefit Terms

The benefit terms covered the following employees:

	<u>2025</u>	<u>2024</u>
Active employees	41	41
Inactive employees	<u>5</u>	<u>5</u>
Total employees	<u>46</u>	<u>46</u>

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, 2025, the District paid \$25,271 in pay-as-you-go premiums and the estimated implicit subsidy was \$1,089 resulting in total payments of \$26,360. For fiscal year ended June 30, 2024, the District paid \$21,239 in pay-as-you-go premiums and the estimated implicit subsidy was \$14,944 resulting in total payments of \$36,183. There are no assets accumulated in a GASB compliant trust for the District's OPEB plan.

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Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

	<u>2025</u>	<u>2024</u>
Valuation Date:	June 30, 2023	June 30, 2023
Measurement Date:	June 30, 2024	June 30, 2023
Actuarial Cost Method:	Entry-Age Normal	Entry-Age Normal
Amortization Period:	20 years	20 years
Actuarial Assumptions:		
Discount Rate	4.09%	3.86%
Inflation	2.30%	2.30%
Payroll Increases	2.80%	2.80%
Trend Rate Pre-Medicare	6.80%	7.40%
Trend Rate Medicare	4.17%	4.20%
Mortality	CalPERS Tables	CalPERS Tables

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2024 and 2023 was 4.09% and 3.86%, respectively. The District's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2024 (measurement date), and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2023 (valuation date) for the fiscal year ended June 30, 2025 (reporting date). The following summarizes the changes in the Total OPEB liability:

	<u>2025</u>	<u>2024</u>
Beginning Total OPEB Liability	\$ 1,129,856	\$ 2,033,377
Service cost	79,011	136,514
Interest in Total OPEB Liability	45,964	79,360
Employer implicit subsidy	(14,944)	(15,885)
Balance of diff between actual/exp experience	(477)	(752,603)
Balance of changes in assumptions	(46,147)	(328,293)
Benefit payments	(21,239)	(22,614)
Net changes	42,168	(903,521)
Ending Total OPEB Liability	<u>\$ 1,172,024</u>	<u>\$ 1,129,856</u>

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Deferred Inflows and Outflows of Resources

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 1,130,848	\$ -	\$ 1,267,033
Change in assumptions	410,962	468,840	465,153	479,240
OPEB contribution subsequent to measurement date	26,360	-	36,183	-
Totals	\$ 437,322	\$ 1,599,688	\$ 501,336	\$ 1,746,273

Of the total amount reported as deferred outflows of resources related to OPEB, \$26,360 resulted from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the Total OPEB liability in the year ended June 30, 2026.

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

Year Ended June 30,	2025	2024
2026	\$ (139,016)	\$ (135,612)
2027	(139,016)	(135,612)
2028	(139,016)	(135,612)
2029	(138,431)	(135,612)
2030	(101,654)	(135,027)
Thereafter	(531,593)	(603,644)
Total	<u>\$(1,188,726)</u>	<u>\$(1,281,119)</u>

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2025:

	2025	2024
Service cost	\$ 79,011	\$ 136,514
Interest in TOL	45,964	79,360
Difference between actual and expected experience	(136,661)	(136,627)
Change in assumptions	(2,357)	1,014
OPEB Expense	<u>\$ (14,043)</u>	<u>\$ 80,261</u>

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The following summarizes changes in the Total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2025:

	2025	2024
Net OPEB liability ending	\$ 1,172,024	\$ 1,129,856
Net OPEB liability beginning	<u>(1,129,856)</u>	<u>(2,033,377)</u>
Change in net OPEB liability	42,168	(903,521)
Changes in deferred outflows	(146,585)	891,092
Changes in deferred inflows	64,014	56,507
Employer contributions and implicit subsidy	<u>26,360</u>	<u>36,183</u>
OPEB Expense	<u>\$ (14,043)</u>	<u>\$ 80,261</u>

Sensitivity to Changes in the Discount Rate

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, is as follows:

	2025	2024
1% Decrease	\$ 1,390,426	\$ 1,339,618
Discount Rate 4.09%	\$ 1,172,024	\$ 1,129,856
1% Increase	\$ 995,626	\$ 960,513

Sensitivity to Changes in the Healthcare Cost Trend Rates

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, is as follows

	2025	2024
1% Decrease	\$ 950,288	\$ 926,308
Trend Rate 6.8%	\$ 1,172,024	\$ 1,129,856
1% Increase	\$ 466,883	\$ 1,399,003

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 is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). JPIA is an intergovernmental risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

Marina Coast Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2025 and June 30, 2024

On June 30, 2025, the District's participation in the self-insurance programs of JPIA is as follows:

- General, Automobile, Employment Practices & Public Officials' Liability: Broad coverage against third-party claims for the District, its directors, employees, and volunteers. Covered up to the following limits: the JPIA pools for first \$5 million and purchases excess coverage with limit up to \$55 million per occurrence with aggregated policy limits.
- Property Loss: Covered up to replacement value with a \$10,000 deductible per occurrence on scheduled buildings, fixed equipment and contents, actual cash value on scheduled mobile equipment with a \$1,000 deductible per occurrence and actual cash value on scheduled vehicles with a \$500 deductible per occurrence. JPIA is self-insured up to \$10,000,000 per loss and has purchased re-insurance coverage up to a \$500,000,000 limit per occurrence. Scheduled fixed equipment is covered for Accidental Mechanical Breakdown up to sublimit of \$100,000,000 with deductible \$25,000.
- Cyber Liability: Including Cyber Security up to \$2,000,000 per member and \$5,000,000 Policy Aggregate Limit. Cyber Liability Deductible varies from \$75,000 to 100,000 depending on District Total Insured Values.
- Employee Dishonesty/Crime Supplement: Covered up to \$100,000 per occurrence with a \$1,000 deductible for employee dishonesty, forgery or alteration and computer fraud. The program covers all employees, the Board of Directors, and the Treasurer.

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

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

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.

Marina Coast Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2025 and June 30, 2024

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

The District recorded the following prior period restatements:

	June 30, 2025		June 30, 2025	
	Beginning	Prior Period	June 30, 2025	
	Balance	Restatements	Beginning	
	Previously	Error	Balance	
	Reported	Corrections	Restated	Notes
<i>Fund Financial Statement</i>				
Marina Water Fund	\$ 22,852,912	\$ (664,420)	\$ 22,188,492	1
Marina Sewer Fund	\$ 9,008,409	\$ (338,125)	\$ 8,670,284	1
Ord Water Fund	\$ 110,069,696	\$ (3,194,969)	\$ 106,874,727	1
Ord Sewer Fund	\$ 63,755,900	\$ (812,645)	\$ 62,943,255	1
Recycled Water Fund	\$ 20,120,213	\$ (494,581)	\$ 19,625,632	1

1) Correct capital assets, related accumulated depreciation and write off accounts receivable

	June 30, 2024		June 30, 2024	
	Beginning	Prior Period	June 30, 2024	
	Balance	Restatements	Beginning	
	Previously	Error	Balance	
	Reported	Corrections	Restated	Notes
<i>Statements of Net Position</i>				
Net investment in capital assets		\$ (1,043,435)		1
Net investment in capital assets		\$ (5,292,705)		2
Total	\$ 188,419,442	\$ (6,336,140)	\$ 182,083,302	
Unrestricted (deficit)	\$ 19,011,147	\$ (212,032)	\$ 18,799,115	1
Restricted for blight removal	\$ -	\$ 1,043,435	\$ 1,043,435	1

1) Reclassed unspent grant funds from net investment in capital assets to unrestricted net position

2) Correct capital assets and related accumulated depreciation

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REQUIRED SUPPLEMENTARY INFORMATION

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Marina Coast Water District
Schedule of Contributions for Pension Plans
June 30, 2025

Miscellaneous Plan

Plan Measurement Date	2015	2016	2017	2018	2019
Fiscal Year Ended	2016	2017	2018	2019	2020
Contractually Required Contributions	\$ 216,963	\$ 242,478	\$ 257,161	\$ 305,381	\$ 525,416
Contributions in Relation to					
Contractually Required Contributions	216,963	242,478	257,161	305,381	525,416
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,046,005	\$ 3,230,862	\$ 3,444,211	\$ 3,894,712	\$ 4,186,505
Contributions as a % of Covered Payroll	7.12%	7.51%	7.47%	7.84%	12.55%

Miscellaneous Plan

Plan Measurement Date	2020	2021	2022	2023	2024
Fiscal Year Ended	2021	2022	2023	2024	2025
Contractually Required Contributions	\$ 592,479	\$ 645,776	\$ 733,319	\$ 810,311	\$ 972,921
Contributions in Relation to					
Contractually Required Contributions	592,479	645,776	733,319	810,311	972,921
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,178,492	\$ 4,161,854	\$ 4,763,777	\$ 4,462,960	\$ 5,660,276
Contributions as a % of Covered Payroll	14.18%	15.52%	15.39%	18.16%	17.19%

Notes to Schedule:

Valuation Date: June 30, 2023

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
Remaining Amortization Period no more than 26 years
Inflation Assumed at 2.30%
Investment Rate of Returns set at 6.8%
The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2023.

The CalPERS mortality assumptions was adjusted in fiscal year 2023.

