

MARINA COAST WATER DISTRICT

MARINA COAST WATER DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR FISCAL YEARS ENDED JUNE 30, 2026 AND 2025

Monterey County, California

Marina Coast Water District

Monterey County, California

Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2026 and 2025

Prepared by the Finance Division

Mary Lagasca, CPA – Director of Administrative Services

Garren Fisher, CPA - Controller

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 19, 2026

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, 2026 and 2025. 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 accounting principles generally accepted in the U.S. (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 47,000 residents through approximately 11,400 customer accounts in its Marina and Ord service areas. The District currently pumps all of its supply, or approximately 3,632 acre feet of potable water (both Marina and Ord Community systems) annually, from groundwater wells and conserves approximately 1,822 acre feet as part of its conservation program.

The District began delivering recycled water to its first account, Bayonet and Black Horse Golf Course, in November 2022. The District continued to expand its recycled water program during FY2026, connecting 23 new accounts to the recycled water system. The District delivered approximately 469 acre-feet water during FY2026.

The District owns and operates twenty (20) sewer lift stations, more than 160 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 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 217 miles of potable water pipeline, 30 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 seven (7) booster pump stations with a combined capacity of 42.75 MGD. In addition, 46 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 currently has an authorized staff of 54 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, Marina, California. Board meetings are open to the public.

Budget Process

The District prepares and adopts an annual Operating and Capital Budget to translate the Board of Directors' policy direction and the District's long-term plans into a financially sustainable work plan for the fiscal year. Revenue projections include rate revenues based on the adopted 2024 rate study and

non-rate revenues based on historical trends and applicable adjustments, including the Consumer Price Index (CPI) and Construction Cost Index (CCI). Operating expenditures are developed based on anticipated costs, staffing and service requirements, contractual obligations, and other operating needs. Together, these revenue and expenditure assumptions form the basis of the annual budget. Throughout the fiscal year, budget performance is monitored through budget-to-actual analysis and regular financial reporting.

The capital budget is developed through a structured planning process that begins with the District's long-range planning documents, including the Water, Sewer, and Recycled Water Master Plans and the Urban Water Management Plan. These plans identify system needs, capacity requirements, regulatory obligations, rehabilitation and replacement needs, and projects required to support future growth and water supply reliability. Identified projects are incorporated into the District's 10-Year Capital Improvement Program (CIP), which provides a long-term roadmap for infrastructure investment. Projects are then prioritized into a more detailed 5-Year CIP based on factors such as urgency, asset condition, regulatory requirements, available funding, grant and financing opportunities, project readiness, staffing capacity, and ratepayer affordability. The Annual CIP Budget represents the projects scheduled and funded for implementation during the upcoming fiscal year and considers design and procurement readiness, construction schedules, available resources, cost escalation, and coordination with other District priorities. This process provides a direct link from the District's master planning efforts to annual capital spending and helps ensure that limited resources are directed to the District's highest-priority infrastructure needs.

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

In April 2024, the District completed a comprehensive water and sewer rate study conducted by Hilderbrand Consulting, which established a five-year rate plan to support the District's long-term financial sustainability and infrastructure needs. The District continued implementing the rate plan during FY2026 while monitoring revenues, expenditures, reserves, and capital needs to support the District's ongoing financial planning.

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

During FY2026, the District continued advancing several major initiatives focused on long-term reliability, sustainability, and infrastructure needs. These included:

- Desalination Plant Rehabilitation: The reintroduction of the desalination plant supply continues the District's efforts to ensure the ratepayers have a reliable, diversified, drought resistant, water supply. The project is intended to restore the facility to operational status and add approximately 300 acre-feet per year of water supply.

- Solar Energy and Battery Storage: Improved the sustainable green energy portfolio of the District and provides 72 hours of emergency backup power for the District's key IT infrastructure and systems.

- Groundwater Sustainability Management: Continued implementation of the District's groundwater sustainability plan and management activities through the District's role as a Groundwater Sustainability Agency. The District advanced its groundwater monitoring program to address data gaps and improved understanding of local aquifer conditions. The information collected will support evaluation of future water supply projects, including indirect potable reuse and aquifer storage recovery.

- Recycled Water Program: Expanded the availability of and use of recycled water to diversify the District's water supply portfolio, conserve potable water, and support sustainable water management.

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 U.S. GAAP. 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. The District's funds are currently invested through the Local Agency Investment Fund (LAIF), California CLASS, and interest-bearing collateralized bank deposits.

Water Rates and District Revenues

For FY2026, the District continued implementing the five-year water and sewer rate plan established through the comprehensive rate study completed in April 2024 and adopted in June 2024. The District increased water rates by 20% in the Marina service area and 10% in the Ord service area,

sewer rates by 15% in Marina and 4% Ord, and recycled water rates by 5%. The rate adjustments were established to support ongoing operating costs, reserves, and provide funding for the District's long-term capital needs. During the fiscal year, the District continued making significant investments in water and sewer infrastructure, including approximately $17.6 million in capital improvement projects.

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 (COA) to the District for its ACFR for the fiscal year ended June 30, 2025. This was the eighteenth consecutive year that the District has received this prestigious award. The COA recognizes annual financial reports that satisfy both GAAP and applicable legal requirements.

In addition, the District received its first GFOA Distinguished Budget Presentation Award, which is widely recognized as the highest form of recognition in governmental budgeting. The District also received its first GFOA Popular Annual Financial Reporting Award, which recognizes efforts to present financial information in a clear and easy to read format for the general public.

The awards recognize the District's ongoing financial reporting practices, as well as its efforts to improve the presentation and accessibility of budget and financial information.

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

Respectfully submitted,

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

Mary Lagasca, CPA
Director of Administrative Services

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Marina Coast Water District
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2025

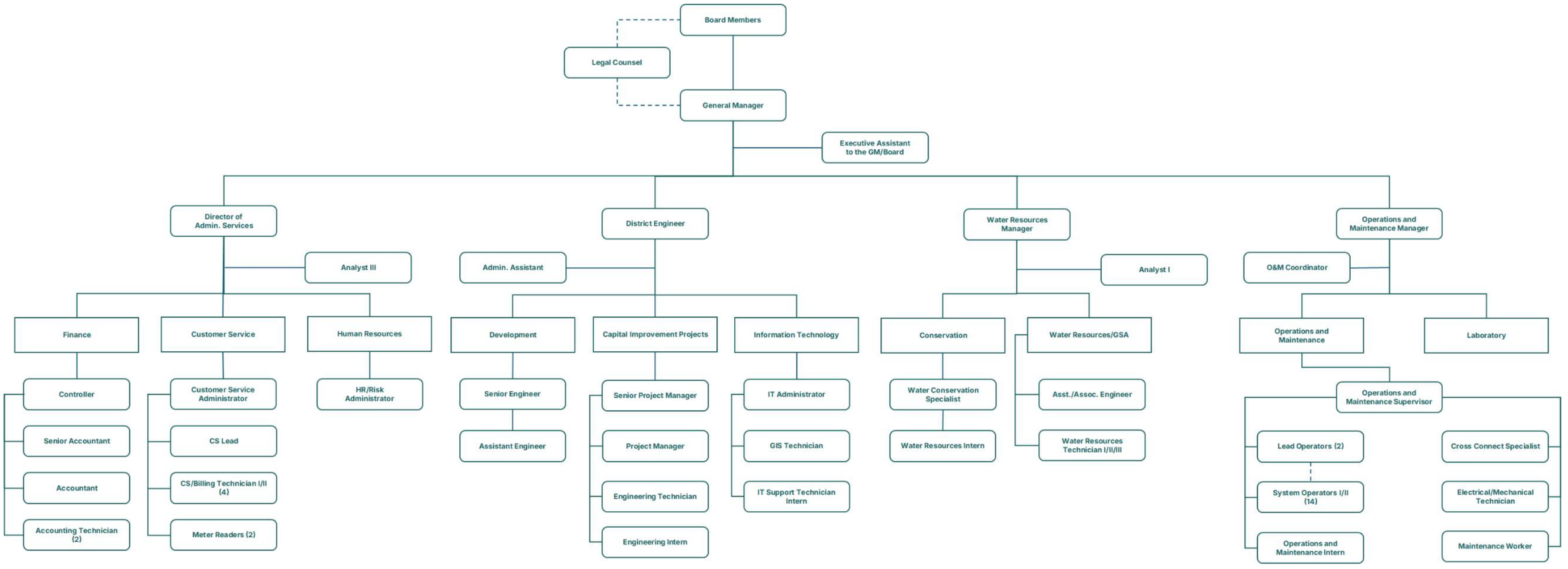


and issued to the public 140 days after the fiscal year end

Christopher P. Morrill

Executive Director/CEO

MCWD Organizational Chart



Marina Coast Water District

Directory

Board of Directors

June 30, 2026

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
Vacant	District Engineer
Vacant	Operations & Maintenance Manager
Patrick Breen	Water Resources Manager

FINANCIAL SECTION

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Chavan and Associates, llp
Certified Public Accountants

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 years ended June 30, 2026 and June 30, 2025, 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, 2026 and June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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.

Emphasis of Matters

Change in Accounting Principle. As discussed in Note 1 to the financial statements, effective July 1, 2025, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 103, Financial Reporting Model Improvements, and GASB Statement No. 104, Disclosure of Certain Capital Assets. The adoption of GASB Statement No. 103 changed the presentation of the statement of revenues, expenses, and changes in net position, including the separate presentation of noncapital subsidies and of unusual or infrequent items, and changed the content of management's discussion and analysis. Our opinion is not modified with respect to this matter.

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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 does 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 15, 2026 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 15, 2026
Morgan Hill, California

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of the Marina Coast Water District's (District) annual financial report presents management's discussion and analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2026. It should be read in conjunction with the District's financial statements and the accompanying notes.

This MD&A is organized in the five sections required by GASB Statement No. 103, Financial Reporting Model Improvements, which the District implemented this year: an overview of the financial statements; a financial summary; detailed analyses of significant changes; a discussion of significant capital asset and long-term financing activity; and a description of currently known facts, decisions, or conditions expected to affect the District's financial position or results. Under Statement No. 103, the MD&A is limited to these sections and focuses on explaining why balances and results changed rather than restating amounts; the former discussions of fund financial statements and budgetary highlights are no longer presented.

Overview of the District's Financial Statements

The District is a special district formed under the California Water District Law (Water Code Section 34000 et seq.) that provides potable and recycled water service and sewer collection service to approximately 11,400 connections in Monterey County. The District accounts for all its activities in single enterprise fund and reports as a special-purpose government engaged only in business-type activities. Accordingly, the fund financial statements and the government-wide financial statements are the same statements, and the District presents three basic financial statements:

Figure A-1. Contents of the District's Basic Financial Statements

<table>
<tr><th colspan="2">Enterprise Fund Financial Statements</th></tr>
<tr><td>Statement of Net Position</td><td>Statement of Revenues, Expenses, and Changes in Fund Net Position</td></tr>
<tr><td colspan="2">Statement of Cash Flows</td></tr>
<tr><td colspan="2">Notes to Financial Statements</td></tr>
</table>

The Statement of Net Position reports all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of June 30, 2026, with the difference reported as net position. Net position is displayed in three components: net investment in capital assets, restricted, and unrestricted. Over time, increases or decreases in net position are one indicator of whether the District's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position reports how net position changed during the year. Under GASB Statement No. 103, the statement distinguishes operating revenues and expenses from nonoperating revenues and expenses using definitions in the Statement rather than District policy; presents noncapital subsidies (property taxes, operating grants, and similar resources that keep the District's rates lower than they would otherwise be) separately with a subtotal of operating income and noncapital subsidies; and presents capital contributions and unusual or infrequent items separately before the change in net position. Unusual or infrequent items replace the former extraordinary and special item categories. All changes are recorded on the accrual basis when the underlying event occurs, regardless of when cash is received or paid.

The Statement of Cash Flows reports cash receipts and payments during the year in four categories: operating activities, noncapital financing activities, capital and related financing activities, and investing activities, and reconciles operating income to net cash provided by operating activities.

Figure A-2. Types of Information Reported in the District's Financial Statements

	Enterprise fund statements — economic resources measurement focus, accrual basis
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short-term and long-term
Types of revenues	All revenues that relate to the year, regardless of when cash is received
Types of expenses	All expenses that relate to the year, regardless of when cash is paid, including depreciation
Types of deferred outflows and deferred inflows of resources	All resources that flow into and out of the District during the year that relate to a future year
Cash flows	Presented separately in a statement of cash flows, classified as operating, noncapital financing, capital and related financing, and investing activities

The notes to the financial statements provide information essential to a full understanding of the statements. The notes are followed by required supplementary information presenting ten-year trend data for the District's pension and other postemployment benefit (OPEB) plans. Because the District accounts for its activities in a single enterprise fund, it has no interfund transfers to report. Resources received from other governments for which the District provides no goods or services are reported as noncapital subsidies or capital contributions, as described in Note 1.



Financial Summary

The District's total net position increased by $16,484,197 during the year to $251,217,000. The increase was driven by operating income of $2,792,011, capital contributions of $14,319,299, offset by other nonoperating expenses of $627,113. Prior-year amounts presented throughout this MD&A have been restated for the correction of an error which decreased net position as of July 1, 2023 by $5,504,740.

Condensed Statement of Net Position

	June 30			Change between		Change between	
	2026	2025	2024 (Restated)	2026 and 2025		2025 and 2024	
Assets:							
Current assets	$ 45,871,976	$ 38,118,808	$ 31,903,679	$ 7,753,168	20.3%	$ 6,215,129	19.5%
Noncurrent assets	31,503,460	39,220,122	23,741,168	(7,716,662)	-19.7%	15,478,954	65.2%
Capital assets, net	268,184,229	249,445,480	237,507,997	18,738,749	7.5%	11,937,483	5.0%
Total Assets	345,559,665	326,784,410	293,152,844	18,775,255	5.7%	33,631,566	11.5%
Deferred outflows	2,678,655	2,553,651	3,098,327	125,004	4.9%	(544,676)	-17.6%
Liabilities:							
Current liabilities	$ 16,120,400	$ 11,645,090	$ 9,815,471	$ 4,475,310	38.4%	$ 1,829,619	18.6%
Noncurrent liabilities	74,907,409	76,957,878	60,175,386	(2,050,469)	-2.7%	16,782,492	27.9%
Total Liabilities	91,027,809	88,602,968	69,990,857	2,424,841	2.7%	18,612,111	26.6%
Deferred inflows	5,993,511	6,002,290	4,719,777	(8,779)	-0.1%	1,282,513	27.2%
Net Position:							
Net investment in capital assets	$ 209,538,449	$ 191,166,484	$ 182,083,302	$ 18,371,965	9.6%	$ 9,083,182	5.0%
Restricted for capacity fees	15,080,078	19,230,618	19,034,665	(4,150,540)	-21.6%	195,953	1.0%
Restricted for debt service	530,473	655,143	580,020	(124,670)	-19.0%	75,123	13.0%
Restricted for blight removal	661,423	655,408	1,043,435	6,015	0.9%	(388,027)	-37.2%
Unrestricted (deficit)	25,406,577	23,025,150	18,799,115	2,381,427	10.3%	4,226,035	22.5%
Total Net Position	$ 251,217,000	$ 234,732,803	$ 221,540,537	$ 16,484,197	7.0%	$ 13,192,266	6.0%

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	June 30			Change between		Change between	
	2026	2025	2024 (Restated)	2026 and 2025		2025 and 2024	
Operating revenues	$ 30,187,773	$ 26,119,358	$ 22,936,334	$ 4,068,415	15.6%	$ 3,183,024	13.9%
Operating expenses	27,395,762	25,217,566	22,505,329	2,178,196	8.6%	2,712,237	12.1%
Operating income	2,792,011	901,792	431,005	1,890,219	209.6%	470,787	109.2%
Other nonoperating revenues (expenses), net	(627,113)	(1,625,942)	(2,028,701)	998,829	-61.4%	402,759	-19.9%
Capital Contributions	14,319,299	13,916,416	11,678,749	402,883	2.9%	2,237,667	19.2%
Change in net position	16,484,197	13,192,266	10,081,053	3,291,931	25.0%	3,111,213	30.9%
Net position, beginning of year, as restated	234,732,803	221,540,537	211,459,484	13,192,266	6.0%	10,081,053	4.8%
Net position, end of year	251,217,000	234,732,803	221,540,537	16,484,197	7.0%	13,192,266	6.0%

One of the largest portions of the District's net position (83.4 percent, 81.4 percent, and 82.2 percent as of June 30, 2026, 2025 and 2024, 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 to fund operations. Continuing increases to the District's net investment in capital assets reflects the District's ongoing capital investment through the strategic capital improvement plan.

Restricted net position of $16,271,974 consists of the debt reserve, funds restricted for use to the removal of blighted property related to the closure of the former Fort Ord, and unspent capacity charges that are legally restricted to capacity-expanding capital projects. Unrestricted net position of $25,406,577 is available to meet the District's ongoing obligations and represents approximately 11 months of operating expenses, whereas the District's reserve policy targets an operating reserve sufficient to fund 18 months of the District's currently budgeted operating expenses.

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 $251.2 million, $234.7 million, and $221.5 million as of June 30, 2026, 2025, and 2024, respectively, showing a long-term trend of net position increases with increases primarily in net investment in capital assets and unrestricted net position while net position restricted for capacity fees realized a $4.2 million, or 21.6 percent, decrease driven by significant capital spending on expansion projects.

Continued District operating revenue increases in fiscal year 2026 were driven by several factors. In 2024, the District completed the 2024 Water, Wastewater & Recycled Water Rate Study (2024 rate study) based on a cost-of-service analysis focused on developing a rate plan to fund investment in capital replacement projects, to build reserves as outlined by the District's reserve policy, and to offset rising fixed and debt service costs. As the 2024 rate study concluded, rate increases are necessary to fight inflationary pressures, a history of tempered rate increases in the past, and to support a more proactive capital replacement investment strategy. Service rate increases effective July 1, 2025 per the 2024 rate study drove operating revenue increases across all service areas of the District. See Schedule 5 – Rates, Fees, & Charges in the Statistical Information section for more details. Additionally, the District saw approximately 290 new service connections due to continued robust community redevelopment in the Ord and Marina service areas. See Schedule 6 – Water Accounts by Type of Customer in the Statistical Information section for more details. The District enjoys a track record of conservative budgets and active management and control of

expenses. With strategic increases to operating revenues and ongoing budgetary controls to operating expenses, the District realized a tripling of operating income in fiscal year 2026 compared to 2025, and a doubling of operating income in 2025 compared to 2024.

