

Annual Financial Report
June 30, 2023 and 2022

**Monterey Regional Waste
Management District**

DRAFT

Monterey Regional Waste Management District Annual Financial Report

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**Monterey Regional Waste Management District
Annual Financial Report**

June 30, 2023 and 2022

Board of Directors

**for the Year Ended
June 30, 2023**

| <u>Member</u> | <u>Office</u> | <u>Representing</u> | <u>Term Expires</u> |
|----------------------|--|--|----------------------------|
| Jason Campbell | Chair | Seaside | December 2024 |
| Kim Shirley | Vice Chair | Del Rey Oaks | December 2024 |
| Karen Ferlito | Director | Carmel-By-The-Sea | November 2026 |
| Bruce Delgado | Director | Marina | December 2026 |
| Bill Peake | Director | Pacific Grove | December 2026 |
| Leo Laska | Director | Pebble Beach Community Services District | December 2023 |
| Kim Barber | Director | Monterey | December 2026 |
| Wendy Root Askew | Director | Monterey County | December 2024 |
| Jerry Blackwelder | Director | Sand City | December 2024 |
| Felipe Melchor | General Manager/ Secretary of the Board | | |

Independent Auditor's Report

To the Board of Directors
Monterey Regional Waste Management District
Marina, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Monterey Regional Waste Management District (District) as of and for the years ended June 30, 2023, and June 30, 2022 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 opinions, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2023, and June 30, 2022 and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 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 Matter

As discussed in Note 13 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for restricted cash and understatement of deferred amount on refunding as of June 30, 2022. Accordingly, a restatement has been made to the District net position as of June 30, 2022, to correct the error. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining schedule of net position, the combining schedule of revenues, expenses and changes in net position, and schedule of revenues, expenses, and changes in net position actual to budget 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, the combining schedule of revenues, expenses and changes in net position, and schedule of revenues, expenses, and changes in net position actual to budget are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Menlo Park, California
November 30, 2022

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Monterey Regional Waste Management District

Management's Discussion and Analysis

for the Years Ended June 30, 2023 and June 30, 2022

This section of Monterey Regional Waste Management District's (District) annual financial report presents a discussion and analysis of the District's performance during the fiscal year that ended June 30, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

The District was formed in 1951 under the California Health and Safety Code. The primary purpose of the District is to dispose of solid waste in the Monterey Peninsula area. The District's role has expanded to include the recovery of recyclable materials in the waste stream (cardboard, newspaper, glass, wood waste, plastic, metals, concrete, asphalt, reusable building materials and resale items) and to receive non-hazardous liquid wastes. In addition, the District operates a landfill gas to electrical energy system, with capacity to generate about 5,000 kilowatts of continuous power. The District also accepts household hazardous waste.

The Monterey Regional Waste Management Authority (Authority) was formed pursuant to the provisions of the Government Code of the State of California and a Joint Powers Agreement (JPA), dated April 1, 1993, by and between the cities of Carmel-by-the-Sea, Del Rey Oaks, Marina, Monterey, Pacific Grove, Sand City and Seaside. During the fiscal year ending June 30, 1996, the Pebble Beach Community Services District also became a member of the Authority. During the fiscal year ending June 30, 2015, Monterey County also became a member of the Authority. The Authority was formed to assist in the financing of public capital improvements, such as the design, acquisition and construction of additions, betterments, and improvements to the District's facilities.

Accounting principles generally accepted in the United States of America require that these financial statements present the District (the primary government) and its component units. The Authority is included in the District's financial statements because of its significant financial relationship to the District.

Financial Highlights

Fiscal Year 2022-2023

- Operating revenues increased by 8.7 percent to \$49.6 million and operating expenses increased by 18.8 percent to \$40.7 million.
- Capital outlay for buildings, equipment and infrastructure were \$6.8 million.
- Operating revenues were above budgeted revenues by \$1.3 million. Operating expenses were above budgeted amounts by \$3.8 million. Non-operating revenues and expenses were above the budgeted levels by \$3.0 million.

Fiscal Year 2021-2022

- Operating revenues increased by 7.5 percent to \$45.7 million and operating expenses increased by 0.2 percent to \$34.2 million.
- Capital outlay for buildings, equipment and infrastructure were \$3.2 million.
- Operating revenues were above budgeted revenues by \$7.0 million. Operating expenses were below budgeted amounts by \$0.4 million. Non-operating revenues and expenses were above the budgeted levels by \$0.9 million.

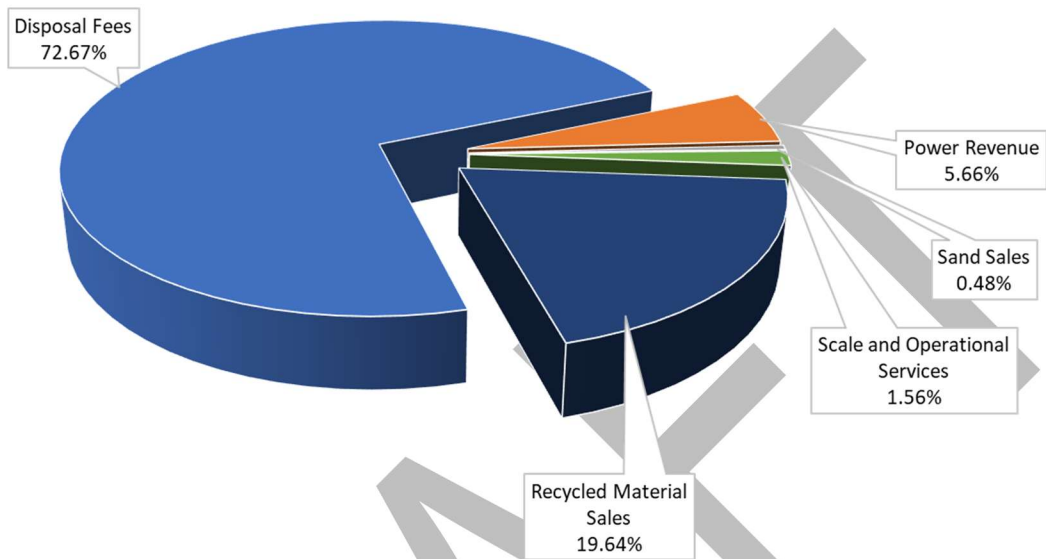
Monterey Regional Waste Management District

Management's Discussion and Analysis for the Years Ended June 30, 2023 and June 30, 2022

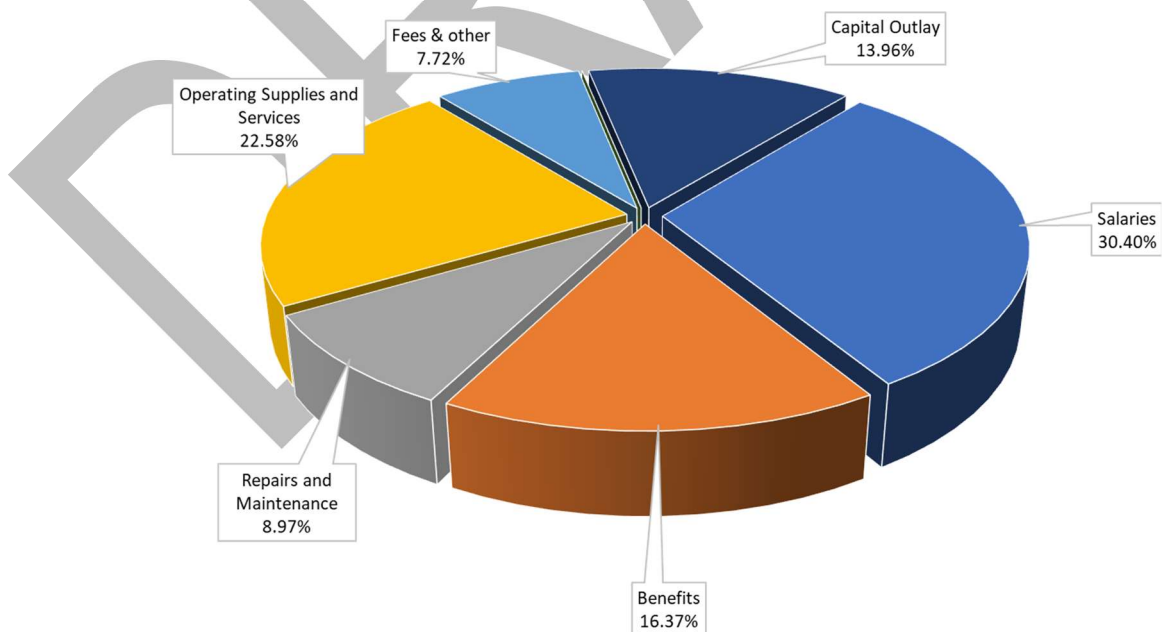
Financial Highlights (Continued)

The following figures show the District's sources of revenues and areas of expenditures for fiscal year 2023:

Sources of Revenue



Areas of Expense



Monterey Regional Waste Management District

Management's Discussion and Analysis for the Years Ended June 30, 2023 and June 30, 2022

Overview of the Financial Statements

This financial report consists of five parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements, required supplementary information and other supplementary information.

The financial statements provide both long-term and short-term information about the District's financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of schedules of required supplementary information and a section of other supplementary information that further explains and supports the information in the financial statements.

The District's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statement of revenues, expenses, and changes in net position. All assets and liabilities associated with the operation of the District are included in the statement of net position.

Net Position

Fiscal Year 2022-2023

The statement of net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Net position is reported in three categories: Invested in capital assets – net of debt, restricted and unrestricted. Invested in capital assets – net of related debt is the cost of the District's buildings, equipment, and infrastructure after deducting accumulated depreciation and debt still owed on these assets. Restricted assets are the funds the District is required to set aside for landfill closing/cleanup reserves and the acquisition of capital assets.

The MRF and Truck yard projects are done should not be referred to any longer in regard to capital spending.

The District's total net position at June 30, 2023 was \$70.2 million, a 17.4 percent increase of \$10.4 million over net position at June 30, 2022 (See Table A-1). Much of the increase in total net position is attributable to a 23.0 percent or \$6.7 million increase of Disposal Fees, a 33.2 percent or \$0.7 million increase of Power Sales.

Total assets and deferred outflows increased by 9.2 percent to \$150.7 million. Total liabilities and deferred inflows increased by 2.9 percent to \$80.5 million.

Fiscal Year 2021-2022

The statement of net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Net position is reported in three categories: Invested in capital assets – net of debt, restricted and unrestricted. Invested in capital assets – net of related debt is the cost of the District's buildings, equipment, and infrastructure after deducting accumulated depreciation and debt still owed on these assets.

Monterey Regional Waste Management District

Management's Discussion and Analysis for the Years Ended June 30, 2023 and June 30, 2022

Restricted assets are the funds the District is required to set aside for landfill closing/cleanup reserves and revenue bond proceeds that are restricted for the acquisition of Materials Recovery Facility Improvement Project and the Franchise Hauler Truck Parking and Maintenance Facility Project.

The District's total net position at June 30, 2022 was \$59.8 million, a 21.1 percent increase of \$10.4 million over net position at June 30, 2021 (See Table A-1). Much of the increase in total net position is attributable to a 15.7 percent or \$1.8 million increase of recycled material sales and CRV rebates, a 32.0 percent of \$4.5 million decrease of net pension liability and 7.4 percent or \$3.5 million decrease of revenue bonds.

Total assets and deferred outflows increased by 6.3 percent to \$138.0 million. Total liabilities and deferred inflows decreased by 2.9 percent to \$78.0 million.

Table A-1
Net Position
(in thousands of dollars)

| | 2023 | 2022 | 2021 | Change | |
|--|-------------------|-------------------|-------------------|--------------|--------------|
| | | | | 2023 to 2022 | 2022 to 2021 |
| Current Assets | \$ 53,318 | \$ 45,162 | \$ 35,836 | 18.1% | 26.0% |
| Restricted Assets | 2,500 | 2,500 | 4,850 | 0.0% | -48.5% |
| Lease receivables | 1,900 | 2,140 | 2,363 | -11.2% | 0.0% |
| Deposits | 155 | 155 | 155 | 0.0% | 0.0% |
| Capital Assets–Net | 84,656 | 82,991 | 82,792 | 2.0% | 0.2% |
| Intangible Assets–Net | 41 | 57 | 73 | -28.1% | -21.9% |
| Total Assets | 142,570 | 133,005 | 126,069 | 7.2% | 5.5% |
| Deferred Outflows | 8,130 | 5,003 | 3,801 | 62.5% | 31.6% |
| Total Assets and Deferred Outflows | \$ 150,700 | \$ 138,008 | \$ 129,870 | 9.2% | 6.3% |
| Current Liabilities | \$ 8,487 | \$ 7,483 | \$ 5,376 | 13.4% | 39.2% |
| Non–Current Liabilities | 21,637 | 13,842 | 19,290 | 56.3% | -28.2% |
| Revenue Bonds Payable | 40,537 | 43,328 | 46,814 | -6.4% | -7.4% |
| Estimated Closure/Post Closure Costs | 7,291 | 6,761 | 6,413 | 7.8% | 5.4% |
| Total Liabilities | 77,952 | 71,414 | 77,893 | 9.2% | -8.3% |
| Deferred Inflows | 2,506 | 6,766 | 2,592 | -63.0% | 161.0% |
| Total Liabilities and Deferred Inflows | \$ 80,458 | \$ 78,180 | \$ 80,485 | 2.9% | -2.9% |
| Net Position: | | | | | |
| Invested in Capital Assets– Net of Debt | 41,115 | 36,491 | 33,338 | 12.7% | 9.5% |
| Restricted | 2,500 | 2,500 | 3,318 | 0.0% | -24.7% |
| Unrestricted | 26,627 | 20,837 | 12,729 | 27.8% | 63.7% |
| Total Net Position | 70,242 | 59,828 | 49,385 | 17.4% | 21.1% |
| Total Liabilities, Deferred Inflows, and Net Position | \$ 150,700 | \$ 138,008 | \$ 129,870 | 9.2% | 6.3% |

Monterey Regional Waste Management District

Management's Discussion and Analysis for the Years Ended June 30, 2023 and June 30, 2022

Revenues, Expenses and Changes in Net Position

Fiscal Year 2022-2023

Operating revenues increased by 8.7 percent to \$49.6 million (See Table A-2). Some of the major impacts on District revenues are from:

- Revenues from disposal fees increased by 23.0 percent due to a 7% rate increase in disposal fees and increase in material volumes originating from within and outside of Monterey County.
- Power revenue increased by 33.2 percent due to the increase of the surplus power sold in the grid.
- Recycled material sales decreased by 26.3 percent due to lower prices of commodities and the elimination of residual disposal fees. CRV rebates values represent 42.3 percent of total MRF revenue.