Marina Coast Water District
Schedule of Proportionate Share of the Net Pension Liability
June 30, 2025

Miscellaneous and Safety Plan

Plan Measurement Date	2015	2016	2017	2018	2019
Fiscal Year Ended	2016	2017	2018	2019	2020
Proportion of Net Pension Liability (Safety and Misc)	0.02383%	0.02802%	0.02991%	0.03003%	0.03331%
Proportion of Net Pension Liability (Misc Plan Only)	0.05963%	0.06979%	0.07524%	0.07678%	0.08525%
Proportionate Share of Net Pension Liability	\$ 1,635,836	\$ 2,424,531	\$ 2,965,935	\$ 2,893,601	\$ 3,413,789
Covered Payroll	\$ 2,722,805	\$ 3,046,005	\$ 3,230,862	\$ 3,444,211	\$ 3,894,712
Proportionate Share of NPL as a % of Covered Payroll	60.08%	79.60%	91.80%	84.01%	87.65%
Plan's Fiduciary Net Position as a % of the TPL	86.23%	81.01%	79.94%	81.79%	80.31%

Miscellaneous and Safety Plan

Plan Measurement Date	2020	2021	2022	2023	2024
Fiscal Year Ended	2021	2022	2023	2024	2025
Proportion of Net Pension Liability (Safety and Misc)	0.03526%	0.03062%	0.04184%	0.04173%	0.04277%
Proportion of Net Pension Liability (Misc Plan Only)	0.09096%	0.08722%	0.10327%	0.10411%	0.10724%
Proportionate Share of Net Pension Liability	\$ 3,836,821	\$ 1,656,097	\$ 4,832,291	\$ 5,205,724	\$ 5,186,777
Covered Payroll	\$ 4,186,505	\$ 4,178,492	\$ 4,161,854	\$ 4,763,777	\$ 4,462,960
Proportionate Share of NPL as a % of Covered Payroll	91.65%	39.63%	116.11%	109.28%	116.22%
Plan's Fiduciary Net Position as a % of the TPL	80.38%	91.86%	77.85%	76.37%	78.44%

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2023.

The CalPERS mortality assumptions was adjusted in fiscal year 2023.

Marina Coast Water District
Schedule of Changes in the Total OPEB Liability
June 30, 2025

Fiscal Year Ended Measurement Period (FYE)	2018 2017	2019 2018	2020 2019	2021 2020	2022 2021	2023 2022	2024 2023	2025 2024
Total OPEB liability								
Service cost	\$ 129,003	\$ 132,712	\$ 134,969	\$ 124,636	\$ 150,737	\$ 95,579	\$ 136,514	\$ 79,011
Interest	75,849	83,597	90,006	69,051	63,257	59,277	79,360	45,964
Changes of benefit terms	-	-	-	-	(387,188)	-	-	-
Diff. between expected/act experience	-	-	(265,724)	(4,741)	(592,836)	(3,424)	(752,603)	(477)
Changes of assumptions	-	(31,095)	(173,828)	224,158	(100,356)	393,333	(328,293)	(46,147)
Benefit payments	(20,082)	(20,896)	(24,432)	(26,247)	(29,533)	(29,537)	(22,614)	(21,239)
Implicit subsidy fulfilled	(14,526)	(15,034)	(22,710)	(37,201)	(33,865)	(14,953)	(15,885)	(14,944)
Net change in Total OPEB Liability	170,244	149,284	(261,719)	349,656	(929,784)	500,275	(903,521)	42,168
Total OPEB Liability - beginning	2,055,421	2,225,665	2,374,949	2,113,230	2,462,886	1,533,102	2,033,377	1,129,856
Total OPEB Liability - ending	\$ 2,225,665	\$ 2,374,949	\$ 2,113,230	\$ 2,462,886	\$ 1,533,102	\$ 2,033,377	\$ 1,129,856	\$ 1,172,024
Plan fiduciary net position as a % of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 3,235,398	\$ 3,162,056	\$ 3,616,988	\$ 3,716,265	\$ 3,361,265	\$ 3,569,242	\$ 4,458,879	\$ 4,827,853
TOL as a % of covered emp. payroll	68.79%	75.11%	58.43%	66.27%	45.61%	56.97%	25.34%	24.28%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available.

GASB 75 was adopted as of June 30, 2018.

The discount rate changed from 3.86% to 4.09% in FY2025.

No assets have been accumulated in a trust to pay the benefits for this plan.

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SUPPLEMENTARY INFORMATION

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Marina Coast Water District
Combining Schedule of Net Position
June 30, 2025

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund
ASSETS				
Current assets:				
Cash and investments	\$ 6,908,490	\$ 4,644,059	\$ 3,556,484	\$ 9,417,741
Accounts receivable - net	772,670	210,747	4,505,462	1,931,603
Interest receivable	61,344	6,235	71,740	100,072
Other receivables	110,850	18,741	893,023	354,772
Inventories	189,934	6,133	385,770	14,582
Prepaid items	30,535	13,919	62,550	29,197
Deposits	3,492	3,492	3,492	3,492
Leases receivable, current	61,659	16,752	112,266	30,351
Due from other funds	155,559	2,929,869	1,366,991	384,026
Total current assets	8,294,533	7,849,947	10,957,778	12,265,836
Noncurrent assets:				
Interfund receivable	-	-	-	10,882,265
Restricted cash and investments	2,932,848	3,587,546	18,101,873	4,451,476
Leases receivable, noncurrent	705,776	198,626	1,267,874	351,217
Capital assets - net	17,992,241	5,427,040	129,735,616	51,961,302
Total noncurrent assets	21,630,865	9,213,212	149,105,363	67,646,260
TOTAL ASSETS	\$ 29,925,398	\$ 17,063,159	\$ 160,063,141	\$ 79,912,096
DEFERRED OUTFLOWS OF RESOURCES				
Pension adjustments	\$ 566,158	\$ 130,869	\$ 1,162,814	\$ 255,940
OPEB adjustments	118,077	21,866	240,527	52,479
TOTAL DEFERRED OUTFLOWS OF RES.	\$ 684,235	\$ 152,735	\$ 1,403,341	\$ 308,419
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 578,846	\$ 121,774	\$ 1,236,065	\$ 323,529
Accrued liabilities	153	-	44,887	-
Accrued payroll liabilities	345,447	-	-	-
Interest payable	63,496	37,507	221,458	71,983
Customer Deposits	188,808	8,261	363,440	162,113
Retention Payable	268,056	3,295	570,628	7,431
Due to other funds	2,557,064	75,112	308,914	-
Current portion of long-term liabilities	249,731	102,695	703,549	323,816
Compensated absences, current	90,560	33,245	168,968	57,226
Total current liabilities	4,342,161	381,889	3,617,909	946,098
Noncurrent liabilities:				
Interfund payable	-	-	-	-
Long-term liabilities	10,182,186	6,886,503	27,569,941	9,508,533
Net pension liability	1,442,201	345,597	2,777,495	610,606
Total OPEB liability	290,324	106,979	601,239	182,096
Compensated absences	260,580	91,840	488,446	158,841
Total noncurrent liabilities	12,175,291	7,430,919	31,437,121	10,460,076
TOTAL LIABILITIES	\$ 16,517,452	\$ 7,812,808	\$ 35,055,030	\$ 11,406,174
DEFERRED INFLOWS OF RESOURCES				
Pension adjustments	\$ 12,617	\$ 17,273	\$ 30,167	\$ 4,757
OPEB Adjustments	431,916	79,984	879,828	191,963
Debt refunding gains	164,449	102,780	986,692	328,897
Leases	638,355	178,498	1,149,640	317,028
TOTAL DEFERRED INFLOWS OF RES.	\$ 1,247,337	\$ 378,535	\$ 3,046,327	\$ 842,645
NET POSITION				
Net investment in capital assets	\$ 9,912,480	\$ 1,918,339	\$ 109,687,919	\$ 41,792,625
Restricted for capacity fees	146,257	-	7,657,718	4,448,522
Restricted for debt service	1,930	974	5,634	2,954
Restricted for blight removal	-	-	655,408	-
Unrestricted (deficit)	2,784,177	7,105,238	5,358,446	21,727,595
TOTAL NET POSITION	\$ 12,844,844	\$ 9,024,551	\$ 123,365,125	\$ 67,971,696