Detailed Analyses of Significant Changes

Statement of Net Position

Current assets increased by $7.8 million, principally because cash and investments grew by $9.8 million resulting from positive operating cash flow of $7.4 million and the result of positive investment cash flow of $2.9 million.

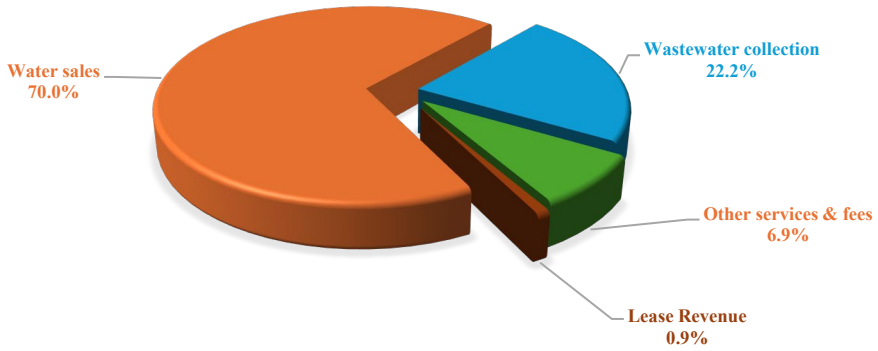
Capital assets, net, increased by $18.7 million. The increase was driven significantly by continued strong investment in the District's capital improvement program including capacity fee-funded projects for expansion the of the District's water and wastewater systems, capital replacement projects funded through previously issued bond proceeds and operating reserves, and finally continued property development activities driving donated infrastructure assets. See the Significant Capital Asset and Long-Term Financing Activity section for more detailed discussion of the underlying capital asset activity and funding sources.

Current liabilities increased by $4.5 million, or 38 percent. The most substantial portion of this increase is tied to an increase of customer deposits held in advance of service connection revenues and capacity fees recognized upon meter installation; the District took a more proactive posture in ensuring prepayment from property developers rather than invoicing in arrears, leading to an increase of $2.4 million in customer deposits on file. Additionally, the District noted an increase in accounts payable relative to prior year due in significant part to a major developer reimbursement agreement invoice for $1.8 million for Marina Station Phase 1 & 2 and legal invoices totaling $0.5 million received but not paid prior to year end.

Noncurrent liabilities decreased by $2.0 million. Total principal debt service in fiscal year 2026 reduced noncurrent liabilities by $2.3 million, which was further reduced by a decrease in the net pension liability by $0.8 million due to increases to the fiduciary net position increasing at a pace greater than the allocable total pension liability. This reduction was principally driven by strong CalPERS net investment returns during the measurement period that outpaced the discount rate target. This asset growth was further supported by the District's employer and employee cash contributions to the trust, outstripping the annual service and interest costs. However, these reductions were partially offset by the total OPEB liability increasing by nearly $1.1 million due to several factors including: the change in benefits effective with the Board-adopted memoranda of understanding in 2023, which increased from 75 percent at 63 with 20 years of service to 80 percent at 62 with just 10 years or at 62 and 25 years, it is 100 percent; medical premiums increased about 27 percent in the last two years along with higher healthcare cost trend assumptions; actuarial assumptions concerning the participation rate increased from 80 percent to 100 percent. While the discount rate increased, which decreased the liability by $0.2 million, this was not enough to offset the liability increases above.



Operating Revenues



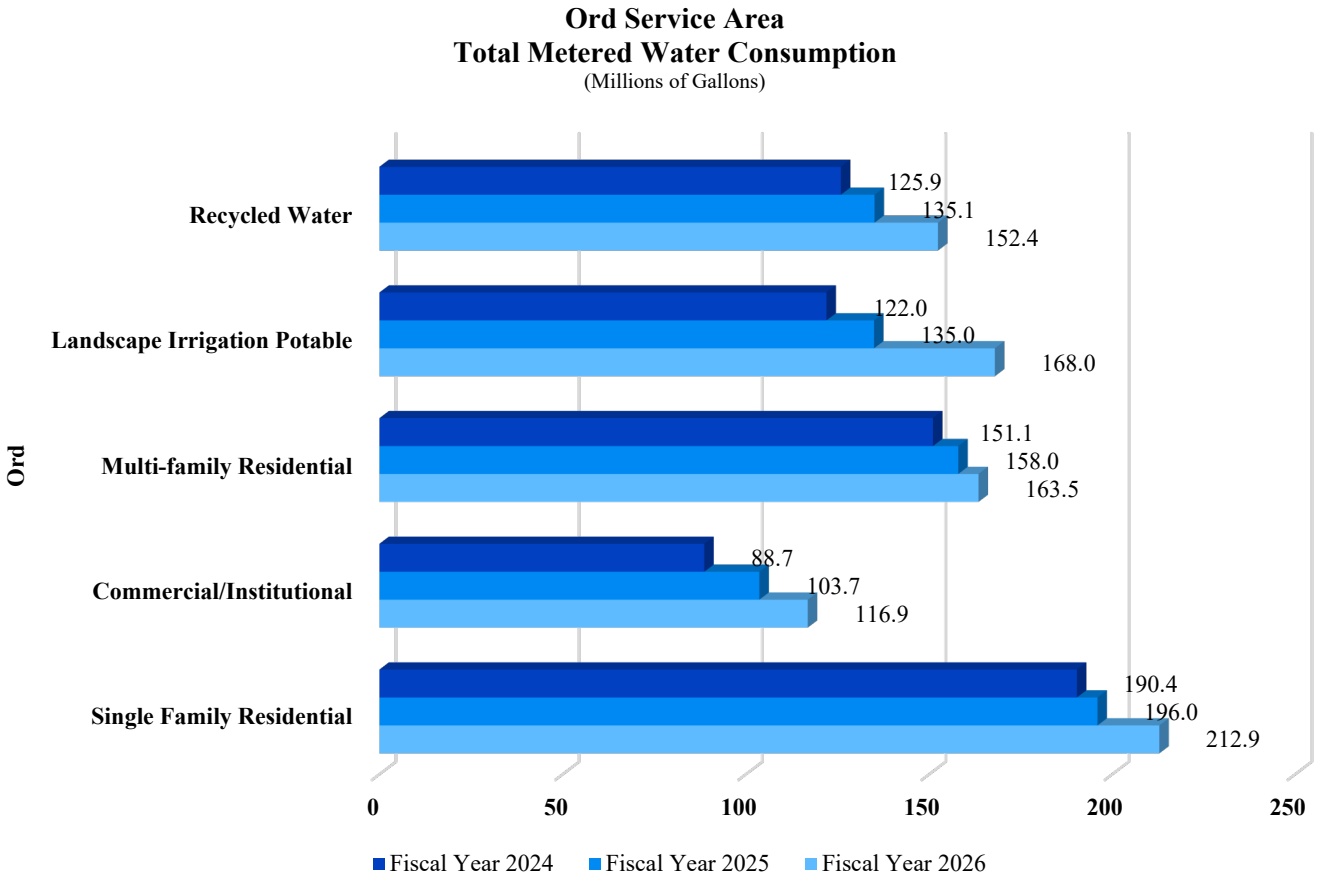
Operating Revenues

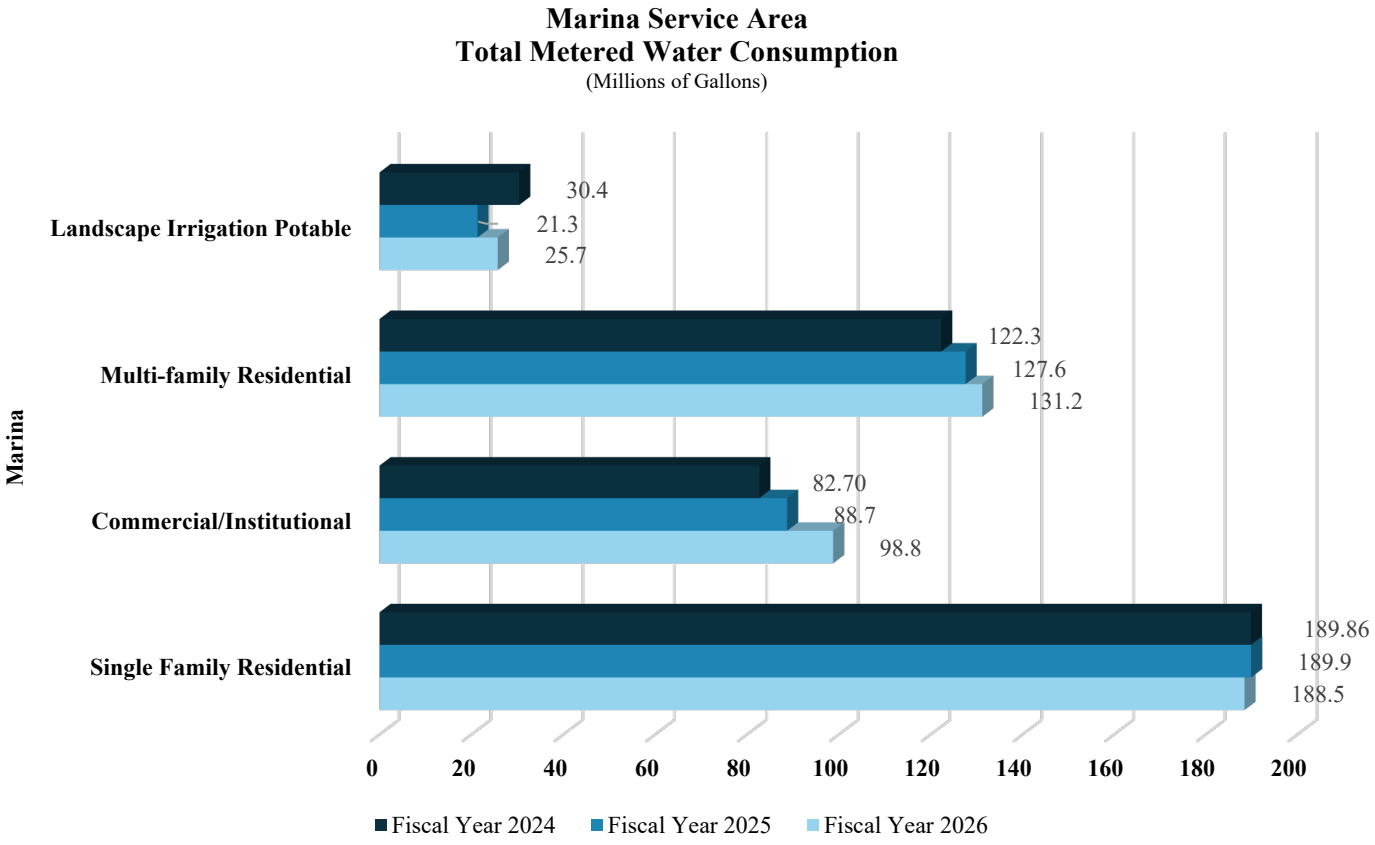
	Year Ended June 30			Change between		Change between	
	2026	2025	2024	2026 and 2025		2025 and 2024	
Operating Revenues:							
Water sales	$ 21,144,222	$ 18,099,539	$ 15,323,077	$ 3,044,683	16.8%	$ 2,776,462	18.1%
Wastewater collection	6,688,873	5,950,416	5,580,361	738,457	12.4%	370,055	6.6%
Other services & fees	2,088,124	1,863,541	1,828,640	224,583	12.1%	34,901	1.9%
Lease revenue	266,554	205,862	204,256	60,692	29.5%	1,606	0.8%
Total Operating Revenues	$ 30,187,773	$ 26,119,358	$ 22,936,334	$ 4,068,415	15.6%	$ 3,183,024	13.9%

The District finances its water sales and wastewater collection operations through user fees and other income. Total operating revenue for fiscal year 2026 was $30.2 million, an increase of $4.1 million or 15.6 percent from prior year. Total operating revenue for fiscal year 2025 was $26.1 million, an increase of $3.2 million or 13.9 percent from total operating revenue of $22.9 million in fiscal year 2024.

Upon Board adoption on April 29, 2024, the District implemented a new rate structure and an overall increase in rates beginning as of July 1, 2024, following the Proposition 218 process completed in April 2024 in connection with the 2024 rate study. In the current fiscal year, the District again increased water, wastewater, and recycled water service rates across all service areas in connection with the adopted 2024 rate study: Marina and Ord service area water and wastewater service rates increased 20 percent and 10 percent, respectively, and recycled water service rates across both service areas increased 5 percent as of July 1, 2025 as compared to the prior fiscal year. Historical service rates are shown in detail in Schedule 5 of the Statistical Section.

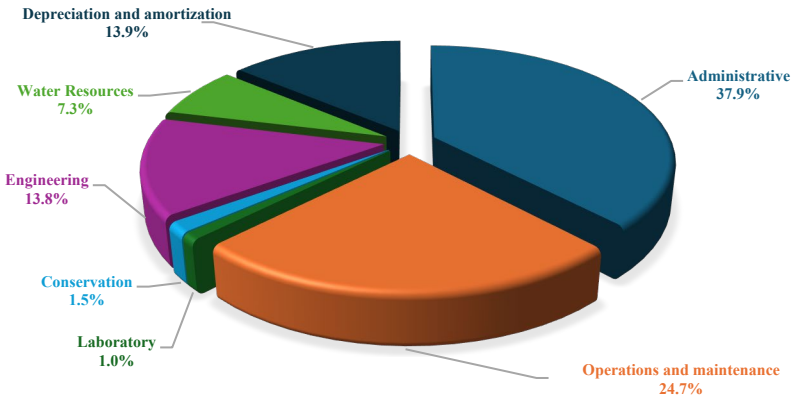
Water sales and wastewater collection revenue increased $3.0 million and $0.7 million, respectively, primarily due to the rate increases as well as approximately 290 new meter connections to the system related to continued significant large housing development projects primarily in the Ord service area , over 20 new recycled water connections, and several other new or reactivated meters.





The District realized an increase in water consumption in the current year compared to fiscal year 2025 across nearly all service areas and customer types totaling 102.5 million gallons, or 8.9 percent. While the Marina service area had notable increases in the commercial/industrial and multi-family residential market segments with an increase in the current year compared to fiscal year 2025 of 10.1 and 3.6 million gallons, respectively, the Marina service area generally realized modest growth in water consumption of 16.7 million gallons, or 3.9 percent. In comparison, and as discussed further in the capital contributions section of this analysis, the vast majority of new consumption is driven by the significant development activity in the Ord service area. The Ord service area water consumption grew a total of 85.9 million gallons this year compared to fiscal year 2025, or 11.8 percent; this growth comprises nearly 84 percent of the District-wide water consumption increase.

Operating Expenses



Operating Expenses

	Year Ended June 30			Change between		Change between	
	2026	2025	2024	2026 and 2025		2025 and 2024	
Operating Expenses:							
Administrative	$ 10,375,071	$ 8,943,641	$ 9,229,769	$ 1,431,430	16.0%	$ (286,128)	-3.1%
Operations and maintenance	6,766,746	6,596,025	5,828,094	170,721	2.6%	767,931	13.2%
Laboratory	267,894	240,154	223,150	27,740	11.6%	17,004	7.6%
Conservation	405,129	448,199	415,930	(43,070)	-9.6%	32,269	7.8%
Engineering	3,778,244	3,787,514	2,572,644	(9,270)	-0.2%	1,214,870	47.2%
Water Resources	1,989,436	1,548,561	1,041,941	440,875	28.5%	506,620	48.6%
Depreciation and amortization	3,813,242	3,653,472	3,193,801	159,770	4.4%	459,671	14.4%
Total Operating Expenses	$ 27,395,762	$ 25,217,566	$ 22,505,329	$ 2,178,196	8.6%	$ 2,712,237	12.1%

Total operating expenses for fiscal year 2026 were $27.4 million, an increase of $2.2 million or 8.6 percent from fiscal year 2025. Total operating expenses for fiscal year 2025 were $25.2 million, an increase of $2.7 million or 12.1 percent from fiscal year 2024.

In fiscal year 2026, Administrative expenses increased by $1.4 million, or 16 percent, primarily due to increased legal expenses of $2.3 million related to increased ongoing litigation, $0.5 million in increased OPEB expense discussed as part of the OPEB liability above, as well as increased medical insurance costs of $0.1 million offset by a significant decrease in bad debt expense by $1.1 million due to a major prior year recognition, $0.3 million in reduced pension expense discussed as part of the net pension liability above.

Water Resources expenses increased $0.4 million or 28.5 percent primarily due to an increase in grant-related and other consultant costs and increased legal expenses.

Noncapital Subsidies and Other Nonoperating Revenues and Expenses

Noncapital Subsidies and Other Nonoperating Revenues and Expenses

	Year Ended June 30			Change between 2026 and 2025		Change between 2025 and 2024	
	2026	2025	2024				
Other Nonoperating Revenues and Expenses:							
Gains (losses) on disposal of capital assets	31,556	(754,348)	12,714	785,904	-104.2%	(767,062)	-6033.2%
Contributions to other agencies	(1,182,974)	(801,409)	(2,118,577)	(381,565)	47.6%	1,317,168	-62.2%
Investment income	2,790,533	3,051,757	1,871,214	(261,224)	-8.6%	1,180,543	63.1%
Interest expense	(2,266,228)	(2,588,180)	(1,794,052)	321,952	-12.4%	(794,128)	44.3%
Bond issuance costs	-	(533,762)	-	533,762	100.0%	(533,762)	0.0%
Total Other Nonoperating Revenues and Expenses	(627,113)	(1,625,942)	(2,028,701)	998,829	-61.4%	402,759	-19.9%
Total Noncapital Subsidies and Other Nonoperating Revenues and Expenses	(627,113)	(1,625,942)	(2,028,701)	998,829	-61.4%	402,759	-19.9%

The significant difference between the current year gain on disposal versus significant loss on disposal is the result of a fiscal year 2025 identification of assets no longer in service or otherwise abandoned without salvage value whereas in the current year no significant disposals were noted, and each of those disposals were able to be sold at public auction for some salvage value.

The District's contributions to other agencies increased by $0.4 million in the current year due to its cost share for the Monterey One Water (M1W) advanced water treatment facility operations and maintenance costs increased in relation to the District's relative proportion of advanced treated water as well as increased costs from M1W.