Operating expenses increased by 18.8 percent. Salaries increased by 13.2 percent. Benefits increased by 28.2 percent due to the increase in the number of employees and the cost of the benefits (pension and OPEB).

Recycling expenses increased by 80.9 percent or \$1.5 million due to a higher volume of contractor services performed related to yard waste, wood waste, and food waste. Contractual services also increased by 92.0 percent or \$0.6 million primarily due to the increase in the temporary staffing cost. Other costs under this category include janitorial services, alarm services, bird and other pest control, and portable toilet rental. Operating supplies increased by 55.5% or 0.5 million due to the increase in site maintenance and improvement costs and in the tools and equipment rental expenses in the current year.

Fiscal Year 2021-2022

Operating revenues increased by 7.5 percent to \$45.7 million (See Table A-2). Some of the major impacts on District revenues are from:

- Revenues from disposal fees remained consistent with prior year with an increase of 3.4 percent.
- Power revenue increased by 29.8 percent due to the increase of the surplus power sold in the grid.
- Recycled material sales increased by 15.7 percent due to the fast-growing activity of the Material Recovery Facility (MRF) CRV values assigned to diverted products by CalRecycle. CRV values represent 30.4 percent of total MRF revenue.
- Sand sales increased 12.5 percent compared to the prior year mainly due to the increase in demand.

Operating expenses remained consistent with prior year with a decrease of 0.2 percent. Salaries increased by 1.5 percent. Benefits decreased by 21.7 percent due to the decrease in the number of employees. Generally, the operations related expenditures remained consistent with prior year. Repairs and maintenance increased by 11.0 percent due to the repairs performed to the District site. Contracted services decreased by 14.2 percent. Recycling expenses decreased by 9.2 percent while the operating supplies decreased by 40.5% to normal level after the prior year spike due to buying COVID-19 related cleaning and disinfecting supplies. The environmental services decreased by 53.8 percent due to less costs incurred to maintain the landfill gas collection system.

Monterey Regional Waste Management District

Management's Discussion and Analysis for the Years Ended June 30, 2023 and June 30, 2022

Operating expenses decreased by 5.1 percent to \$34.2 million. Salaries decreased by 19.5 percent, due to the prior year early retirement program which of many employees had utilized and accepted an early retirement package from the District. Benefits decreased by 12.4 percent due to the decrease in the number of employees. Generally, the operations related expenditures have decreased compared to the prior year due to the worldwide COVID-19 pandemic. Repairs and maintenance decreased by 4.0 percent due to the limited repairs performed. Contracted services decreased by 12.4 percent. Recycling expenses decreased by 10.6 percent while the operating supplies increased by 45.0% due to buying COVID-19 related cleaning and disinfecting supplies. The environmental services increased by 388.9 percent due to costs incurred to repair and maintain the landfill gas collection system.

Table A-2
Revenues, Expenses and Changes in Net Position
(in thousands of dollars)

| | 2023 | 2022 | 2021 | Change | |
|--|---------------|----------------|---------------|----------------|---------------|
| | | | | 2023 to 2022 | 2022 to 2021 |
| Operating Revenues | | | | | |
| Disposal Fees | \$ 36,077 | \$ 29,330 | \$ 28,374 | 23.0% | 3.4% |
| Power Sales | 2,809 | 2,109 | 1,625 | 33.2% | 29.8% |
| Recycled Material Sales | 9,751 | 13,231 | 11,433 | -26.3% | 15.7% |
| Landscape Product Sales | - | - | 100 | 0.0% | -100.0% |
| Scale and Operational Services | 775 | 748 | 711 | 3.6% | 5.2% |
| Sand Sales | 236 | 243 | 216 | -2.9% | 12.5% |
| Total Operating Revenues | 49,648 | 45,661 | 42,459 | 8.7% | 7.5% |
| Operating Expenses | | | | | |
| Salaries | 11,323 | 10,001 | 9,857 | 13.2% | 1.5% |
| Employee Benefits | 6,096 | 4,755 | 6,076 | 28.2% | -21.7% |
| Depreciation and Amortization | 5,199 | 5,310 | 4,116 | -2.1% | 29.0% |
| Recycling | 3,412 | 1,886 | 2,076 | 80.9% | -9.2% |
| Repairs and Maintenance | 3,341 | 3,372 | 3,039 | -0.9% | 11.0% |
| Operating Supplies, Services and Other Expenses | 8,408 | 6,166 | 6,478 | 36.4% | -4.8% |
| Taxes, Licenses and Permits | 1,303 | 1,408 | 1,322 | -7.5% | 6.5% |
| Professional services | 1,043 | 964 | 836 | 8.2% | 15.3% |
| Closure/Post Closure Costs | 530 | 347 | 356 | 52.7% | -2.5% |
| Total Operating Expenses | 40,655 | 34,209 | 34,156 | 18.8% | 0.2% |
| Operating Income | 8,993 | 11,452 | 8,303 | -21.5% | 37.9% |
| Non-Operating Revenues (Expenses) | | | | | |
| Interest Income | 598 | 121 | 193 | 394.2% | -37.3% |
| Other Revenue (Expenses) | 2,155 | 761 | 327 | 183.2% | 132.7% |
| Interest Expense-Revenue Bonds and Financed Purchase | (1,332) | (1,891) | (904) | -29.6% | 109.2% |
| Cost of Revenue Bonds Issuance | - | - | - | - | - |
| Total Non-Operating Revenues (Expenses) | 1,421 | (1,009) | (384) | -240.8% | 162.8% |
| Change in Net Position | 10,414 | 10,443 | 7,919 | -0.3% | 31.9% |
| Total Net Position - Beginning of Year, as restated | 59,828 | 49,385 | 41,466 | 21.1% | 19.1% |
| Total Net Position - End of Year | \$ 70,242 | \$ 59,828 | \$ 49,385 | 17.4% | 21.1% |

Monterey Regional Waste Management District

Management's Discussion and Analysis for the Years Ended June 30, 2023 and June 30, 2022

Operating Revenue and Expenses by Department

Fiscal Year 2022-2023

- Administration/organization includes senior management, administrative, accounting and engineering staff, along with organization-wide supplies and services, such as the computer network and telephone systems.
- Household hazardous waste (HHW) revenue is from charges for small quantity generators.
- Operating expenses includes all expenses related to the receipt, diversion and disposal of material from district and regional customers and the landfill gas operation. The District continues to incur expenses for air emission testing and compliance requirements for the landfill gas power operations. The District operations benefit from “free electricity” and the revenue from the sale of excess power generated by the landfill gas power operations.
- The revenue for the Materials Recovery Facility (MRF) includes the processing fees for single stream material, construction and demolition material, and green waste diverted at the facility, along with the revenues for sales of recycled materials, scrap metal and the revenue from CalRecycle CRV refund claims.
- Disposal fees are comprised of the revenue generated at the Scales.

Fiscal Year 2021-2022

- Administration/organization includes senior management, administrative, accounting and engineering staff, along with organization-wide supplies and services, such as the computer network and telephone systems.
- Household hazardous waste (HHW) revenue is from charges for small quantity generators.
- Operating expenses includes all expenses related to the receipt, diversion and disposal of material from district and regional customers and the landfill gas operation. The District continues to incur expenses for air emission testing and compliance requirements for the landfill gas power operations. The District operations benefit from “free electricity” and the revenue from the sale of excess power generated by the landfill gas power operations.
- The revenue for the Materials Recovery Facility (MRF) includes the processing fees for single stream material, construction and demolition material and green waste diverted at the facility, along with the revenues for sales of recycled materials, scrap metal and the revenue from CalRecycle CRV refund claims.
- Disposal fees are comprised of the revenue generated at the Scales.

Budget Highlights

Fiscal Year 2022-2023

The District's operating revenues of \$49.6 million were \$1.3 million above budget and non-operating revenue was \$3.0 million above budget amounts. The revenue increase resulted primarily from 7 percent increase in disposal fees rate. Power sales were 56.0 percent above budget due to higher runtime for the power generating machinery.

Monterey Regional Waste Management District

Management's Discussion and Analysis for the Years Ended June 30, 2023 and June 30, 2022

Operating expenses of \$40.6 million were \$3.8 million above budget. Salary expenses and benefits are \$1.0 million above budget due to the rise in health insurance costs and benefits costs. Recycling costs were \$1.2 million above budget due to increased volume of wood waste processing. Revised closure/post closure maintenance plans have been being submitted as part of the 5-year permit review process. The plans have not been approved and the higher of the previous approved or submitted costs were used to calculate the closure/post closure costs. (see Note 6). There were several items under budget: professional services - \$0.08 million; Taxes, licenses and permits - \$0.1 million; repairs & maintenance – 0.1 million; public awareness - \$0.4 million. Other categories over budget were; depreciation and amortization - \$0.7 million; fuel costs - \$0.4 million; environmental services - \$0.4 million.

Fiscal Year 2021-2022

The District's operating revenues of \$45.7 million were \$7.0 million above budget and non-operating revenue was \$0.9 million above budget amounts. The revenue increase resulted primarily from increased revenue from sales of MRF products and CalRecycle CRV claims and higher volume of material landfilled. Power sales were 29.8 percent above budget due to higher runtime for the power generating machinery.

Operating expenses of \$34.2 million were \$0.4 million below budget. Salary expenses and benefits are \$0.4 million below budget due to lower health insurance costs offset by salaries and workers compensation costs being over budget. Recycling costs were \$0.4 million above budget due to increased volume of wood waste processing. Professional services costs were \$0.8 million below budget due in part to lower engineering services related costs. Revised closure/post closure maintenance plans have been being submitted as part of the 5-year permit review process. The plans have not been approved and the higher of the previous approved or submitted costs were used to calculate the closure/post closure costs. (see Note 6). There were several items under budget: professional services - \$895,940; fuel - \$118,505; taxes and fees - \$30,440; public awareness - \$237,992; education, meetings and travel - \$59,364; safety equipment and supplies - \$29,395; closure and post closure care costs - \$27,785; operating supplies - \$202,401. Other categories over budget were; depreciation and amortization - \$1,010,408; fuel costs - \$461,197; office expenses - \$176,286; environmental services - \$16,169; fuel - \$461,197; recycling services - \$365,910; insurance - \$14,271.

Monterey Regional Waste Management District

Management's Discussion and Analysis for the Years Ended June 30, 2023 and June 30, 2022

Capital Assets and Debt Administration

Capital Assets

On June 30, 2023, the District's capital assets totaled \$84.7 million, net of accumulated depreciation. (See Table A-3). The increase of \$1.65 million is mostly due to capital acquisitions for the materials recycling facility.

| | 2023 | 2022 | 2021 | Change | |
|-------------------------------|------------------|------------------|------------------|-------------|-------------|
| | | | | 2023-22 | 2022-21 |
| Land | \$ 578 | \$ 578 | \$ 578 | 0.0% | 0.0% |
| Facilities and Infrastructure | 19,693 | 20,440 | 20,234 | -3.7% | 1.0% |
| Right-to-use lease, equipment | 2 | 6 | 10 | -66.7% | -40.0% |
| Equipment | 36,734 | 35,596 | 33,179 | 3.2% | 7.3% |
| Power Project | 11,011 | 11,016 | 9,919 | 0.0% | 11.1% |
| Module Development | 16,638 | 15,355 | 13,550 | 8.4% | 13.3% |
| Intangible Assets | 41 | 57 | 73 | -28.1% | -21.9% |
| Construction in Progress | - | - | 5,322 | 0.0% | -100.0% |
| | <u>\$ 84,697</u> | <u>\$ 83,048</u> | <u>\$ 82,865</u> | <u>2.0%</u> | <u>0.2%</u> |

Fiscal year 2022-2023 major capital asset additions include:

- \$849,273 for Ejector Truck.
- \$420,225 for Wheel Loader.
- \$574,996 for MRF Loader.
- \$369,357 for CNG Water Truck.

Fiscal year 2021-2022 major capital asset additions include:

- \$150,403 for generator for truck yard.
- \$597,121 for D6 XE Dozer.
- \$576,735 for compost site improvements.
- \$1,904,523 for development of modules 6 and 7.