Continued

Marina Coast Water District
Combining Schedule of Net Position
June 30, 2025

	Recycled Water Fund	Groundwater Sustainability Agency Fund	Interfund Eliminations	Total
ASSETS				
Current assets:				
Cash and investments	\$ 876,023	\$ 1,618,795	\$ -	\$ 27,021,592
Accounts receivable - net	292,350	-	-	7,712,832
Interest receivable	55,739	-	-	295,130
Other receivables	1,801	738,603	-	2,117,790
Inventories	812	-	-	597,231
Prepaid items	923	-	-	137,124
Deposits	1,794	-	-	15,762
Leases receivable, current	319	-	-	221,347
Due from other funds	-	-	(4,836,445)	-
Total current assets	1,229,761	2,357,398	(4,836,445)	38,118,808
Noncurrent assets:				
Interfund receivable	-	-	(10,882,265)	-
Restricted cash and investments	7,621,772	-	-	36,695,515
Leases receivable, noncurrent	1,114	-	-	2,524,607
Capital assets - net	43,927,257	402,024	-	249,445,480
Total noncurrent assets	51,550,143	402,024	(10,882,265)	288,665,602
TOTAL ASSETS	\$ 52,779,904	\$ 2,759,422	\$ (15,718,710)	\$ 326,784,410
DEFERRED OUTFLOWS OF RESOURCES				
Pension adjustments	\$ 548	\$ -	\$ -	\$ 2,116,329
OPEB adjustments	4,373	-	-	437,322
TOTAL DEFERRED OUTFLOWS OF RES.	\$ 4,921	\$ -	\$ -	\$ 2,553,651
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 466,434	\$ 607,320	\$ -	\$ 3,333,968
Accrued liabilities	3,448,058	-	-	3,493,098
Accrued payroll liabilities	-	-	-	345,447
Interest payable	180,747	-	-	575,191
Customer Deposits	40,080	-	-	762,702
Retention Payable	9,604	5,608	-	864,622
Due to other funds	1,895,355	-	(4,836,445)	-
Current portion of long-term liabilities	538,635	-	-	1,918,426
Compensated absences, current	1,637	-	-	351,636
Total current liabilities	6,580,550	612,928	(4,836,445)	11,645,090
Noncurrent liabilities:				
Interfund payable	10,882,265	-	(10,882,265)	-
Long-term liabilities	15,447,523	-	-	69,594,686
Net pension liability	10,877	-	-	5,186,776
Total OPEB liability	(8,614)	-	-	1,172,024
Compensated absences	4,685	-	-	1,004,392
Total noncurrent liabilities	26,336,736	-	(10,882,265)	76,957,878
TOTAL LIABILITIES	\$ 32,917,286	\$ 612,928	\$ (15,718,710)	\$ 88,602,968
DEFERRED INFLOWS OF RESOURCES				
Pension adjustments	\$ (2,774)	\$ -	\$ -	\$ 62,040
OPEB Adjustments	15,997	-	-	1,599,688
Debt refunding gains	472,790	-	-	2,055,608
Leases	1,433	-	-	2,284,954
TOTAL DEFERRED INFLOWS OF RES.	\$ 487,446	\$ -	\$ -	\$ 6,002,290
NET POSITION				
Net investment in capital assets	\$ 27,458,705	\$ 396,416	\$ -	\$ 191,166,484
Restricted for capacity fees	6,978,121	-	-	19,230,618
Restricted for debt service	643,651	-	-	655,143
Restricted for blight removal	-	-	-	655,408
Unrestricted (deficit)	(15,700,384)	1,750,078	-	23,025,150
TOTAL NET POSITION	\$ 19,380,093	\$ 2,146,494	\$ -	\$ 234,732,803

Concluded

Marina Coast Water District
Combining Schedule of Revenues, Expenses
and Changes in Net Position
For the Fiscal Year Ended June 30, 2025

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund
OPERATING REVENUES				
Water services	\$ 5,225,752	\$ -	\$ 11,151,321	\$ -
Wastewater services	-	1,710,996	-	4,239,420
Other services and fees	171,070	15,130	858,091	46,874
Total operating revenues	<u>5,396,822</u>	<u>1,726,126</u>	<u>12,009,412</u>	<u>4,286,294</u>
OPERATING EXPENSES				
Administrative	2,310,659	288,881	5,558,233	650,491
Operations and maintenance	1,564,205	777,613	2,820,493	1,427,223
Laboratory	80,631	-	156,169	-
Conservation	158,989	-	289,210	-
Engineering	749,501	213,720	2,217,250	578,143
Water resources	277,183	-	585,149	-
Depreciation and amortization	468,204	229,520	1,450,280	780,481
Total operating expenses	<u>5,609,372</u>	<u>1,509,734</u>	<u>13,076,784</u>	<u>3,436,338</u>
Operating income (loss)	<u>(212,550)</u>	<u>216,392</u>	<u>(1,067,372)</u>	<u>849,956</u>
NONOPERATING REVENUES (EXPENSES)				
Lease revenue	57,641	16,469	102,931	28,821
Gain (loss) on sales of assets	(443,552)	374	(310,803)	(367)
Contributions to other agencies	-	-	-	-
Investment income	473,830	254,505	1,113,898	742,373
Interest expense	(368,972)	(240,328)	(1,037,711)	(359,169)
Bond Issuance Costs	(75,581)	(76,009)	(302,239)	(32,793)
Total nonoperating revenues(expenses)	<u>(356,634)</u>	<u>(44,989)</u>	<u>(433,924)</u>	<u>378,865</u>
Income (loss) before capital contributions	<u>(569,184)</u>	<u>171,403</u>	<u>(1,501,296)</u>	<u>1,228,821</u>
CAPITAL CONTRIBUTIONS				
Grants	-	-	-	-
Developer capacity and connection fees	289,659	182,864	5,607,971	1,579,940
Developer contributions	-	-	3,319,600	2,219,680
Total capital contributions	<u>289,659</u>	<u>182,864</u>	<u>8,927,571</u>	<u>3,799,620</u>
TRANSFERS IN AND OUT				
Transfers in	-	-	9,064,123	-
Transfers out	(9,064,123)	-	-	-
Total transfers in and out	<u>(9,064,123)</u>	<u>-</u>	<u>9,064,123</u>	<u>-</u>
Change in net position	<u>(9,343,648)</u>	<u>354,267</u>	<u>16,490,398</u>	<u>5,028,441</u>
Total net position - beginning	22,852,912	9,008,409	110,069,696	63,755,900
Prior period adjustments	(664,420)	(338,125)	(3,194,969)	(812,645)
Total net position - beginning, as adjusted	<u>22,188,492</u>	<u>8,670,284</u>	<u>106,874,727</u>	<u>62,943,255</u>
Total net position - ending	<u>\$ 12,844,844</u>	<u>\$ 9,024,551</u>	<u>\$ 123,365,125</u>	<u>\$ 67,971,696</u>

Continued

Marina Coast Water District
Combining Schedule of Revenues, Expenses
and Changes in Net Position
For the Fiscal Year Ended June 30, 2025

	Recycled Water Fund	Groundwater Sustainability Agency Fund	Interfund Eliminations	Total
OPERATING REVENUES				
Water services	\$ 1,378,882	\$ -	\$ -	\$ 17,755,955
Wastewater services	-	-	-	5,950,416
Other services and fees	5,300	1,110,660	-	2,207,125
Total operating revenues	1,384,182	1,110,660	-	25,913,496
OPERATING EXPENSES				
Administrative	134,930	447	-	8,943,641
Operations and maintenance	6,491	-	-	6,596,025
Laboratory	3,354	-	-	240,154
Conservation	-	-	-	448,199
Engineering	27,504	1,396	-	3,787,514
Water resources	-	686,229	-	1,548,561
Depreciation and amortization	724,710	277	-	3,653,472
Total operating expenses	896,989	688,349	-	25,217,566
Operating income (loss)	487,193	422,311	-	695,930
NONOPERATING REVENUES (EXPENSES)				
Lease revenue	-	-	-	205,862
Gain (loss) on sales of assets	-	-	-	(754,348)
Contributions to other agencies	(801,409)	-	-	(801,409)
Investment income	467,151	-	-	3,051,757
Interest expense	(582,000)	-	-	(2,588,180)
Bond Issuance Costs	(47,140)	-	-	(533,762)
Total nonoperating revenues(expenses)	(963,398)	-	-	(1,420,080)
Income (loss) before capital contributions	(476,205)	422,311	-	(724,150)
CAPITAL CONTRIBUTIONS				
Grants	-	486,036	-	486,036
Developer capacity and connection fees	117,006	-	-	7,777,440
Developer contributions	113,660	-	-	5,652,940
Total capital contributions	230,666	486,036	-	13,916,416
TRANSFERS IN AND OUT				
Transfers in	-	-	(9,064,123)	-
Transfers out	-	-	9,064,123	-
Total transfers in and out	-	-	-	-
Change in net position	(245,539)	908,347	-	13,192,266
Total net position - beginning	20,120,213	1,238,147	-	227,045,277
Prior period adjustments	(494,581)	-	-	(5,504,740)
Total net position - beginning, as adjusted	19,625,632	1,238,147	-	221,540,537
Total net position - ending	\$ 19,380,093	\$ 2,146,494	\$ -	\$ 234,732,803
				Concluded

Marina Coast Water District
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2025

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund
Cash flows from operating activities:				
Received from customers and users	\$ 5,258,979	\$ 1,701,271	\$ 12,911,801	\$ 4,133,734
Paid to suppliers	(2,460,725)	(351,190)	(6,514,728)	(1,096,410)
Paid to employees	(2,278,888)	(807,562)	(4,508,395)	(1,388,157)
Net cash provided (used) by operating activities	519,366	542,519	1,888,678	1,649,167
Cash flows from noncapital financing activities:				
Due from other funds	4,844,441	624,927	(1,366,991)	11,329,531
Due to other funds	2,557,064	75,112	(9,237,434)	-
Interfund transfers	(9,064,123)	-	9,064,123	-
Interfund loans	-	-	-	(10,882,265)
Net cash provided (used) by noncapital financing activities	(1,662,618)	700,039	(1,540,302)	447,266
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,762,786)	(541,544)	(7,092,530)	(2,191,729)
Sale of capital assets	6,168	1,855	10,271	2,297
Lease receipts	13,214	7,664	13,876	8,756
Grant receipts	-	-	-	-
Payments to other agencies for share of capital financing	-	-	-	-
Developer cont., capacity and connection receipts	124,974	126,938	7,397,756	3,290,417
Issuance of long-term liabilities	5,344,877	5,169,090	22,456,358	3,166,610
Principal paid on long-term liabilities	(1,874,755)	(1,115,573)	(10,566,820)	(3,615,814)
Interest paid on long-term liabilities	(425,232)	(265,164)	(1,284,910)	(480,383)
Bond issuance cost	(75,581)	(76,009)	(302,239)	(32,793)
Net cash provided (used) by capital and related financing activities	1,350,879	3,307,257	10,631,762	147,361
Cash flows from investing activities:				
Investment income (loss)	480,036	254,401	1,130,769	677,312
Net cash provided (used) by investing activities	480,036	254,401	1,130,769	677,312
Net increase (decrease) in cash and cash equivalents	687,663	4,804,216	12,110,907	2,921,106
Cash and cash equivalents - beginning	9,153,675	3,427,389	9,547,450	10,948,111
Cash and cash equivalents - ending	\$ 9,841,338	\$ 8,231,605	\$ 21,658,357	\$ 13,869,217
Reconciliation to the Statement of Net Position				
Cash and investments	\$ 6,908,490	\$ 4,644,059	\$ 3,556,484	\$ 9,417,741
Restricted cash and investments	2,932,848	3,587,546	18,101,873	4,451,476
Total cash and cash equivalents	\$ 9,841,338	\$ 8,231,605	\$ 21,658,357	\$ 13,869,217