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 and diversifying across institutions to maximize returns. The District's investment income was $2.8 million in 2026, a decrease from prior year of $0.3 million or 8.6 percent, driven primarily by an environment of decreasing interest rates as well as decreasing balances of unspent bond proceeds due to increased capital replacement project spending.

The Districted identified no noncapital subsidies in the current or previous fiscal years.

Capital Contributions

The District realized a net increase of $0.4 million in total capital contributions in the current year due in substantial part to a significant State capital grant of $2.5 million to fund the MCWD Groundwater Sustainability Agency's groundwater monitoring wells drilling and installation.

The District collected $5.4 million in capital contributions in the form of infrastructure donations from developers for projects upon completion in fiscal year 2026, compared to the $5.7 million in fiscal year 2025, a decrease of 4.5 percent. While new construction in the District's service area continued at a robust pace, the capacity fees collected from developers for new service connections was $5.6 million, a further decrease of $1.3 million or 19.1 percent from 2025.

Significant ongoing property developments in the District during the current fiscal year continued to drive significant capacity fee and developer fee capital contributions from approximately 290 property developer-related units, which included 97 new service connections from the Shea Homes Limited Partnership Enclave and Dunes developments, 133 new service connections from the Trumark Homes' Sea Haven development in the Ord service area as well as 44 new service connections in the Marina Station development in the Marina service area. Additionally, the District realized 16 new service connections for ADUs across both service areas.



Significant Capital Asset and Long-Term Financing Activity

Capital Assets

	June 30			Change between		Change between	
	2026	2025	2024	2026 and 2025		2025 and 2024	
Capital Assets:							
Construction work in progress	$ 13,098,579	$ 3,865,018	$ 16,877,246	9,233,561	238.9%	(13,012,228)	-77.1%
Other non-depreciable assets	114,588,667	114,523,067	114,523,067	65,600	0.1%	-	0.0%
Depreciable assets	193,815,000	180,853,664	166,293,274	12,961,336	7.2%	14,560,390	8.8%
Less accumulated depreciation and amortization	(53,318,017)	(49,796,269)	(60,185,590)	(3,521,748)	7.1%	10,389,321	-17.3%
Total Capital Assets, Net	$ 268,184,229	$ 249,445,480	$ 237,507,997	$ 18,738,749	7.5%	$ 11,937,483	5.0%

At the end of fiscal years 2026, 2025, and 2024, the District's capital assets were $268.2 million, $249.4 million, and $237.5 million, respectively, (net of accumulated depreciation and amortization). Capital asset

categories include: land and land improvements; water and wastewater treatment rights; easements; infrastructure such as transmission and distribution systems, wells, tanks, reservoirs, and pumps and related, attached equipment; buildings and structures; equipment; construction work in progress (CWIP); equipment lease assets; and subscription-based information technology agreement assets.

The current year net increase of $18.7 million is due, in significant part, to the following activities:

Construction work in progress (CWIP)

Current year additions to CWIP totaling $16.5 million across a variety of capital improvement plan projects, detailed below, offset by transfers-out totaling $7.0 million for assets placed into service upon project completion, further offset by reductions of $0.2 million for projects no longer proceeding. Total construction spending of $16.5 million included significant expenditures such as:

- Reservation Road desalination plant to renovate the existing Reservation Road desal plant to enable operations ($2.8 million),
- Monitoring well installation project to install a new monitoring well to support Groundwater Sustainability Agency activities ($2.4 million),
- Tate Park Lift Station project to install a new sanitary sewer lift station and associated gravity and force-main sewer pipes ($2.3 million),
- Inter-Garrison Road Pipeline Upsizing project to construct a new 18-inch pipeline along Inter-Garrison Road from Schoonover Road to the existing system in the East Garrison community to provide increased capacity – the approximately 1,800 linear foot pipeline supplemented an existing 12-inch line ($1.3 million),
- Solar Energy and Battery Storage at 920 lmjin Parkway project to procure and install new solar array and backup power system at lmjin Office Park to increase energy grid reliability and sustainability. ($2.0 million),
- Reimbursement to Shea Homes Limited Partnership for installation of the new, realigned 1st Avenue 2,000 linear foot 30" Sewer Main ($0.70 million),
- California Avenue Pipeline project to install 1,225 linear feet of new 16-inch pipeline to supplement an existing 12-inch pipeline ($0.68 million),
- Additional expenditures to the previously capitalized A1/A2 Tank and B/C Booster station project ($0.97 million),
- lmjin Parkway Sewer Manhole Rehabilitation project to rehabilitate and upgrade manholes for protection and extension of useful lives ($0.49 million),
- Lift Station Wet Well Lining Project to epoxy wet well lining within the existing precast concrete wet wells at 6 sewer lift stations. ($0.45 million), and
- 14 other various construction projects comprising the remaining $2.4 million.

Infrastructure

Additions to infrastructure included, in significant part, $5.4 million of donated assets from developers (Marina Station development infrastructure - $4.1 million; Veterans Transition Center infrastructure - $0.3 million; Sea Haven development infrastructure - $0.9 million) plus an additional $5.1 million transferred into service from CWIP for projects completed in the current fiscal year:

- Lift Station Wet Well Lining project ($0.5 million)
- Lift Station Safety Grates project ($0.3 million)
- Armstrong Ranch Pipeline ($0.3 million)
- Inter-Garrison Road Pipeline Upsizing project ($1.4 million)

- McClure Way Phase II Water project ($0.7 million)
- Lightfighter Manhole Rehab project ($0.3 million)
- Imjin Manhole Replacement project ($0.5 million)
- 1st Ave 30 inch Sewer Main ($0.7 million)
- Advanced Treated Water Irrigation Connect Turnout project ($0.3 million)

Equipment

Purchases of equipment totaling $0.4 million for 7 fleet vehicles and 1 John Deere skid steer plus $0.7 million in equipment transferred into service from CWIP due to Security Access Improvements project completion.

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

Long-Term Financing Activity

Schedule of Long-Term Liabilities

	June 30			Change between		Change between	
	2026	2025	2024	2026 and 2025		2025 and 2024	
Long-Term Liabilities:							
Bonds payable	$ 51,725,000	$ 53,045,000	$ 37,855,000	$ (1,320,000)	-2.5%	$ 15,190,000	40.1%
Loans payable	12,941,683	13,386,350	13,819,181	(444,667)	-3.3%	(432,831)	-3.1%
Lease payable	49,383	109,891	195,878	(60,508)	-55.1%	(85,987)	-43.9%
Subscription payable	58,087	56,679	109,032	1,408	2.5%	(52,353)	-48.0%
Unamortized premiums, net	4,614,228	4,915,192	3,459,440	(300,964)	-6.1%	1,455,752	42.1%
Total Long-Term Liabilities	$ 69,388,381	$ 71,513,112	$ 55,438,531	$ (2,124,731)	-3.0%	$ 16,074,581	29.0%

As of June 30, 2026, the District had $69.4 million outstanding in long-term liabilities compared to $71.5 million as of June 30, 2025 and $55.4 million as of June 30, 2024. This reduction was related in significant part purely to debt service payments for existing obligations.

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 percent 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 percent 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 percent per annum.

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



Currently Known Facts, Decisions, or Conditions

The following matters, known to management as of the date of this report, are expected to have a significant effect on the District's financial position or results of operations in future periods:

Rate adjustments: The Board adopted a five-year schedule of rate adjustments in April 2024 that includes, effective July 1, 2026: a 20 percent increase to Marina service area water and 15 percent increase to Marina service area sewer rates; a 6 percent increase to Ord service area water and 4 percent increase to Ord service area sewer rates; and a 5 percent increase recycled water service rates. The adopted rates are designed to fund approximately $45 million to renew and replace critical water, sewer, and recycled water facilities necessary to provide quality and reliable service to customers over the five-year rate study horizon, projected increases in operating costs of 3 to 10 percent per year, and the District's reserve policy. The Board of Directors adopted the District's 2026-2027 Marina and Ord Community budgets and rates on May 18, 2026. The approval of the budget provides funding for the District's operating, capital, and debt service costs for the 2026-2027 fiscal year.

S&P Credit Rating Upgrade: On August 13, 2026, S&P Global Ratings upgraded the District's long-term credit rating "AA-" to "AA", with a stable outlook.

According to S&P's evaluation, the upgrade was driven by several key factors, among others:

- Rate Structure Realignment: Completion of the 2024 rate study and adoption of a five-year rate plan through fiscal year 2029. This plan increased fixed-cost recovery to 50 percent, helping to insulate operating revenues from consumption-based water sales volatility during drought periods.
- Enhanced Water Supply Reliability: A diversified supply portfolio that leverages local sources, including a credit-supportive recycled water project with Monterey One Water (M1W) and plans to rehabilitate the District's desalination facility to buffer against climate variability.
- Economic and Service Area Expansion: Sustained growth and redevelopment within the Ord Community, which strengthens the long-term diversification of the District's primarily residential customer base.

The upgrade to an "AA" credit profile strengthens the District's standing in the municipal debt marketplace. This enhanced creditworthiness is expected to reduce borrowing costs for future debt issuances necessary to execute the District's planned infrastructure improvements, ultimately lowering long-term debt service burdens and minimizing ratepayer impacts.

Development-related activities: The District accepted a series of donated infrastructure improvements from a property developer in the Ord service area, Shea Homes Limited Partnership, on July 20, 2026:

For the Dunes on Monterey Bay Phase 1B Promenade Development project pursuant to a Board-adopted Water, Sewer, and Recycled Water Infrastructure Agreement with the District (infrastructure agreement) from June 2022, infrastructure with a recognized value of $0.6 million comprised of sewer system facilities including 2,670 linear feet of 8-inch PVC sanitary sewer pipe, 28 sanitary sewer manholes, and 91 sanitary sewer services, domestic water system facilities including 3,710 linear feet of 8-inch PVC domestic water pipe, 104 domestic water and fire service lines, and 15 fire hydrants, and a small variety of recycled water facilities;

For the Dunes on Monterey Bay Phase 2 West Development project pursuant to a Board-adopted infrastructure agreement from April 2022, infrastructure with a recognized value of $1.5 million comprised of sewer system facilities including 3,010 linear feet of 6- and 8-inch PVC sanitary sewer pipe, 18 sanitary

sewer manholes, and 68 sewer laterals, domestic water system facilities including 5,970 linear feet of 8- and 12-inch PVC domestic water pipe, 68 domestic water service lines, and 16 fire hydrants, and recycled water facilities including 2,400 linear feet of 4-inch PVC reclaimed water line; and

For the Dunes on Monterey Bay Phase 2 (Stage A) North Development project pursuant to a Board-adopted infrastructure agreement from January 2023, infrastructure with a recognized value of $0.4 million comprised of sewer system facilities including 1,235 linear feet of 6-, 8-, and 12-inch PVC sanitary sewer pipe, 5 sanitary sewer manholes, domestic water system facilities including 1,500 linear feet of 8- and 12-inch PVC domestic water pipe and 3 fire hydrants, and a small variety of recycled water facilities.

Reservation Road Desalination Rehabilitation Project: As noted above, the District adopted the 2026-2027 Marina and Ord Community budgets on May 18, 2026, which included additional funding to rehabilitate, upgrade, and place into service the District's desalination plant at the Reservation Road facility. The District currently projects this project to be placed into service in March 2027, which will bolster the District's water supply by providing an additional 300 acre-feet per year of water capacity.

Pension costs: CalPERS has notified the District that required employer contribution rates for the Miscellaneous Plan will decrease from 10.76 percent to 10.75 percent and 7.96 percent to 7.93 percent of payroll in fiscal year 2027 for Classic members and PEPRA members, respectively, in addition to an unfunded accrued liability payment of $528,943.

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.

Requests for Information

This financial report is designed to provide the District's elected officials, customers, investors, creditors, and other interested parties with a general 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.



Currently Known Facts, Decisions, or Conditions

The following matters, known to management as of the date of this report, are expected to have a significant effect on the District's financial position or results of operations in future periods:

Rate adjustments: The Board adopted a five-year schedule of rate adjustments in April 2024 that includes, effective July 1, 2026: a 20 percent increase to Marina service area water and 15 percent increase to Marina service area sewer rates; a 6 percent increase to Ord service area water and 4 percent increase to Ord service area sewer rates; and a 5 percent increase recycled water service rates. The adopted rates are designed to fund approximately $45 million to renew and replace critical water, sewer, and recycled water facilities necessary to provide quality and reliable service to customers over the five-year rate study horizon, projected increases in operating costs of 3 to 10 percent per year, and the District's reserve policy. The Board of Directors adopted the District's 2026-2027 Marina and Ord Community budgets and rates on May 18, 2026. The approval of the budget provides funding for the District's operating, capital, and debt service costs for the 2026-2027 fiscal year.

S&P Credit Rating Upgrade: On August 13, 2026, S&P Global Ratings upgraded the District's long-term credit rating "AA-" to "AA", with a stable outlook.

According to S&P's evaluation, the upgrade was driven by several key factors, among others:

- Rate Structure Realignment: Completion of the 2024 rate study and adoption of a five-year rate plan through fiscal year 2029. This plan increased fixed-cost recovery to 50 percent, helping to insulate operating revenues from consumption-based water sales volatility during drought periods.
- Enhanced Water Supply Reliability: A diversified supply portfolio that leverages local sources, including a credit-supportive recycled water project with Monterey One Water (M1W) and plans to rehabilitate the District's desalination facility to buffer against climate variability.
- Economic and Service Area Expansion: Sustained growth and redevelopment within the Ord Community, which strengthens the long-term diversification of the District's primarily residential customer base.

The upgrade to an "AA" credit profile strengthens the District's standing in the municipal debt marketplace. This enhanced creditworthiness is expected to reduce borrowing costs for future debt issuances necessary to execute the District's planned infrastructure improvements, ultimately lowering long-term debt service burdens and minimizing ratepayer impacts.

Development-related activities: The District accepted a series of donated infrastructure improvements from a property developer in the Ord service area, Shea Homes Limited Partnership, on July 20, 2026:

For the Dunes on Monterey Bay Phase 1B Promenade Development project pursuant to a Board-adopted Water, Sewer, and Recycled Water Infrastructure Agreement with the District (infrastructure agreement) from June 2022, infrastructure with a recognized value of $0.6 million comprised of sewer system facilities including 2,670 linear feet of 8-inch PVC sanitary sewer pipe, 28 sanitary sewer manholes, and 91 sanitary sewer services, domestic water system facilities including 3,710 linear feet of 8-inch PVC domestic water pipe, 104 domestic water and fire service lines, and 15 fire hydrants, and a small variety of recycled water facilities;

For the Dunes on Monterey Bay Phase 2 West Development project pursuant to a Board-adopted infrastructure agreement from April 2022, infrastructure with a recognized value of $1.5 million comprised of sewer system facilities including 3,010 linear feet of 6- and 8-inch PVC sanitary sewer pipe, 18 sanitary

sewer manholes, and 68 sewer laterals, domestic water system facilities including 5,970 linear feet of 8- and 12-inch PVC domestic water pipe, 68 domestic water service lines, and 16 fire hydrants, and recycled water facilities including 2,400 linear feet of 4-inch PVC reclaimed water line; and

For the Dunes on Monterey Bay Phase 2 (Stage A) North Development project pursuant to a Board-adopted infrastructure agreement from January 2023, infrastructure with a recognized value of $0.4 million comprised of sewer system facilities including 1,235 linear feet of 6-, 8-, and 12-inch PVC sanitary sewer pipe, 5 sanitary sewer manholes, domestic water system facilities including 1,500 linear feet of 8- and 12-inch PVC domestic water pipe and 3 fire hydrants, and a small variety of recycled water facilities.

Reservation Road Desalination Rehabilitation Project: As noted above, the District adopted the 2026-2027 Marina and Ord Community budgets on May 18, 2026, which included additional funding to rehabilitate, upgrade, and place into service the District's desalination plant at the Reservation Road facility. The District currently projects this project to be placed into service in March 2027, which will bolster the District's water supply by providing an additional 300 acre-feet per year of water capacity.

Pension costs: CalPERS has notified the District that required employer contribution rates for the Miscellaneous Plan will decrease from 10.76 percent to 10.75 percent and 7.96 percent to 7.93 percent of payroll in fiscal year 2027 for Classic members and PEPRA members, respectively, in addition to an unfunded accrued liability payment of $528,943.

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.

Requests for Information

This financial report is designed to provide the District's elected officials, customers, investors, creditors, and other interested parties with a general 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.



