



**MesaWater**  
DISTRICT®

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE  
FISCAL YEAR ENDED  
JUNE 30, 2020**

**Mesa Water District | Costa Mesa, California**

**MesaWater.org**

*Dedicated to Satisfying our Community's Water Needs*



**Mesa Water District**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2020**



1965 Placentia Avenue  
Costa Mesa, CA 92627-3420

Prepared by:  
Financial Services Department



MESA WATER DISTRICT  
 Comprehensive Annual Financial Report  
 Years Ended June 30, 2020 and 2019

**Table of Contents**

	<u>Page Number</u>
Table of Contents	i
 <b>Introductory Section</b>	
Letter of Transmittal	1-5
Government Finance Officers Association - Certificate of Achievement for Excellence in Financial Reporting	6
Organization Chart	7
District Service Area Map	8
 <b>Financial Section</b>	
Independent Auditors' Report	9-11
Management's Discussion and Analysis (Required Supplementary Information)	13-19
Basic Financial Statements:	
Statement of Net Position	20
Statement of Revenues, Expenses and Changes in Net Position	21
Statement of Cash Flows	22-23
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to the Basic Financial Statements	26-74
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability	75
Schedule of Plan Contributions - Pension	77
Annual Money-Weighted Rate of Return on Investments - OPEB	79
Schedule of Changes in the Net OPEB Liability and Related Ratios	80
Schedule of Plan Contributions - OPEB	81
Supplementary Information:	
Certificates of Participation - Revenue Coverage	82
Certificates of Participation - Reconciliation of Total Revenues and Total Expenses	83
 <b>Statistical Information Section</b>	
Statistical Section - Table of Contents	84
Changes in Net Position by Component - Last Ten Fiscal Years	85
Historic Operating Results and Debt Service Coverage - Fiscal Years Ended June 30	87
Operating Revenue by Source - Last Ten Fiscal Years	89
Historic Water Sales Revenues - Last Ten Fiscal Years	90

MESA WATER DISTRICT  
Comprehensive Annual Financial Report  
Years Ended June 30, 2020 and 2019

**Table of Contents (Continued)**

	<u>Page Number</u>
<b>Statistical Information Section (Continued)</b>	
Operating Expenses by Activity - Last Ten Fiscal Years	91
Non-Operating Revenue and Expenses - Last Ten Fiscal Years	92
Operating Revenue Base - Last Ten Fiscal Years	93
Customer Connections - Last Ten Fiscal Years	94
Revenue Rates - Last Ten Fiscal Years	95
Ten Largest Water Users - Current Fiscal Year and Five Years Ago	96
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years	97
Demographics and Economic Statistics - Last Ten Fiscal Years	98
Principal Employers - Current Fiscal Year and Nine Years Ago	99
District Employees by Department - Last Ten Fiscal Years	100
Historic Water Supply in Acre Feet - Last Five Fiscal Years	101
Historic Water Deliveries in Acre Feet - Last Five Fiscal Years	101

# **Introductory Section**

**<Page Intentionally Left Blank>**





*Dedicated to  
Satisfying our Community's  
Water Needs*

---

## **BOARD OF DIRECTORS**

**Marice H. DePasquale**  
*President  
Division III*

**Shawn Dewane**  
*Vice President  
Division V*

**James Atkinson**  
*Director  
Division IV*

**Fred R. Bockmiller, P.E.**  
*Director  
Division I*

**James R. Fisler**  
*Director  
Division II*

**Paul E. Shoenberger, P.E.**  
*General Manager*

**Denise Garcia**  
*District Secretary*

**Marwan Khalifa, CPA, MBA**  
*District Treasurer*

**Atkinson, Andelson,  
Loya, Ruud & Romo**  
*Legal Counsel*

---

March 11, 2021

Board of Directors  
Mesa Water District

### **Introduction**

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Mesa Water District (Mesa Water®) for the fiscal year ended June 30, 2020 (with comparative data for 2019), following guidelines set forth by the Governmental Accounting Standards Board (GASB). Mesa Water is ultimately responsible for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures in this financial report. Mesa Water staff prepared this financial report and believes that the data presented is accurate in all material respects. This report is designed in a manner that we believe beneficial to enhance the reader's understanding of Mesa Water's financial position and activities.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) Section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately after the Independent Auditor's Report.