Continued

Marina Coast Water District
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2025

	Recycled Water Fund	Groundwater Sustainability Agency Fund	Interfund Eliminations	Total
Cash flows from operating activities:				
Received from customers and users	\$ 1,329,981	\$ 1,110,660	\$ -	\$ 26,446,426
Paid to suppliers	76,227	(676,208)	-	(11,023,034)
Paid to employees	(46,693)	(1,217)	-	(9,030,912)
Net cash provided (used) by operating activities	1,359,515	433,235	-	6,392,480
Cash flows from noncapital financing activities:				
Due from other funds	-	-	(15,431,908)	-
Due to other funds	(8,826,650)	-	15,431,908	-
Interfund transfers	-	-	-	-
Interfund loans	10,882,265	-	-	-
Net cash provided (used) by noncapital financing activities	2,055,615	-	-	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,737,254)	(353,830)	-	(13,679,673)
Sale of capital assets	-	-	-	20,591
Lease receipts	(1,433)	-	-	42,077
Grant receipts	2,553	666,309	-	668,862
Payments to other agencies for share of capital financing	(334,091)	(261,723)	-	(595,814)
Developer cont., capacity and connection receipts	227,209	-	-	11,167,294
Issuance of long-term liabilities	4,552,003	-	-	40,688,938
Principal paid on long-term liabilities	(5,379,055)	-	-	(22,552,017)
Interest paid on long-term liabilities	(558,723)	-	-	(3,014,412)
Bond issuance cost	(47,140)	-	-	(533,762)
Net cash provided (used) by capital and related financing activities	(3,275,931)	50,756	-	12,212,084
Cash flows from investing activities:				
Investment income (loss)	472,536	-	-	3,015,054
Net cash provided (used) by investing activities	472,536	-	-	3,015,054
Net increase (decrease) in cash and cash equivalents	611,735	483,991	-	21,619,618
Cash and cash equivalents - beginning	7,886,060	1,134,804	-	42,097,489
Cash and cash equivalents - ending	\$ 8,497,795	\$ 1,618,795	\$ -	\$ 63,717,107
Reconciliation to the Statement of Net Position				
Cash and investments	\$ 876,023	\$ 1,618,795	\$ -	\$ 27,021,592
Restricted cash and investments	7,621,772	-	-	36,695,515
Total cash and cash equivalents	\$ 8,497,795	\$ 1,618,795	\$ -	\$ 63,717,107

Continued

Marina Coast Water District
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2025

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (212,550)	\$ 216,392	\$ (1,067,372)	\$ 849,956
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	468,204	229,520	1,450,280	780,481
Change in operating assets and liabilities:				
Accounts receivables	(155,333)	(24,855)	902,389	(152,560)
Inventories	(31,558)	(1,937)	(25,221)	(4,441)
Prepaid items	(6,751)	(9,319)	(14,103)	(18,171)
Deferred outflows of resources	147,062	27,235	299,570	65,361
Accounts payable	131,806	23,850	280,566	16,744
Accrued liabilities	-	-	(83,626)	-
Accrued payroll liabilities	60,870	-	-	-
Customer deposits	17,490	-	-	-
Net pension liabilities	(5,116)	(948)	(10,421)	(2,273)
Total OPEB liability	11,385	2,108	23,193	5,061
Compensated absences	164,297	93,519	276,915	140,317
Deferred inflows of resources	(70,440)	(13,046)	(143,492)	(31,308)
Net cash provided (used) by operating activities	<u>\$ 519,366</u>	<u>\$ 542,519</u>	<u>\$ 1,888,678</u>	<u>\$ 1,649,167</u>
Capital and related financing noncash items				
Amortization of deferred charges and premiums	\$ 83,628	\$ 48,365	\$ 385,398	\$ 152,740
Amortization of leases	\$ 56,219	\$ 16,063	\$ 100,391	\$ 28,110
Developer contribution of capital assets	\$ -	\$ -	\$ 3,319,600	\$ 2,219,680

Continued

Marina Coast Water District
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2025

	Recycled Water Fund	Groundwater Sustainability Agency Fund	Interfund Eliminations	Total
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 487,193	\$ 422,311	\$ -	\$ 695,930
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	724,710	277	-	3,653,472
Change in operating assets and liabilities:				
Accounts receivables	(54,201)	-	-	515,440
Inventories	(266)	-	-	(63,423)
Prepaid items	(43)	-	-	(48,387)
Deferred outflows of resources	5,448	-	-	544,676
Accounts payable	199,046	10,647	-	662,659
Accrued liabilities	-	-	-	(83,626)
Accrued payroll liabilities	-	-	-	60,870
Customer deposits	-	-	-	17,490
Net pension liabilities	(190)	-	-	(18,948)
Total OPEB liability	421	-	-	42,168
Compensated absences	7	-	-	675,055
Deferred inflows of resources	(2,610)	-	-	(260,896)
Net cash provided (used) by operating activities	<u>\$ 1,359,515</u>	<u>\$ 433,235</u>	<u>\$ -</u>	<u>\$ 6,392,480</u>
Capital and related financing noncash items				
Amortization of deferred charges and premiums	\$ 85,520	\$ -	\$ -	\$ 755,651
Amortization of leases	\$ -	\$ -	\$ -	\$ 200,783
Developer contribution of capital assets	\$ 113,660	\$ -	\$ -	\$ 5,652,940

Concluded

STATISTICAL SECTION

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

Index

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant revenue source.

Debt Capacity

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 and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

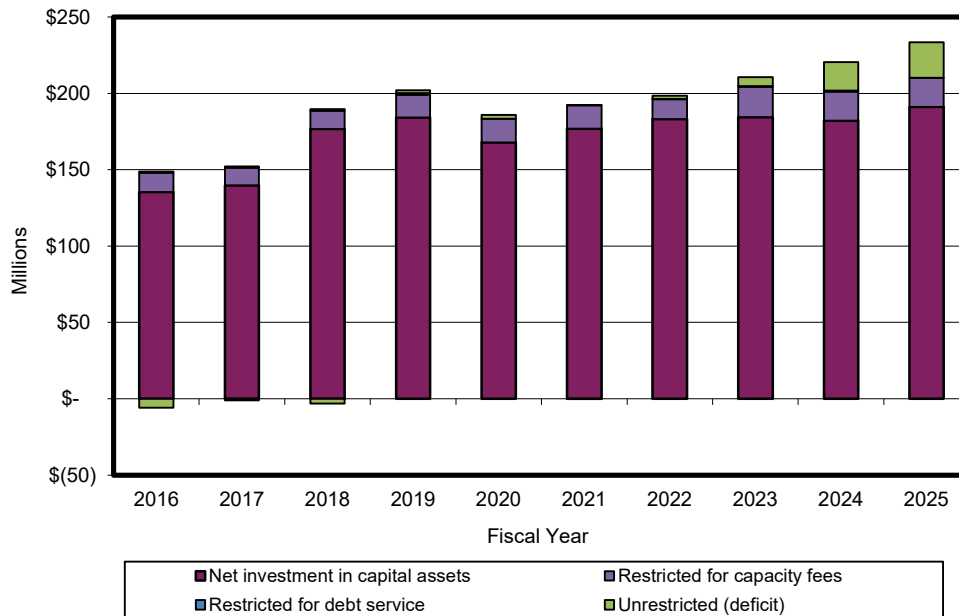
Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

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

	2016	2017	2018	2019	2020
Changes in net position:					
Operating revenues	\$ 12,100,265	\$ 13,685,334	\$ 16,018,094	\$ 15,803,229	\$ 16,960,026
Operating expenses	(9,948,528)	(11,226,580)	(12,020,913)	(14,050,996)	(16,681,600)
Operating income (loss)	2,151,737	2,458,754	3,997,181	1,752,233	278,426
Non-operating revenues (expenses)	(2,313,611)	(881,262)	(858,930)	(780,481)	(2,131,778)
Net income before capital contributions	(161,874)	1,577,492	3,138,251	971,752	(1,853,352)
Capital contributions	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	2,786,138	8,208,224	19,502,279	13,108,746	(16,005,056)
Net position, beginning of year	140,246,516	143,032,654	151,240,878	186,460,294	201,930,609
Prior period adjustments	-	-	15,717,137	2,361,569	-
Net position, end of year	<u>\$143,032,654</u>	<u>\$151,240,878</u>	<u>\$186,460,294</u>	<u>\$201,930,609</u>	<u>\$185,925,553</u>
Net position by component:					
Net investment in capital assets	\$135,455,049	\$139,827,693	\$176,633,556	\$184,250,677	\$167,935,356
Restricted for capacity fees	12,521,538	11,531,344	12,105,493	15,042,160	15,587,995
Restricted for debt service	849,786	850,404	851,747	852,793	-
Restricted for blight removal	-	-	-	-	-
Unrestricted (deficit)	(5,793,719)	(968,563)	(3,130,502)	1,784,979	2,402,202
Total net position	<u>\$143,032,654</u>	<u>\$151,240,878</u>	<u>\$186,460,294</u>	<u>\$201,930,609</u>	<u>\$185,925,553</u>