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BASIC FINANCIAL STATEMENTS

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Marina Coast Water District
Statements of Net Position
June 30, 2026 and 2025

	2026	2025
ASSETS		
Current assets:		
Cash and investments	$ 36,822,938	$ 27,021,592
Accounts receivable - net	7,494,438	7,712,832
Interest receivable	214,994	295,130
Other receivables	438,595	2,117,790
Inventories	424,177	597,231
Prepaid items	215,541	137,124
Deposits	15,762	15,762
Leases receivable, current	245,531	221,347
Total current assets	45,871,976	38,118,808
Noncurrent assets:		
Restricted cash and investments	29,166,195	36,695,515
Leases receivable, noncurrent	2,337,265	2,524,607
Capital assets - net	268,184,229	249,445,480
Total noncurrent assets	299,687,689	288,665,602
TOTAL ASSETS	$ 345,559,665	$ 326,784,410
DEFERRED OUTFLOWS OF RESOURCES		
Pension adjustments	$ 1,772,122	$ 2,116,329
OPEB adjustments	906,533	437,322
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 2,678,655	$ 2,553,651
LIABILITIES		
Current liabilities:		
Accounts payable	$ 4,525,602	$ 3,333,968
Accrued liabilities	4,939,313	3,493,098
Accrued payroll liabilities	431,144	345,447
Interest payable	346,857	575,191
Customer Deposits	3,153,061	762,702
Retention Payable	267,312	864,622
Current portion of long-term liabilities	2,100,491	1,918,426
Compensated absences, current	356,620	351,636
Total current liabilities	16,120,400	11,645,090
Noncurrent liabilities:		
Long-term liabilities	67,287,890	69,594,686
Net pension liability	4,337,615	5,186,776
Total OPEB liability	2,241,324	1,172,024
Compensated absences	1,040,580	1,004,392
Total noncurrent liabilities	74,907,409	76,957,878
TOTAL LIABILITES	$ 91,027,809	$ 88,602,968
DEFERRED INFLOWS OF RESOURCES		
Pension adjustments	$ 586,926	$ 62,040
OPEB Adjustments	1,406,480	1,599,688
Debt refunding gains	1,884,308	2,055,608
Leases	2,115,797	2,284,954
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 5,993,511	$ 6,002,290
NET POSITION		
Net investment in capital assets	$ 209,538,449	$ 191,166,484
Restricted for capacity fees	15,080,078	19,230,618
Restricted for debt service	530,473	655,143
Restricted for blight removal	661,423	655,408
Unrestricted	25,406,577	23,025,150
TOTAL NET POSITION	$ 251,217,000	$ 234,732,803

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, 2026 and 2025

	2026	2025
OPERATING REVENUES		
Water services	$ 21,144,222	$ 18,099,539
Wastewater services	6,688,873	5,950,416
Other services and fees	2,088,124	1,863,541
Lease revenue	266,554	205,862
Total operating revenues	30,187,773	26,119,358
OPERATING EXPENSES		
Administrative	10,375,071	8,943,641
Operations and maintenance	6,766,746	6,596,025
Laboratory	267,894	240,154
Conservation	405,129	448,199
Engineering	3,778,244	3,787,514
Water resources	1,989,436	1,548,561
Depreciation and amortization	3,813,242	3,653,472
Total operating expenses	27,395,762	25,217,566
Operating income (loss)	2,792,011	901,792
OTHER NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on sales of assets	31,556	(754,348)
Contributions to other agencies	(1,182,974)	(801,409)
Investment income	2,790,533	3,051,757
Interest expense	(2,266,228)	(2,588,180)
Bond Issuance Cost	-	(533,762)
Total other nonoperating revenues(expenses)	(627,113)	(1,625,942)
Income (loss) before capital contributions	2,164,898	(724,150)
CAPITAL CONTRIBUTIONS		
Grants	2,512,233	486,036
Developer capacity and connection fees	6,409,206	7,777,440
Developer contributions	5,397,860	5,652,940
Total capital contributions	14,319,299	13,916,416
Change in net position	16,484,197	13,192,266
Total net position - beginning	234,732,803	221,540,537
Total net position - ending	$ 251,217,000	$ 234,732,803

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, 2026 and 2025

	2026	2025
Cash flows from operating activities:		
Received from customers and users	$ 30,627,092	$ 26,689,286
Paid to suppliers	(13,450,398)	(11,023,034)
Paid to employees	(9,751,464)	(9,030,912)
Net cash provided (used) by operating activities	7,425,230	6,635,340
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(16,331,890)	(13,880,456)
Proceeds from insurance claim on stolen property	2,189	-
Sale of capital assets	29,354	20,591
Grant receipts	3,252,036	668,862
Payments to (from) other agencies for share of capital financing	3,127	(595,814)
Developer contributions, capacity and connection receipts	9,769,373	11,167,294
Issuance of long-term liabilities	-	40,688,938
Principal paid on long-term liabilities	(1,952,536)	(22,552,017)
Interest paid on long-term liabilities	(2,795,526)	(3,014,412)
Bond issuance cost	-	(533,762)
Net cash provided (used) by capital and related financing activities	(8,023,873)	11,969,224
Cash flows from investing activities:		
Investment income (loss)	2,870,669	3,015,054
Net cash provided (used) by investing activities	2,870,669	3,015,054
Net increase (decrease) in cash and cash equivalents	2,272,026	21,619,618
Cash and cash equivalents - beginning	63,717,107	42,097,489
Cash and cash equivalents - ending	$ 65,989,133	$ 63,717,107
Reconciliation to the Statement of Net Position		
Cash and investments	$ 36,822,938	$ 27,021,592
Restricted cash and investments	29,166,195	36,695,515
Total cash and cash equivalents	$ 65,989,133	$ 63,717,107

Continued

Marina Coast Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2026 and 2025

	2026	2025
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	$ 2,792,011	$ 901,792
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	3,813,242	3,653,472
Change in operating assets and liabilities:		
Accounts receivables	218,394	515,440
Leases receivable	163,158	36,998
Inventories	173,054	(63,423)
Prepaid items	(78,417)	(48,387)
Deferred outflows of resources	(125,004)	544,676
Accounts payable	(527,775)	662,659
Accrued liabilities	260,114	(83,626)
Accrued payroll liabilities	85,697	60,870
Customer deposits	57,767	17,490
Net pension liabilities	(849,161)	(18,948)
Total OPEB liability	1,069,300	42,168
Compensated absences	41,172	675,055
Deferred inflows of resources	331,678	(260,896)
Net cash provided (used) by operating activities	$ 7,425,230	$ 6,635,340
Capital and related financing noncash items		
Capital accounts payable	$ 2,875,015	$ 1,155,606
Retention payable	$ 267,312	$ 191,705
Lease and SBITA additions	$ 128,769	$ 10,954
Amortization of deferred charges and premiums	$ 300,964	$ 755,651
Developer contribution of capital assets	$ 5,397,860	$ 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, 2026 and June 30, 2025

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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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.

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

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:

	2026	2025
Capital assets, net	$ 268,184,229	$ 249,445,480
2019 Revenue Bonds	(17,052,241)	(17,504,730)
2024 Revenue Bonds	(20,256,356)	(20,297,500)
2025 Refunding Revenue Bonds	(19,030,631)	(20,157,961)
Unspent 2019 Bond proceeds	910	874
Unspent 2024 Bond proceeds	12,893,311	16,153,471
CWSRF Loan - Transmission	(3,595,417)	(3,703,138)
WRFP Prop 1 Loan - Transmission	(1,051,689)	(1,084,391)
CWSRF Loan - Distribution	(4,495,771)	(4,624,234)
WRFP Prop 1 Loan - Distribution	(1,883,281)	(1,937,100)
Santa Cruz Bank Installment Loan	(1,915,525)	(2,037,486)
Leases payable	(49,383)	(109,892)
SBITAs payable	(58,087)	(56,679)
Retention payable	(267,312)	(864,622)
Deferred gain on refunding debt	(1,884,308)	(2,055,608)
Net investment in capital assets	$ 209,538,449	$ 191,166,484

- 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

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, 2024
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025

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.

GAAP requires 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, 2025
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025

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.

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. 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 and space for telecom equipment. 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.

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 $10,000.

Depreciation and amortization is recorded using the straight-line method over the estimated useful lives of the capital assets which range from 10 to 80 years for the plant and pipelines, and 5 to 20 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, plus 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.

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 $10,000 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

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 (State Unemployment Insurance), 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

10 years of service or more 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.

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

During the fiscal year ended June 30, 2026, the District implemented the following Governmental Accounting Standards Board (GASB) Statements:

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

This Statement amends the financial reporting model established by GASB Statement No. 34. Among other provisions, it requires management's discussion and analysis to be presented in five prescribed sections and limited to currently known facts; defines unusual or infrequent items and requires that they be presented separately as the last flows reported before the net change in resources; requires the proprietary fund statement of revenues, expenses, and changes in fund net position to distinguish operating from nonoperating revenues and expenses and to present subtotals for operating income (loss) and noncapital subsidies; requires that major component unit information be presented in the reporting entity's financial statements or in combining statements; and requires budgetary comparison information to be presented as required supplementary information, including variances between the original and final budgets and between the final budget and actual results. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. Implementation of this Statement changed the presentation of management's discussion and analysis, the proprietary fund statement of revenues, expenses, and changes in fund net position, and the budgetary comparison schedules, and did not affect the District's net position or fund balances.

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

This Statement requires lease assets recognized under GASB Statement No. 87, intangible right-to-use assets recognized under GASB Statement No. 94, and subscription assets recognized under GASB Statement No. 96 to be disclosed separately by major class of underlying asset in the capital assets note disclosures. It also requires separate disclosure of other intangible assets by major class and disclosure of capital assets held for sale, including their historical cost and accumulated depreciation by major class and any debt for which the assets are pledged as collateral. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. Implementation of this Statement expanded the capital asset disclosures in Note 6 and had no effect on amounts reported in the financial statements.

Upcoming Accounting and Reporting Changes

GASB has issued the following Statement that is not yet effective for the fiscal year ended June 30, 2026. The District is evaluating the effect this Statement will have on its financial statements and will implement it as of its effective date.

GASB Statement No. 105, *Subsequent Events*

In December 2025, GASB issued Statement No. 105, which supersedes the subsequent events guidance contained in GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards. The Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. Recognized subsequent events provide additional evidence about conditions that existed at the date of the financial statements and are reflected in the amounts reported; nonrecognized subsequent events relate to conditions that arose after that date and are disclosed rather than recognized. Nonrecognized subsequent events that have a significant effect and that relate to debt, government combinations or disposals of government operations, changes in the composition of the financial reporting entity, or other matters essential to a user's analysis require disclosure of the nature of the event, its effect, and an estimate of its financial effect or a statement that such an estimate cannot be made. The Statement also requires disclosure of the date through which subsequent events were evaluated. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. The District will implement this Statement for the fiscal year ending June 30, 2027. Management does not expect this Statement to have a material effect on the District's financial position or results of operations; its effect is expected to be limited to note disclosures.

NOTE 2 - CASH AND INVESTMENTS

The following summarizes the District's cash and investments:

	2026	2025
Unrestricted Cash and Investments:		
Cash on hand	$ 1,350	$ 1,350
Deposits with Financial Institutions		
Checking and savings accounts	17,424,350	15,731,977
Money market accounts	5,203,346	-
Certificate of deposit	-	2,630,143
Local Agency Investment Fund	11,294,635	4,933,732
California CLASS Investment Pool	2,899,257	3,724,390
Total Unrestricted Cash and Investments	36,822,938	27,021,592
Restricted Cash and Investments		
Deposits with Financial Institutions		
Checking and savings accounts	5,249,241	5,695,076
Money market accounts	2,965,172	1,213,859
Certificate of deposit	-	5,786,313
Bond project	12,897,712	16,167,782
Local Agency Investment Fund	4,538,831	2,490,440
California CLASS Investment Pool	3,515,239	5,342,045
Total Restricted Cash and Investments	29,166,195	36,695,515
Total Cash and Investments	$ 65,989,133	$ 63,717,107

Cash Deposits (Collateral and Categorization Requirements)

As of June 30, 2026, the District's carrying amount of demand deposits was $30,857,335 and the bank account balance was $31,736,965. The difference of $879,630 represented outstanding checks and deposits in transit. Of the total deposit balance, $250,000 was insured by federal depository insurance and $31,236,965 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, 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 balances, $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.

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.

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, 2026:

	Investment Maturities (in Years)	
Investment Type	Less Than 1	Fair Value
State Investment Pool (LAIF)	$ 15,833,466	$ 15,833,466
California CLASS Investment Pool	6,414,496	6,414,496
Debt Reserve Fund/ Bond Fund (T-Fund Money Market)	13,424,694	13,424,694
Total	$ 35,672,656	$ 35,672,656

The following table summarizes the District's investments and maturities as of June 30, 2025:

	Investment Maturities (in Years)	
Investment Type	Less Than 1	Fair Value
State Investment Pool (LAIF)	$ 7,424,172	$ 7,424,172
California CLASS Investment Pool	9,066,435	9,066,435
Debt Reserve Fund/ Bond Fund (T-Fund Money Market)	16,809,489	16,809,489
Total	$ 33,300,096	$ 33,300,096

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, 2026:

Investment Type	Total as of June 30, 2026	Minimum Legal Rating	A or Higher	Not Rated
State Investment Pool (LAIF)	$ 15,833,466	N/A	$ -	$ 15,833,466
California CLASS Investment Pool	6,414,496	N/A	-	6,414,496
Debt Reserve Fund/ Bond Project Fund (T-Fund Money Market)	13,424,694	N/A	13,424,694	-
Total	$ 35,672,656		$ 13,424,694	$ 22,247,962

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
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	$ 33,300,096		$ 16,809,489	$ 16,490,607

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, 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, 2026 and 2025, was approximately $193 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, 2026, was approximately $2 billion.

NOTE 3 - RECEIVABLES

Accounts Receivable

At June 30, 2026 and 2025, accounts receivable consisted of utility customer receivables of $7,843,757 and $7,964,265, respectively. The allowance for uncollectible accounts related to utility customers was $349,319 and $251,433, respectively.

Other Receivables

Other receivable balance, net of allowance for doubtful accounts, currently outstanding at June 30, 2026 and 2025 was $933,285 and $2,613,037, 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 $494,690 and $495,247, respectively, as of June 30, 2026 and 2025.

NOTE 4 - LEASES RECEIVABLE

The District is a lessor of office space and space of telecom equipment 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, 2026, the District recognized $250,016 in lease revenue and $130,736 in interest revenue. For the fiscal year ended June 30, 2025, the District recognized $200,783 in lease revenue and $135,054 in interest revenue. The following summarizes the changes in leases receivable for fiscal years ended June 30, 2026 and 2025:

Year Ending June 30,	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2026	$ 2,745,954	$ 71,399	$ (234,557)	$ 2,582,796	$ 245,531
2025	2,782,952	143,270	(180,268)	2,745,954	221,347

The following summarizes the future collections for leases:

Year Ending June 30	Principal	Interest	Total
2027	$ 245,531	$ 120,135	$ 365,666
2028	256,985	108,682	365,667
2029	268,994	96,673	365,667
2030	258,090	84,263	342,353
2031	243,184	72,137	315,321
2032 - 2036	1,310,012	161,488	1,471,500
	2,582,796	643,378	3,226,174

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
2027	$ 250,017
2028	250,017
2029	250,017
2030	227,976
2031	200,783
2032 - 2036	936,987
	2,115,797

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, 2026:

Fund	Due from Other Funds	Due to Other Funds
Marina Water	$ 476,383	$ 581,501
Marina Sewer	289,315	227,325
Ord Water	657,001	-
Ord Sewer	272,663	-
Recycled Water	-	1,178,770
Groundwater Sustainability Agency	292,234	-
Total due from/to	$ 1,987,596	$ 1,987,596

The following summarizes interfund loans as of June 30, 2026:

Fund	Interfund Loans Receivable	Interfund Loans Payable
Ord Sewer	$ 10,359,353	$ -
Recycled Water	-	10,359,353
Total	$ 10,359,353	$ 10,359,353

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, 2026:

Year Ending June 30	Principal	Interest	Total
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	549,586	82,149	631,735
2032-2036	2,831,474	327,199	3,158,673
2037-2041	2,975,907	182,766	3,158,673
2042-2044	1,857,922	31,027	1,888,949
Total	10,359,353	1,005,615	11,364,968

NOTE 6 - CAPITAL ASSETS

The District's capital assets consisted of the following as of June 30, 2026:

Description	Beginning Balance	Additions	Deletions	Transfers/ Adjustments	Ending Balance
Non-depreciable:					
Land	$ 14,437,014	$ -	$ -	$ -	$ 14,437,014
Property easement	25,206,643	-	-	65,600	25,272,243
Water/sewer rights	74,879,410	-	-	-	74,879,410
Construction work in progress	3,865,018	16,454,493	(208,396)	(7,012,536)	13,098,579
Total Non-Depreciable	118,388,085	16,454,493	(208,396)	(6,946,936)	127,687,246
Depreciable/Amortizable:					
Land Improvements	250,921			-	250,921
Property easement	369,000	-	-	-	369,000
Buildings & Improvements	10,010,669	-		107,439	10,118,108
Equipment	7,335,949	383,086	(148,852)	(2,282,125)	5,288,058
Infrastructure	162,291,630	5,794,303		9,121,622	177,207,555
Subscription assets	189,744	88,287	(87,032)	-	190,999
Lease assets:					
Buildings and improvements	318,315	-	-	-	318,315
Equipment	87,436	40,482	(55,874)	-	72,044
Total Depreciable/Amortizable	180,853,664	6,306,158	(291,758)	6,946,936	193,815,000
Less Accumulated Depreciation/Amortization:					
Land Improvements	(90,681)	(17,451)	-	-	(108,132)
Property easement	(55,919)	(7,382)	-	-	(63,301)
Buildings & Improvements	(2,556,348)	(320,315)		(227,927)	(3,104,590)
Equipment	(2,632,722)	(497,686)	148,852	1,021,818	(1,959,738)
Infrastructure	(44,065,784)	(2,767,975)	-	(793,891)	(47,627,650)
Subscription assets	(118,028)	(81,886)	87,032	-	(112,882)
Lease assets					
Buildings and improvements	(212,210)	(106,105)	-	-	(318,315)
Equipment	(64,577)	(14,442)	55,610	-	(23,409)
Total Accumulated Dep/Amort	(49,796,269)	(3,813,242)	291,494	-	(53,318,017)
Total Dep/Amort - Net	131,057,395	2,492,916	(264)	6,946,936	140,496,983
Total Capital Assets - Net	$ 249,445,480	$ 18,947,409	$ (208,660)	$ -	$ 268,184,229

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, 2026 was $3,813,244.

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 work in progress	16,877,246	9,855,660	-	(22,867,888)	3,865,018
Total Non-Depreciable	131,400,313	9,855,660	-	(22,867,888)	118,388,085
Depreciable/Amortizable:					
Land improvements	180,099	98,950	(28,128)	-	250,921
Property easement	369,000	-	-	-	369,000
Buildings and 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	166,293,274	6,516,316	(14,823,814)	22,867,888	180,853,664
Less Accumulated Depreciation/Amortization:					
Land improvements	(109,077)	(9,732)	28,128	-	(90,681)
Property easement	(48,539)	(7,380)	-	-	(55,919)
Buildings and 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	(60,185,590)	(3,653,472)	14,042,793	-	(49,796,269)
Total Dep/Amort - Net	106,107,684	2,862,844	(781,021)	22,867,888	131,057,395
Total Capital Assets - Net	$ 237,507,997	$ 12,718,504	$ (781,021)	$ -	$ 249,445,480

Depreciation and amortization expense for the year ended June 30, 2025 was $3,653,472.