### **Mesa Water Structure and Leadership**

Mesa Water is a county water district organized pursuant to Water Code Section 33200 and operates pursuant to Water Code Section 30000. Mesa Water has been providing water service to its customers since 1960. Mesa Water is governed by a five-member Board of Directors (Board), elected at-large by division within Mesa Water's service area. The General Manager administers the day-to-day operations of Mesa Water in accordance with policies and procedures established by the Board. Mesa Water employs approximately 53 employees, some of whom are part-time or temporary. Mesa Water's Board meets on the second Thursday of each month. Meetings are publicly noticed and citizens are encouraged to attend. Mesa Water provides water service to approximately 110,000 residents in the City of Costa Mesa, parts of the City of Newport Beach, and some unincorporated areas of Orange County through approximately 25,000 service connections.

### **Mesa Water's Services**

Residential customers comprise approximately 82% of Mesa Water's customer base and purchase approximately 60% of the water produced annually by Mesa Water. In Fiscal Year 2020, Mesa Water's potable supply was comprised of 100% groundwater and related groundwater exchange programs.



## **Economic Condition, Outlook and Major Initiatives**

Mesa Water carries out its mission with a highly-motivated and competent staff empowered to conduct Mesa Water's business by placing customer needs and welfare first. Each day Mesa Water's employees strive to carry out their work mindful of Mesa Water's mission, "Dedicated to Satisfying our Community's Water Needs."

Mesa Water's service area includes various major regional facilities: John Wayne Airport, Orange Coast College, Whittier Law School, Vanguard University, Orange County Fairgrounds, Orange County Performing Arts Center, South Coast Repertory Theater, and the shopping complex at South Coast Plaza. The local economy is primarily based upon retail, commercial business, and light manufacturing.

In Mesa Water's service area, consumers are now experiencing the benefits of decades-long investments in water use efficiency and water infrastructure projects to help lower our regional dependence on imported water.

Two decades ago, Mesa Water's Board of Directors set a goal to reduce reliance on imported water from Northern California and the Colorado River by increasing the District's production capacity of groundwater and recycled water. Mesa Water is fortunate to be able to pump safe, high-quality groundwater from Orange County's clear-water aquifer and from the deeper, amber-colored aquifer located directly under our service area.

The Mesa Water Reliability Facility (MWRf) was the final step in eliminating the District's dependence on imported water as Mesa Water is now able to meet 100% of its community's water needs with locally-sourced supplies. In fiscal year 2020 Mesa Water was able to make further progress in the design phase of the two new wells sites. Once the wells sites are completed, they will enhance Mesa Water's capability to rely solely upon locally-sourced groundwater. Furthermore, producing local water uses less electricity than is needed to import water from hundreds of miles away.

Mesa Water's Board in fiscal year 2020 took on a major step towards reliability by approving a three-year \$70MM Capital Improvement Program funded through Certificates of Participation. Mesa Water will construct two new wells to increase local water production capacity and invest in pipeline integrity testing to ensure economical and timely replacement for continued reliable service and high-quality water to customers.

Mesa Water has undertaken a major initiative to encourage water use efficiency within its service area. In conjunction with Metropolitan Water District (MWD) and the Municipal Water District of Orange County (MWDOC), Mesa Water distributes and provides financial incentives for high efficiency water use devices, and has developed education and technical assistance programs designed for residents, homeowners associations, businesses, and other public agencies. Mesa Water also works with the City of Costa Mesa to promote the wise use of water



through the City's development plan check process. These active programmatic efforts have resulted in a cumulative water savings of approximately 16,804 acre feet of water to date.

As of July 1, 2020, Mesa Water charges a uniform commodity rate of \$4.27 per unit and a bi-monthly fixed charge of \$27.23 for a 5/8 inch meter. One unit of water equals 748 gallons which means that the cost per gallon is 0.57 cents. At \$894 per year, the cost of water service for a typical single family home using 127,900 gallons of water annually remains a good value for Mesa Water's customers.

In fiscal year 2020 Covid-19 impacted the economy greatly. With multiple shutdowns and a reduced number of people in business economic impact was seen from a federal level all the way down to the City of Costa Mesa. As a result of Mesa Water's Board forward thinking, Mesa Water was able to continue to provide safe, local, and reliable water without any major cutbacks.

### **Water Supply**

Mesa Water has finished implementation of a long standing goal of reducing reliance on MWD imported water by increasing production of local groundwater and developing additional water sources. The completion of the MWRF in January 2013 has achieved Mesa Water's goal to provide 100% local and reliable water to its customers.

Mesa Water currently has seven groundwater wells that produce high quality water at a lower cost than imported water, with two of the wells associated with the MWRF. The MWRF treats amber groundwater from a previously unusable aquifer, providing Mesa Water with an additional potable water source. Amber groundwater from this lower aquifer is more expensive to produce than clear groundwater produced from the upper aquifer. However, the treatment cost of amber groundwater is substantially less expensive than purchasing imported water.