Continued



Source: Marina Coast Water District, Audited Financial Statements

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

	2021	2022	2023	2024	2025
Changes in net position:					
Operating revenues	\$ 17,598,554	\$ 18,811,882	\$ 20,595,377	\$ 22,732,078	\$ 25,913,496
Operating expenses	(16,037,098)	(15,243,201)	(20,125,669)	(22,505,329)	(25,217,566)
Operating income (loss)	1,561,456	3,568,681	469,708	226,749	695,930
Non-operating revenues (expenses)	(1,364,306)	(2,644,046)	(1,795,184)	(1,824,445)	(1,420,080)
Net income before capital contributions	197,150	924,635	(1,325,476)	(1,597,696)	(724,150)
Capital contributions	5,695,353	5,625,994	19,653,296	11,678,749	13,916,416
Special Item - RDP Closeout	-	-	-	-	-
Changes in net position	5,892,503	6,550,629	18,327,820	10,081,053	13,192,266
Net position, beginning of year	185,925,553	192,085,775	198,636,404	211,459,484	221,540,537
Prior period adjustments	267,719	-	(5,504,740)	-	-
Net position, end of year	<u>\$192,085,775</u>	<u>\$198,636,404</u>	<u>\$211,459,484</u>	<u>\$221,540,537</u>	<u>\$234,732,803</u>
Net position by component:					
Net investment in capital assets	\$176,866,309	\$183,338,088	\$184,477,706	\$182,083,302	\$191,166,484
Restricted for capacity fees	15,367,302	12,906,699	19,824,027	19,034,665	19,230,618
Restricted for debt service	-	171,828	229,343	580,020	655,143
Restricted for blight removal	-	-	998,106	1,043,435	655,408
Unrestricted (deficit)	(147,836)	2,219,789	5,930,302	18,799,115	23,025,150
Total net position	<u>\$192,085,775</u>	<u>\$198,636,404</u>	<u>\$211,459,484</u>	<u>\$221,540,537</u>	<u>\$234,732,803</u>
					Concluded

Notes:

The FY2015 prior period adjustment was for the implementation of GASB 68 related to pensions.

The FY2018 prior period adjustment was for the implementation of GASB 75 related to OPEB of \$1M and corrections to capital assets for developer contributions of \$16.7M.

The FY2019 prior period adjustment was for the correction of receivables for RUWAP and Utility billing.

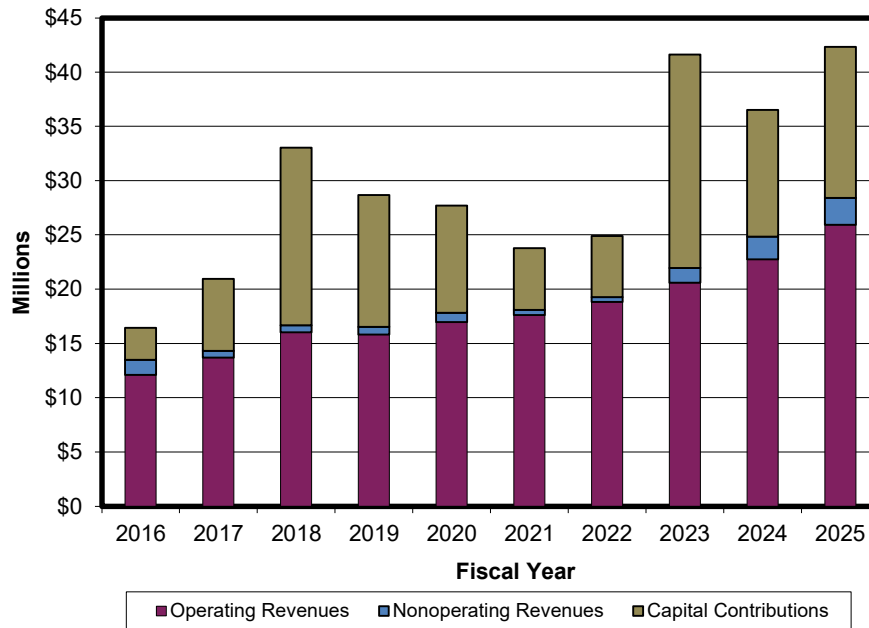
The FY2021 prior period adjustment was for the implementation of GASB 87, Leases.

The FY2025 prior period adjustment was to correct capital assets, related accumulated depreciation and write off accounts receivable.

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

	2016	2017	2018	2019	2020
Operating revenues:					
Water sales	\$ 8,620,556	\$ 9,486,324	\$ 10,844,656	\$ 10,693,992	\$ 11,652,404
Wastewater services	3,116,103	3,450,138	3,828,160	4,196,352	4,484,940
Other services and fees	363,606	748,872	1,345,278	912,885	822,682
Total operating revenues	12,100,265	13,685,334	16,018,094	15,803,229	16,960,026
Nonoperating revenues:					
Gain (loss) on the disposal of capital a	-	-	-	-	-
Investment income	618,904	64,012	132,986	220,362	359,505
Lease revenue	764,986	566,651	519,024	497,767	497,152
Total nonoperating revenues	1,383,890	630,663	652,010	718,129	856,657
Capital contributions:					
Grant revenue	-	555,104	10,676,158	5,101,452	6,063,324
Capacity and connection fees	2,270,405	5,503,637	5,151,848	4,306,233	3,296,628
Developer contributions	677,607	571,991	536,022	2,729,309	508,144
Total capital contributions	2,948,012	6,630,732	16,364,028	12,136,994	9,868,096
Total revenues	\$ 16,432,167	\$ 20,946,729	\$ 33,034,132	\$ 28,658,352	\$ 27,684,779

Continued



Source: Marina Coast Water District, Audited Financial Statements

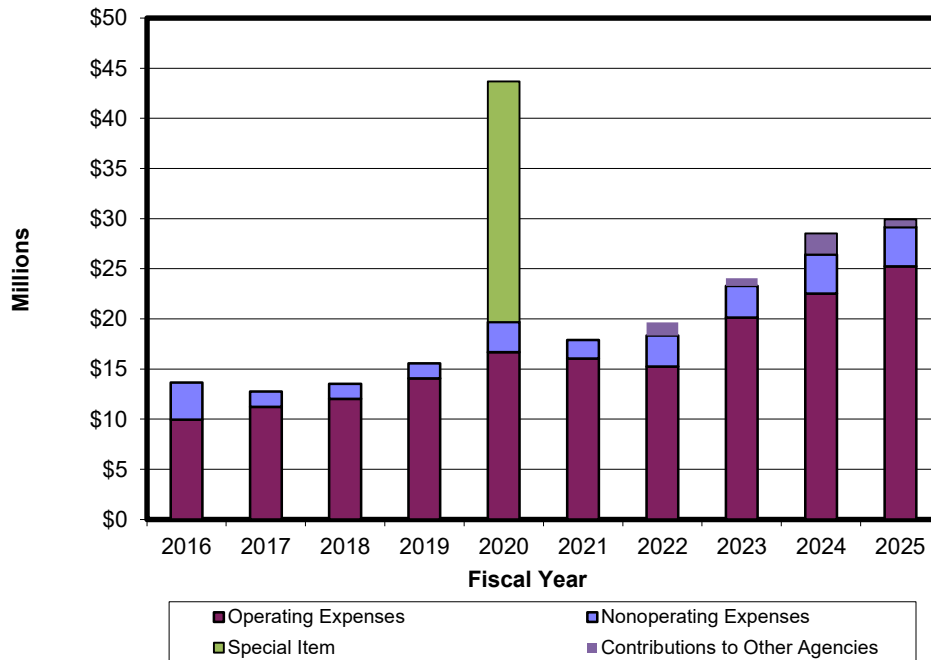
MARINA COAST WATER DISTRICT
Revenues by Source
Last Ten Fiscal Years
Schedule 2

	2021	2022	2023	2024	2025
Operating revenues:					
Water sales	\$ 12,366,437	\$ 13,133,302	\$ 13,624,939	\$ 15,323,077	\$ 17,755,955
Wastewater services	4,633,032	4,930,600	5,315,471	5,580,361	5,950,416
Other services and fees	599,085	747,980	1,654,967	1,828,640	2,207,125
Total operating revenues	17,598,554	18,811,882	20,595,377	22,732,078	25,913,496
Nonoperating revenues:					
Gain (loss) on the disposal of capital a	-	-	31,436	12,714	(754,348)
Investment income	274,738	241,183	1,117,546	1,871,214	3,051,757
Lease revenue	204,702	204,702	201,755	204,256	205,862
Total nonoperating revenues	479,440	445,885	1,350,737	2,088,184	2,503,271
Capital contributions:					
Grant revenue	2,187,939	590,598	2,502,600	505,877	486,036
Capacity and connection fees	1,209,529	4,192,221	14,362,215	11,172,872	7,777,440
Developer contributions	2,297,885	843,175	2,788,481	-	5,652,940
Total capital contributions	5,695,353	5,625,994	19,653,296	11,678,749	13,916,416
Total revenues	<u>\$ 23,773,347</u>	<u>\$ 24,883,761</u>	<u>\$ 41,599,410</u>	<u>\$ 36,499,011</u>	<u>\$ 42,333,183</u>
					Concluded