Debt Administration

On November 7, 2018, through the bond underwriter, the District issued \$22,970,000 in 2018 Series A and Series B Integrated Waste Management Revenue Bonds to fund the design, acquisition, and construction of improvements to the Monterey Peninsula Landfill and paying costs of issuance related to the sale and delivery of the Series 2018 Bonds. Through the bond trustee, the District continues to make its regularly scheduled payments on the 2018 Series A and B Integrated Waste Management Revenue Bonds. During 2023, principal payments of \$860,000 were made, leaving a balance of \$19,500,000. The District was in compliance with the bond covenants at June 30, 2023 and 2022.

Bond Rating - In November 2021, Standard and Poor's assigned the Series 2021 Bonds the rating of AA - and view the outlook as stable.

Monterey Regional Waste Management District

Management's Discussion and Analysis for the Years Ended June 30, 2023 and June 30, 2022

On December 14, 2021, through the bond underwriter, the District issued \$24,910,000 in 2021 Integrated Waste Management Authority Refunding Revenue Bonds to refund the Authority's Integrated Waste Management System Revenue Bonds Series 2015A (Non-AMT) and Integrated Waste Management System Revenue Bonds Series 2015B (AMT) and pay the costs of issuance related to the issuance and sales of the Series 2021 Bonds. Through the bond trustee, the District made regularly scheduled payments on the 2021 Integrated Waste Management Refunding Revenue Bonds. During 2023, principal payments of \$1,785,000 were made, leaving a balance of \$21,520,000. The District was in compliance with the bond covenants at June 30, 2023 and 2022.

Bond Rating – In December 2021, Standard and Poor's assigned the Series 2021 Bonds the rating of AA+ and view the outlook as stable.

Economic Factors and Next Year's Budget and Rates

Estimates of revenues are \$51.15 million. This is an increase of \$2.77 million (5.7%) compared to the FY2022/23 Budget and is due to the following factors:

- \$6.41 million increase (19.3%) in disposal fees, due to a 7% increase in disposal fees and increase in material volumes originating from within and outside of Monterey County.
- \$4.73 million decrease (38.1%) in MRF revenues, including commodities sales, processing fees and CRV revenue due to lower commodity prices.
- \$1.1 million increase (60.0%) in projected power revenue resulting from a recalibration of estimates to align more accurately with recent experiences.

Operating Expenses for FY2023/24 are projected to be \$42.1 million. This is an increase of \$5.3 million (14.4%) from the FY2022/23 Budget. Personnel expenses increase by \$2.5M (15.5%). Non-personnel expenses are projected to increase \$2.75 million or 13.5% compared to the FY2022/23 Budget.

Non-Operating Revenues/Expenses for FY2023/24 equals \$0.46 million, which includes interest expense on the 2018 and 2021 Revenue Bonds at \$1.27 million, and income from leases, investments, and other charges equal to \$0.8 million.

Capital Spend requests for FY2023/24 equals \$22.14 million, an increase of over \$0.55 million from the FY2022/23 Budget. Mobile Equipment investments for the year include the replacement of a 2001 Cat 627G T2 scraper (\$1.2 million), replacement of a 2002 John Deere T3 loader (\$0.35 million). Capital Improvement projects include M1W-AWPF power connection (\$3.5 million), development work on landfill Module 7 (\$4.2 million) and roadway paving and improvements (\$2.25 million), Scale house additions including modifications to meet ADA standards (\$1.0 million), MRWMD-M1W joint agency microgrid (\$0.9 million), improvements to the compost site (\$1.0 million), equipment additions at the MRF (\$0.85 million), improvements to the LFG management system (\$0.75 million).

Net Income is projected at \$8.56 million.

Monterey Regional Waste Management District

Management's Discussion and Analysis for the Years Ended June 30, 2023 and June 30, 2022

Cash provided by operations for FY2023/24 is estimated at \$14.08 million (Net Income less Depreciation and Amortization and Closure/Post Closure Costs). Unrestricted Cash Reserves are projected to total \$15.28 million, which is made up a Cash Operating Expense Reserve of \$7.32 million, and an additional, undesignated balance of \$8.0 million. The District will meet the 20% operating expense reserve in FY2023/24 that has been established by the District.

The Bond Debt Service

The debt service Ratio calculated for FY2023/24 is 3.46, which is above the Bond Covenant of 1.25.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, customers, bondholders, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Helen Rodriguez, Director of Finance and Administration, at (831) 264-6906.

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Basic Financial Statements

Monterey Regional Waste Management District

**Statement of Net Position
June 30, 2023 and June 30, 2022**

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------|-----------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current assets | | |
| Cash and investments (Note 3) | \$ 45,998,419 | \$ 37,560,405 |
| Accounts receivable, net | 4,698,959 | 5,266,627 |
| Accrued interest receivable | 150,813 | 17,436 |
| Other receivables | 273,023 | 362,827 |
| Lease receivables | 239,847 | 223,440 |
| Prepaid expenses | 1,956,732 | 1,730,957 |
| Total current assets | <u>53,317,793</u> | <u>45,161,692</u> |
| Non-current assets | | |
| Restricted cash and investments (Note 3) | 2,500,000 | 2,500,000 |
| Lease receivables | 1,899,648 | 2,139,496 |
| Deposits | 155,000 | 155,000 |
| Capital assets, net (Note 4) | 84,697,265 | 83,047,912 |
| Total noncurrent assets | <u>89,251,913</u> | <u>87,842,408</u> |
| Total assets | <u>142,569,706</u> | <u>133,004,100</u> |
| Deferred outflows of resources | | |
| Unamortized loss on refunding of debt | 1,270,725 | 1,386,245 |
| Pension related amounts (Note 6) | 6,209,098 | 2,898,942 |
| OPEB related amounts (Note 7) | 650,558 | 717,782 |
| Total deferred outflows of resources | <u>8,130,381</u> | <u>5,002,969</u> |
| Total assets and deferred outflows of resources | <u>\$ 150,700,087</u> | <u>\$ 138,007,069</u> |

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

Monterey Regional Waste Management District

Statement of Net Position (Continued)
June 30, 2023 and June 30, 2022

| | 2023 | 2022 |
|---|----------------------|----------------------|
| LIABILITIES, DEFERRED INFLOWS AND NET POSITION | | |
| Current liabilities | | |
| Accounts payable | \$ 4,008,067 | \$ 3,032,341 |
| Security deposits | 50,564 | 52,172 |
| Lease payable | 2,885 | 3,842 |
| Compensated absences | 335,644 | 231,739 |
| Accrued State/County waste management fees | 298,278 | 273,455 |
| Payroll and payroll liabilities | 400,160 | 335,549 |
| Revenue bonds and lease interest payable | 348,888 | 369,954 |
| Current portion of revenue bonds payable (Note 8) | 2,789,773 | 2,724,773 |
| Current portion of installment sale obligation (Note 9) | 252,342 | 458,783 |
| Total current liabilities | <u>8,486,601</u> | <u>7,482,608</u> |
| Non-current liabilities | | |
| Compensated absences | 655,582 | 655,582 |
| Lease payable | - | 2,885 |
| Long-term portion of installment sale obligation (Note 9) | - | 37,840 |
| Net pension liability (Note 6) | 17,413,477 | 9,690,029 |
| Total OPEB liability (Note 7) | 3,568,198 | 3,455,636 |
| Revenue bonds payable, net (Note 8) | 40,537,116 | 43,328,549 |
| Landfill closure and post closure care (Note 5) | 7,291,209 | 6,760,793 |
| Total noncurrent liabilities | <u>69,465,582</u> | <u>63,931,314</u> |
| Total liabilities | <u>77,952,183</u> | <u>71,413,922</u> |
| Deferred inflows of resources | | |
| Pension related amounts (Note 6) | 102,328 | 4,071,747 |
| OPEB related amounts (Note 7) | 450,612 | 468,806 |
| Leases related amounts | 1,952,662 | 2,225,127 |
| Total deferred inflows of resources | <u>2,505,602</u> | <u>6,765,680</u> |
| Total liabilities and deferred inflows of resources | <u>80,457,785</u> | <u>78,179,602</u> |
| Net position | | |
| Net investment in capital assets | 41,115,149 | 36,491,240 |
| Restricted for | | |
| Landfill closure | 2,500,000 | 2,500,000 |
| Unrestricted net position | <u>26,627,153</u> | <u>20,836,227</u> |
| Total net position | <u>\$ 70,242,302</u> | <u>\$ 59,827,467</u> |

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

Monterey Regional Waste Management District

Statement of Revenues, Expenses and Changes in Net Position for the Years Ended June 30, 2023 and June 30, 2022

| | 2023 | 2022 |
|--|---------------------|----------------------|
| Operating revenues | | |
| Disposal fees | \$ 36,076,916 | \$ 29,329,785 |
| Power sales | 2,808,825 | 2,109,481 |
| Recycled material sales | 9,751,080 | 13,231,287 |
| Scale and operational services | 775,222 | 748,112 |
| Sand sales | 236,059 | 242,560 |
| Landscape product sales | 56 | 91 |
| Total operating revenues | <u>49,648,158</u> | <u>45,661,316</u> |
| Operating expenses | | |
| Salaries | 11,322,501 | 10,001,343 |
| Employee benefits | 6,096,471 | 4,754,790 |
| Depreciation and amortization | 5,199,161 | 5,310,408 |
| Recycling | 3,411,848 | 1,885,910 |
| Taxes, licenses and permits | 1,303,370 | 1,408,060 |
| Repairs & Maintenance | 3,340,832 | 3,371,803 |
| Professional services | 1,042,955 | 963,760 |
| Fuel | 1,598,759 | 1,465,197 |
| Contractual services | 1,392,451 | 725,132 |
| Operating supplies | 1,441,305 | 927,019 |
| Landfill closure and post closure care costs | 530,415 | 347,215 |
| Insurance | 1,133,886 | 915,271 |
| Public awareness | 69,455 | 82,508 |
| Office | 498,226 | 457,686 |
| Safety equipment and supplies | 248,070 | 224,175 |
| Education, meetings and travel | 201,907 | 86,086 |
| Hazardous waste program | 300,719 | 334,090 |
| Environmental services | 1,301,033 | 748,669 |
| Utilities | 173,528 | 168,316 |
| Miscellaneous | 48,590 | 32,132 |
| Total operating expenses | <u>40,655,482</u> | <u>34,209,570</u> |
| Operating income | <u>\$ 8,992,676</u> | <u>\$ 11,451,746</u> |

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

Monterey Regional Waste Management District

**Statement of Revenues, Expenses and Changes in Net Position (Continued)
for the Years Ended June 30, 2023 and June 30, 2022**

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Operating income | 8,992,676 | 11,451,746 |
| Non–operating revenues (expenses): | | |
| Interest income | \$ 598,282 | \$ 121,222 |
| Rents and leases | 324,059 | 323,773 |
| Gain on sale of capital assets – net | - | 160,700 |
| Interest expense – revenue bonds and financed purchase | (1,332,164) | (1,891,325) |
| Other income (expense) | 1,831,982 | 276,479 |
| Total non-operating revenues (expenses) | <u>1,422,159</u> | <u>(1,009,151)</u> |
| Change in net position | 10,414,835 | 10,442,595 |
| Net position, beginning of year, as restated | <u>59,827,467</u> | <u>49,384,872</u> |
| Net position, end of year | <u>\$ 70,242,302</u> | <u>\$ 59,827,467</u> |

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

Monterey Regional Waste Management District

**Statement of Cash Flows
for the Years Ended June 30, 2023 and June 30, 2022**

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Cash flows from operating activities | | |
| Cash received from customers | \$ 50,305,630 | \$ 44,757,946 |
| Cash payments to employees for services | (16,644,991) | (15,018,997) |
| Cash payments to suppliers of goods or services | (16,783,748) | (12,355,055) |
| Cash received from rents and leases | 324,059 | 323,773 |
| Other operating cash inflows | 1,831,982 | 303,479 |
| Net cash provided by operating activities | <u>19,032,932</u> | <u>18,011,146</u> |
| Cash flows from capital and related financing activities | | |
| Payments for capital acquisitions | (6,735,879) | (5,496,722) |
| Principal payments for financed purchase of capital assets | (244,281) | (477,974) |
| Proceeds from disposition of capital assets | - | 160,700 |
| Principal paid on revenue bonds | (2,726,433) | (28,035,568) |
| Proceeds from revenue bonds | - | 24,910,000 |
| Other financing charges or refunds | - | (27,000) |
| Interest and other fees paid on revenue bonds and financed purchase | (1,353,230) | (3,362,780) |
| Net cash used for capital and related financing activities | <u>(11,059,823)</u> | <u>(12,329,344)</u> |
| Cash flows from investing activities | | |
| Investment income | 464,905 | 127,883 |
| Net cash provided by investing activities | <u>464,905</u> | <u>127,883</u> |
| Net change in cash and cash equivalents | 8,438,014 | 5,809,685 |
| Cash and cash equivalents, beginning of year | 40,060,405 | 34,250,720 |
| Cash and cash equivalents, end of year | <u>\$ 48,498,419</u> | <u>\$ 40,060,405</u> |

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

Monterey Regional Waste Management District

Statement of Cash Flows (Continued) for the Years Ended June 30, 2023 and June 30, 2022