To encourage the use of water production through the MWRF, MWD has assisted Mesa Water by reimbursing a portion of the costs of treating amber groundwater. The program used by MWD to reimburse Mesa Water is the Local Resource Program (LRP) and expands the use of amber groundwater and thereby reduces the demand on MWD supplies.

Mesa Water has been treating and delivering amber groundwater to customers since 1985 using a variety of treatment methods. The expansion and upgrade of the MWRF includes nano-filtration membrane technology which expanded capacity to treat amber groundwater by approximately 50% while reducing energy costs by nearly 67%.

In fiscal year 2020, Mesa Water produced approximately 76% of its potable water supply from clear groundwater and related groundwater exchange programs, approximately 24% from amber groundwater and 0% from imported water.

Mesa Water also sells recycled water for irrigation purposes. The water is purchased from OCWD and replaces potable water that would



otherwise have been used for irrigation. Approximately 6% of total water supplied to consumers is recycled.

### **Internal Control Structure**

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

### **Budgetary Control**

Mesa Water's Board annually adopts a budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations, accountability for Mesa Water's enterprise operations, and capital projects. The budget is presented on the accrual basis of accounting and is consistent with the presentation of Mesa Water's Comprehensive Annual Financial Report.

### **Investment Policy**

The Board has adopted an investment policy that conforms to state law, Mesa Water's ordinances and resolutions, prudent money management, and the "prudent person" standards. The objectives of the Statement of Investment Policy are safety, liquidity and then yield. Currently, funds are invested in various securities as authorized by Mesa Water's Investment Policy.

### **Water Rates and Revenues**

Revenue from user charges generated from Mesa Water's customers support operations. Accordingly, water rates are reviewed every five (5) years when a Water Rate Schedule is prepared to achieve the Board's financial goals. Water rates are user charges imposed on customers for services and are the primary component of Mesa Water's revenue. Water rates are composed of a commodity (usage) charge and a fixed bi-monthly service charge. Mesa Water raised rates by an average of 5% in fiscal year 2020.

### **Audit and Financial Reporting**

State Law and bond covenants require Mesa Water to obtain an annual audit of its financial statements by an independent Certified Public Accountant. The accounting firm of Clifton Larson Allen LLP conducted the audit of Mesa Water's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

### **Risk Management**

Mesa Water participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) for the purchase of workers' compensation, liability, property, automobile, and fidelity insurance. The typical liability limits are \$1 million per incident/occurrence.



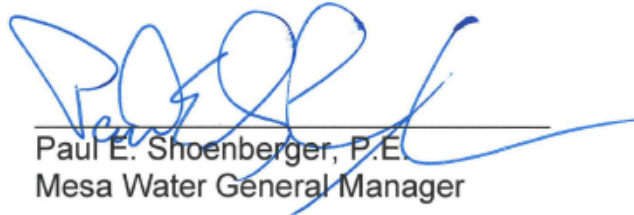
### **Awards and Acknowledgements**

This is the 27th year that Mesa Water is submitting its Comprehensive Annual Financial Report (CAFR) for the Government Finance Officers Association of the United States and Canada's (GFOA) Certificate of Achievement for Excellence in Financial Reporting. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this CAFR meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for 2020.

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

Respectfully submitted,



Paul E. Shoenberger, P.E.  
Mesa Water General Manager



Marwan Khalifa, C.P.A.  
Mesa Water Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