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

	2016	2017	2018	2019	2020
Operating expenses:					
Administrative	\$ 3,118,186	\$ 4,220,398	\$ 4,907,644	\$ 5,579,270	\$ 7,703,802
Operations and maintenance	3,140,765	3,173,240	3,181,860	3,658,830	3,698,491
Laboratory	238,256	256,607	251,818	280,385	255,418
Conservation	376,383	304,338	301,155	336,553	326,074
Engineering	1,494,965	1,656,803	1,822,501	1,470,323	1,525,620
Water Resources	-	-	-	871,915	948,216
Depreciation and amortization	1,579,973	1,615,194	1,555,935	1,853,720	2,223,979
Total operating expenses	9,948,528	11,226,580	12,020,913	14,050,996	16,681,600
Nonoperating expenses:					
Interest expense	2,954,075	1,511,925	1,510,940	1,498,610	1,753,074
Contributions to other agencies	-	-	-	-	-
RDP liability expense	-	-	-	-	1,000,000
Investment loss	474,892	-	-	-	-
Bond issuance costs	268,534	-	-	-	235,361
Total nonoperating expenses	3,697,501	1,511,925	1,510,940	1,498,610	2,988,435
Special Item:					
RDP closeout	-	-	-	-	24,019,800
Total expenses	\$ 13,646,029	\$ 12,738,505	\$ 13,531,853	\$ 15,549,606	\$ 43,689,835

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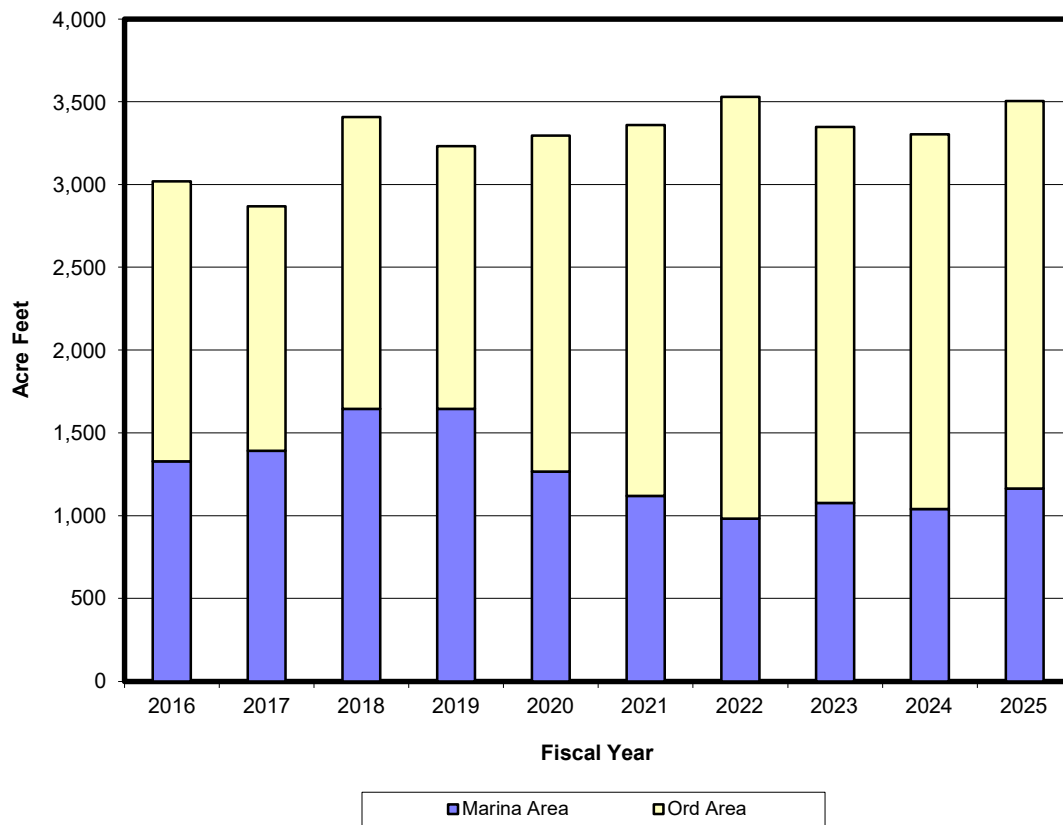
Source: Marina Coast Water District, Audited Financial Statements

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

	2021	2022	2023	2024	2025
Operating expenses:					
Administrative	\$ 6,855,325	\$ 5,374,514	\$ 9,445,914	\$ 9,229,769	\$ 8,943,641
Operations and maintenance	4,083,157	4,600,041	4,916,612	5,828,094	6,596,025
Laboratory	87,294	142,525	208,003	223,150	240,154
Conservation	286,123	341,615	385,864	415,930	448,199
Engineering	1,336,329	1,534,122	1,690,881	2,572,644	3,787,514
Water Resources	1,019,506	824,856	715,230	1,041,941	1,548,561
Depreciation and amortization	2,369,364	2,425,528	2,763,165	3,193,801	3,653,472
Total operating expenses	16,037,098	15,243,201	20,125,669	22,505,329	25,217,566
Nonoperating expenses:					
Interest expense	1,843,746	1,788,554	2,354,838	1,794,052	2,588,180
Contributions to other agencies	-	1,301,377	791,083	2,118,577	801,409
RDP liability expense	-	-	-	-	-
Investment loss	-	-	-	-	-
Bond issuance costs	-	-	-	-	533,762
Total nonoperating expenses	1,843,746	3,089,931	3,145,921	3,912,629	3,923,351
Special Item:					
RDP closeout	-	-	-	-	-
Total expenses	<u>\$ 17,880,844</u>	<u>\$ 18,333,132</u>	<u>\$ 23,271,590</u>	<u>\$ 26,417,958</u>	<u>\$ 29,140,917</u>
					Concluded

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)
2016	1,327	1,691	3,018
2017	1,392	1,476	2,868
2018	1,644	1,763	3,407
2019	1,645	1,586	3,231
2020	1,266	2,029	3,295
2021	1,119	2,239	3,358
2022	981	2,548	3,529
2023	1,076	2,271	3,347
2024	1,039	2,263	3,302
2025	1,164	2,340	3,504



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	Fiscal Year		Calendar Year								
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	7/1/2024	1/1/2024	1/1/2023	1/1/2022	1/1/2021	1/1/2020	1/1/2019	1/1/2018	1/1/2017	1/1/2016	1/1/2015
0-10 hcf	\$ 4.36	\$ 3.80	\$ 3.80	\$ 3.65	\$ 3.51	\$ 3.38	N/A	N/A	N/A	N/A	N/A
10+ hcf	7.00	5.79	5.79	5.57	5.36	5.15	N/A	N/A	N/A	N/A	N/A
Uniform Rate	4.64	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
0-8 hcf	N/A	N/A	N/A	N/A	N/A	N/A	3.25	2.78	2.70	2.62	2.55
9-16 hcf	N/A	N/A	N/A	N/A	N/A	N/A	4.95	3.19	3.10	3.01	2.92
16+ hcf	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5.63	5.47	5.31	5.15

Marina Service Area Water & Sewer Service Charges (monthly)

Meter Size	Fiscal Year		Calendar Year								
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	7/1/2024	1/1/2024	1/1/2023	1/1/2022	1/1/2021	1/1/2020	1/1/2019	1/1/2018	1/1/2017	1/1/2016	1/1/2015
5/8" - 3/4"	\$ 42.29	\$ 28.34	\$ 28.34	\$ 27.26	\$ 26.22	\$ 25.21	\$ 24.24	\$ 22.36	\$ 21.71	\$ 21.07	\$ 20.46
1"	65.06	38.22	38.22	36.77	35.35	33.99	32.69	36.07	35.02	34.00	33.01
1 1/2"	122.01	62.91	62.91	60.52	58.19	55.95	53.80	58.94	57.22	55.55	53.94
2"	190.34	92.55	92.55	89.02	85.60	82.30	79.14	86.36	83.85	81.41	79.04
3"	372.56	171.56	171.56	165.03	158.69	152.57	146.72	150.41	146.03	141.78	137.65
4"	577.55	260.46	260.46	250.55	240.92	231.62	222.74	241.82	234.77	227.93	221.30
6"	1,146.99	507.39	507.39	488.08	469.33	451.22	433.91	470.42	456.71	443.41	430.50
8"	1,830.31	1,001.26	1,001.26	963.15	926.15	890.40	856.25	927.88	900.86	874.62	849.14
10"	3,196.95	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
12"	4,791.37	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sewer (EDU)	9.45	17.98	17.98	17.29	16.63	15.99	15.37	14.78	13.44	12.22	11.11
Sewer (HCF)	1.85	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Ord Service Area Water Consumption Rates (hcf)

Description	Fiscal Year		Calendar Year								
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	7/1/2024	1/1/2024	1/1/2023	1/1/2022	1/1/2021	1/1/2020	1/1/2019	1/1/2018	1/1/2017	1/1/2016	1/1/2015
0-10 hcf	\$ 6.79	\$ 4.90	\$ 4.90	\$ 4.72	\$ 4.54	\$ 4.37	N/A	N/A	N/A	N/A	N/A
10+ hcf	10.37	9.55	9.55	9.19	8.84	8.51	N/A	N/A	N/A	N/A	N/A
Uniform Rate	7.30	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
0-8 hcf	N/A	N/A	N/A	N/A	N/A	N/A	4.13	3.68	3.40	2.97	2.60
9-16 hcf	N/A	N/A	N/A	N/A	N/A	N/A	8.04	5.65	5.22	4.56	3.98
16+ hcf	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7.62	7.03	6.14	5.37
Flat Rate	N/A	194.40	194.40	186.90	179.70	172.75	162.95	153.99	143.94	127.29	112.65
CS ¹ - Water	N/A	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	Fiscal Year		Calendar Year								
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	7/1/2024	1/1/2024	1/1/2023	1/1/2022	1/1/2021	1/1/2020	1/1/2019	1/1/2018	1/1/2017	1/1/2016	1/1/2015
5/8" - 3/4"	\$ 52.34	\$ 48.94	\$ 48.94	\$ 47.09	\$ 45.32	\$ 43.62	\$ 41.20	\$ 38.79	\$ 37.55	\$ 34.37	\$ 31.48
1"	78.61	68.76	68.76	66.16	63.68	61.28	57.88	60.51	58.57	53.62	49.11
1 1/2"	144.31	118.29	118.29	113.82	109.55	105.43	99.57	96.71	93.62	85.71	78.49
2"	223.14	177.74	177.74	171.02	164.61	158.41	149.61	140.14	135.66	124.20	113.74
3"	433.35	336.26	336.26	323.55	311.42	299.68	283.05	241.57	233.85	214.09	196.05
4"	669.85	514.60	514.60	495.14	476.58	458.62	433.16	386.31	373.96	342.36	313.52
6"	1,326.78	1,003.98	1,003.98	971.80	935.37	900.12	850.15	748.31	724.39	663.18	607.31
8"	2,115.09	2,000.75	2,000.75	1,925.11	1,852.94	1,783.11	1,684.12	1,472.72	1,425.66	1,305.19	1,195.24
10"	3,691.72	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
12"	5,531.12	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sewer (EDU)	20.55	38.15	38.15	37.00	35.90	34.85	33.80	32.18	29.80	28.65	27.55
Sewer (HCF)	4.02	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CS ¹ - Sewer	N/A	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00