NOTE 7 - LONG-TERM LIABILITIES

The District's changes in long-term liabilities consisted of the following as of June 30, 2026:

Long-term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Long-term Debt:					
2019 Series Revenue Bonds - Publicly offered	15,885,000	-	(385,000)	15,500,000	405,000
Unamortized premiums	1,619,730	-	(67,489)	1,552,241	-
Total 2019 Series Revenue Bonds	17,504,730	-	(452,489)	17,052,241	405,000
2024 Series Revenue Bonds - Publicly offered	19,310,000	-	-	19,310,000	-
Unamortized premiums	987,501	-	(41,145)	946,356	-
Total 2024 Series Bonds	20,297,501	-	(41,145)	20,256,356	-
2025 Refunding Bonds - Publicly offered	17,850,000	-	(935,000)	16,915,000	1,195,000
Unamortized premiums	2,307,961	-	(192,330)	2,115,631	-
Total 2025 Refunding Bonds	20,157,961	-	(1,127,330)	19,030,631	1,195,000
CWSRF Loan - Transmission	3,703,138	-	(107,721)	3,595,417	109,660
WRFP Prop 1 Loan - Transmission	1,084,391	-	(32,702)	1,051,689	33,291
CWSRF Loan - Distribution	4,624,235	-	(128,464)	4,495,771	130,780
WRFP Prop 1 Loan - Distribution	1,937,100	-	(53,819)	1,883,281	54,779
Santa Cruz Cnty Bank Inst. Loan (Pvt Placement	2,037,486	-	(121,961)	1,915,525	129,075
Total Long-Term Debt	71,346,542	-	(2,065,631)	69,280,911	2,057,585
Lease payable	109,891	40,265	(100,773)	49,383	14,240
Subscription payable	56,679	88,287	(86,879)	58,087	28,666
Net Pension Liabilities	5,186,776	2,745,412	(3,594,573)	4,337,615	-
Total OPEB Liability	1,172,024	2,221,969	(1,152,669)	2,241,324	-
Compensated absences	1,356,028	681,204	(640,032)	1,397,200	356,620
Total Long-term Liabilities	$ 79,227,940	$ 5,777,137	$ (7,640,557)	$ 77,364,520	$ 2,457,111

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 A 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

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, 2026:

Year Ending June 30	Principal	Interest	Total
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	490,000	514,150	1,004,150
2032 - 2036	2,815,000	2,211,850	5,026,850
2037 - 2041	3,435,000	1,595,300	5,030,300
2042 - 2046	4,170,000	860,400	5,030,400
2047 - 2051	2,845,000	172,350	3,017,350
Total Debt Service	$ 15,500,000	$ 7,634,150	$ 23,134,150

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, 2026:

Year Ending June 30	Principal	Interest	Total
2027	$ -	$ 826,100	$ 826,100
2028	-	826,100	826,100
2029	-	826,100	826,100
2030	-	826,100	826,100
2031	-	826,100	826,100
2032 - 2036	-	4,130,500	4,130,500
2037 - 2041	5,370,000	3,744,250	9,114,250
2042 - 2046	8,195,000	2,157,800	10,352,800
2047 - 2050	5,745,000	465,600	6,210,600
Total Debt Service	$19,310,000	$14,628,650	$33,938,650

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, 2026:

Year Ending June 30	Principal	Interest	Total
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	1,445,000	569,850	2,014,850
2032 - 2036	8,400,000	1,688,500	10,088,500
2037	1,940,000	77,600	2,017,600
Total Debt Service	$16,915,000	$5,271,600	$22,186,600

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.

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 WRFP 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, 2026, 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, 2026:

Year Ending June 30	Principal	Interest	Total
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	117,771	56,607	174,378
2032 - 2036	621,428	250,459	871,887
2037 - 2041	679,407	192,480	871,887
2042 - 2046	742,795	129,092	871,887
2047 - 2051	812,096	59,791	871,887
2052	171,294	3,084	174,378
Total Debt Service	$ 3,595,417	$ 938,399	$ 4,533,816

The future principal and interest payments on the WRFP Prop 1 Loan – Transmission were as follows as of June 30, 2026:

Year Ending June 30	Principal	Interest	Total
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	35,753	16,468	52,221
2032 - 2036	188,654	72,452	261,106
2037 - 2041	206,256	54,850	261,106
2042 - 2046	225,499	35,607	261,106
2047 - 2051	246,538	14,568	261,106
2052	12,187	220	12,407
Total Debt Service	$ 1,051,689	$ 266,247	$ 1,317,936

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

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, 2026, 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, 2026:

Year Ending June 30	Principal	Interest	Total
2027	$ 130,780	$ 80,924	$ 211,704
2028	133,132	78,570	211,702
2029	135,528	76,174	211,702
2030	137,968	73,734	211,702
2031	140,451	71,251	211,702
2032 - 2036	741,101	317,408	1,058,509
2037 - 2041	810,244	248,265	1,058,509
2042 - 2046	885,839	172,670	1,058,509
2047 - 2051	968,487	90,022	1,058,509
2052 - 2053	412,241	11,161	423,402
Total Debt Service	$ 4,495,771	$ 1,220,179	$ 5,715,950

The future principal and interest payments on the WRFP Prop 1 Loan – Distribution were as follows as of June 30, 2026:

Year Ending June 30	Principal	Interest	Total
2027	$ 54,779	$ 33,899	$ 88,678
2028	55,769	32,913	88,682
2029	56,773	31,909	88,682
2030	57,795	30,887	88,682
2031	58,835	29,847	88,682
2032 - 2036	310,448	132,963	443,411
2037 - 2041	339,413	103,998	443,411
2042 - 2046	371,079	72,332	443,411
2047 - 2051	405,701	37,710	443,411
2052 - 2053	172,689	4,676	177,365
Total Debt Service	$ 1,883,281	$ 511,134	$ 2,394,415

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

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, 2026:

Year Ending June 30	Principal	Interest	Total
2027	$ 129,075	$ 108,314	$ 237,389
2028	136,603	100,785	237,388
2029	144,571	92,817	237,388
2030	153,003	84,385	237,388
2031	161,927	75,461	237,388
2032 - 2036	962,816	224,124	1,186,940
2037	227,530	9,859	237,389
Total Debt Service	$ 1,915,525	$ 695,745	$ 2,611,270

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, 2026:

Year Ending June 30	Principal	Interest	Total
2027	$ 14,240	$ 869	$ 15,109
2028	10,140	610	10,750
2029	10,345	406	10,751
2030	9,982	198	10,180
2031	4,676	35	4,711
Total Debt Service	$ 49,383	$ 2,118	$ 51,501

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, 2026:

Year Ending June 30	Principal	Interest	Total
2027	$ 28,666	$ 1,535	$ 30,201
2028	29,421	778	30,199
Total Debt Service	$ 58,087	$ 2,313	$ 60,400

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, 2026 and 2025, are summarized as follows:

	2026		2025	
	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%	7.00%	7.75%
Required employer contribution rates	10.76%	7.96%	10.71%	7.87%

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

	2026	2025
Active	41	41
Transferred	11	13
Separated	38	33
Retired	21	17
Total	111	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 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:

	2026	2025
Contributions - employer	$ 1,069,692	$ 972,921
Contributions - employee	481,724	458,495
Total	$ 1,551,416	$ 1,431,416

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:

	2026	2025
Proportionate Share of NPL	$ 4,337,615	$ 5,186,776

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, 2025, 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, 2024 rolled forward to June 30, 2025 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:

	2026	2025
Beginning Proportion	0.10724%	0.10411%
Ending Proportion	0.10873%	0.10724%
Change - Increase/(Decrease)	0.00149%	-0.00313%

For the year ended June 30, 2026 and 2025, the District recognized a pension expense of $1,089,626 and $1,320,326.

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

	2026		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ -	$ -	$ 133,391	$ -
Differences between Expected and Actual Experience	519,832	-	448,444	17,498
Differences between Projected and Actual Investment Earnings	-	586,927	298,596	-
Differences between Employer's Contributions and Proportionate Share of Contributions	139,447	-	82,268	44,543
Change in Employer's Proportion	43,151	-	180,708	-
Pension Contributions Made Subsequent to Measurement Date	1,069,692	-	972,921	-
Total	$ 1,772,122	$ 586,927	$ 2,116,329	$ 62,041

The District reported $1,069,692 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, 2027.

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	
	2026	2025
2026	-	426,829
2027	625,376	715,497
2028	(57,908)	41,287
2029	(227,992)	(102,245)
2030	(223,973)	-
2031	-	-
Thereafter	-	-
Total	115,503	1,081,368

Actuarial Assumptions - The total pension liabilities in the June 30, 2024 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2024
Measurement Date	June 30, 2025
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 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	Assumed Asset Allocation	Long-Term Expected Real Return [1][2]
Public Equity	37.00%	4.56%
Private Equity	17.00%	5.56%
Fixed Income	28.00%	2.53%
Real Assets	15.00%	3.03%
Private Debt	8.00%	4.93%
Strategic Leverage	-5.00%	1.40%
Total	100.00%	

(1) An expected price inflation of 2.30% used for this period.
(2) Figures are based on the 2024 Mid-Cycle Asset Liability Management 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:

	2026	2025
1% Decrease	5.90%	5.90%
Net Pension Liability	$ 7,917,284	8,433,256
Current	6.90%	6.90%
Net Pension Liability	$ 4,337,615	5,186,776
1% Increase	7.90%	7.90%
Net Pension Liability	$ 1,391,586	2,514,446

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

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 62 or order and have 10 or more years of District service. The District pays for 80% of single party premiums at 10 years of service or 100% of single party premiums at 25 years of 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:

	2026	2025
Active employees	47	41
Inactive employees	6	5
Total employees	53	46

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, 2026, the District paid $37,554 in pay-as-you-go premiums and the estimated implicit subsidy was $21,528 resulting in total payments of $59,082. 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. There are no assets accumulated in a GASB compliant trust for the District's OPEB plan.

Actuarial Assumptions

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

	2026	2025
Valuation Date:	June 30, 2025	June 30, 2023
Measurement Date:	June 30, 2025	June 30, 2024
Actuarial Cost Method:	Entry-Age Normal	Entry-Age Normal
Amortization Period:	20 years	20 years
Actuarial Assumptions:		
Discount Rate	4.71%	4.09%
Inflation	2.50%	2.30%
Payroll Increases	2.80%	2.80%
Trend Rate Pre-Medicare	7.90%	6.80%
Trend Rate Medicare	4.90%	4.17%
Mortality	CalPERS Tables	CalPERS Tables

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2025 and 2024 was 4.71% and 4.09%, 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, 2025 (measurement date), and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2025 (valuation date) for the fiscal year ended June 30, 2026 (reporting date). The following summarizes the changes in the Total OPEB liability:

	2026	**2025**
Beginning Total OPEB Liability	$ 1,172,024	$ 1,129,856
Service cost	76,313	79,011
Interest in Total OPEB Liability	50,518	45,964
Employer implicit subsidy	(1,089)	(14,944)
Changes in benefit terms	440,973	-
Balance of diff between actual/exp experience	363,523	(477)
Balance of changes in assumptions	164,333	(46,147)
Benefit payments	(25,271)	(21,239)
Net changes	1,069,300	42,168
Ending Total OPEB Liability	$ 2,241,324	$ 1,172,024

Deferred Inflows and Outflows of Resources

At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2026		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ 337,922	$ 994,187	$ -	$ 1,130,848
Change in assumptions	509,529	412,293	410,962	468,840
OPEB contribution subsequent to measurement date	59,082	-	26,360	-
Totals	$ 906,533	$ 1,406,480	$ 437,322	$ 1,599,688

Of the total amount reported as deferred outflows of resources related to OPEB, $59,082 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, 2027.

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

Year Ended June 30,	2026	2025
2027	$ (101,842)	$ (139,016)
2028	(101,842)	(139,016)
2029	(101,257)	(139,016)
2030	(64,480)	(138,431)
2031	(73,083)	(101,654)
Thereafter	(116,525)	(531,593)
Total	$ (559,029)	$(1,188,726)

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2026:

	2026	2025
Service cost	$ 76,313	$ 79,011
Interest in total OPEB liabilities	50,518	45,964
Change in benefits	440,973	-
Difference between actual and expected experience	(111,060)	(136,661)
Change in assumptions	9,218	(2,357)
OPEB Expense	**$ 465,962**	**$ (14,043)**

The following summarizes changes in the Total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2026:

	2026	2025
Total OPEB liability ending	$ 2,241,324	$ 1,172,024
Total OPEB liability beginning	(1,172,024)	(1,129,856)
Change in total OPEB liability	1,069,300	42,168
Changes in deferred inflows	(193,209)	(146,585)
Changes in deferred outflows	(469,211)	64,014
Employer contributions and implicit subsidy	59,082	26,360
OPEB Expense	**$ 465,962**	**$ (14,043)**

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:

	2026	2025
1% Decrease	$ 2,663,686	$ 1,390,426
Discount Rate 4.71% (FY26), 4.09% (FY25)	$ 2,241,324	$ 1,172,024
1% Increase	$ 1,900,848	$ 995,626

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

	2026	2025
1% Decrease	$ 1,829,311	$ 950,288
Trend Rate 7.9% (FY26), 6.8% (FY25)	$ 2,241,324	$ 1,172,024
1% Increase	$ 2,788,673	$ 1,466,883

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.

On June 30, 2026, 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.

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REQUIRED SUPPLEMENTARY INFORMATION

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Marina Coast Water District

Schedule of Contributions for Pension Plans

June 30, 2026

Miscellaneous Plan					
Plan Measurement Date	**2016**	**2017**	**2018**	**2019**	**2020**
Fiscal Year Ended	**2017**	**2018**	**2019**	**2020**	**2021**
Contractually Required Contributions	$ 242,478	$ 257,161	$ 305,381	$ 525,416	$ 592,479
Contributions in Relation to Contractually Required Contributions	242,478	257,161	305,381	525,416	592,479
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	**$ 3,230,862**	**$ 3,444,211**	**$ 3,894,712**	**$ 4,186,505**	**$ 4,178,492**
Contributions as a % of Covered Payroll	**7.51%**	**7.47%**	**7.84%**	**12.55%**	**14.18%**

Miscellaneous Plan					
Plan Measurement Date	**2021**	**2022**	**2023**	**2024**	**2025**
Fiscal Year Ended	**2022**	**2023**	**2024**	**2025**	**2026**
Contractually Required Contributions	$ 645,776	$ 733,319	$ 810,311	$ 972,921	$ 1,069,692
Contributions in Relation to Contractually Required Contributions	645,776	733,319	810,311	972,921	1,069,692
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	**$ 4,161,854**	**$ 4,763,777**	**$ 4,462,960**	**$ 5,660,276**	**$ 6,276,054**
Contributions as a % of Covered Payroll	**15.52%**	**15.39%**	**18.16%**	**17.19%**	**17.04%**

Notes to Schedule:

Valuation Date: June 30, 2024

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 decreased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2022.
The CalPERS mortality assumptions was adjusted in fiscal year 2021.

Marina Coast Water District

Schedule of Proportionate Share of the Net Pension Liability

June 30, 2026

Miscellaneous

Plan Measurement Date	2016	2017	2018	2019	2020
Fiscal Year Ended	2017	2018	2019	2020	2021
Proportion of Net Pension Liability (Safety and Misc)	0.02802%	0.02991%	0.03003%	0.03331%	0.03526%
Proportion of Net Pension Liability (Misc Plan Only)	0.06979%	0.07524%	0.07678%	0.08525%	0.09096%
Proportionate Share of Net Pension Liability	$ 2,424,531	$ 2,965,935	$ 2,893,601	$ 3,413,789	$ 3,836,821
Covered Payroll	$ 3,046,005	$ 3,230,862	$ 3,444,211	$ 3,894,712	$ 4,186,505
Proportionate Share of NPL as a % of Covered Payroll	79.60%	91.80%	84.01%	87.65%	91.65%
Plan's Fiduciary Net Position as a % of the TPL	81.01%	79.94%	81.79%	80.31%	80.38%

Miscellaneous

Plan Measurement Date	2021	2022	2023	2024	2025
Fiscal Year Ended	2022	2023	2024	2025	2026
Proportion of Net Pension Liability (Safety and Misc)	0.03062%	0.04184%	0.04173%	0.04277%	0.04240%
Proportion of Net Pension Liability (Misc Plan Only)	0.08722%	0.10327%	0.10411%	0.10724%	0.10873%
Proportionate Share of Net Pension Liability	$ 1,656,097	$ 4,832,291	$ 5,205,724	$ 5,186,776	$ 4,337,615
Covered Payroll	$ 4,178,492	$ 4,161,854	$ 4,763,777	$ 4,462,960	$ 5,660,276
Proportionate Share of NPL as a % of Covered Payroll	39.63%	116.11%	109.28%	116.22%	76.63%
Plan's Fiduciary Net Position as a % of the TPL	91.86%	77.85%	76.37%	78.44%	83.65%

The CalPERS discount rate was decreased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2022.

The CalPERS mortality assumptions was adjusted in fiscal year 2021.

Marina Coast Water District

Schedule of Changes in the Total OPEB Liability

June 30, 2026

Fiscal Year Ended	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Measurement Period (FYE)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Total OPEB liability									
Service cost	$ 129,003	$ 132,712	$ 134,969	$ 124,636	$ 150,737	$ 95,579	$ 136,514	$ 79,011	$ 76,313
Interest	75,849	83,597	90,006	69,051	63,257	59,277	79,360	45,964	50,518
Changes of benefit terms	-	-	-	-	(387,188)	-	-	-	440,973
Diff. between expected/act experience	-	-	(265,724)	(4,741)	(592,836)	(3,424)	(752,603)	(477)	363,523
Changes of assumptions	-	(31,095)	(173,828)	224,158	(100,356)	393,333	(328,293)	(46,147)	164,333
Benefit payments	(20,082)	(20,896)	(24,432)	(26,247)	(29,533)	(29,537)	(22,614)	(21,239)	(25,271)
Implicit subsidy fulfilled	(14,526)	(15,034)	(22,710)	(37,201)	(33,865)	(14,953)	(15,885)	(14,944)	(1,089)
Net change in Total OPEB Liability	170,244	149,284	(261,719)	349,656	(929,784)	500,275	(903,521)	42,168	1,069,300
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	1,172,024
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	$ 2,241,324
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%	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	$ 5,801,981
TOL as a % of covered emp. payroll	68.79%	75.11%	58.43%	66.27%	45.61%	56.97%	25.34%	24.28%	38.63%

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 4.09% to 4.71% in FY2026.