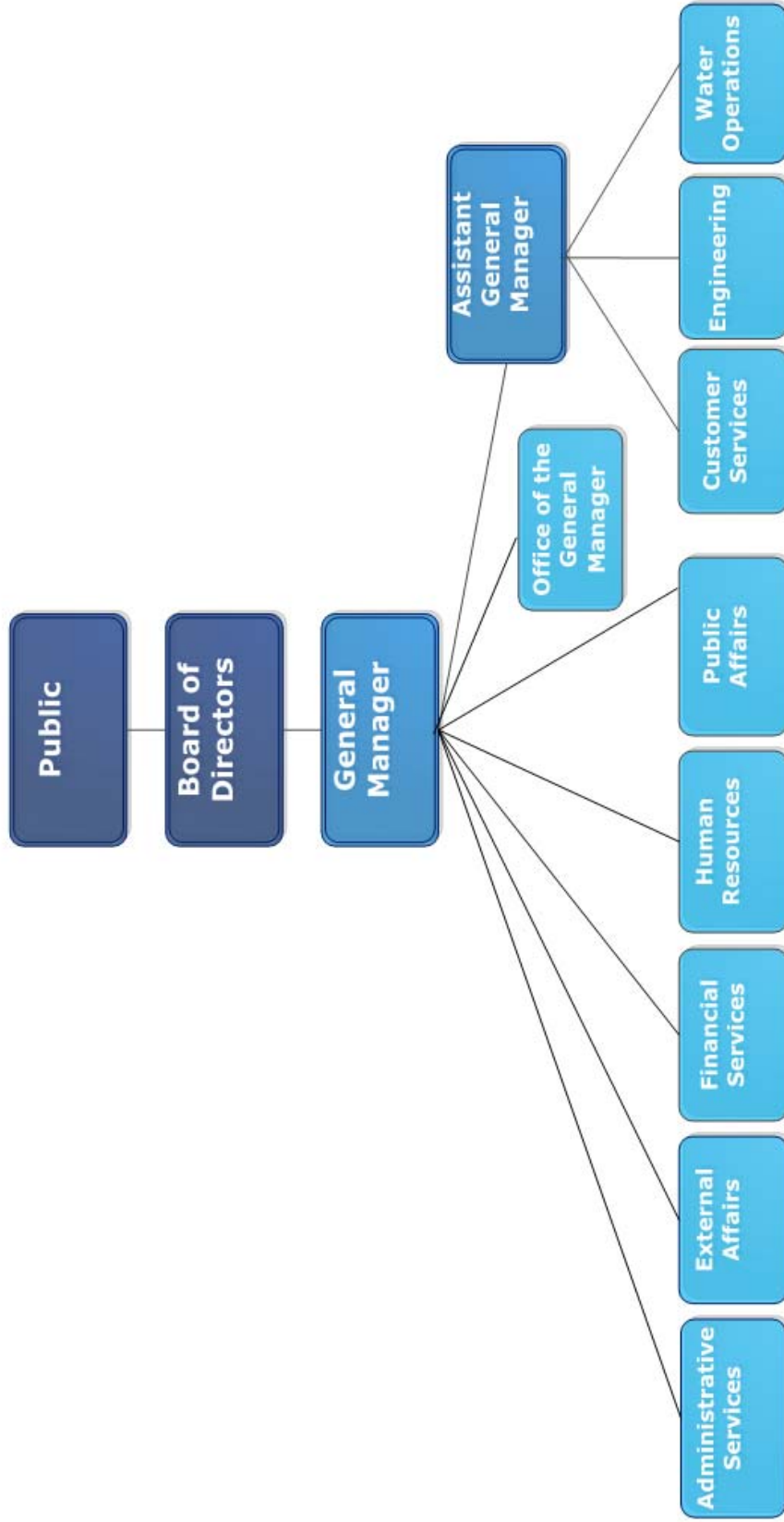
**Mesa Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2019**