Recycled Water Consumption Rates (hcf)

Description	Fiscal Year		Calendar Year								
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	7/1/2024	1/1/2024	1/1/2023	1/1/2022	1/1/2021	1/1/2020	1/1/2019	1/1/2018	1/1/2017	1/1/2016	1/1/2015
Per HCF	\$ 7.10	\$ 6.76	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Recycled Water Service Charges (monthly)

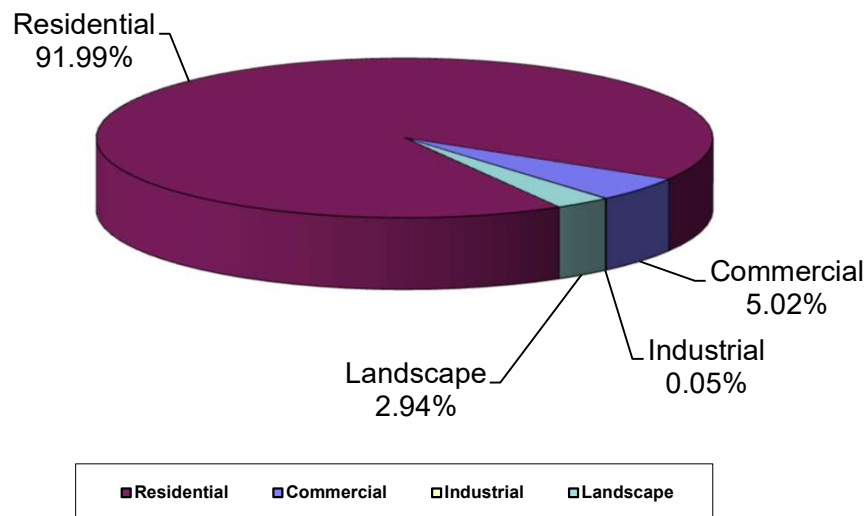
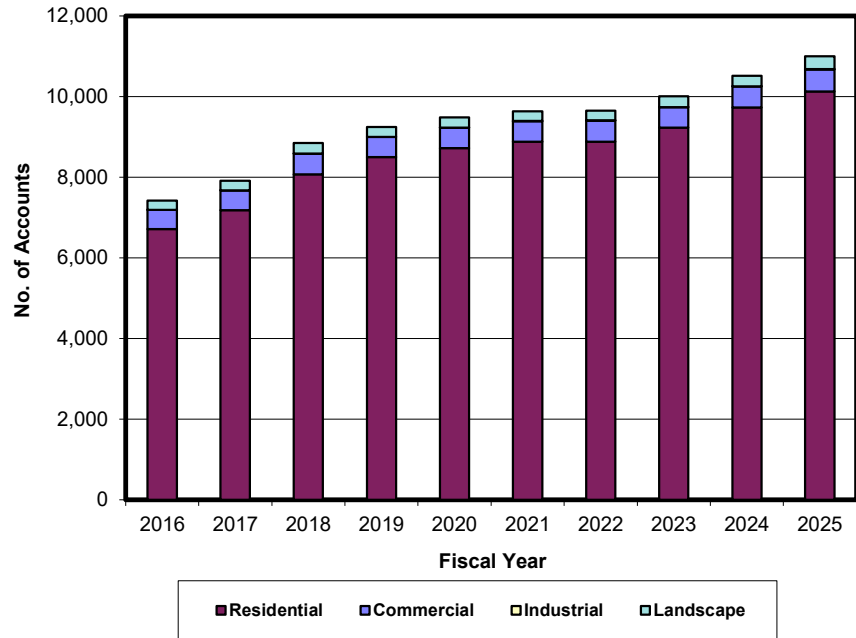
Description	Fiscal Year		Calendar Year								
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	7/1/2024	1/1/2024	1/1/2023	1/1/2022	1/1/2021	1/1/2020	1/1/2019	1/1/2018	1/1/2017	1/1/2016	1/1/2015
5/8" - 3/4"	\$ 55.13	\$ 52.50	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1"	78.16	74.44	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1 1/2"	135.77	129.30	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2"	204.90	195.14	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3"	423.78	403.60	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4"	746.36	710.82	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6"	1,518.25	1,445.95	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8"	3,246.34	3,091.75	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10"	4,694.47	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
12"	5,918.77	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water customer accounts										
Residential	6,717	7,182	8,066	8,491	8,726	8,881	9,182	9,231	9,727	10,120
Commercial	469	488	518	502	501	507	522	504	521	552
Industrial	4	4	4	4	4	4	5	5	5	6
Landscape	222	232	258	247	246	240	245	265	261	323
Total water accounts	7,412	7,906	8,846	9,244	9,477	9,632	9,954	10,005	10,514	11,001



Source: Marina Coast Water District's Finance Department

MARINA COAST WATER DISTRICT
Principal Water Users
Fiscal Years Ended June 30, 2016 and June 30, 2025
Schedule 7

2016			2025		
Customer	Water Usage (acre feet)	Percentage of Water Sold	Customer	Water Usage (acre feet)	Percentage of Water Sold
Monterey Bay Military Housing	431	15.19%	City of Seaside	415	11.84%
University Corporation at Monterey Bay	182	6.41%	Monterey Bay Military Housing	235	6.71%
California State Univ Mtry Bay	88	3.11%	California State Univ Mtry Bay	144	4.11%
Sun Bay Apartments	56	1.97%	University Corporation at Monterey Bay	141	4.02%
LV44 Ltd Partnership	41	1.46%	Seaside Highlands H.O. Association	56	1.60%
Bay View Mobile Home Park	39	1.39%	Sun Bay Apartments	47	1.34%
Seaside Highlands H.O. Association	36	1.27%	Bay View Mobile Home Park	43	1.23%
City of Marina	26	0.91%	MPUSD -Seaside High School	39	1.11%
Monterey Peninsula Engineering	23	0.82%	Gates at Marina Owner LLC	36	1.03%
United States Army	21	0.74%	City of Marina	34	0.97%
Total Principal Water Users	943	33.26%	Total Principal Water Users	1,190	33.96%
Total All Users	2,836	100.00%	Total All Users	3,504	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

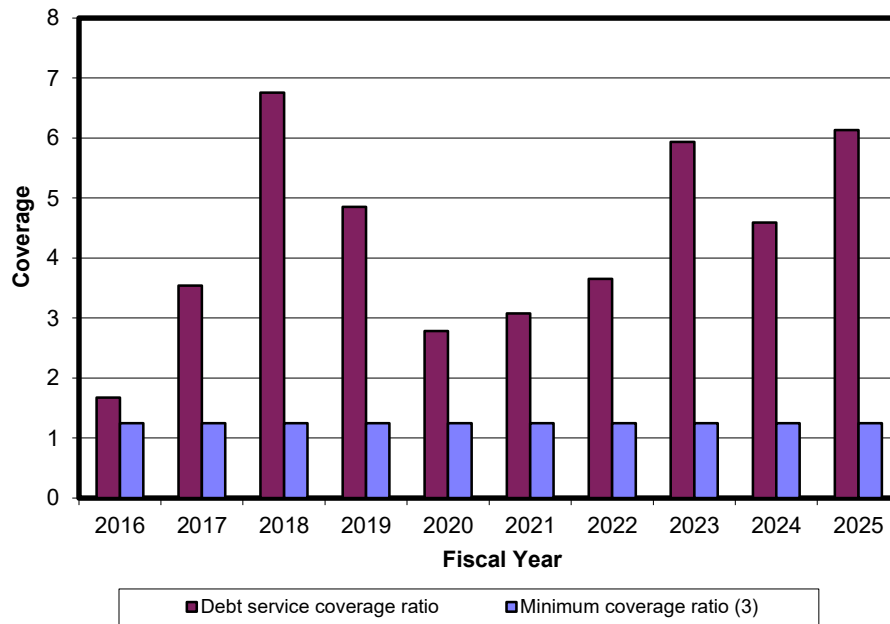
Fiscal Year	Loans Payable	Bonds Payable	Leases Payable	Subscriptions Payable	Total Debt	Total Customer Accounts	Total Debt per Account
2015	-	40,940,994	-	-	40,940,994	7,200	5,686
2016	2,776,000	36,938,034	-	-	39,714,034	7,412	5,358
2017	2,799,880	35,100,405	-	-	37,900,285	7,906	4,794
2018	2,722,387	33,202,777	-	-	35,925,164	8,846	4,061
2019	8,268,477	31,245,149	-	-	39,513,626	9,244	4,275
2020	6,211,842	47,909,693	-	-	54,121,535	9,477	5,711
2021	8,624,420	46,355,879	-	-	54,980,299	9,632	5,708
2022	8,527,203	44,737,066	55,160	-	53,319,429	9,954	5,357
2023	11,244,419	43,063,253	291,623	162,008	54,761,303	10,005	5,473
2024	13,819,181	41,314,440	195,878	109,032	55,438,531	10,514	5,273
2025	13,386,347	57,960,193	109,892	56,679	71,513,111	11,001	6,501