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, 2026

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund
ASSETS				
Current assets:				
Cash and investments	$ 4,328,971	$ 8,207,626	$ 9,824,005	$ 11,504,165
Accounts receivable - net	846,211	224,097	4,288,893	1,860,162
Interest receivable	10,972	25,721	42,389	119,250
Other receivables	42,055	7,149	219,453	169,337
Inventories	141,747	5,734	263,031	12,805
Prepaid items	46,666	11,212	118,764	34,812
Deposits	3,492	3,492	3,492	3,492
Leases receivable, current	68,425	18,252	125,083	33,308
Due from other funds	476,383	289,315	657,001	272,663
Total current assets	5,964,922	8,792,598	15,542,111	14,009,994
Noncurrent assets:				
Interfund receivable	-	-	-	10,359,353
Restricted cash and investments	2,226,531	3,222,404	13,220,670	4,856,440
Leases receivable, noncurrent	653,644	183,283	1,174,795	324,310
Capital assets - net	22,042,380	9,431,611	136,290,352	54,294,734
Total noncurrent assets	24,922,555	12,837,298	150,685,817	69,834,837
TOTAL ASSETS	$ 30,887,477	$ 21,629,896	$ 166,227,928	$ 83,844,831
DEFERRED OUTFLOWS OF RESOURCES				
Pension adjustments	$ 479,510	$ 113,658	$ 973,499	$ 208,349
OPEB adjustments	253,829	45,327	498,593	99,719
TOTAL DEFERRED OUTFLOWS OF RES.	$ 733,339	$ 158,985	$ 1,472,092	$ 308,068
LIABILITIES				
Current liabilities:				
Accounts payable	$ 881,865	$ 1,927,873	$ 1,433,521	$ 155,992
Accrued liabilities	17,965	169,800	91,548	24,010
Accrued payroll liabilities	431,144	-	-	-
Interest payable	44,647	26,142	114,263	35,918
Customer Deposits	435,616	30,096	1,783,427	848,983
Retention Payable	38,138	6,289	89,056	27,490
Due to other funds	581,501	227,325	-	-
Current portion of long-term liabilities	248,861	112,721	775,264	359,897
Compensated absences, current	100,775	28,373	178,864	46,946
Total current liabilities	2,780,512	2,528,619	4,465,943	1,499,236
Noncurrent liabilities:				
Interfund payable	-	-	-	-
Long-term liabilities	9,919,500	6,753,921	26,710,007	9,103,974
Net pension liability	1,214,165	303,138	2,310,456	507,470
Total OPEB liability	589,728	160,444	1,189,354	299,719
Compensated absences	291,834	87,570	512,232	144,034
Total noncurrent liabilities	12,015,227	7,305,073	30,722,049	10,055,197
TOTAL LIABILITES	$ 14,795,739	$ 9,833,692	$ 35,187,992	$ 11,554,433
DEFERRED INFLOWS OF RESOURCES				
Pension adjustments	$ 159,586	$ 43,517	$ 318,854	$ 62,495
OPEB Adjustments	393,814	70,324	773,564	154,713
Debt refunding gains	150,745	94,215	904,468	301,489
Leases	591,321	164,017	1,066,643	292,067
TOTAL DEFERRED INFLOWS OF RES.	$ 1,295,466	$ 372,073	$ 3,063,529	$ 810,764
NET POSITION				
Net investment in capital assets	$ 13,911,106	$ 5,686,522	$ 115,257,751	$ 44,501,884
Restricted for capacity fees	-	-	5,111,494	4,855,780
Restricted for debt service	561	347	1,558	660
Restricted for blight removal	-	-	661,423	-
Unrestricted	1,617,944	5,896,247	8,416,273	22,429,378
TOTAL NET POSITION	$ 15,529,611	$ 11,583,116	$ 129,448,499	$ 71,787,702

Continued

Marina Coast Water District
Combining Schedule of Net Position
June 30, 2026

	Recycled Water Fund	Groundwater Sustainability Agency Fund	Interfund Eliminations	Total
ASSETS				
Current assets:				
Cash and investments	$ 996,851	$ 1,961,320	$ -	$ 36,822,938
Accounts receivable - net	275,075	-	-	7,494,438
Interest receivable	10,470	6,192	-	214,994
Other receivables	601	-	-	438,595
Inventories	860	-	-	424,177
Prepaid items	4,087	-	-	215,541
Deposits	1,794	-	-	15,762
Leases receivable, current	463	-	-	245,531
Due from other funds	-	292,234	(1,987,596)	-
Total current assets	1,290,201	2,259,746	(1,987,596)	45,871,976
Noncurrent assets:				
Interfund receivable	-	-	(10,359,353)	-
Restricted cash and investments	5,640,150	-	-	29,166,195
Leases receivable, noncurrent	1,233	-	-	2,337,265
Capital assets - net	43,156,215	2,968,937	-	268,184,229
Total noncurrent assets	48,797,598	2,968,937	(10,359,353)	299,687,689
TOTAL ASSETS	$ 50,087,799	$ 5,228,683	$ (12,346,949)	$ 345,559,665
DEFERRED OUTFLOWS OF RESOURCES				
Pension adjustments	$ (2,894)	$ -	$ -	$ 1,772,122
OPEB adjustments	9,065	-	-	906,533
TOTAL DEFERRED OUTFLOWS OF RES.	$ 6,171	$ -	$ -	$ 2,678,655
LIABILITIES				
Current liabilities:				
Accounts payable	$ 9,720	$ 116,631	$ -	$ 4,525,602
Accrued liabilities	4,634,159	1,831	-	4,939,313
Accrued payroll liabilities	-	-	-	431,144
Interest payable	125,887	-	-	346,857
Customer Deposits	54,939	-	-	3,153,061
Retention Payable	-	106,339		267,312
Due to other funds	1,178,770	-	(1,987,596)	-
Current portion of long-term liabilities	603,748	-	-	2,100,491
Compensated absences, current	1,662	-	-	356,620
Total current liabilities	6,608,885	224,801	(1,987,596)	16,120,400
Noncurrent liabilities:				
Interfund payable	10,359,353	-	(10,359,353)	-
Long-term liabilities	14,800,488	-	-	67,287,890
Net pension liability	2,386	-	-	4,337,615
Total OPEB liability	2,079	-	-	2,241,324
Compensated absences	4,910	-	-	1,040,580
Total noncurrent liabilities	25,169,216	-	(10,359,353)	74,907,409
TOTAL LIABILITES	$ 31,778,101	$ 224,801	$ (12,346,949)	$ 91,027,809
DEFERRED INFLOWS OF RESOURCES				
Pension adjustments	$ 2,474	$ -	$ -	$ 586,926
OPEB Adjustments	14,065	-	-	1,406,480
Debt refunding gains	433,391	-	-	1,884,308
Leases	1,749	-	-	2,115,797
TOTAL DEFERRED INFLOWS OF RES.	$ 451,679	$ -	$ -	$ 5,993,511
NET POSITION				
Net investment in capital assets	$ 27,318,588	$ 2,862,598	$ -	$ 209,538,449
Restricted for capacity fees	5,112,804	-	-	15,080,078
Restricted for debt service	527,347	-	-	530,473
Restricted for blight removal	-	-	-	661,423
Unrestricted	(15,094,549)	2,141,284	-	25,406,577
TOTAL NET POSITION	$ 17,864,190	$ 5,003,882	$ -	$ 251,217,000

Concluded

Marina Coast Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2026

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund
OPERATING REVENUES				
Water services	$ 6,343,550	$ -	$ 13,299,055	$ -
Wastewater services	-	1,998,852	-	4,690,021
Other services and fees	241,716	24,523	602,583	42,317
Lease revenue	74,304	19,546	136,241	35,870
Total operating revenues	6,659,570	2,042,921	14,037,879	4,768,208
OPERATING EXPENSES				
Administrative	3,118,805	284,937	6,243,906	604,039
Operations and maintenance	1,798,895	659,101	3,101,757	1,181,426
Laboratory	89,775	-	174,815	-
Conservation	141,550	-	263,579	-
Engineering	958,705	193,620	1,958,857	480,972
Water resources	376,756	-	777,380	-
Depreciation and amortization	502,062	271,648	791,499	782,782
Total operating expenses	6,986,548	1,409,306	13,311,793	3,049,219
Operating income (loss)	(326,978)	633,615	726,086	1,718,989
OTHER NONOPERATING REVENUES (EXPENSES)				
Gain (loss) on sales of assets	10,953	2,620	14,684	3,299
Contributions to other agencies	-	-	-	-
Investment income	314,999	411,649	1,008,033	720,135
Interest expense	(358,292)	(246,575)	(942,062)	(295,348)
Total other nonoperating revenues(expenses)	(32,340)	167,694	80,655	428,086
Income (loss) before capital contributions	(359,318)	801,309	806,741	2,147,075
CAPITAL CONTRIBUTIONS				
Grants	4,269	762	8,385	1,677
Developer capacity and connection fees	526,966	209,924	4,425,528	1,244,734
Developer contributions	2,512,850	1,546,570	842,720	422,520
Total capital contributions	3,044,085	1,757,256	5,276,633	1,668,931
Change in net position	2,684,767	2,558,565	6,083,374	3,816,006
Total net position - beginning	12,844,844	9,024,551	123,365,125	67,971,696
Total net position - ending	$ 15,529,611	$ 11,583,116	$ 129,448,499	$ 71,787,702

Continued

Marina Coast Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2026

	Recycled Water Fund	Groundwater Sustainability Agency Fund	Total
OPERATING REVENUES			
Water services	$ 1,501,617	$ -	$ 21,144,222
Wastewater services	-	-	6,688,873
Other services and fees	2,487	1,174,498	2,088,124
Lease revenue	593	-	266,554
Total operating revenues	1,504,697	1,174,498	30,187,773
OPERATING EXPENSES			
Administrative	123,272	112	10,375,071
Operations and maintenance	25,567	-	6,766,746
Laboratory	3,304	-	267,894
Conservation	-	-	405,129
Engineering	185,386	704	3,778,244
Water resources	-	835,300	1,989,436
Depreciation and amortization	1,446,161	19,090	3,813,242
Total operating expenses	1,783,690	855,206	27,395,762
Operating income (loss)	(278,993)	319,292	2,792,011
OTHER NONOPERATING REVENUES (EXPENSES)			
Gain (loss) on sales of assets	-	-	31,556
Contributions to other agencies	(1,182,974)	-	(1,182,974)
Investment income	294,609	41,108	2,790,533
Interest expense	(423,951)	-	(2,266,228)
Total other nonoperating revenues(expenses)	(1,312,316)	41,108	(627,113)
Income (loss) before capital contributions	(1,591,309)	360,400	2,164,898
CAPITAL CONTRIBUTIONS			
Grants	152	2,496,988	2,512,233
Developer capacity and connection fees	2,054	-	6,409,206
Developer contributions	73,200	-	5,397,860
Total capital contributions	75,406	2,496,988	14,319,299
Change in net position	(1,515,903)	2,857,388	16,484,197
Total net position - beginning	19,380,093	2,146,494	234,732,803
Total net position - ending	$ 17,864,190	$ 5,003,882	$ 251,217,000

Concluded

Marina Coast Water District
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2026

	Marina Water Fund	Marina Sewer Fund	Ord Water Fund	Ord Sewer Fund
Cash flows from operating activities:				
Received from customers and users	$ 6,688,599	$ 2,043,442	$ 14,335,245	$ 4,863,599
Paid to suppliers	(3,361,021)	(183,103)	(6,870,341)	(989,294)
Paid to employees	(2,644,949)	(791,966)	(4,970,634)	(1,294,058)
Net cash provided (used) by operating activities	682,629	1,068,373	2,494,270	2,580,247
Cash flows from noncapital financing activities:				
Due from other funds	(320,824)	2,640,554	709,990	111,363
Due to other funds	(1,975,563)	152,213	(308,914)	-
Interfund loans	-	-	-	522,912
Net cash provided (used) by noncapital financing activities	(2,296,387)	2,792,767	401,076	634,275
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(2,168,953)	(916,309)	(7,214,587)	(2,838,494)
Proceeds from insurance claim on stolen property	2,189	-	-	-
Sale of capital assets	8,761	2,619	14,677	3,297
Grant receipts	4,269	762	8,385	1,677
Payments to (from) other agencies for share of capital financing	-	-	-	-
Developer cont., capacity and connection receipts	793,990	244,032	6,555,698	2,121,389
Principal paid on long-term liabilities	(260,225)	(103,447)	(724,603)	(325,478)
Interest paid on long-term liabilities	(417,480)	(282,535)	(1,185,982)	(386,482)
Net cash provided (used) by capital and related financing activities	(2,037,449)	(1,054,878)	(2,546,412)	(1,424,091)
Cash flows from investing activities:				
Investment income (loss)	365,371	392,163	1,037,384	700,957
Net cash provided (used) by investing activities	365,371	392,163	1,037,384	700,957
Net increase (decrease) in cash and cash equivalents	(3,285,836)	3,198,425	1,386,318	2,491,388
Cash and cash equivalents - beginning	9,841,338	8,231,605	21,658,357	13,869,217
Cash and cash equivalents - ending	$ 6,555,502	$ 11,430,030	$ 23,044,675	$ 16,360,605
Reconciliation to the Statement of Net Position				
Cash and investments	$ 4,328,971	$ 8,207,626	$ 9,824,005	$ 11,504,165
Restricted cash and investments	2,226,531	3,222,404	13,220,670	4,856,440
Total cash and cash equivalents	$ 6,555,502	$ 11,430,030	$ 23,044,675	$ 16,360,605

Continued

Marina Coast Water District
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2026

	Recycled Water Fund	Groundwater Sustainability Agency Fund	Interfund Eliminations	Total
Cash flows from operating activities:				
Received from customers and users	$ 1,521,709	$ 1,174,498	$ -	$ 30,627,092
Paid to suppliers	(716,767)	(1,329,872)	-	(13,450,398)
Paid to employees	(49,309)	(548)	-	(9,751,464)
Net cash provided (used) by operating activities	755,633	(155,922)	-	7,425,230
Cash flows from noncapital financing activities:				
Due from other funds	-	(292,234)	(2,848,849)	-
Due to other funds	(716,585)	-	2,848,849	-
Interfund loans	(522,912)	-	-	-
Net cash provided (used) by noncapital financing activities	(1,239,497)	(292,234)	-	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(713,721)	(2,479,826)	-	(16,331,890)
Proceeds from insurance claim on stolen property	-	-	-	2,189
Sale of capital assets	-	-	-	29,354
Grant receipts	1,352	3,235,591	-	3,252,036
Payments to (from) other agencies for share of capital financing	3,127	-	-	3,127
Developer cont., capacity and connection receipts	54,264	-	-	9,769,373
Principal paid on long-term liabilities	(538,783)	-	-	(1,952,536)
Interest paid on long-term liabilities	(523,047)	-	-	(2,795,526)
Net cash provided (used) by capital and related financing activities	(1,716,808)	755,765	-	(8,023,873)
Cash flows from investing activities:				
Investment income (loss)	339,878	34,916	-	2,870,669
Net cash provided (used) by investing activities	339,878	34,916	-	2,870,669
Net increase (decrease) in cash and cash equivalents	(1,860,794)	342,525	-	2,272,026
Cash and cash equivalents - beginning	8,497,795	1,618,795	-	63,717,107
Cash and cash equivalents - ending	$ 6,637,001	$ 1,961,320	$ -	$ 65,989,133
Reconciliation to the Statement of Net Position				
Cash and investments	$ 996,851	$ 1,961,320	$ -	$ 36,822,938
Restricted cash and investments	5,640,150	-	-	29,166,195
Total cash and cash equivalents	$ 6,637,001	$ 1,961,320	$ -	$ 65,989,133

Continued

Marina Coast Water District
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2026

	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)	$ (326,978)	$ 633,615	$ 726,086	$ 1,718,989
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	502,062	271,648	791,499	782,782
Change in operating assets and liabilities:				
Accounts receivables	(73,541)	(13,350)	216,569	71,441
Leases receivables	45,366	13,843	80,262	23,950
Inventories	48,187	399	122,739	1,777
Prepaid items	(16,131)	2,707	(56,214)	(5,615)
Deferred outflows of resources	(49,104)	(6,250)	(68,751)	351
Accounts payable	170,351	(22,515)	297,703	(47,326)
Accrued liabilities	17,812	169,800	46,661	24,010
Accrued payroll liabilities	85,697	-	-	-
Customer deposits	57,204	28	535	-
Net pension liabilities	(228,036)	(42,459)	(467,039)	(103,136)
Total OPEB liability	299,404	53,465	588,115	117,623
Compensated absences	41,469	(9,142)	33,682	(25,087)
Deferred inflows of resources	108,867	16,584	182,423	20,488
Net cash provided (used) by operating activities	$ 682,629	$ 1,068,373	$ 2,494,270	$ 2,580,247
Capital and related financing noncash items				
Capital accounts payable	$ 419,501	$ 1,881,333	$ 485,488	$ 47,978
Retention payable	$ 38,138	$ 6,289	$ 89,056	$ 27,490
Lease and SBITA additions	$ 37,008	$ 5,486	$ 73,109	$ 12,069
Amortization of deferred charges and premiums	$ 40,339	$ 24,595	$ 136,725	$ 55,069
Developer contribution of capital assets	$ 2,512,850	$ 1,546,570	$ 842,720	$ 422,520

Continued

Marina Coast Water District
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2026

	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)	$ (278,993)	$ 319,292	$ -	$ 2,792,011
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	1,446,161	19,090	-	3,813,242
Change in operating assets and liabilities:				
Accounts receivables	17,275	-	-	218,394
Leases receivables	(263)	-		163,158
Inventories	(48)	-	-	173,054
Prepaid items	(3,164)	-	-	(78,417)
Deferred outflows of resources	(1,250)	-	-	(125,004)
Accounts payable	(429,853)	(496,135)	-	(527,775)
Accrued liabilities	-	1,831	-	260,114
Accrued payroll liabilities	-	-	-	85,697
Customer deposits	-	-	-	57,767
Net pension liabilities	(8,491)	-	-	(849,161)
Total OPEB liability	10,693	-	-	1,069,300
Compensated absences	250	-	-	41,172
Deferred inflows of resources	3,316	-	-	331,678
Net cash provided (used) by operating activities	$ 755,633	$ (155,922)	$ -	$ 7,425,230
Capital and related financing noncash items				
Capital accounts payable	$ 2,598	$ 38,117	$ -	$ 2,875,015
Retention payable	$ -	$ 106,339	$ -	$ 267,312
Lease and SBITA additions	$ 1,097	$ -	$ -	$ 128,769
Amortization of deferred charges and premiums	$ 44,236	$ -	$ -	$ 300,964
Developer contribution of capital assets	$ 73,200	$ -	$ -	$ 5,397,860

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.