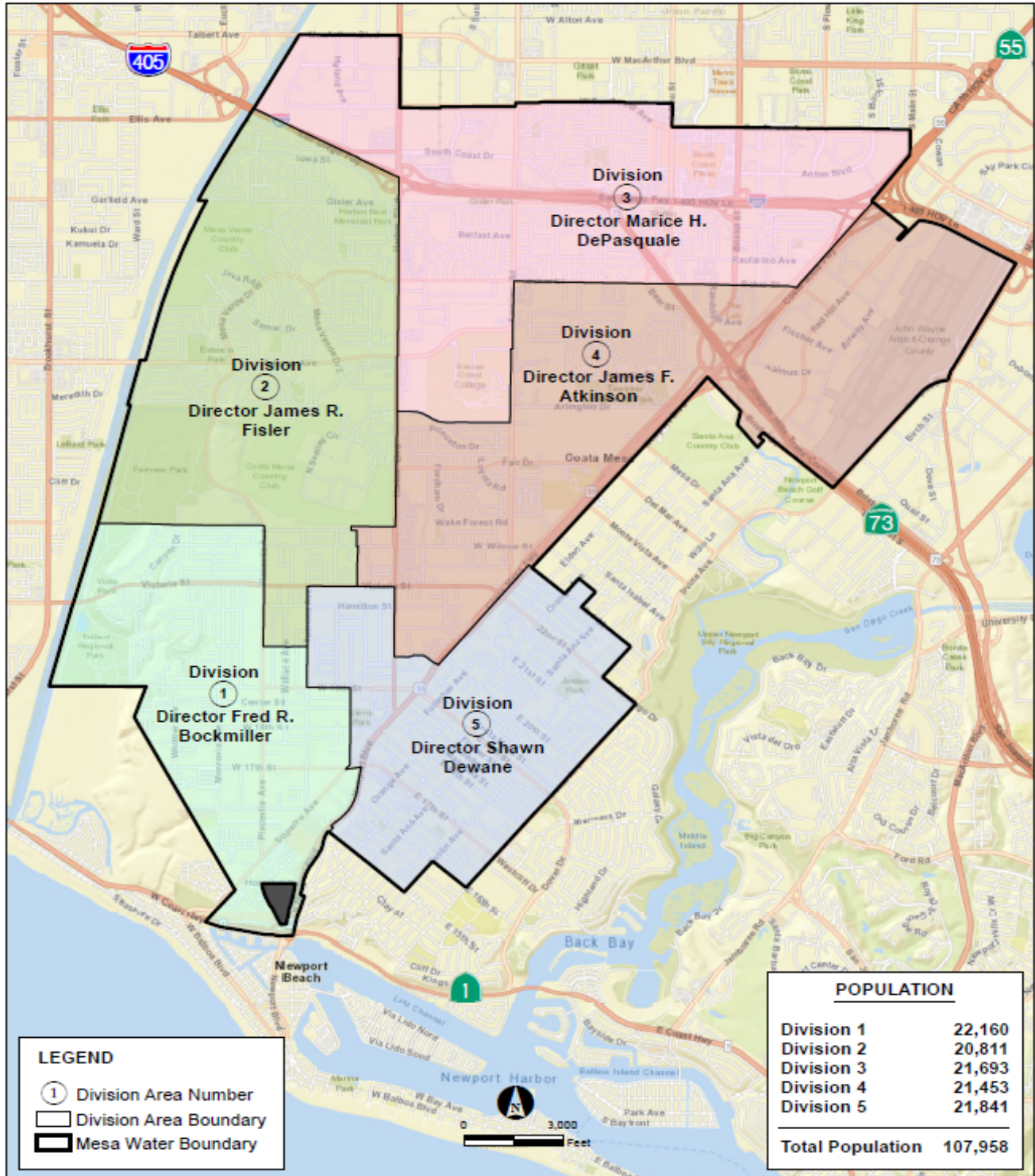
*Christopher P. Morrill*

Executive Director/CEO



# Mesa Water District

## District Service Area Map





# **Financial Section**

**<Page Intentionally Left Blank>**



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Mesa Water District  
Costa Mesa, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Mesa Water District (the District), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Prior-Year Information*

The June 30, 2019 financial statements were audited by White Nelson Diehl Evans LLP, whose practice became part of CliftonLarsonAllen LLP as of November 1, 2020, and whose report dated November 25, 2019, expressed unmodified opinions on those respective financial statements of the business-type activities and the aggregate remaining fund information from which the prior year summarized financial information was derived.

### *Report on Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of plan contributions - pension, the annual money-weighted rate of return on investments - OPEB, schedule of changes in the net OPEB liability and related ratios, and the schedule of plan contributions - OPEB, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the RSI 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other 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 introductory section, supplementary information consisting of the certificates of participation - revenue coverage and reconciliation of total revenues and total expenses, and the statistical information section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

## **Other Matters (Continued)**


### *Other Information (Continued)*

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Irvine, California  
February 22, 2021

**Mesa Water District**  
***Management's Discussion and Analysis***  
**For the Year Ended June 30, 2020**

The following discussion and analysis of the financial performance of the Mesa Water District (District/Mesa Water) provides an overview of the District's financial activities for the year ended June 30, 2020. This section should be read in conjunction with the basic financial statements and notes to the financial statements, which follows this analysis.

**Financial Highlights**

- Net position equaled \$142.3 million, an increase of \$5.0 million or 3.7% from the prior year. \$105.0 million of Net Position was for net investment in capital assets, \$3.3 million was restricted for pension benefits, and the remaining \$34.0 million was unrestricted.
- Total revenues decreased \$.1 million or -.4%, primarily due to investment earnings not being as strong as the prior year.
- Total expenses increased by \$4.6 million or 14.9%. This increase is primarily due to completion of the AAA lease and increased cost for general and administrative expenses.
- Total Capital Assets increased by \$2.2 million due to \$7.7 million in net additions and deletions, offset by depreciation expense of \$5.5 million.
- Total debt increased by \$66.9 million due to the issuance of the 2020 COPS.

This annual report consists of a series of financial statements: (1) The Statement of Net Position, (2) Statement of Revenues, Expenses and Changes in Net Position, and (3) Statement of Cash Flows, all of which together provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The report also contains notes to the financial statements and other supplementary information.

**Statement of Net Position** includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities) and deferred outflows and inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the District.

**Statement of Revenues, Expenses and Changes in Net Position** measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. The statement can be used to evaluate profitability and credit worthiness.

**Statement of Cash Flows** provides information about the District's cash receipts, cash payments and changes in cash resulting from operations, investments, and financing activities.

**Notes to the Financial Statements** provide additional information essential to a full understanding of the data provided in the financial statements.