Source: Marina Coast Water District, Audited Financial Statements

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

	2016	2017	2018	2019	2020
Debt service coverage					
Gross revenues (1)	\$ 16,432,167	\$ 20,946,729	\$ 33,034,132	\$ 28,658,352	\$ 27,684,779
Operating expenses (2)	(8,368,555)	(9,611,386)	(10,464,978)	(12,197,276)	(14,457,621)
Net available revenues	\$ 8,063,612	\$ 11,335,343	\$ 22,569,154	\$ 16,461,076	\$ 13,227,158
Debt service					
Principal	\$ 1,870,000	\$ 1,690,000	\$ 1,828,158	\$ 1,892,013	\$ 3,002,076
Interest	2,954,075	1,511,925	1,510,940	1,498,610	1,753,074
	\$ 4,824,075	\$ 3,201,925	\$ 3,339,098	\$ 3,390,623	\$ 4,755,150
Debt service coverage ratio	1.67	3.54	6.76	4.85	2.78
Minimum coverage ratio (3)	1.25	1.25	1.25	1.25	1.25

Continued



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.

Source: Marina Coast Water District, Audited Financial Statements

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

	2021	2022	2023	2024	2025
Debt service coverage					
Gross revenues (1)	\$ 23,773,347	\$ 24,883,761	\$ 41,599,410	\$ 36,499,011	\$ 42,333,183
Operating expenses (2)	(13,667,734)	(12,817,673)	(17,362,504)	(19,311,528)	(21,564,094)
Net available revenues	<u>\$ 10,105,613</u>	<u>\$ 12,066,088</u>	<u>\$ 24,236,906</u>	<u>\$ 17,187,483</u>	<u>\$ 20,769,089</u>
Debt service					
Principal	\$ 1,441,859	\$ 1,512,217	\$ 1,729,542	\$ 1,949,652	\$ 797,833
Interest	1,843,746	1,788,554	2,354,838	1,794,052	2,588,180
	<u>\$ 3,285,605</u>	<u>\$ 3,300,771</u>	<u>\$ 4,084,380</u>	<u>\$ 3,743,704</u>	<u>\$ 3,386,013</u>
Debt service coverage ratio	3.08	3.66	5.93	4.59	6.13
Minimum coverage ratio (3)	1.25	1.25	1.25	1.25	1.25
					Concluded

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)
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	6.4%
2019	434,061	25,973,189	59,838	35	6.3%
2020	434,172	26,504,847	61,510	38	11.1%
2021	434,283	27,747,802	63,449	38	8.3%
2022	446,229	28,189,179	65,123	37	6.1%
2023	430,723	29,695,203	68,943	36	7.0%
2024	**	**	**	**	**
2025	**	**	**	**	**

Source: Monterey County ACFR Report (Fiscal Year Ended June 30, 2024)

** Data not available at time of print.

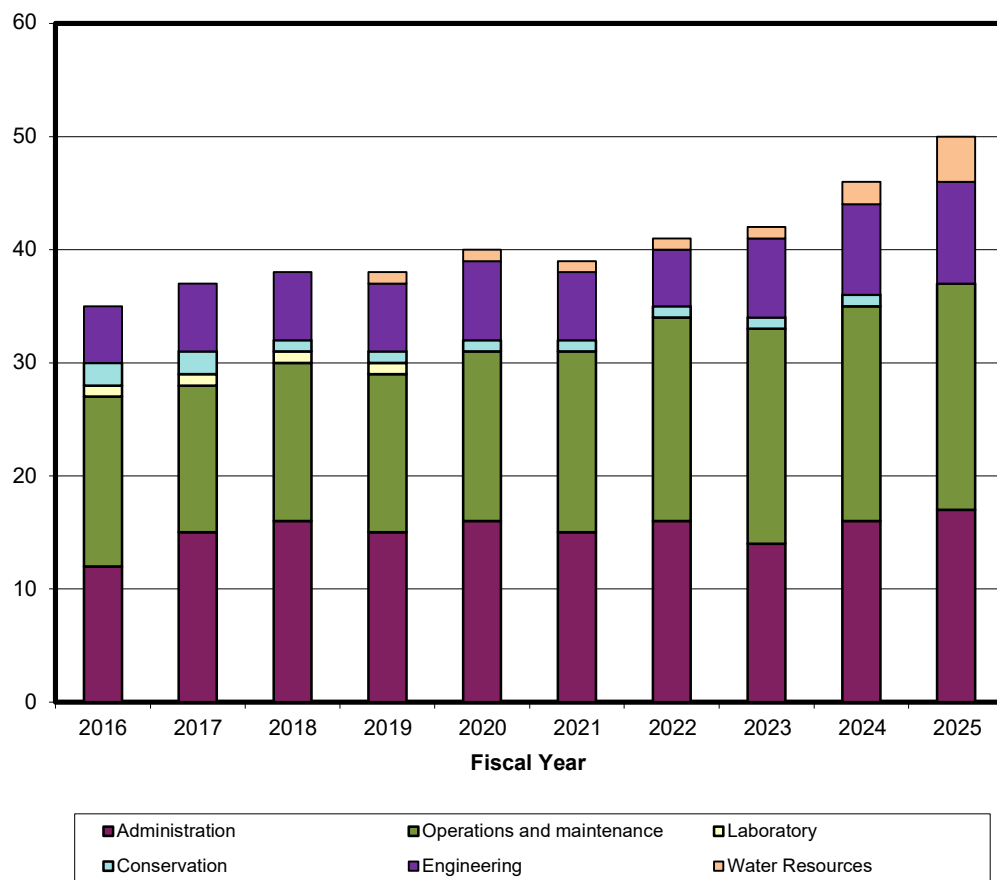
MARINA COAST WATER DISTRICT
Employment by Industry for Monterey County - by Annual Average
Prior Year and Ten Years Ago
Schedule 11

2024				2015			
Employer	Employees	Rank	Percentage of Total Employment Listed	Employer	Employees	Rank	Percentage of Total Employment Listed
Agriculture	56,600	1	27.75%	Agriculture	53,000	1	28.70%
Government	36,300	2	17.79%	Government	31,100	2	16.84%
Leisure and Hospitality	25,800	3	12.65%	Leisure and Hospitality	23,400	3	12.67%
Educational and Health Services	23,800	4	11.67%	Educational and Health Services	18,400	4	9.96%
Retail Trade	16,200	5	7.94%	Retail Trade	16,400	5	8.88%
Professional and Business Services	13,600	6	6.67%	Professional and Business Services	12,800	6	6.93%
Natural Resources, Mining and Construction	7,800	7	3.82%	Natural Resources, Mining and Construction	5,500	7	2.98%
Wholesale Trade	5,800	8	2.84%	Manufacturing	5,400	8	2.92%
Other Services	5,500	9	2.70%	Wholesale Trade	5,300	9	2.87%
Manufacturing	4,800	10	2.35%	Other Services	5,000	10	2.71%
Financial Activities	4,200	11	2.06%	Transportation, Warehousing and Utilities	4,300	11	2.33%
Transportation, Warehousing and Utilities	3,600	12	1.76%	Financial Activities	4,100	12	2.22%
Total	<u>204,000</u>		<u>100.00%</u>	Total	<u>184,700</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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Employees by department										
Administration	12	15	16	15	16	15	16	14	16	17
Operations and maintenance	15	13	14	14	15	16	18	19	19	20
Laboratory	1	1	1	1	-	-	-	-	-	-
Conservation	2	2	1	1	1	1	1	1	1	1
Engineering	5	6	6	6	7	6	5	7	8	9
Water Resources	-	-	-	1	1	1	1	1	2	4
Total employees	35	37	38	38	40	39	41	42	46	51



Source: Marina Coast Water District's Finance Department

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Facilities										
Distribution pipeline (miles)	147	147	147	162	162	162	215	215	234	242
Storage capacity (mg)(1)	11	11	11	11.2	11.2	11.2	11.2	11.2	11.2	17.0
System capacity (mgd)(2)	16.6	16.6	16.6	15.6	15.6	15.6	19.0	19.0	20.0	20.0
Water produced										
Water produced - Marina (mg)(1)	432	454	536	536	413	365	320	351	339	379
Average per day (mgd)(2)	1.2	1.2	1.5	1.5	1.1	1.0	0.9	1.0	0.9	1.0
Water produced - Ord (mg)(1)	551	481	574	517	661	730	830	740	737	762
Average per day (mgd)(2)	1.5	1.3	1.6	1.4	1.8	2.0	2.3	2.0	2.0	2.1
Total water produced (mg)(1)	983	935	1,110	1,053	1,074	1,094	1,150	1,091	1,076	1,142
Average per day (mgd)(2)	2.7	2.6	3.0	2.9	2.9	3.0	3.2	3.0	2.9	3.1

(1) mg = million gallons

(2) mgd = million gallons per day

Source: Marina Coast Water District's Finance Department

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OTHER INDEPENDENT AUDITOR'S REPORT



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

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

We have audited, in accordance with 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 (the "District") as of and for the year ended June 30, 2025 and June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 16, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.



The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

October 16, 2025
Morgan Hill, California



MARINA COAST WATER DISTRICT

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