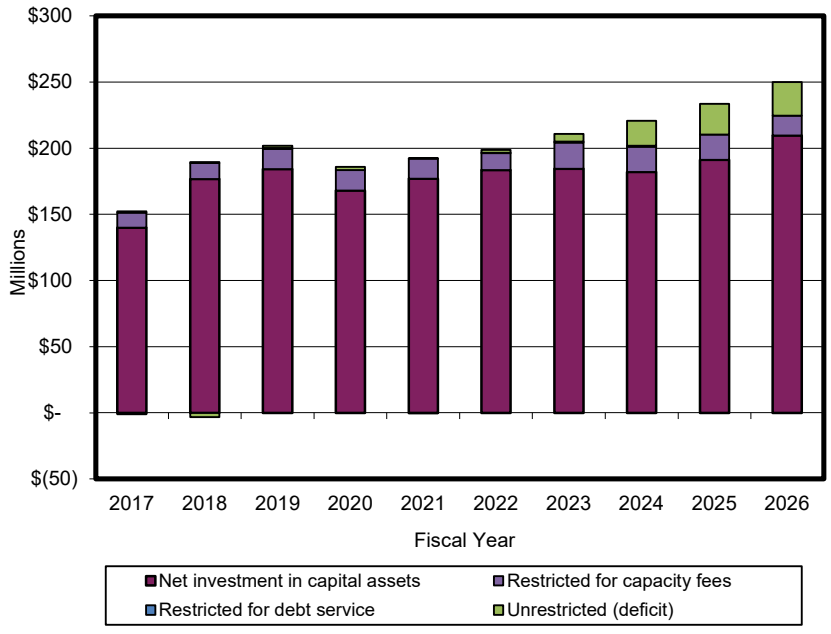
Operating Information

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

	2017	2018	2019	2020	2021
Changes in net position:					
Operating revenues	$ 14,251,985	$ 16,537,118	$ 16,300,996	$ 17,457,178	$ 17,803,256
Operating expenses	(11,226,580)	(12,020,913)	(14,050,996)	(16,681,600)	(16,037,098)
Operating income (loss)	3,025,405	4,516,205	2,250,000	775,578	1,766,158
Non-operating revenues (expenses)	(1,447,913)	(1,377,954)	(1,278,248)	(2,628,930)	(1,569,008)
Net income before capital contributions	1,577,492	3,138,251	971,752	(1,853,352)	197,150
Capital contributions	6,630,732	16,364,028	12,136,994	9,868,096	5,695,353
Special Item - RDP Closeout	-	-	-	(24,019,800)	-
Changes in net position	8,208,224	19,502,279	13,108,746	(16,005,056)	5,892,503
Net position, beginning of year	143,032,654	151,240,878	186,460,294	201,930,609	185,925,553
Restatements	-	15,717,137	2,361,569	-	267,719
Net position, end of year	$151,240,878	$186,460,294	$201,930,609	$185,925,553	$192,085,775
Net position by component:					
Net investment in capital assets	$139,827,693	$176,633,556	$184,250,677	$167,935,356	$176,866,309
Restricted for capacity fees	11,531,344	12,105,493	15,042,160	15,587,995	15,367,302
Restricted for debt service	850,404	851,747	852,793	-	-
Restricted for blight removal	-	-	-	-	-
Unrestricted (deficit)	(968,563)	(3,130,502)	1,784,979	2,402,202	(147,836)
Total net position	$151,240,878	$186,460,294	$201,930,609	$185,925,553	$192,085,775

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

	2022	2023	2024	2025	2026
Changes in net position:					
Operating revenues	$ 19,016,584	$ 20,797,132	$ 22,936,334	$ 26,119,357	$ 30,187,773
Operating expenses	(15,243,201)	(20,125,669)	(22,505,329)	(25,217,566)	(27,395,762)
Operating income (loss)	3,773,383	671,463	431,005	901,791	2,792,011
Non-operating revenues (expenses)	(2,848,748)	(1,996,939)	(2,028,701)	(1,625,942)	(627,113)
Net income before capital contributions	924,635	(1,325,476)	(1,597,696)	(724,151)	2,164,898
Capital contributions	5,625,994	19,653,296	11,678,749	13,916,416	14,319,299
Special Item - RDP Closeout	-	-	-	-	-
Changes in net position	6,550,629	18,327,820	10,081,053	13,192,265	16,484,197
Net position, beginning of year	192,085,775	198,636,404	211,459,484	221,540,537	234,732,803
Restatements	-	(5,504,740)	-	-	-
Net position, end of year	$198,636,404	$211,459,484	$221,540,537	$234,732,802	$251,217,000
Net position by component:					
Net investment in capital assets	$183,338,088	$184,477,706	$182,083,302	$191,166,484	$209,538,449
Restricted for capacity fees	12,906,699	19,824,027	19,034,665	19,230,618	15,080,078
Restricted for debt service	171,828	229,343	580,020	655,143	530,473
Restricted for blight removal	-	998,106	1,043,435	655,408	661,423
Unrestricted (deficit)	2,219,789	5,930,302	18,799,115	23,025,150	25,406,577
Total net position	$198,636,404	$211,459,484	$221,540,537	$234,732,803	$251,217,000

Concluded

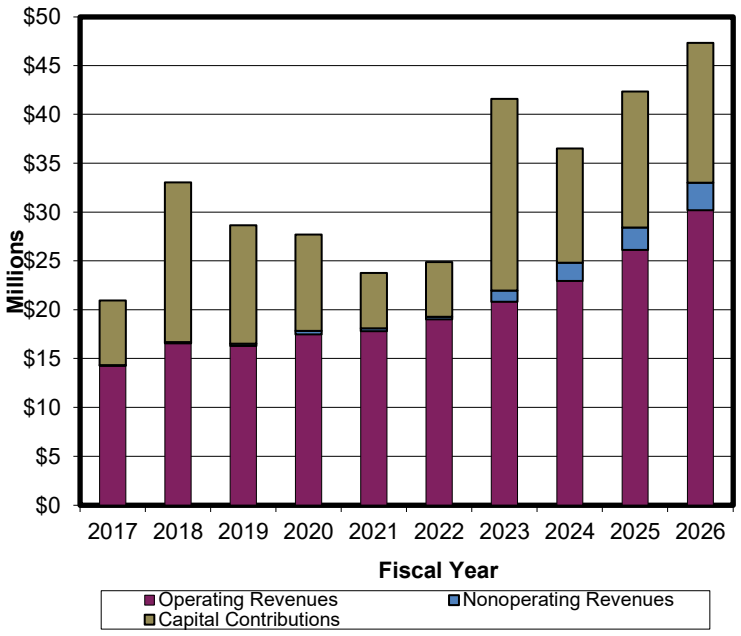
Notes:
The FY2018 restatement was for the implementation of GASB 75 related to OPEB of $1M and corrections to capital assets for developer contributions of $16.7M.
The FY2019 restatement was for the correction of receivables for RUWAP and Utility billing.
The FY2021 restatement was for the implementation of GASB 87, Leases.

The FY2025 restatement 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

	2017	2018	2019	2020	2021
Operating revenues:					
Water sales	$ 9,486,324	$ 10,844,656	$ 10,693,992	$ 11,652,404	$ 12,366,437
Wastewater services	3,450,138	3,828,160	4,196,352	4,484,940	4,633,032
Other services and fees	748,872	1,345,278	912,885	822,682	599,085
Lease revenue	566,651	519,024	497,767	497,152	204,702
Total operating revenues	14,251,985	16,537,118	16,300,996	17,457,178	17,803,256
Nonoperating revenues:					
Gain (loss) on the disposal of capital a	-	-	-	-	-
Investment income	64,012	132,986	220,362	359,505	274,738
Total nonoperating revenues	64,012	132,986	220,362	359,505	274,738
Capital contributions:					
Grant revenue	555,104	10,676,158	5,101,452	6,063,324	2,187,939
Capacity and connection fees	5,503,637	5,151,848	4,306,233	3,296,628	1,209,529
Developer contributions	571,991	536,022	2,729,309	508,144	2,297,885
Total capital contributions	6,630,732	16,364,028	12,136,994	9,868,096	5,695,353
Total revenues	$ 20,946,729	$ 33,034,132	$ 28,658,352	$ 27,684,779	$ 23,773,347

Continued



Source: Marina Coast Water District, Audited Financial Statements

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

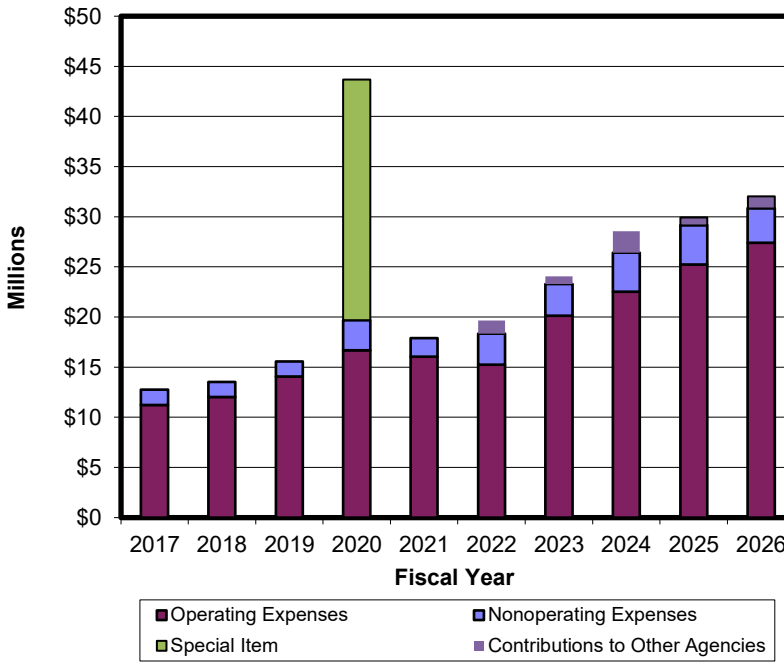
	2022	2023	2024	2025	2026
Operating revenues:					
Water sales	$ 13,133,302	$ 13,624,939	$ 15,323,077	$ 18,099,539	$ 21,144,222
Wastewater services	4,930,600	5,315,471	5,580,361	5,950,416	6,688,873
Other services and fees	747,980	1,654,967	1,828,640	1,863,540	2,088,124
Lease revenue	204,702	201,755	204,256	205,862	266,554
Total operating revenues	19,016,584	20,797,132	22,936,334	26,119,357	30,187,773
Nonoperating revenues:					
Gain (loss) on the disposal of capital a	-	31,436	12,714	(754,348)	31,556
Investment income	241,183	1,117,546	1,871,214	3,051,757	2,790,533
Total nonoperating revenues	241,183	1,148,982	1,883,928	2,297,409	2,822,089
Capital contributions:					
Grant revenue	590,598	2,502,600	505,877	486,036	2,512,233
Capacity and connection fees	4,192,221	14,362,215	11,172,872	7,777,440	6,409,206
Developer contributions	843,175	2,788,481	-	5,652,940	5,397,860
Total capital contributions	5,625,994	19,653,296	11,678,749	13,916,416	14,319,299
Total revenues	$ 24,883,761	$ 41,599,410	$ 36,499,011	$ 42,333,182	$ 47,329,161

Concluded

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

	2017	2018	2019	2020	2021
Operating expenses:					
Administrative	$ 4,220,398	$ 4,907,644	$ 5,579,270	$ 7,703,802	$ 6,855,325
Operations and maintenance	3,173,240	3,181,860	3,658,830	3,698,491	4,083,157
Laboratory	256,607	251,818	280,385	255,418	87,294
Conservation	304,338	301,155	336,553	326,074	286,123
Engineering	1,656,803	1,822,501	1,470,323	1,525,620	1,336,329
Water Resources	-	-	871,915	948,216	1,019,506
Depreciation and amortization	1,615,194	1,555,935	1,853,720	2,223,979	2,369,364
Total operating expenses	11,226,580	12,020,913	14,050,996	16,681,600	16,037,098
Nonoperating expenses:					
Interest expense	1,511,925	1,510,940	1,498,610	1,753,074	1,843,746
Contributions to other agencies	-	-	-	-	-
RDP liability expense	-	-	-	1,000,000	-
Bond issuance costs	-	-	-	235,361	-
Total nonoperating expenses	1,511,925	1,510,940	1,498,610	2,988,435	1,843,746
Special Item:					
RDP closeout	-	-	-	24,019,800	-
Total expenses	$12,738,505	$13,531,853	$15,549,606	$43,689,835	$17,880,844

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Source: Marina Coast Water District, Audited Financial Statements

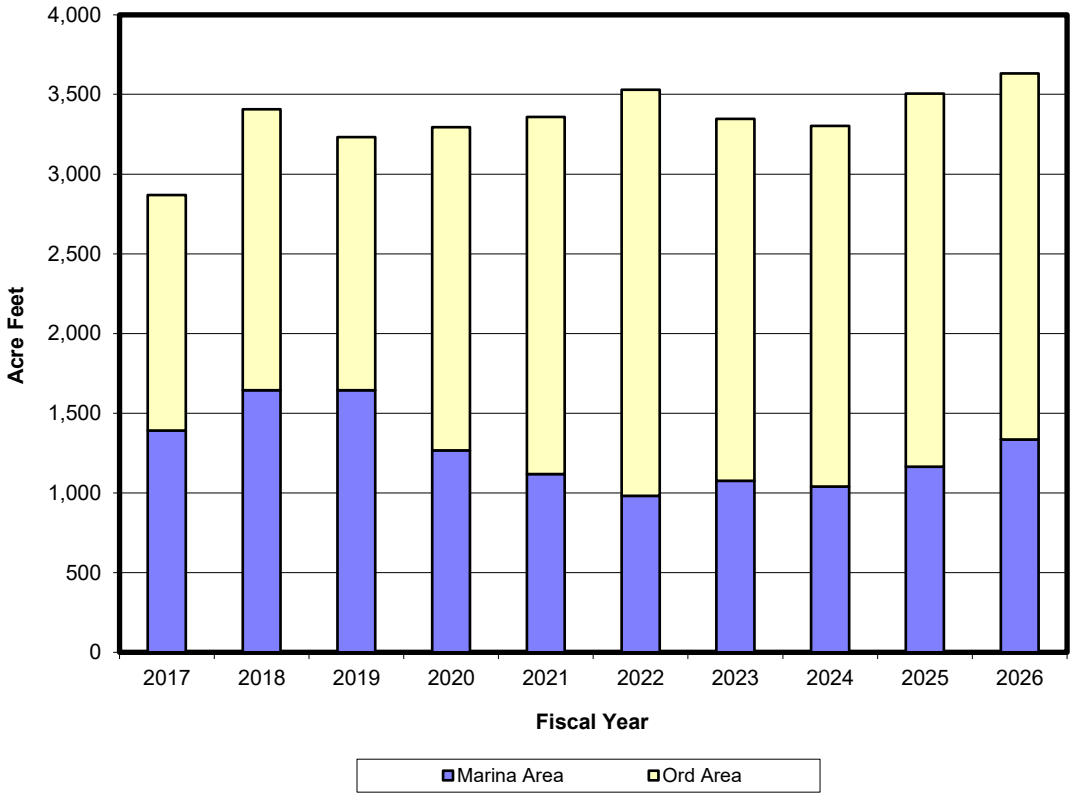
MARINA COAST WATER DISTRICT
Expenses by Function
Last Ten Fiscal Years
Schedule 3

	2022	2023	2024	2025	2026
Operating expenses:					
Administrative	$ 5,374,514	$ 9,445,914	$ 9,229,769	$ 8,943,641	$ 10,375,365
Operations and maintenance	4,600,041	4,916,612	5,828,094	6,596,025	6,766,746
Laboratory	142,525	208,003	223,150	240,154	267,894
Conservation	341,615	385,864	415,930	448,199	405,129
Engineering	1,534,122	1,690,881	2,572,644	3,787,514	3,778,244
Water Resources	824,856	715,230	1,041,941	1,548,561	1,989,436
Depreciation and amortization	2,425,528	2,763,165	3,193,801	3,653,472	3,812,948
Total operating expenses	15,243,201	20,125,669	22,505,329	25,217,566	27,395,762
Nonoperating expenses:					
Interest expense	1,788,554	2,354,838	1,794,052	2,588,180	2,266,228
Contributions to other agencies	1,301,377	791,083	2,118,577	801,409	1,182,974
RDP liability expense	-	-	-	-	-
Bond issuance costs	-	-	-	533,762	-
Total nonoperating expenses	3,089,931	3,145,921	3,912,629	3,923,351	3,449,202
Special Item:					
RDP closeout	-	-	-	-	-
Total expenses	$18,333,132	$23,271,590	$26,417,958	$29,140,917	$ 30,844,964

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)
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
2026	1,335	2,297	3,632



Note: See Schedule 2 "Revenues 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)

	Fiscal Year			Calendar Year							
Description	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	7/1/2025	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
0-10 hcf	$ 5.23	$ 4.36	$ 3.80	$ 3.80	$ 3.65	$ 3.51	$ 3.38	N/A	N/A	N/A	N/A
10+ hcf	8.40	7.00	5.79	5.79	5.57	5.36	5.15	N/A	N/A	N/A	N/A
Uniform Rate	5.57	4.64	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	N/A	3.25	2.78	2.70	2.62
9-16 hcf	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4.95	3.19	3.10	3.01
16+ hcf	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5.63	5.47	5.31

Marina Service Area Water & Sewer Service Charges (monthly)