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income | \$ 8,992,676 | \$ 11,451,746 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,199,161 | 5,310,408 |
| Differences between operating income | 2,156,041 | 627,252 |
| Landfill closure and post closure care | 530,415 | 347,215 |
| Changes in assets, liabilities, deferred inflows and outflows | | |
| Accounts payable | 975,727 | 1,743,321 |
| Accounts receivable | 567,668 | (889,146) |
| Lease receivables | 223,441 | 207,663 |
| Accrued compensated absences | 103,905 | 13,212 |
| Accrued payroll and payroll liabilities | 64,611 | 59,593 |
| Accrued State/County waste management fees | 24,823 | 15,539 |
| Deferred outflows - OPEB | 67,224 | 67,224 |
| Deferred outflows - pension | (3,310,156) | 117,168 |
| Net pension liability | 7,723,448 | (4,541,818) |
| Other receivables | 89,804 | (14,224) |
| Prepaid expenses | (225,775) | (253,598) |
| Security deposits | (1,608) | 60 |
| Lease payable | (957) | 239 |
| Deferred inflow-Pension | (3,969,419) | 3,977,796 |
| Deferred inflow-OPEB | (18,194) | 468,806 |
| Deferred inflow-Leases | (272,465) | (272,465) |
| Total other postemployment benefits liability | 112,562 | (424,845) |
| Total reconciling adjustments | <u>10,040,256</u> | <u>6,559,400</u> |
| Net cash provided by operating activities | <u>\$ 19,032,932</u> | <u>\$ 18,011,146</u> |
| Reconciliation of cash and cash equivalents to the statement of net position | | |
| Demand deposits with financial institutions | \$ 25,971,237 | \$ 17,917,265 |
| Investments treated like demand deposits | <u>22,527,182</u> | <u>22,143,140</u> |
| Total cash and cash equivalents, end of year | <u>48,498,419</u> | <u>40,060,405</u> |
| Total cash and investments on the statement of net position | <u>\$ 48,498,419</u> | <u>\$ 40,060,405</u> |
| Cash and investments - classified as unrestricted | \$ 45,998,419 | \$ 37,560,405 |
| Cash and investments - classified as restricted | <u>2,500,000</u> | <u>2,500,000</u> |
| Total deposits and investments | <u>\$ 48,498,419</u> | <u>\$ 40,060,405</u> |
| Supplemental Disclosures | | |
| Noncash investing and financing activities | | |
| Change in fair market value of investments | (341,771) | (285,084) |

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

Monterey Regional Waste Management District

Notes to Financial Statements for the Year Ended June 30, 2023 and June 30, 2022

Note 1. Description of Entity

Reporting Entity – The Monterey Regional Waste Management District (District), was formed in 1951 under the California Health and Safety Code. The primary purpose of the District is to dispose of solid waste in the Monterey Peninsula area. The District's role has expanded to include the recovery of recyclable materials in the waste stream (cardboard, newspaper, glass, wood waste, plastic, metals, concrete, asphalt, reusable building materials and resale items) and to receive nonhazardous liquid wastes. In addition, the District operates a landfill gas to electrical energy system which generates more than 5,000 kilowatts of continuous power. The accompanying financial statements conform to generally accepted accounting principles as applicable to governments.

The District is governed by a nine-member board made up of representatives from the following entities: City of Carmel-by-the-Sea, City of Del Rey Oaks, City of Marina, City of Monterey, City of Pacific Grove, City of Sand City, City of Seaside, Pebble Beach Community Services District, and the unincorporated area representing the western portion of Monterey County.

The Monterey Regional Waste Management Authority (component unit of the District) was formed pursuant to the provisions of the Government Code of the State of California and a Joint Powers Agreement, dated April 1, 1993, by and between the City of Carmel-by-the-Sea, City of Del Rey Oaks, City of Marina, City of Monterey, City of Pacific Grove, City of Sand City and City of Seaside. During the fiscal year ended June 30, 1996, the Pebble Beach Community Services District also became a member of the Authority. The Authority was formed to assist in the financing and public capital improvements, such as the design, acquisition and construction of additions, betterments, and improvements to the District's facilities.

The Authority has issued revenue bonds to finance the capital improvements and will maintain the debt from the revenue bonds on its books. The District has received ownership of the constructed assets and will maintain these assets on its books. In consideration for these assets, the District has pledged its revenue to the Authority, in sufficient amounts to pay the principal and interest payments of the revenue bonds. The Bank of New York Mellon Trust Company (Trustee) is described in the Integrated Waste Management Improvement Agreement and the Trust Agreement by and between the Authority, the District, and the Trustee.

The accompanying financial statements present the activities of the District and its component unit, the Authority, a legally separate organization for which the District is financially accountable. The governing board of the District serves as the governing board of the Authority. The Authority exists solely to finance the acquisition and construction of equipment and facilities for the District. The Authority is so intertwined with the District that it is, in substance, the same as the District and, therefore, is reported as a blended component unit of the District.

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Accounting – Enterprise funds are financed in whole or in part by fees charged to external parties and are accounted for in an enterprise fund. Enterprise funds maintain their records using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows.

The statement of net position and the statement of revenues, expenses, and changes in net position displays information about the primary government (District) and its component unit (Authority). Eliminations have been made to minimize the double counting of activities between the entities.

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.

Net Position – The District's net position is required to be classified for accounting and reporting purposes into the following categories:

Net Investment in Capital Assets – This component of net position, includes capital assets, net of accumulated depreciation, 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 invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restrict the use of net position.

Unrestricted – This component of net position consists of assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Cash and Cash Equivalents – The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and the Local Agency Investment Fund (LAIF).

Investments – The District records its investments at fair market value. Changes in fair market value are reported as revenue in the statement of revenues, expenses, and changes in net position. Fair market value of the LAIF is determined by the sponsoring government based on quoted market prices. The District's investments in LAIF are valued based on the relative fair value of the entire pool to the pool's amortized cost.

Accounts Receivable – Accounts receivable are composed of amounts due from customers for tipping fees. At June 30, 2023 and 2022, the balances are shown net of the allowance for uncollectible accounts of \$10,892 and \$10,892, respectively. The District used the allowance method to account for uncollectible accounts receivable. The allowance is based on prior experience and management's analysis of bad debts.

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

Capital Assets – Purchased capital assets are accounted for at cost, or contributed assets are recorded at estimated acquisition value on the date received. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives used to depreciate assets, by asset class, are as follows:

| | |
|--------------------------|------------|
| Administrative and scale | 5–40 Years |
| Disposal and recycling | 3–60 Years |
| Power project | 5–40 Years |
| Module development | 5–80 Years |

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Compensated Absences – The District allows employees to accrue vacation and compensation time. The accrued liability is based on the employee's hourly rate at year end. All accumulated vacation and compensation time is recorded as an expense and a liability in the proprietary fund at the time the liability is incurred and depending on classification, as a current or long-term liability. Upon termination of an employee, the District is required to pay accrued vacation and compensation time. Sick leave is recorded as an expense when it is paid, and it is not required to be paid upon termination of an employee.

The changes of the compensated absences were as follows during the years ending June 30, 2023 and 2022:

| | July 1, | Additions | Reductions | June 30, | Due Within One Year |
|------|--------------|------------|------------|------------|------------------------|
| 2023 | \$ 874,109 | \$ 343,042 | \$ 225,925 | \$ 991,226 | \$ 335,644 |
| 2022 | \$ 1,080,558 | \$ 76,293 | \$ 282,742 | \$ 874,109 | \$ 231,739 |

Bond Premiums – Bond premiums are amortized over the life of the bond as a component of interest expense.

Pension Plan – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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 CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

Accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. The following timeframes are used:

Year Ended June 30, 2022

| | |
|-------------------------|-------------------------------|
| Valuation Date (VD) | June 30, 2021 |
| Measurement Date (MD) | June 30, 2022 |
| Measurement Period (MP) | July 1, 2021 to June 30, 2022 |

Year Ended June 30, 2021

| | |
|-------------------------|-------------------------------|
| Valuation Date (VD) | June 30, 2020 |
| Measurement Date (MD) | June 30, 2021 |
| Measurement Period (MP) | July 1, 2020 to June 30, 2021 |

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 and additions to/deductions from the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Deferred Outflows and Inflows of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Leases – The District is a lessee for a noncancellable equipment leases. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in its financial statement.

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. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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 its estimated bond borrowing rate as the discount rate for leases with adjustment for the applicable lease terms.
- 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.

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

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

Lease assets are reported with noncurrent capital assets and lease liabilities are reported with long-term debt as current and noncurrent liabilities on the statement of net position.

The District is a lessor of an parking facility. Accordingly, the District recognizes a lease receivable and a deferred inflow of resources.

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 inflow of resources is recognized as revenue over the life of the lease term.

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 the U.S. Treasury state and local government securities (SLGS) rates as the discount rate for leases with adjustment for applicable lease terms.
- 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.

Revenues and Expenses – Revenue is recognized when earned. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of user charges for disposal fees. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions.

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

Concentration in Sales to Customers – In 2023, the District's three largest customers accounted for approximately 26 percent, 12 percent, and 10 percent of sales. In 2022, the largest customers accounted for 36 percent, 17 percent and 13 percent of sales.

Spending Order Policy – When an expense is incurred for which there are both restricted and unrestricted net position is available, it is the District's policy to apply these expenses to restricted net position to the extent that such are available and then to unrestricted net position.

Budget Policy – The District's Board of Directors annually adopts the budget for the District. Board of Directors' actions are required for the approval of budget revisions.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District to make estimates and assumptions that affect the reported amounts at the date of the financial statements. Actual results could differ from those estimates.

New Accounting Principles from the Governmental Accounting Standards Board (GASB)

GASB Statement No. 91 – As of July 1, 2022, the District adopted GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. The implementation of this standard eliminates the option for issuers of conduit debt to recognize a liability for this debt on their financial statements. In addition, it requires issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations. As a result, there is no material effect of the implementation of this standard on the beginning net position.

GASB Statement No. 96 – As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

Note 3. Deposits and Investments

Deposits and investments are classified in the financial statements as of June 30 as follows:

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Unrestricted | \$ 45,998,419 | \$ 37,560,405 |
| Restricted | | |
| For landfill closure and post closure care costs | 1,500,000 | 1,500,000 |
| For environmental impairment fund | 1,000,000 | 1,000,000 |
| Total restricted | <u>2,500,000</u> | <u>2,500,000</u> |
| Total cash and investments | <u>\$ 48,498,419</u> | <u>\$ 40,060,405</u> |

At June 30, deposits and investments are comprised of the following:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------|----------------------|----------------------|
| Deposits with financial institutions | \$ 25,971,237 | \$ 17,917,265 |
| Investments | | |
| Local Agency Investment Fund (LAIF) | 22,527,182 | 22,143,140 |
| Total investments | <u>22,527,182</u> | <u>22,143,140</u> |
| Total deposits and investments | <u>\$ 48,498,419</u> | <u>\$ 40,060,405</u> |

Authorized Investments

The District participates in the Local Agency Investment Fund (LAIF) which, under the oversight of the Treasury of the State of California, is regulated by California Government Code Section 16429. 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, other than as contained in California Government Code.

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

The District is authorized under California Government Code to make direct investments in the following:

| Investment Type | Maximum Remaining Maturity | Maximum Specified % Of Portfolio | Minimum Quality Requirements | Government Code Sections |
|---|----------------------------|--|------------------------------|----------------------------|
| Local Agency Bonds | 5 Years | None | None | 53601(a) |
| U.S. Treasury Obligations | 5 Years | None | None | 53601(b) |
| State Obligations: CA and Others | 5 Years | None | None | 53601(d) |
| CA Local Agency Obligations | 5 Years | None | None | 53601(e) |
| U.S. Agency Obligations | 5 Years | None | None | 53601(f) |
| Bankers' Acceptances | 180 days | 40% | None | 53601(g) |
| Commercial Paper: Non-pooled Funds | 270 days or less | 25% of the agency's money | (1) | 53601(h)(2)(C) |
| Commercial Paper: Pooled Funds | 270 days or less | 40% of the agency's money | (1) | 53635(a)(1) |
| Negotiable Certificates of Deposit | 5 Years | 30% | None | 53601(i) |
| Non-negotiable Certificates of Deposit | 5 Years | None | None | 53630 et seq. |
| Placement Service Deposits | 5 Years | 30% | None | 53601.8 and 53635.8 |
| Placement Service Certificates of Deposit | 5 Years | 30% | None | 53601.8 and 53635.8 |
| Repurchase Agreements | 1 year | None | None | 53601(j) |
| Reverse Repurchase Agreements and Securities Lending Agreements | 92 days ^L | 20% of the base value of the portfolio | None | 53601(j) |
| Medium-term Notes | 5 years or less | 30% | (2) | 53601(k) |
| Mutual Funds and Money Market Mutual Funds | N/A | 20% | Multiple | 53601(l) and 53601.6(b) |
| Collateralized Bank Deposits | 5 years | None | None | 53630 et seq. and 53601(n) |
| Mortgage Pass-through and Asset Backed Securities | 5 years or less | 20% | (2) | 53601(o) |
| County Pooled Investment Funds | N/A | None | None | 27133 |
| Joint Powers Authority Pool | N/A | None | Multiple | 53601(p) |
| Local Agency Investment Fund (LAIF) | N/A | None | None | 16429.1 |
| Voluntary Investment Program Fund | N/A | None | None | 16340 |
| Supranational Obligations | 5 years or less | 30% | (2) | 53601(q) |

⁽¹⁾ Highest letter and number rating by a NRSRO

⁽²⁾ "A" rating category or its equivalent or better

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 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 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 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 deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

As of June 30, 2023 and June 30, 2022, the District's bank balance of \$27,254,420 and \$19,827,244, respectively, was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

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 Local Agency Investment Fund does not have a rating provided by a nationally recognized statistical rating organization as of June 30, 2023 and June 30, 2022.