**Other Information** includes required supplementary information.

**Mesa Water District**  
***Management's Discussion and Analysis***  
**For the Year Ended June 30, 2020**

**Financial Analysis of the District**

The following condensed schedules contain summary financial information extracted from the basic financial statements to assist general readers in evaluating the District's overall financial position and results of operations as described in this Management's Discussion and Analysis (MD&A). Increases or decreases in these schedules can be used as performance indicators to assess whether the District's overall financial position has improved or deteriorated. Other external factors such as changes in economic conditions, customer growth, weather conditions and legislative mandates as well as changes in Federal and State water quality standards should also be considered as part of this assessment.

**Mesa Water District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2020**

**Statement of Net Position**

The Statement of Net Position reflects the District's financial position as of June 30. The statement includes assets, deferred outflow of resources, liabilities, and deferred inflows of resources. The Net Position represents the District's net worth including, but not limited to, capital contributions and investments in capital assets. A condensed summary of the District's total Net Position as of June 30 is set forth below:

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
<b>Assets and Deferred Outflows:</b>				
Current assets	\$ 43,480,675	39,071,466	4,409,209	11.3%
Non-current assets	80,535,395	13,539,195	66,996,200	494.8%
Capital and intangible assets, net	134,931,458	132,676,394	2,255,064	1.7%
<b>Total Assets</b>	<u>258,947,528</u>	<u>185,287,055</u>	<u>73,660,473</u>	39.8%
Deferred charges on debt refundings	614,618	744,011	(129,393)	-17.4%
Deferred amounts from OPEB & pension plans	2,792,143	2,725,430	66,713	2.4%
<b>Total Deferred Outflows</b>	<u>3,406,761</u>	<u>3,469,441</u>	<u>(62,680)</u>	-1.8%
<b>Total Assets and Deferred Outflows</b>	<u>\$ 262,354,289</u>	<u>188,756,496</u>	<u>73,597,793</u>	39.0%
<b>Liabilities:</b>				
Current liabilities	\$ 12,526,475	11,754,326	772,149	6.6%
Non-current liabilities	106,285,805	38,736,245	67,549,560	174.4%
<b>Total Liabilities</b>	<u>118,812,280</u>	<u>50,490,571</u>	<u>68,321,709</u>	135.3%
Deferred Inflow of Resources - Actuarial	1,177,050	940,772	236,278	25.1%
<b>Total Liabilities and Deferred Inflows</b>	<u>119,989,330</u>	<u>51,431,343</u>	<u>68,557,987</u>	133.3%
<b>Net position:</b>				
Net Investment in capital assets	105,042,348	102,275,574	2,766,774	2.7%
Restricted for pension benefits	3,383,344	4,814,662	(1,431,318)	
Unrestricted	33,939,267	30,234,917	3,704,350	12.3%
<b>Total Net Position</b>	<u>142,364,959</u>	<u>137,325,153</u>	<u>5,039,806</u>	3.7%
<b>Total Liabilities, Deferred Inflows, and Net position</b>	<u>\$ 262,354,289</u>	<u>188,756,496</u>	<u>73,597,793</u>	39.0%

The District's total Assets and Deferred Outflows exceeded total liabilities and Deferred Inflows by \$142.3 million and \$137.3 million as of June 30, 2020 and 2019, respectively.

The largest single component of the District's Net Position (74% and 75% for June 30, 2020 and 2019, respectively) reflect the District's net investment in capital assets. The District uses these capital assets to provide services to customers within the District's service area. Consequently, these assets are not available for future spending.

As of June 30, 2020 and 2019, the District showed a positive balance in its Unrestricted Net position of \$33.9 million and \$30.2 million, respectively.

Of the \$106.2 million of non-current liabilities, \$70.3 million is attributed to the issuance of the 2020 COPS. The net pension liability accounts for \$11.5 million of the balance. This amount does not include a CalPERS defined benefit pension plan trust with PARS (Pension Trust) in the amount of \$13.2 million for fiscal year ended June 30, 2020. The PARS trust is legally restricted to providing benefits for members of the defined benefit pension plan. However, in accordance with GASB 68, the asset balance is not included in calculation of the net pension liability above.