	Fiscal Year			Calendar Year							
Meter Size	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	7/1/2025	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
5/8" & 3/4"	$ 50.75	$ 42.29	$ 28.34	$ 28.34	$ 27.26	$ 26.22	$ 25.21	$ 24.24	$ 22.36	$ 21.71	$ 21.07
1"	78.07	65.06	38.22	38.22	36.77	35.35	33.99	32.69	36.07	35.02	34.00
1 1/2"	146.41	122.01	62.91	62.91	60.52	58.19	55.95	53.80	58.94	57.22	55.55
2"	228.41	190.34	92.55	92.55	89.02	85.60	82.30	79.14	86.36	83.85	81.41
3"	447.07	372.56	171.56	171.56	165.03	158.69	152.57	146.72	150.41	146.03	141.78
4"	693.06	577.55	260.46	260.46	250.55	240.92	231.62	222.74	241.82	234.77	227.93
6"	1,376.39	1,146.99	507.39	507.39	488.08	469.33	451.22	433.91	470.42	456.71	443.41
8"	2,196.37	1,830.31	1,001.26	1,001.26	963.15	926.15	890.40	856.25	927.88	900.86	874.62
10"	3,836.34	3,196.95	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
12"	5,749.64	4,791.37	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sewer (EDU)	10.87	9.45	17.98	17.98	17.29	16.63	15.99	15.37	14.78	13.44	12.22
Sewer (HCF)	2.13	1.85	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)

	Fiscal Year			Calendar Year							
Description	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	7/1/2025	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
0-10 hcf	$ 7.47	$ 6.79	$ 4.90	$ 4.90	$ 4.72	$ 4.54	$ 4.37	N/A	N/A	N/A	N/A
10+ hcf	11.41	10.37	9.55	9.55	9.19	8.84	8.51	N/A	N/A	N/A	N/A
Uniform Rate	8.03	7.30	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	N/A	4.13	3.68	3.40	2.97
9-16 hcf	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8.04	5.65	5.22	4.56
16+ hcf	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7.62	7.03	6.14
Flat Rate	N/A	N/A	194.40	194.40	186.90	179.70	172.75	162.95	153.99	143.94	127.29
CS - Water (1)	N/A	N/A	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)

	Fiscal Year			Calendar Year							
Description	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	7/1/2025	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
5/8" & 3/4"	$ 57.57	$ 52.34	$ 48.94	$ 48.94	$ 47.09	$ 45.32	$ 43.62	$ 41.20	$ 38.79	$ 37.55	$ 34.37
1"	86.47	78.61	68.76	68.76	66.16	63.68	61.28	57.88	60.51	58.57	53.62
1 1/2"	158.74	144.31	118.29	118.29	113.82	109.55	105.43	99.57	96.71	93.62	85.71
2"	245.45	223.14	177.74	177.74	171.02	164.61	158.41	149.61	140.14	135.66	124.20
3"	476.69	433.35	336.26	336.26	323.55	311.42	299.68	283.05	241.57	233.85	214.09
4"	736.84	669.85	514.60	514.60	495.14	476.58	458.62	433.16	386.31	373.96	342.36
6"	1,459.46	1,326.78	1,003.98	1,003.98	971.80	935.37	900.12	850.15	748.31	724.39	663.18
8"	2,326.60	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
10"	4,060.89	3,691.72	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
12"	6,084.23	5,531.12	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sewer (EDU)	21.37	20.55	38.15	38.15	37.00	35.90	34.85	33.80	32.18	29.80	28.65
Sewer (HCF)	4.18	4.02	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CS[1] - Sewer	N/A	N/A	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00

Recycled Water Consumption Rates (hcf)

	Fiscal Year			Calendar Year							
Description	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	7/1/2025	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
Per HCF	$ 7.46	$ 7.10	$ 6.76	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

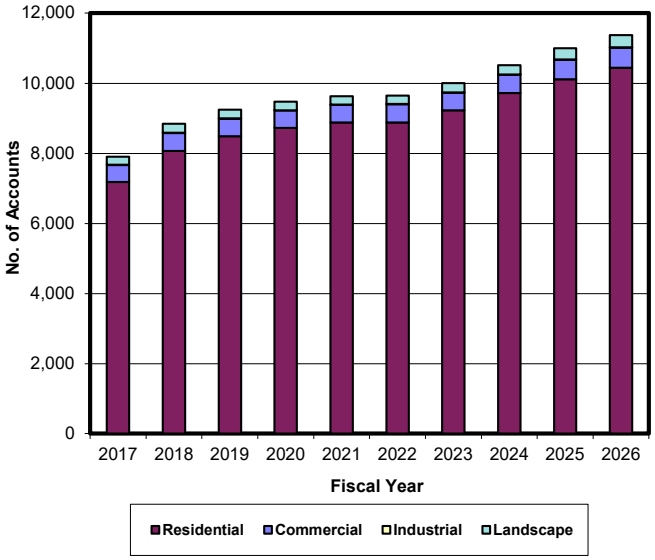
Recycled Water Service Charges (monthly)

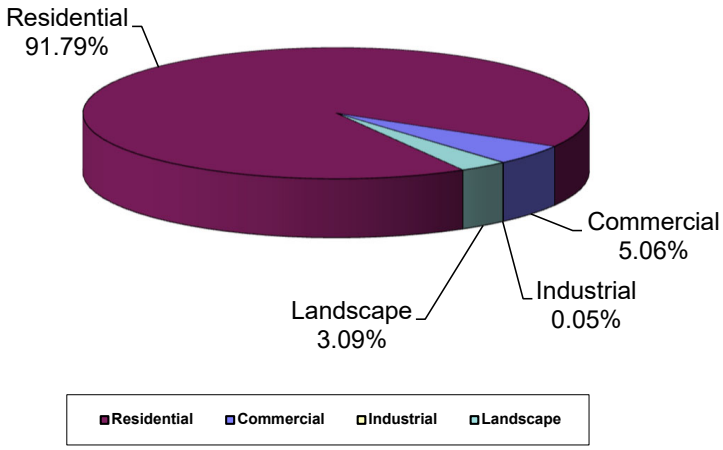
	Fiscal Year			Calendar Year							
Description	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	7/1/2025	7/1/2024	1/1/2024	1/1/2023	1/1/2022	1/1/2021	1/1/2020	1/1/2019	1/1/2018	1/1/2017	1/1/2016
5/8" & 3/4"	$ 57.89	$ 55.13	$ 52.50	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1"	82.07	78.16	74.44	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1 1/2"	142.56	135.77	129.30	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2"	215.15	204.90	195.14	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3"	444.97	423.78	403.60	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4"	783.68	746.36	710.82	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6"	1,594.16	1,518.25	1,445.95	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8"	3,408.66	3,246.34	3,091.75	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10"	4,929.19	4,694.47	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
12"	6,214.71	5,918.77	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

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Water customer accounts										
Residential	7,182	8,066	8,491	8,726	8,881	9,182	9,231	9,727	10,120	10,443
Commercial	488	518	502	501	507	522	504	521	552	576
Industrial	4	4	4	4	4	5	5	5	6	6
Landscape	232	258	247	246	240	245	265	261	323	352
Total water accounts	7,906	8,846	9,244	9,477	9,632	9,954	10,005	10,514	11,001	11,377





Source: Marina Coast Water District's Finance Department

MARINA COAST WATER DISTRICT
Principal Water Users
Fiscal Years Ended June 30, 2017 and June 30, 2026
Schedule 7

2017			2026		
Customer	Water Usage (acre feet)	Percentage of Water Sold	Customer	Water Usage (acre feet)	Percentage of Water Sold
Monterey Bay Military Housing	451	14.26%	City of Seaside	448	12.33%
University Corporation at Monterey Bay	192	6.07%	Monterey Bay Military Housing	264	7.27%
California State Univ Mtry Bay	109	3.45%	California State Univ Mtry Bay	155	4.27%
MPUSD -Dual Language Academy of Mont	69	2.18%	University Corporation at Monterey Bay	146	4.02%
Bay View Mobile Home Park	57	1.80%	City of Marina	90	2.48%
Sun Bay Apartments	56	1.77%	Seaside Highlands H.O. Association	54	1.49%
LV44 Ltd Partnership	40	1.27%	MPUSD -Seaside High School	47	1.29%
Army Commander/DLIFC & POM	36	1.14%	Bay View Mobile Home Park	43	1.18%
Seaside Highlands H.O. Association	33	1.04%	Sun Bay Apartments	43	1.18%
City of Marina	22	0.70%	East Garrison Community Services District	32	0.88%
Total Principal Water Users	1,065	33.68%	Total Principal Water Users	1,322	36.40%
Total All Users	3,162	100.00%	Total All Users	3,632	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

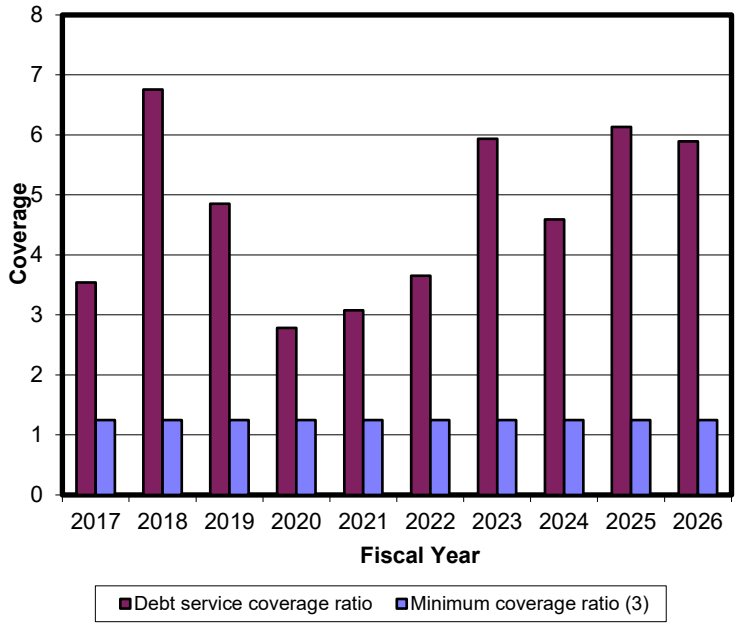
Fiscal Year	Loans Payable	Bonds Payable	Leases Payable	Subscriptions Payable	Total Debt	Total Customer Accounts	Total Debt per Customer Account
2015	-	40,940,994	-	-	40,940,994	7,200	5,686
2016	2,776,000	36,938,034	-	-	39,714,034	7,412	5,358
2017	2,799,880	35,100,405	-	-	37,900,285	7,906	4,794
2018	2,722,387	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
2026	12,941,683	56,339,228	49,383	58,087	69,388,381	11,377	6,099

Source: Marina Coast Water District, Audited Financial Statements

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

	2017	2018	2019	2020	2021
Debt service coverage					
Gross revenues (1)	$ 20,946,729	$ 33,034,132	$ 28,658,352	$ 27,684,779	$ 23,773,347
Operating expenses (2)	(9,611,386)	(10,464,978)	(12,197,276)	(14,457,621)	(13,667,734)
Net available revenues	$ 11,335,343	$ 22,569,154	$ 16,461,076	$ 13,227,158	$ 10,105,613
Debt service					
Principal	$ 1,690,000	$ 1,828,158	$ 1,892,013	$ 3,002,076	$ 1,441,859
Interest	1,511,925	1,510,940	1,498,610	1,753,074	1,843,746
	$ 3,201,925	$ 3,339,098	$ 3,390,623	$ 4,755,150	$ 3,285,605
Debt service coverage ratio	3.54	6.76	4.85	2.78	3.08
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

	2022	2023	2024	2025	2026
Debt service coverage					
Gross revenues (1)	$ 24,883,761	$ 41,599,410	$ 36,499,011	$ 42,333,182	$ 47,329,161
Operating expenses (2)	(12,817,673)	(17,362,504)	(19,311,528)	(21,564,094)	(23,582,814)
Net available revenues	$ 12,066,088	$ 24,236,906	$ 17,187,483	$ 20,769,088	$ 23,746,347
Debt service					
Principal	$ 1,512,217	$ 1,729,542	$ 1,949,652	$ 797,833	$ 1,764,663
Interest	1,788,554	2,354,838	1,794,052	2,588,180	2,266,228
	$ 3,300,771	$ 4,084,380	$ 3,743,704	$ 3,386,013	$ 4,030,891
Debt service coverage ratio	3.66	5.93	4.59	6.13	5.89
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	Personal Income[1]	Per Capita Income	Median Age	Unemployment Rate
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	436,251	29,695,203	68,943	36	7.3%
2025	**	**	**	**	**

Note 1 - Total personal income presented in thousands of dollars.

Source: Monterey County ACFR Report (Fiscal Year Ended June 30, 2025)
** Data not available at time of print.

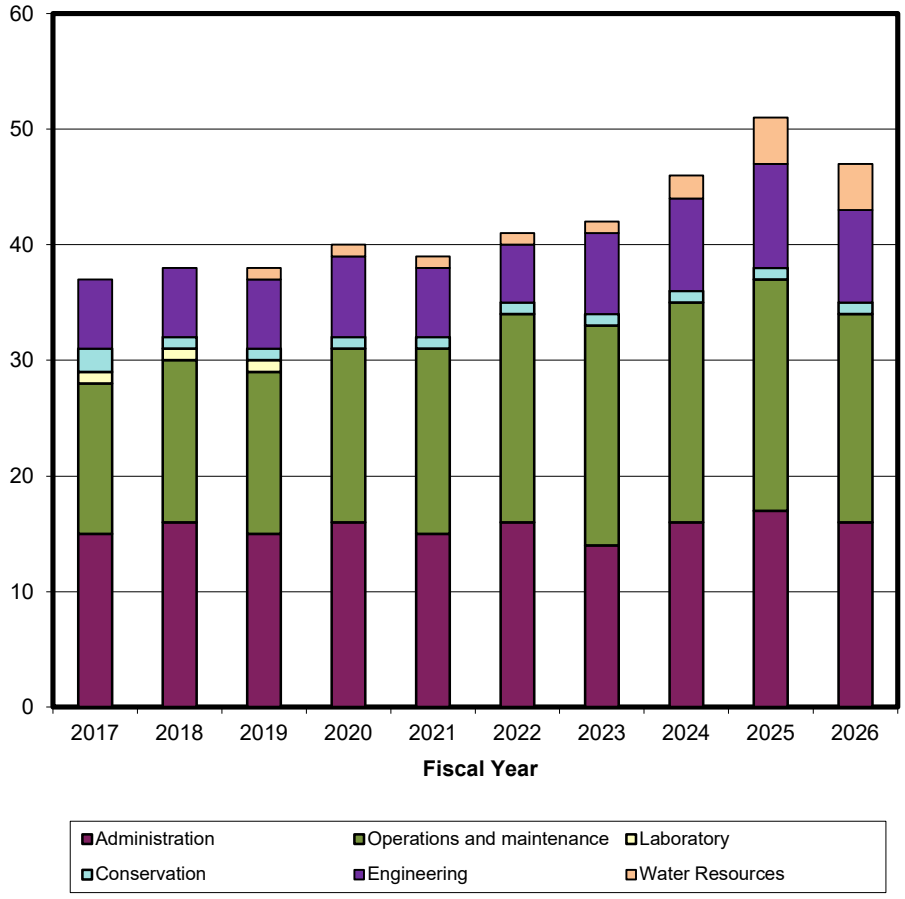
MARINA COAST WATER DISTRICT
Employment by Industry for Monterey County - by Annual Average
Prior Year and Ten Years Ago
Schedule 11

2025				2016			
Employer	**Employees**	**Rank**	**Percentage of Total Employment Listed**	**Employer**	**Employees**	**Rank**	**Percentage of Total Employment Listed**
Agriculture	53,800	1	26.58%	Agriculture	53,300	1	28.28%
Government	36,200	2	17.89%	Government	31,900	2	16.92%
Leisure and Hospitality	25,800	3	12.75%	Leisure and Hospitality	24,300	3	12.89%
Educational and Health Services	25,000	4	12.35%	Educational and Health Services	18,800	4	9.97%
Retail Trade	16,400	5	8.10%	Retail Trade	16,500	5	8.75%
Professional and Business Services	13,500	6	6.67%	Professional and Business Services	13,400	6	7.11%
Natural Resources, Mining and Construction	8,100	7	4.00%	Natural Resources, Mining and Construction	6,100	7	3.24%
Other Services	5,700	8	2.82%	Manufacturing	5,300	8	2.81%
Wholesale Trade	5,500	9	2.72%	Wholesale Trade	5,300	9	2.81%
Manufacturing	4,600	10	2.27%	Other Services	5,100	10	2.71%
Financial Activities	4,300	11	2.12%	Transportation, Warehousing and Utilities	4,300	11	2.28%
Transportation, Warehousing and Utilities	3,500	12	1.73%	Financial Activities	4,200	12	2.23%
Total	202,400		100.00%	Total	188,500		100.00%

Source: State of California Employment Development Department

MARINA COAST WATER DISTRICT
Personnel Trends by Department - Headcount as of June 30th
Last Ten Fiscal Years
Schedule 12

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Employees by department										
Administration	15	16	15	16	15	16	14	16	17	16
Operations and maintenance	13	14	14	15	16	18	19	19	20	18
Laboratory	1	1	1	-	-	-	-	-	-	-
Conservation	2	1	1	1	1	1	1	1	1	1
Engineering	6	6	6	7	6	5	7	8	9	8
Water Resources	-	-	1	1	1	1	1	2	4	4
Total employees	37	38	38	40	39	41	42	46	51	47



Source: Marina Coast Water District's Finance Department

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

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Facilities										
Distribution pipeline (miles)	147	147	162	162	162	215	215	234	242	247
Storage capacity (mg) (1)	11.0	11.0	11.2	11.2	11.2	11.2	11.2	11.2	17.0	17.0
System capacity (mgd) (2)	16.6	16.6	15.6	15.6	15.6	19.0	19.0	20.0	20.0	20.0
Water produced										
Water produced - Marina (mg) (1)	454	536	536	413	365	320	351	339	379	435
Average per day (mgd) (2)	1.2	1.5	1.5	1.1	1.0	0.9	1.0	0.9	1.0	1.2
Water produced - Ord (mg) (1)	481	574	517	661	730	830	740	737	762	748
Average per day (mgd) (2)	1.3	1.6	1.4	1.8	2.0	2.3	2.0	2.0	2.1	2.1
Total water produced (mg) (1)	935	1,110	1,053	1,074	1,094	1,150	1,091	1,076	1,142	1,183
Average per day (mgd) (2)	2.6	3.0	2.9	2.9	3.0	3.2	3.0	2.9	3.1	3.2

(1) mg = million gallons
(2) mgd = million gallons per day

Source: Marina Coast Water District's Finance Department

OTHER INDEPENDENT AUDITOR'S REPORT

Chavan and Associates, llp
Certified Public Accountants

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 years ended June 30, 2026 and June 30, 2025, 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 15, 2026.

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.

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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 15, 2026
Morgan Hill, California

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