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. The District manages its exposure to interest rate risk by investing in the Local Agency Investment Fund. The sensitivity of the fair values of the District's investments to market interest rate fluctuation is measured as the weighted average maturity of the investment portfolio, which was 260 days on June 30, 2023, and 247 days on June 30, 2022.

Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value.

The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data.

Deposits and withdrawals in the Local Agency Investment Fund are made on the basis of \$1 and not fair value. Accordingly, the District's proportionate share of investments on June 30, 2023 and June 30, 2022 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

| | Capital Assets at June 30, 2022 | Additions and Transfers | Dispositions and Transfers | Capital Assets at June 30, 2023 |
|--|---------------------------------------|-------------------------------|-------------------------------|---------------------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | |
| Capital assets not being depreciated | | | | |
| Land and improvements | \$ 578,210 | \$ - | \$ - | \$ 578,210 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | <u>578,210</u> | <u>-</u> | <u>-</u> | <u>578,210</u> |
| Other capital assets | | | | |
| Administrative and scale: | | | | |
| Right-to-use lease, equipment | 13,749 | - | - | 13,749 |
| Equipment | 1,328,600 | 42,885 | - | 1,371,485 |
| Facilities | 17,453,485 | 141,078 | (38,262) | 17,556,301 |
| Disposal and recycling: | | | | |
| Equipment | 54,428,389 | 3,776,593 | - | 58,204,982 |
| Facilities | 19,666,804 | 315,210 | - | 19,982,014 |
| Power project | 23,745,064 | 1,114,545 | - | 24,859,609 |
| Module development | 19,878,770 | 1,380,945 | - | 21,259,715 |
| Intangible site master plan | 738,557 | - | - | 738,557 |
| Total other capital assets at historical cost | <u>137,253,418</u> | <u>6,771,256</u> | <u>(38,262)</u> | <u>143,986,412</u> |
| Less accumulated depreciation and amortization for | | | | |
| Right-to-use lease, equipment | (7,589) | (3,795) | - | (11,384) |
| Administrative and scale | (5,029,451) | (704,931) | - | (5,734,382) |
| Disposal and recycling | (49,065,541) | (4,358,890) | - | (53,424,431) |
| Intangible site master plan | (681,135) | (16,025) | - | (697,160) |
| Total accumulated depreciation | <u>(54,783,716)</u> | <u>(5,083,641)</u> | <u>-</u> | <u>(59,867,357)</u> |
| Other capital assets, net | <u>82,469,702</u> | <u>1,687,615</u> | <u>(38,262)</u> | <u>84,119,055</u> |
| Business-type activities capital assets, net | <u>\$ 83,047,912</u> | <u>\$ 1,687,615</u> | <u>\$ (38,262)</u> | <u>\$ 84,697,265</u> |

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

Capital asset activity for the year ended June 30, 2022 was as follows:

| | Restated Capital Assets at June 30, 2021 | Additions and Transfers | Dispositions and Transfers | Capital Assets at June 30, 2022 |
|--|--|-------------------------------|----------------------------------|---------------------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | |
| Capital assets not being depreciated | | | | |
| Land and improvements | \$ 578,210 | \$ - | \$ - | \$ 578,210 |
| Construction in progress | 5,321,469 | - | (5,321,469) | - |
| Total capital assets not being depreciated | <u>5,899,679</u> | <u>-</u> | <u>(5,321,469)</u> | <u>578,210</u> |
| Other capital assets | | | | |
| Administrative and scale: | | | | |
| Right-to-use lease, equipment | 13,749 | - | - | 13,749 |
| Equipment | 1,226,903 | 101,697 | - | 1,328,600 |
| Facilities | 17,181,028 | 272,457 | - | 17,453,485 |
| Disposal and recycling: | | | | |
| Equipment | 51,401,521 | 5,374,406 | (2,347,538) | 54,428,389 |
| Facilities | 18,626,951 | 1,039,853 | - | 19,666,804 |
| Power project | 21,621,550 | 2,123,514 | - | 23,745,064 |
| Module development | 17,976,348 | 1,902,422 | - | 19,878,770 |
| Intangible site master plan | 738,557 | - | - | 738,557 |
| Total other capital assets at historical cost | <u>128,786,607</u> | <u>10,814,349</u> | <u>(2,347,538)</u> | <u>137,253,418</u> |
| Less accumulated depreciation and amortization for | | | | |
| Right-to-use lease, equipment | (3,794) | (3,795) | - | (7,589) |
| Administrative and scale | (4,344,277) | (685,174) | - | (5,029,451) |
| Disposal and recycling | (46,807,666) | (4,605,413) | 2,347,538 | (49,065,541) |
| Intangible site master plan | (665,109) | (16,026) | - | (681,135) |
| Total accumulated depreciation | <u>(51,820,846)</u> | <u>(5,310,408)</u> | <u>2,347,538</u> | <u>(54,783,716)</u> |
| Other capital assets, net | <u>76,965,761</u> | <u>5,503,941</u> | <u>-</u> | <u>82,469,702</u> |
| Business-type activities capital assets, net | <u>\$ 82,865,440</u> | <u>\$ 5,503,941</u> | <u>\$ (5,321,469)</u> | <u>\$ 83,047,912</u> |

Note 5. Landfill Closure and Post Closure Care Costs

State and federal laws and regulations require that the Monterey Regional Waste Management District place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the estimated future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The District's updated Site Master Plan and Closure and Post Closure Plan were approved by state regulatory agencies during the fiscal year ended June 30, 2006. The District completed an Updated Preliminary Closure and Post Closure Maintenance Plan and a Joint Technical Document for Landfill Development in April 2010. In December 2016, revised Closure and Post Closure Maintenance Plans were submitted as part of the 5-Year Permit Review. These plans have not received official approval.

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

The liability recognized for the estimated landfill closure and post closure care cost used the greater cost estimates and are \$7,291,209 and \$6,760,793 as of June 30, 2023 and 2022, respectively which was based on 23.3 percent and 23.3 percent usage (filled) of the landfill at that date. It is estimated that an additional \$20,803,000 will be recognized as landfill closure and post closure care expenses between June 30, 2023, and the date the landfill is expected to be filled to capacity (in the year 2176). The current estimated total cost of the landfill closure and post closure care of \$29,387,951 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were required as of June 30, 2023.

However, the actual cost of the landfill closure and post closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

The Monterey Regional Waste Management District is required by state and federal laws and regulations to make annual contributions to finance closure and post closure care. The District is in compliance with these requirements. At June 30, 2023 and 2022, investments of \$1,500,000 were held to meet the state requirements. These investments are presented on the District's statements of net position as restricted assets. It is anticipated that future inflation costs will be financed in part from earnings on investments. The District meets the financial assurance test for federal purposes. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in post closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users.

Note 6. Net Pension Liabilities

Plan Description

The District participates in an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2021, Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

All permanent District employees are eligible to participate in the Public Employees' Retirement (Fund) of California's Public Employees' Retirement System (CalPERS). The Fund is an agent multiple-employer defined benefit plan that acts as a common investment and administrative agent for various local and state government agencies with the State of California. The Fund provides retirement, disability, and death benefits based on employees' age, years of service, and the highest year's compensation. Employees vest after five years of service and may receive retirement benefits commencing at age 50. These benefit provisions and all other requirements are established by state statute. CalPERS' annual financial report can be found on their website: www.calpers.ca.gov.

Monterey Regional Waste Management District

**Notes to Financial Statements
for the Years Ended June 30, 2023 and June 30, 2022**

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefits, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are as specified by the California Public Employees' Retirement law.

The Plans' provisions and benefits in effect at June 30, 2023 are summarized as follows:

| | Miscellaneous | |
|---|--------------------------|--------------------------------|
| Hire Date | Prior to January 1, 2013 | On or after to January 1, 2013 |
| Benefit formula | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefits payments | monthly for life | monthly for life |
| Retirement age | 50 – 63 | 52 – 67 |
| Monthly benefits, as a percent of eligible compensation | 1.426% to 2.418% | 1.0% to 2.5% |
| Required employee contribution rates | 7.000% | 6.750% |
| Required employer contribution rates | 9.05% | 9.05% |

Employees Covered

At June 30, 2021 and June 30, 2020 valuation dates, the following employees were covered by the benefit terms for each Plan:

| | 2022 | 2021 |
|--|------------|------------|
| Inactive employees or beneficiaries currently receiving benefits | 89 | 79 |
| Inactive employees entitled to but not receiving benefits | 84 | 67 |
| Active employees | 112 | 133 |
| Total | 285 | 279 |

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

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 effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2023 and 2022, the District paid the employer's share and the employee' paid the employees' share of the contributions. The contributions were as follows:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------|---------------------|---------------------|
| Employer normal contributions | \$ 854,752 | \$ 805,630 |
| Annual UAL prepayment | 1,236,468 | 1,038,116 |
| Total employer contributions | <u>2,091,220</u> | <u>1,843,746</u> |
| Employee contributions | 690,384 | 589,682 |
| Total contributions | <u>\$ 2,781,604</u> | <u>\$ 2,433,428</u> |

Net Pension Liability

The District's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability as of June 30, 2023, for the Plan is measured as of June 30, 2022, using an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liabilities in the June 30, 2021, actuarial valuation rolled forward to June 30, 2022, using standard update procedures, were determined using the following actuarial assumptions:

| | <u>Miscellaneous</u> |
|---------------------------|---|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2022 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 6.90% |
| Inflation | 2.50% |
| Payroll Growth | 2.75% |
| Projected Salary Increase | Varies by entry age and service |
| Investment Rate of Return | 7.00% |
| Mortality | Based on CalPERS Experience Study using Scale BB |

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

The total pension liabilities in the June 30, 2020, actuarial valuation rolled forward to June 30, 2021, using standard update procedures, were determined using the following actuarial assumptions:

| | <u>Miscellaneous</u> |
|---------------------------|--|
| Valuation Date | June 30, 2020 |
| Measurement Date | June 30, 2021 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Payroll Growth | 2.75% |
| Projected Salary Increase | Varies by entry age and service |
| Investment Rate of Return | 7.15% |
| Mortality | Based on CalPERS Experience Study using Scale BB |

The mortality table used for Miscellaneous Plan was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016. For more details on this table, please refer to the December 2017 Experience Study report (based on CalPERS demographic data from 1997 to 2015) available on CalPERS website under Forms and Publications.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2023 and 2022, the District recognized pension expense of \$2,535,091 and \$3,240,535, respectively. On June 30, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>2023</u> | | <u>2022</u> | |
|---|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| | Deferred Outflow of Resources | Deferred Inflow of Resources | Deferred Outflow of Resources | Deferred Inflow of Resources |
| Pension contributions subsequent to measurement date | \$ 2,091,220 | \$ - | \$ 1,843,746 | \$ - |
| Difference between actual and expected experience | 653,154 | (102,328) | 1,055,196 | - |
| Changes in assumptions | 1,534,515 | - | - | (41,756) |
| Net differences between projected and actual earnings on plan investments | 1,930,209 | - | - | (4,029,991) |
| Total | <u>\$ 6,209,098</u> | <u>\$ (102,328)</u> | <u>\$ 2,898,942</u> | <u>\$ (4,071,747)</u> |

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

\$2,091,220 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Measurement Period Ended June 30: | Deferred Outflows/(Inflows) of Resources |
|--|---|
| 2024 | \$ 1,022,027 |
| 2025 | 872,877 |
| 2026 | 680,804 |
| 2027 | 1,439,842 |
| | <u>\$ 4,015,550</u> |

Discount Rate

The discount rate used to measure the total pension liability was 6.9 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each 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 of the plans, the tests revealed the assets would not run out. Therefore, the current 6.9 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 6.9 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expense.

Monterey Regional Waste Management District

**Notes to Financial Statements
for the Years Ended June 30, 2023 and June 30, 2022**

The expected real rates of return by asset class are as follows:

| Asset Class ¹ | Assumed Asset Allocation | Real Return ^{1,2} |
|----------------------------------|--------------------------------|----------------------------|
| Global Equity - Cap-weighted | 30.0% | 4.54% |
| Global Equity - Non-Cap-weighted | 12.0% | 3.84% |
| Private Equity | 13.0% | 7.28% |
| Treasury | 5.0% | 27.00% |
| Mortgage-backed Securities | 5.0% | 50.00% |
| Investment Grade Corporates | 10.0% | 1.56% |
| High Yield | 5.0% | 2.27% |
| Emerging Market Debt | 5.0% | 2.48% |
| Private Debt | 5.0% | 3.57% |
| Real Assets | 15.0% | 3.21% |
| Leverage | -5.0% | -0.59% |
| Total | 100.0% | |

⁽¹⁾ An expected inflation of 2.30% used for this period.

⁽²⁾ Figures are based on the 2021 Asset Liability Management study.