**Mesa Water District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2020**

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

The statement of Revenues, Expenses, and Changes in Net Position summarizes the District's operations during the fiscal year. A summary of the District's changes in Net Position for the fiscal years ended June 30 is presented below:

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
<b>Revenues</b>				
Operating revenues	\$ 36,724,890	36,167,875	557,015	1.5%
Non-operating revenues	<u>1,263,866</u>	<u>1,963,165</u>	<u>(699,299)</u>	-35.6%
<b>Total Revenues</b>	<u>37,988,756</u>	<u>38,131,040</u>	<u>(142,284)</u>	-0.4%
<b>Expenses:</b>				
Operating expenses (not including deprec.)	27,238,151	25,247,473	1,990,678	7.9%
Depreciation and amortization	5,517,326	5,155,612	361,714	7.0%
Non-operating expenses	<u>3,277,881</u>	<u>948,417</u>	<u>2,329,464</u>	245.6%
<b>Total Expenses</b>	<u>36,033,358</u>	<u>31,351,502</u>	<u>4,681,856</u>	14.9%
<b>Net income before contributions</b>	1,955,398	6,779,538	(4,824,140)	-71.2%
<b>Capital Contributions</b>	<u>3,084,408</u>	<u>1,917,078</u>	<u>1,167,330</u>	60.9%
<b>Change in Net Position</b>	5,039,806	8,696,616	(3,656,810)	-42.0%
<b>Net Position, beginning of year</b>	<u>137,325,153</u>	<u>128,628,537</u>	<u>8,696,616</u>	6.8%
<b>Net Position, end of year</b>	<u>\$ 142,364,959</u>	<u>137,325,153</u>	<u>5,039,806</u>	3.7%

The District's Net Position increased by \$5.0 million for the year ended June 30, 2020, while for the year ended June 30, 2019, Net Position increased by \$8.7 million.

**Mesa Water District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2020**

**Total District Revenues**

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
Water sales	\$ 26,913,077	25,910,454	1,002,623	3.9%
Meter service charges	7,870,740	7,511,575	359,165	4.8%
Recycled water sales	1,250,605	1,119,273	131,332	11.7%
Concessions from governmental agencies	163,691	1,226,127	(1,062,436)	-86.6%
Other charges and services	526,777	400,446	126,331	31.5%
<b>Total Operating Revenues</b>	<u>36,724,890</u>	<u>36,167,875</u>	<u>557,015</u>	1.5%
Investment earnings	1,255,743	1,872,020	(616,277)	-32.9%
Gain on sale/disposition of capital assets, net	8,123	-	8,123	100.0%
Other nonoperating revenue, net	-	91,145	(91,145)	-100.0%
<b>Total Non-operating revenues</b>	<u>1,263,866</u>	<u>1,963,165</u>	<u>(699,299)</u>	-35.6%
<b>Total Revenues</b>	<u>\$ 37,988,756</u>	<u>38,131,040</u>	<u>(142,284)</u>	-0.4%

The District's operating revenues totaled \$36.7 million in fiscal year 2020. This represents an increase of \$0.5 million or 1.5% from the prior year. The increase in total operating revenue was a result of \$0.4 million increase in meter service charges and \$0.1 million increase in recycled water sales. There was a \$1.0 million decrease in concessions from governmental agencies due to the Coastal Pumping Transfer Program (CPTP) being significantly reduced. These decreases were offset by water sales as a result of increases in the rate.

The vast majority of the decrease in non-operating revenues reflects lower investment earnings.

**Mesa Water District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2020**

**Total District Expenses**

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
Import source of supply	\$ 507,008	368,722	138,286	37.5%
Basin managed water	659,666	2,628,097	(1,968,431)	-74.9%
Clear well production	6,760,158	5,453,136	1,307,022	24.0%
Amber well production	3,158,924	2,970,494	188,430	6.3%
Recycled water	861,521	758,122	103,399	13.6%
<b>Total Water Supply</b>	<b>11,947,277</b>	<b>12,178,571</b>	<b>(231,294)</b>	<b>-1.9%</b>
Transmission and distribution	6,020,490	5,479,178	541,312	9.9%
General and administrative	9,270,384	7,589,724	1,680,660	22.1%
Depreciation and amortization	5,517,326	5,155,612	361,714	7.0%
<b>Total Operating Expense</b>	<b>32,755,477</b>	<b>30,403,085</b>	<b>2,352,392</b>	<b>7.7%</b>
Interest expense - long-term debt	964,979	945,513	19,466	2.1%
Loss on sale/disposition of capital assets, net	-	2,904	(2,904)	-100.0%
Bond Issuance Costs	322,473	-	322,473	100.0%
Other nonoperating expense, net	1,990,429	-	1,990,429	0.0%
<b>Total Nonoperating Expenses</b>	<b>3,277,881</b>	<b>948,417</b>	<b>2,329,464</b>	<b>245.6%</b>
<b>Total Expenses</b>	<b>\$ 36,033,358</b>	<b>31,351,502</b>	<b>4,681,856</b>	<b>14.9%</b>

The District's total expenses increased by \$4.6 million or 14.9%. This increase primarily due to additional spending in general and administrative expenses, and an increase in total pension expense.

For non-operating expenses, issuance cost of the 2020 COPS and payoff of the AAA lease are the main reasons for the \$2.3 million increase.