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

The following presents the net pension liability of the Plan, calculated using the discount rate, as well as what 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:

| | 2023 | 2022 |
|-----------------------|---------------|---------------|
| 1% Decrease | 5.90% | 6.15% |
| Net Pension Liability | \$ 25,154,383 | \$ 16,686,426 |
| Current Discount Rate | 6.90% | 7.15% |
| Net Pension Liability | \$ 17,413,477 | \$ 9,690,029 |
| 1% Increase | 7.90% | 8.15% |
| Net Pension Liability | \$ 11,030,573 | \$ 3,893,280 |

Monterey Regional Waste Management District

**Notes to Financial Statements
for the Years Ended June 30, 2023 and June 30, 2022**

Changes in the Net Pension Liability

The changes in the net pension liability for the plan during the year ended June 30, 2023 are as follows:

| | Increase (Decrease) | | |
|--|-----------------------------------|---------------------------------------|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (c) = (a) - (b) |
| Balance at: June 30, 2020 measurement date | \$ 52,179,528 | \$ 42,489,499 | \$ 9,690,029 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | 1,353,470 | - | 1,353,470 |
| Interest on the Total Pension Liability | 3,685,960 | - | 3,685,960 |
| Differences between Expected and Actual Experience | (131,564) | - | (131,564) |
| Changes of Assumptions | 1,972,948 | - | 1,972,948 |
| Contributions from the Employer | - | 1,843,746 | (1,843,746) |
| Contributions from Employees | - | 589,682 | (589,682) |
| Net Investment Income | - | (3,249,594) | 3,249,594 |
| Benefit Payments, Including Refunds of Employee Contributions | (2,555,845) | (2,555,845) | - |
| Administrative Expense | - | (26,468) | 26,468 |
| Net Changes | 4,324,969 | (3,398,479) | 7,723,448 |
| Balance at: June 30, 2021 measurement date | \$ 56,504,497 | \$ 39,091,020 | \$ 17,413,477 |

Monterey Regional Waste Management District

**Notes to Financial Statements
for the Years Ended June 30, 2023 and June 30, 2022**

The changes in the net pension liability for the plan during the year ended June 30, 2022 follows:

| | Increase (Decrease) Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (c) = (a) - (b) |
|---|---|---------------------------------------|---|
| Balance at: June 30, 2019 measurement date | \$ 49,021,363 | \$ 34,789,516 | \$ 14,231,847 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | 1,427,982 | - | 1,427,982 |
| Interest on the Total Pension Liability | 3,515,696 | - | 3,515,696 |
| Differences between Expected and Actual Experience | 655,977 | - | 655,977 |
| Contributions from the Employer | - | 1,657,511 | (1,657,511) |
| Contributions from Employees | - | 566,164 | (566,164) |
| Net Investment Income | - | 7,952,551 | (7,952,551) |
| Benefit Payments, Including Refunds of Employee Contributions | (2,441,490) | (2,441,490) | - |
| Administrative Expense | - | (34,753) | 34,753 |
| Net Changes | 3,158,165 | 7,699,983 | (4,541,818) |
| Balance at: June 30, 2020 measurement date | \$ 52,179,528 | \$ 42,489,499 | \$ 9,690,029 |

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 7. Postemployment Benefits Other Than Pensions (OPEB)

As of June 30, 2023, the District reported the following amounts for total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense:

| Total OPEB Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB Expense |
|-------------------------|-----------------------------------|----------------------------------|-----------------|
| \$ 3,568,198 | \$ 650,558 | \$ 450,612 | \$ 348,154 |

As of June 30, 2022, the District reported the following amounts for total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense:

| Total OPEB Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB Expense |
|-------------------------|-----------------------------------|----------------------------------|-----------------|
| \$ 3,455,636 | \$ 717,782 | \$ 468,806 | \$ 336,699 |

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District maintains a single-employer, defined benefit healthcare plan (administered by the District). The District is obligated by a memorandum of understanding to contribute toward health insurance premiums for certain employees retired from the District at the age of 55 or older with at least five years of continuous employment with the District. Payments are made until the retiree reaches the age of 65. Retirees that accepted an early retirement offer from the District are currently reimbursed at the rate of \$58.37 for each year of District service. Other retirees are currently reimbursed at the rate of \$29.36 a month for each year of District service. Beginning in 2006, the monthly rate is increased by 2 percent each calendar year. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. Plan terms may be amended by the District and its bargaining units.

Employees Covered by Benefit Terms

As of the June 30 measurement dates, the following employees were covered by the benefit terms:

| | 2023 | 2022 |
|---|------------|------------|
| Participating Active Employees | 113 | 113 |
| Inactive Employees Currently Receiving Benefit Payments | 11 | 11 |
| Total | <u>124</u> | <u>124</u> |

Total OPEB Liability

The District's total OPEB liability of \$3,568,198 for the fiscal year ended June 30, 2023 was measured as of June 30, 2023. The District's total OPEB liability of \$3,455,636 for the fiscal year ended June 30, 2022 was measured as of June 30, 2022.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Inflation | 2.50 percent |
| Salary increases | 2.75 percent, average, including inflation |
| Discount rate | 3.65 percent, net of OPEB plan investment expense, including inflation |
| Healthcare cost trend rates | 4.00 percent per year |

The discount rate estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets for funded plans. The discount rate used for an unfunded plan is based on an index of 20-year general obligation municipal bonds. A discount rate of 3.65% was used in the June 30, 2023 actuarial valuation. The interest rate used in the prior valuation was 3.54%.

Monterey Regional Waste Management District

**Notes to Financial Statements
for the Years Ended June 30, 2023 and June 30, 2022**

The mortality assumptions are based on the 2017 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

Changes in the Total OPEB Liability

For the year ended June 30, 2023:

| | |
|--------------------------|-------------------------|
| | Total OPEB Liability |
| Balance at July 1, 2022 | \$ 3,455,636 |
| Changes for the year: | |
| Service cost | 205,921 |
| Interest on the TPL | 122,672 |
| Assumption changes | (29,469) |
| Benefit payments | (186,562) |
| Net changes | <u>112,562</u> |
| Balance at June 30, 2023 | <u>\$ 3,568,198</u> |

For the year ended June 30, 2022:

| | |
|--|-------------------------|
| | Total OPEB Liability |
| Balance at July 1, 2021 | \$ 3,880,481 |
| Changes for the year: | |
| Service cost | 230,679 |
| Interest on the TPL | 83,874 |
| Differences between Expected and Actual Experience | (175,877) |
| Assumption changes | (338,007) |
| Benefit payments | (225,514) |
| Net changes | <u>(424,845)</u> |
| Balance at June 30, 2022 | <u>\$ 3,455,636</u> |

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

The following presents 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 percent lower or higher than the current rate:

| Discount Rate | 2023 Total OPEB Liability | 2022 Total OPEB Liability |
|---|---------------------------------|---------------------------------|
| 1% decrease | \$ 3,820,111 | \$ 3,698,095 |
| Current discount rate (3.65% for 2023 and 3.54% for 2022) | 3,568,198 | 3,455,636 |
| 1% increase | 3,337,224 | 3,227,482 |

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

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

The following presents 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 percent lower or higher than the current healthcare costs trend rates:

| Healthcare Cost Trend Rate | 2023 | 2022 |
|---|----------------------|----------------------|
| | Total OPEB Liability | Total OPEB Liability |
| 1% decrease (3%) | \$ 3,182,407 | \$ 3,110,437 |
| Current healthcare cost trend rate (4%) | 3,568,198 | 3,455,636 |
| 1% increase (5%) | 4,020,824 | 3,860,811 |

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

For the years ended June 30, 2023 and 2022, the District recognized OPEB expense of \$348,154 and \$336,699 respectively. On June 30 the District reported deferred outflows of resources related to OPEB for the following items:

| | 2023 | | 2022 | |
|---|-------------------------------|------------------------------|-------------------------------|------------------------------|
| | Deferred Outflow of Resources | Deferred Inflow of Resources | Deferred Outflow of Resources | Deferred Inflow of Resources |
| Difference between actual and expected experience | \$ 272,770 | \$ (145,021) | \$ 300,604 | \$ (160,449) |
| Changes in assumptions | 377,788 | (305,591) | 417,178 | (308,357) |
| Total | \$ 650,558 | \$ (450,612) | \$ 717,782 | \$ (468,806) |

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

| Measurement Period Ended June 30: | Deferred Outflows/(Inflows) of Resources |
|-----------------------------------|--|
| 2024 | \$ 19,561 |
| 2025 | 19,561 |
| 2026 | 19,561 |
| 2027 | 19,561 |
| 2028 | 19,561 |
| Thereafter | 102,141 |
| | <u>\$ 199,946</u> |

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

Note 8. Long Term Debt

On December 14, 2021, the District issued \$24,910,000 in revenue bonds with an interest rate range of 0.65 percent to 2.61 percent to advance refund \$24,450,000 of Series 2015 A and Series 2015 B revenue bonds with an interest rate range of 2.00 percent to 5.00 percent. The net proceeds of \$26,670,287 (including costs of issuance \$295 thousand) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the 2015 series bonds are considered to be defeased and the liability for the defeased bonds is not reported on the statement of net position.

The advance refunding resulted in a difference between the reacquisition price of the new debt (\$26,965,106 placed with the escrow agent) and the net carrying amount of the old debt (\$25,375,342 of bond principal and unamortized bond premiums) in the amount of \$1,589,746. The advance refunding decreases the total debt service payments, inclusive of principal and interest, over the next 12 years by \$4,519,130 and results in an economic gain (difference between the present values of the old and new debt service payments) of \$1.7 million.

The 2018 Series A and B Revenue Bonds (revenue bonds) were sold, executed, and delivered in the aggregate principal amount of \$22,970,000 only as fully registered bonds in the denomination of \$5,000 or any integral multiples thereof. The revenue bonds are dated and bear interest from November 21, 2018, at the rates per annum set forth below, payable semiannually on October 1 and April 1, commencing April 1, 2019, and will mature April 1 in the years and in the principal amounts set forth below. The Bank of New York Mellon Trust Company, Los Angeles, California, acts as trustee and Cede & Co, as the nominee of The Depository Trust Company, New York, New York, as registrar and paying agent for the 2018 Series A and Series B Revenue Bonds.

The 2021 Series Revenue Bonds (refunding revenue bonds) were sold, executed, and delivered in the aggregate principal amount of \$24,910,000 as fully registered bonds in the denomination of \$5,000 or any integral multiples thereof. The revenue bonds are dated and bear interest from December 14, 2021, at the rates per annum set forth below, payable semiannually on October 1 and April 1, commencing April 1, 2022, and will mature April 1 in the years and in the principal amounts set forth below. The Bank of New York Mellon Trust Company, Los Angeles, California, acts as trustee and Cede & Co, as the nominee of The Depository Trust Company, New York, New York, as registrar and paying agent for the 2021 Series Refunding Revenue Bonds.

| | June 30, 2022 | Additions | Reductions | June 30, 2023 | Amounts Due within One Year |
|---------------------|----------------------|-------------|---------------------|----------------------|--------------------------------|
| Revenue Bonds: | | | | | |
| Series 2018A | \$ 11,555,000 | \$ - | \$ - | \$ 11,555,000 | \$ - |
| Series 2018B | 8,805,000 | - | 860,000 | 7,945,000 | 905,000 |
| Series 2021 | 23,305,000 | - | 1,785,000 | 21,520,000 | 1,805,000 |
| Total Revenue Bonds | 43,665,000 | - | 2,645,000 | 41,020,000 | 2,710,000 |
| Bond premiums | 2,388,322 | - | 81,433 | 2,306,889 | 79,773 |
| | <u>\$ 46,053,322</u> | <u>\$ -</u> | <u>\$ 2,726,433</u> | <u>\$ 43,326,889</u> | <u>\$ 2,789,773</u> |

Monterey Regional Waste Management District

**Notes to Financial Statements
for the Years Ended June 30, 2023 and June 30, 2022**

| | <u>June 30, 2021</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2022</u> | <u>Amounts Due within One Year</u> |
|---------------------|----------------------|----------------------|----------------------|----------------------|--|
| Revenue Bonds: | | | | | |
| Series 2015A | \$ 14,440,000 | \$ - | \$ 14,440,000 | \$ - | \$ - |
| Series 2015B | 10,010,000 | - | 10,010,000 | - | - |
| Series 2018A | \$ 11,555,000 | \$ - | \$ - | \$ 11,555,000 | \$ - |
| Series 2018B | 9,625,000 | - | 820,000 | 8,805,000 | 860,000 |
| Series 2021 | - | 24,910,000 | 1,605,000 | 23,305,000 | 1,785,000 |
| Total Revenue Bonds | 45,630,000 | 24,910,000 | 26,875,000 | 43,665,000 | 2,645,000 |
| Bond premiums | 3,548,890 | - | 1,160,568 | 2,388,322 | 79,773 |
| | <u>\$ 49,178,890</u> | <u>\$ 24,910,000</u> | <u>\$ 28,035,568</u> | <u>\$ 46,053,322</u> | <u>\$ 2,724,773</u> |

The Trust Agreement provides that the 2018 Series A and Series B and 2021 Revenue Bonds and the interest thereon are payable from, and are secured by a first pledge of and charge and lien upon the revenues derived by the Authority from the District under the Improvement Agreement, the Reserve Fund held under the Trust Agreement, and certain interest, profit and other income derived from certain funds held under the Trust Agreement, all under the terms and conditions set forth in the Trust Agreement.

The debt service requirements of the bonds for the remaining term are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------|----------------------|----------------------|
| 2024 | \$ 2,710,000 | 1,362,245 |
| 2025 | 2,770,000 | 1,297,681 |
| 2026 | 2,845,000 | 1,225,429 |
| 2027 | 2,920,000 | 1,147,570 |
| 2028 | 3,005,000 | 1,064,007 |
| 2029-33 | 16,500,000 | 3,858,972 |
| 2034-38 | 10,270,000 | 1,201,876 |
| | <u>\$ 41,020,000</u> | <u>\$ 11,157,780</u> |

Monterey Regional Waste Management District

**Notes to Financial Statements
for the Years Ended June 30, 2023 and June 30, 2022**

Note 9. Financed Purchase

In August 2018, the District entered into an installment sale agreement for the purchase of disposal and recycling equipment. The installment sale agreement expires in 2023. The assets and liabilities under these agreements are recorded at the present value of the installment payments. The assets are depreciated over its estimated productive lives as title transfers at the end of the agreements. Depreciation of assets under the installment agreements are included in depreciation expense.

Following is a summary of property held under financed purchase agreements on June 30, 2023:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Payments</u> | <u>Ending Balance</u> |
|------------------------------|--------------------------|------------------|-----------------|-----------------------|
| Disposal/recycling equipment | \$ 496,623 | \$ - | \$ (244,281) | \$ 252,342 |

The following is a summary of the property held under financed purchase agreements with related accumulated depreciation on June 30, 2023:

Minimum future payments under agreement as of June 30, 2023 for each of the next four years are:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------|------------------|-----------------|
| 2024 | \$ 252,342 | \$ 16,389 |

Monterey Regional Waste Management District

**Notes to Financial Statements
for the Years Ended June 30, 2023 and June 30, 2022**

Note 10. Leases

Leases receivable – The District has accrued a receivable on a parking facility on District owned property. The remaining receivable for these leases was \$2,139,495 on June 30, 2023 and \$2,362,936 on June 30, 2022 and was calculated with a discount rate of 3%. Deferred inflows related to these leases were \$1,952,662 on June 30, 2023 and \$2,225,127 on June 30, 2022. Interest revenue recognized on these leases was \$67,307 for the year ended June 30, 2023 and \$73,790 for the year ended June 30, 2022. Principal receipts of \$223,441, and \$207,663 were recognized as revenue during the fiscal years ended June 30, 2023 and June 30, 2022. Final receipt is expected in fiscal year 2031.

Leases payable – The District has accrued liabilities for equipment leases. The discount rate used in the calculation of the lease liability was 3%. The remaining liability for the leases are \$2,885 as of June 30, 2023, and \$6,727 as of June 30, 2022. Right to-use-assets, net of amortization, for the leases are \$2,365 as of June 30, 2023, and \$6,159 as of June 30, 2022. The District is required to make monthly principal and interest payments of \$430. Interest expense recognized on these leases was \$139 for the fiscal year ended June 30, 2023 and \$251 for the year ended June 30, 2022. Principal payments of \$3,842, and \$3,603 were recognized in the years ended June 30, 2023 and 2022. Final payment on these leases are expected in fiscal year 2024.

| | Balance July 1, 2022 | Additions | Retirements/ Adjustments | Balance June 30, 2023 | Due in One Year |
|----------------|-------------------------|-----------|-----------------------------|--------------------------|--------------------|
| Leases payable | \$ 6,727 | \$ - | \$ (3,842) | \$ 2,885 | \$ 2,885 |

| | Balance July 1, 2021 | Additions | Retirements/ Adjustments | Balance June 30, 2022 | Due in One Year |
|----------------|-------------------------|-----------|-----------------------------|--------------------------|--------------------|
| Leases payable | \$ 10,330 | \$ - | \$ (3,603) | \$ 6,727 | \$ 3,842 |

The schedule principal and interest are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|-----------------------------------|-----------|----------|----------|
| 2024 | \$ 2,885 | \$ 27 | \$ 2,912 |

Monterey Regional Waste Management District

Notes to Financial Statements for the Years Ended June 30, 2023 and June 30, 2022

Note 11. Related Party Transaction

Joint Powers Agreement

The District participates in a joint powers agreement (JPA) with the Special District Risk Management Authority (SDRMA). The relationship between the District and the SDRMA is such that the JPA is not a component unit of the District for financial reporting purposes.

SDRMA was formed under a joint powers agreement pursuant to California Government Code Section 6500 et seq. effective August 1, 1986, to provide general liability, comprehensive/collision liability, property damage and errors and omissions risk financing for the member districts. SDRMA merged with Special District Workers' Compensation Authority (SWCA) on July 1, 2003, and now provides its members with workers' compensation coverage. SDRMA is administered by a board of directors, consisting of one member appointed by the California Special Districts Association and five members elected by the participating districts.

The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. The District's share of year-end assets, liabilities and risk margin has not been calculated by the SDRMA. For the year ended June 30, 2023, The District made payments of \$1,621,643 to SDRMA for 2022-23 Insurance premiums.

Note 12. Contingencies

Litigation - The District is involved in various litigation arising from the normal course of business. In the opinion of management, the disposition of all litigation pending is not expected to have a material effect on the overall financial position of the District at June 30, 2023.

Note 13. Restatement

Prior period adjustments were made to decrease the District beginning net position. This adjustment was made to adjust the overstatement in the restricted cash related to 2015 refunded revenue bond and to record the deferred amount on refunding resulted from the issuance of the 2021 refunding revenue bond. The restatement of beginning net position is summarized as follows:

| | |
|---|----------------------|
| Net position, previously reported as of June 30, 2022 | \$ 60,804,059 |
| Remove 2015 revenue bond reserve | (2,362,837) |
| Recognition of deferred amount on refunding | <u>1,386,245</u> |
| Net position, restated as of June 30, 2022 | <u>\$ 59,827,467</u> |

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Required Supplementary Information

Monterey Regional Waste Management District

Schedule of Changes in Pension Liability and Related Ratios for the Last Ten Fiscal Years

| Fiscal Year | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Measurement Period | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Discount Rate | 6.90% | 7.15% | 7.15% | 7.15% | 7.15% | 7.15% | 7.65% | 7.65% | 7.50% |
| Total Pension Liability | | | | | | | | | |
| Service Cost | \$ 1,353,470 | \$ 1,427,982 | \$ 1,448,004 | \$ 1,343,425 | \$ 1,203,629 | \$ 1,095,795 | \$ 961,817 | \$ 911,692 | \$ 911,220 |
| Interest | 3,685,960 | 3,515,696 | 3,288,683 | 3,069,788 | 2,840,989 | 2,649,437 | 2,472,105 | 2,229,562 | 2,042,432 |
| Changes of Benefit Terms | | | | | | | | | |
| Difference Between Expected and Actual Experience | (131,564) | 655,977 | 357,277 | 583,289 | 496,410 | 151,713 | 1,022,612 | 417,131 | - |
| Changes of Assumptions | 1,972,948 | - | - | - | (250,536) | 2,296,067 | - | (567,504) | - |
| Benefit Payments, Including Refunds of Employee Contributions | (2,555,845) | (2,441,490) | (1,973,785) | (1,548,836) | (1,446,773) | (1,285,185) | (1,132,272) | (904,586) | (878,085) |
| Net Change in Total Pension Liability | 4,324,969 | 3,158,165 | 3,120,179 | 3,447,666 | 2,843,719 | 4,907,827 | 3,324,262 | 2,086,295 | 2,075,567 |
| Total Pension Liability – Beginning | 52,179,528 | 49,021,363 | 45,901,184 | 42,453,518 | 39,609,799 | 34,701,972 | 31,377,710 | 29,291,415 | 27,215,848 |
| Total Pension Liability – Ending (a) | 56,504,497 | 52,179,528 | 49,021,363 | 45,901,184 | 42,453,518 | 39,609,799 | 34,701,972 | 31,377,710 | 29,291,415 |
| Plan Fiduciary Net Position: | | | | | | | | | |
| Contributions – Employer | \$ 1,843,746 | \$ 1,657,511 | \$ 1,564,484 | \$ 1,331,131 | \$ 1,106,722 | \$ 1,029,394 | \$ 882,891 | \$ 800,476 | \$ 722,039 |
| Contributions – Employee | 589,682 | 566,164 | 633,184 | 595,223 | 538,059 | 492,056 | 454,237 | 458,764 | 411,403 |
| Net Investment Income | (3,249,594) | 7,952,551 | 1,752,083 | 2,028,008 | 2,391,198 | 2,829,731 | 154,052 | 557,377 | 3,522,944 |
| Benefit Payments, Including Refunds of Employee Contributions | (2,555,845) | (2,441,490) | (1,973,785) | (1,548,836) | (1,446,773) | (1,285,185) | (1,132,272) | (904,586) | (878,085) |
| Plan to Plan Resource Movement | - | - | - | - | (71) | - | - | 181 | - |
| Administrative Expense | (26,468) | (34,753) | (46,324) | (21,748) | (43,653) | (36,888) | (15,017) | (34,233) | - |
| Other Miscellaneous Income(Expense) | - | - | - | 71 | (82,897) | - | - | - | - |
| Net Change in Fiduciary Net Position | (3,398,479) | 7,699,983 | 1,929,642 | 2,383,849 | 2,462,585 | 3,029,108 | 343,891 | 877,979 | 3,778,301 |
| Plan Fiduciary Net Position – Beginning | 42,489,499 | 34,789,516 | 32,859,874 | 30,476,025 | 28,013,440 | 24,984,332 | 24,640,441 | 23,762,462 | 19,984,161 |
| Plan Fiduciary Net Position – Ending (b) | 39,091,020 | 42,489,499 | 34,789,516 | 32,859,874 | 30,476,025 | 28,013,440 | 24,984,332 | 24,640,441 | 23,762,462 |
| Plan Net Pension Liability – Ending (a) – (b) | \$ 17,413,477 | \$ 9,690,029 | \$ 14,231,847 | \$ 13,041,310 | \$ 11,977,493 | \$ 11,596,359 | \$ 9,717,640 | \$ 6,737,269 | \$ 5,528,953 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 69.18% | 81.43% | 70.97% | 71.59% | 71.79% | 70.72% | 72.00% | 78.53% | 81.12% |
| Covered Payroll | \$ 8,607,164 | \$ 8,256,744 | \$ 10,837,304 | \$ 8,568,241 | \$ 9,707,403 | \$ 9,234,169 | \$ 6,527,433 | \$ 6,066,619 | \$ 5,829,943 |
| Plan Net Pension Liability as a Percentage of Covered Payroll | 202.31% | 117.36% | 131.32% | 152.21% | 123.39% | 125.58% | 148.87% | 111.05% | 94.84% |

Note to schedule:

Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to ten years as information becomes available.

Change of Assumptions

The discount rate changed from 7.50 percent used for the June 30, 2014 measurement date to 7.65 percent used for the June 30, 2015 measurement date. The discount rate changed from 7.65 percent used for the June 30, 2016 measurement date to 7.15 percent used for the June 30, 2017 measurement date. The discount rate changed from 7.15 percent used for the June 30, 2021 measurement date to 6.90 percent used for the June 30, 2022 measurement date.

Monterey Regional Waste Management District

Schedule of Pension Plan Contributions for the Last Ten Fiscal Years

| Fiscal Year | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially Determined Contribution | \$ 2,091,220 | \$ 1,843,746 | \$ 1,657,580 | \$ 1,564,416 | \$ 1,331,520 | \$ 1,106,332 | \$ 1,029,394 | \$ 882,891 | \$ 800,476 |
| Contributions in Relation to the Actuarially Determined Contribution | (2,091,220) | (1,843,746) | (1,657,580) | (1,564,416) | (1,331,520) | (1,106,332) | (1,029,394) | (882,891) | (800,476) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 9,444,773 | \$ 8,607,164 | \$ 8,256,744 | \$ 10,837,304 | \$ 8,568,241 | \$ 9,707,403 | \$ 9,234,169 | \$ 6,527,433 | \$ 6,066,619 |
| Contributions as a Percentage of Covered Payroll ⁽²⁾ | 22.14% | 21.42% | 20.08% | 14.44% | 15.54% | 11.40% | 11.15% | 13.53% | 13.19% |

Note to schedule:

Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to ten years as information becomes available.

² Includes one year's pay roll growth using 2.75 percent payroll assumption for fiscal year ended June 30, 2018; 3.00 percent payroll assumption for fiscal years ended June 30, 2014-17.

Monterey Regional Waste Management District

Schedule of Changes in the District's Total OPEB Liability and Related Ratios for the Last Ten Fiscal Years

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | | | | |
| Service cost | \$ 205,921 | \$ 230,679 | \$ 223,074 | \$ 176,317 | \$ 164,304 | \$ 159,907 |
| Interest | 122,672 | 83,874 | 83,545 | 90,379 | 81,606 | 81,366 |
| Changes of benefit terms | - | - | - | 240,242 | - | - |
| Difference between expected and actual experience | - | (175,877) | - | 384,106 | - | - |
| Changes of assumptions | (29,469) | (338,007) | 11,478 | 462,772 | 65,289 | - |
| Benefit payments | (186,562) | (225,514) | (247,162) | (76,742) | (56,366) | (54,198) |
| Net change in total OPEB liability | 112,562 | (424,845) | 70,935 | 1,277,074 | 254,833 | 187,075 |
| Total OPEB liability - beginning | 3,455,636 | 3,880,481 | 3,809,546 | 2,532,472 | 2,277,639 | 2,090,564 |
| Total OPEB liability - ending | <u>\$ 3,568,198</u> | <u>\$ 3,455,636</u> | <u>\$ 3,880,481</u> | <u>\$ 3,809,546</u> | <u>\$ 2,532,472</u> | <u>\$ 2,277,639</u> |
| Covered-employee payroll | \$ 9,444,773 | \$ 8,607,164 | \$ 8,256,744 | \$ 10,837,304 | \$ 8,568,241 | \$ 9,707,403 |
| Total OPEB liability as a percentage of covered-employee payroll | <u>38%</u> | <u>40%</u> | <u>47%</u> | <u>35%</u> | <u>30%</u> | <u>23%</u> |

Note to schedule:

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to ten years as information becomes available.

* The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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Supplementary Information

Monterey Regional Waste Management District

Combining Schedule of Net Position June 30, 2023

| | DISTRICT | AUTHORITY | TOTALS | CONSOLIDATING ENTRIES | TOTALS |
|--|---------------|---------------|---------------|--------------------------|----------------|
| CURRENT ASSETS: | | | | | |
| Cash and investments | \$ 45,998,419 | \$ - | \$ 45,998,419 | \$ - | \$ 45,998,419 |
| Accounts receivable, net | 4,698,959 | - | 4,698,959 | - | 4,698,959 |
| Accrued interest receivable | 150,813 | - | 150,813 | - | 150,813 |
| Other receivables | 273,023 | - | 273,023 | - | 273,023 |
| Lease receivables | 239,847 | - | 239,847 | - | 239,847 |
| Prepaid expenses | 1,956,732 | - | 1,956,732 | - | 1,956,732 |
| Total current assets | 53,317,793 | - | 53,317,793 | - | 53,317,793 |
| RESTRICTED CASH AND CASH EQUIVALENTS: | | | | | |
| Cash and cash equivalents held by Trustee for reserve account | - | - | - | - | - |
| Investments held by LAIF – reserved for landfill closure and post closure care costs | 2,500,000 | - | 2,500,000 | - | 2,500,000 |
| Total restricted cash and investments | 2,500,000 | - | 2,500,000 | - | 2,500,000 |
| LEASE RECEIVABLE, long term | 1,899,648 | - | 1,899,648 | - | 1,899,648 |
| DEPOSIT | 155,000 | - | 155,000 | - | 155,000 |
| DUE FROM DISTRICT | - | 43,667,450 | 43,667,450 | (43,667,450) | - |
| CAPITAL ASSETS, NET | 84,697,265 | - | 84,697,265 | - | 84,697,265 |
| Total Assets | 142,569,706 | 43,667,450 | 186,237,156 | (43,667,450) | 142,569,706 |
| DEFERRED OUTFLOWS | 8,130,381 | - | 8,130,381 | - | 8,130,381 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | \$150,700,087 | \$ 43,667,450 | \$194,367,537 | \$ (43,667,450) | \$ 150,700,087 |

Monterey Regional Waste Management District

Combining Schedule of Net Position (Continued)

June 30, 2023

| | DISTRICT | AUTHORITY | TOTALS | CONSOLIDATING ENTRIES | TOTALS |
|---|-----------------------|----------------------|-----------------------|--------------------------|-----------------------|
| CURRENT LIABILITIES: | | | | | |
| Accounts payable | \$ 4,008,067 | \$ - | \$ 4,008,067 | \$ - | \$ 4,008,067 |
| Security deposits | 50,564 | - | 50,564 | - | 50,564 |
| Lease payable | 2,885 | - | 2,885 | - | 2,885 |
| Accrued liabilities: | | | | | |
| Compensated absences | 335,644 | - | 335,644 | - | 335,644 |
| State/County waste management fees | 298,278 | - | 298,278 | - | 298,278 |
| Payroll and payroll liabilities | 400,160 | - | 400,160 | - | 400,160 |
| Revenue bonds and equipment lease interest | 8,327 | 340,561 | 348,888 | - | 348,888 |
| Current portion of capital lease payable | 252,342 | - | 252,342 | - | 252,342 |
| Current portion of revenue bonds payable | - | 2,789,773 | 2,789,773 | - | 2,789,773 |
| Total current liabilities | 5,356,267 | 3,130,334 | 8,486,601 | - | 8,486,601 |
| NONCURRENT LIABILITIES: | | | | | |
| Compensated absences | 655,582 | - | 655,582 | - | 655,582 |
| Lease payable | - | - | - | - | - |
| Financed purchase payable | - | - | - | - | - |
| Total OPEB liability | 3,568,198 | - | 3,568,198 | - | 3,568,198 |
| Net pension liability | 17,413,477 | - | 17,413,477 | - | 17,413,477 |
| Due to Authority | 43,667,450 | - | 43,667,450 | (43,667,450) | - |
| Revenue bonds payable - net | - | 40,537,116 | 40,537,116 | - | 40,537,116 |
| Landfill closure and post closure care | 7,291,209 | - | 7,291,209 | - | 7,291,209 |
| Total liabilities | 77,952,183 | 43,667,450 | 121,619,633 | (43,667,450) | 77,952,183 |
| DEFERRED INFLOWS | 2,505,602 | - | 2,505,602 | - | 2,505,602 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | 80,457,785 | 43,667,450 | 124,125,235 | (43,667,450) | 80,457,785 |
| NET POSITION: | | | | | |
| Net investment in capital assets | 41,115,149 | - | 41,115,149 | - | 41,115,149 |
| Restricted | 2,500,000 | - | 2,500,000 | - | 2,500,000 |
| Unrestricted | 26,627,153 | - | 26,627,153 | - | 26,627,153 |
| Total net position | 70,242,302 | - | 70,242,302 | - | 70,242,302 |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION | \$ 150,700,087 | \$ 43,667,450 | \$ 194,367,537 | \$ (43,667,450) | \$ 150,700,087 |

Monterey Regional Waste Management District

Combining Schedule of Revenues, Expenses and Changes in Net Position for the Year Ended June 30, 2023

| | DISTRICT | AUTHORITY | TOTALS | ELIMINATING ENTRIES | TOTALS |
|--------------------------------------|---------------------|-------------|---------------------|------------------------|---------------------|
| OPERATING REVENUES: | | | | | |
| Disposal fees | \$ 36,076,916 | \$ - | \$ 36,076,916 | \$ - | \$ 36,076,916 |
| Power sales | 2,808,825 | - | 2,808,825 | - | 2,808,825 |
| Recycled material sales | 9,751,080 | - | 9,751,080 | - | 9,751,080 |
| Last chance mercantile sales | - | - | - | - | - |
| Scale and operational services | 775,222 | - | 775,222 | - | 775,222 |
| Sand sales | 236,059 | - | 236,059 | - | 236,059 |
| Landscape product sales | 56 | - | 56 | - | 56 |
| Total operating revenues | 49,648,158 | - | 49,648,158 | - | 49,648,158 |
| OPERATING EXPENSES: | | | | | |
| Salaries | 11,322,501 | - | 11,322,501 | - | 11,322,501 |
| Employee benefits | 6,096,471 | - | 6,096,471 | - | 6,096,471 |
| Depreciation and amortization | 5,199,161 | - | 5,199,161 | - | 5,199,161 |
| Recycling | 3,411,848 | - | 3,411,848 | - | 3,411,848 |
| Taxes, licenses and permits | 1,303,370 | - | 1,303,370 | - | 1,303,370 |
| Repairs & Maintenance | 3,340,832 | - | 3,340,832 | - | 3,340,832 |
| Professional services | 1,042,955 | - | 1,042,955 | - | 1,042,955 |
| Fuel | 1,598,759 | - | 1,598,759 | - | 1,598,759 |
| Contractual services | 1,392,451 | - | 1,392,451 | - | 1,392,451 |
| Operating supplies | 1,441,305 | - | 1,441,305 | - | 1,441,305 |
| Landfill closure and post closure ca | 530,415 | - | 530,415 | - | 530,415 |
| Insurance | 1,133,886 | - | 1,133,886 | - | 1,133,886 |
| Public awareness | 69,455 | - | 69,455 | - | 69,455 |
| Office | 498,226 | - | 498,226 | - | 498,226 |
| Safety equipment and supplies | 248,070 | - | 248,070 | - | 248,070 |
| Education, meetings and travel | 201,907 | - | 201,907 | - | 201,907 |
| Hazardous waste program | 300,719 | - | 300,719 | - | 300,719 |
| Environmental services | 1,301,033 | - | 1,301,033 | - | 1,301,033 |
| Utilities | 173,528 | - | 173,528 | - | 173,528 |
| Miscellaneous | 48,590 | - | 48,590 | - | 48,590 |
| Total operating expenses | 40,655,482 | - | 40,655,482 | - | 40,655,482 |
| OPERATING INCOME | \$ 8,992,676 | \$ - | \$ 8,992,676 | \$ - | \$ 8,992,676 |

Monterey Regional Waste Management District

**Combining Schedule of Revenues, Expenses and Changes in Net Position (Continued)
for the Year Ended June 30, 2023**

| | DISTRICT | AUTHORITY | TOTALS | ELIMINATING ENTRIES | TOTALS |
|---|---------------|-------------|---------------|------------------------|---------------|
| OPERATING INCOME | \$ 8,992,676 | \$ - | \$ 8,992,676 | \$ - | \$ 8,992,676 |
| NON-OPERATING REVENUES (EXPENSES): | | | | | |
| Interest income | 598,282 | - | 598,282 | - | 598,282 |
| Rents and leases | 324,059 | - | 324,059 | - | 324,059 |
| Gain on sale of capital assets – net | - | - | - | - | - |
| Interest expense – revenue bonds and financed purchase | (9,330) | (1,322,834) | (1,332,164) | - | (1,332,164) |
| Cost of revenue bonds issuance | - | - | - | - | - |
| Interagency reimbursement | (1,322,834) | 1,322,834 | - | - | - |
| Other income (expense) | 1,831,982 | - | 1,831,982 | - | 1,831,982 |
| Total non-operating revenues (expenses) | 1,422,159 | - | 1,422,159 | - | 1,422,159 |
| CHANGE IN NET POSITION | 10,414,835 | - | 10,414,835 | - | 10,414,835 |
| NET POSITION, BEGINNING OF YEAR | 59,827,467 | - | 59,827,467 | - | 59,827,467 |
| NET POSITION, END OF YEAR | \$ 70,242,302 | \$ - | \$ 70,242,302 | \$ - | \$ 70,242,302 |

Monterey Regional Waste Management District

**Schedule of Revenues, Expenses and Changes in Net Position
Actual to Budget (Unaudited)
for the Year Ended June 30, 2023**

| | ACTUAL | DISTRICT BUDGET | VARIANCE - POSITIVE (NEGATIVE) |
|--|-------------------|--------------------|--------------------------------------|
| OPERATING REVENUES: | | | |
| Disposal fees | \$ 36,076,916 | \$ 33,192,000 | \$ 2,884,916 |
| Power sales | 2,808,825 | 1,800,000 | 1,008,825 |
| Recycled material sales | 9,751,080 | 12,434,000 | (2,682,920) |
| Other sales | 1,011,337 | 955,000 | 56,337 |
| Total operating revenues | <u>49,648,158</u> | <u>48,381,000</u> | <u>1,267,158</u> |
| OPERATING EXPENSES: | | | |
| Salaries | 11,322,501 | 10,826,000 | (496,501) |
| Employee benefits | 6,096,471 | 5,628,000 | (468,471) |
| Depreciation and amortization | 5,199,161 | 4,400,000 | (799,161) |
| Recycling | 3,411,848 | 2,225,000 | (1,186,848) |
| Taxes, licenses and permits | 1,303,370 | 1,412,000 | 108,630 |
| Repairs & Maintenance | 3,340,832 | 3,483,000 | 142,168 |
| Professional services | 1,042,955 | 1,131,000 | 88,045 |
| Fuel | 1,598,759 | 1,198,000 | (400,759) |
| Contractual services | 1,392,451 | 735,000 | (657,451) |
| Operating supplies | 1,441,305 | 1,367,000 | (74,305) |
| Landfill closure and post closure care costs | 530,415 | 400,000 | (130,415) |
| Insurance | 1,133,886 | 1,050,000 | (83,886) |
| Public awareness | 69,455 | 442,000 | 372,545 |
| Office | 498,226 | 403,000 | (95,226) |
| Safety equipment and supplies | 248,070 | 355,000 | 106,930 |
| Education, meetings and travel | 201,907 | 244,000 | 42,093 |
| Hazardous waste program | 300,719 | 405,000 | 104,281 |
| Environmental services | 1,301,033 | 900,000 | (401,033) |
| Utilities | 173,528 | 192,000 | 18,472 |
| Miscellaneous | 48,590 | 40,000 | (8,590) |
| Total operating expenses | <u>40,655,482</u> | <u>36,836,000</u> | <u>(3,819,482)</u> |
| INCOME FROM OPERATIONS | <u>8,992,676</u> | <u>11,545,000</u> | <u>(2,552,324)</u> |

Monterey Regional Waste Management District

**Schedule of Revenues, Expenses and Changes in Net Position
Actual to Budget (Unaudited) (Continued)
for the Year Ended June 30, 2023**

| | ACTUAL | DISTRICT BUDGET | VARIANCE |
|---|---------------|--------------------|----------------|
| INCOME FROM OPERATIONS | \$ 8,992,676 | \$ 11,545,000 | \$ (2,552,324) |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Interest income | 598,282 | 50,000 | 548,282 |
| Rents and leases | 324,059 | 340,000 | (15,941) |
| Finance charges | - | (16,389) | 16,389 |
| Interest expense – revenue bonds and financed purchase | (1,332,164) | (1,967,081) | 634,917 |
| Cost of revenue bonds issuance | - | - | - |
| Other income (expense) | 1,831,982 | 5,000 | 1,826,982 |
| Total non-operating revenues (expenses) | 1,422,159 | (1,588,470) | 3,010,629 |
| INCREASE (DECREASE) IN NET POSITION | \$ 10,414,835 | \$ 9,956,530 | \$ 458,305 |

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