**Mesa Water District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2020**

**Capital Assets**

	<b>Balance 2019</b>	<b>Additions</b>	<b>Transfers/ Deletions</b>	<b>Balance 2020</b>
Capital assets:				
Non-depreciable assets	19,058,171	7,772,390	(1,683,631)	25,146,930
Depreciable assets	199,309,727	1,683,631	(33,467)	200,959,891
Accumulated Depreciation	(85,691,504)	(5,517,326)	33,467	(91,175,363)
	<u>132,676,394</u>	<u>3,938,695</u>	<u>(1,683,631)</u>	<u>134,931,458</u>

As of June 30, 2020 and 2019, the District's investment in capital assets amounted to \$134.9 million and \$132.7 million, respectively, net of accumulated depreciation, resulting in a net increase of \$2.2 million. Capital additions to depreciable assets were \$1.7 million in fiscal year 2020. Depreciation was up slightly by \$0.4 million in comparison to the prior year. Please refer to Note 3, Capital Assets, in the accompanying Notes to the Financial Statements.

**Debt Administration**

	<b>Balance 2019</b>	<b>Additions</b>	<b>Payments/ Deletions</b>	<b>Balance 2020</b>
2017 Series COPS	30,277,774	-	(3,354,390)	26,923,384
2020 Series COPS	-	70,331,984	(40,131)	70,291,853
Total long-term debt	<u>\$ 30,277,774</u>	<u>70,331,984</u>	<u>(3,394,521)</u>	<u>97,215,237</u>

As of June 30, 2020, the District had total outstanding debt of \$97.2 million, which was an increase of \$66.9 million from the prior fiscal year. The increase was due to the issuance of the 2020 COPS. Please refer to Note 6, Long-Term Debt in the accompanying Notes to the Financial Statements.

**Mesa Water District**  
***Management's Discussion and Analysis***  
**For the Year Ended June 30, 2020**

**Requests for Information**

This financial report is designed to provide the District's funding sources, ratepayers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District at 1965 Placentia Avenue, Costa Mesa, California 92627-3420 or call (949) 574-1022.

**<Page Intentionally Left Blank>**

# **Basic Financial Statements**

**<Page Intentionally Left Blank>**



MESA WATER DISTRICT

Statement of Net Position

June 30, 2020 and 2019

ASSETS:	2020	2019
Current Assets:		
Cash and investments (note 2)	\$ 35,006,268	\$ 31,909,778
Accrued interest receivable	62,143	127,282
Accounts receivable, net	7,790,817	6,630,184
Materials and supplies inventory	316,434	199,110
Deposits and prepaid items	305,013	205,112
Total current assets	43,480,675	39,071,466
Noncurrent Assets:		
Restricted - cash and investments held by fiscal agent (note 2)	67,336,195	734
Restricted - cash and investments held by pension trust (note 2)	13,188,800	13,528,061
Other noncurrent assets	10,400	10,400
Capital assets, not being depreciated (note 3)	25,146,930	19,058,171
Depreciable capital assets, net (note 3)	109,784,528	113,618,223
Total noncurrent assets	215,466,853	146,215,589
<b>TOTAL ASSETS</b>	<b>258,947,528</b>	<b>185,287,055</b>
DEFERRED OUTFLOWS OF RESOURCES:		
Unamortized loss on bond defeasance	614,618	744,011
Deferred amounts from OPEB plan (note 5)	252,135	103,882
Deferred amounts from pension plans (note 10)	2,540,008	2,621,548
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,406,761</b>	<b>3,469,441</b>
LIABILITIES:		
Current Liabilities:		
Accounts payable and accrued expenses	6,116,151	5,290,008
Accrued wages and related payables	263,323	126,277
Customer advances and deposits	2,209,544	2,813,977
Accrued interest payable	529,048	377,198
Long-term liabilities - due within one year:		
Current portion of compensated absences (note 4)	433,409	361,866
Current portion of certificates of participation payable (note 6)	2,975,000	2,785,000
Total current liabilities	12,526,475	11,754,326
Noncurrent Liabilities:		
Long-term liabilities - due in more than one year:		
Compensated absences (note 4)	108,352	90,467
Net OPEB liability (note 5)	410,849	686,259
Net pension liability (note 10)	11,526,367	10,466,745
Certificates of participation payable (note 6)	94,240,237	27,492,774
Total noncurrent liabilities	106,285,805	38,736,245
<b>TOTAL LIABILITIES</b>	<b>118,812,280</b>	<b>50,490,571</b>
DEFERRED INFLOWS OF RESOURCES:		
Deferred amounts from OPEB plan (note 5)	357,953	72,570
Deferred amounts from pension plans (note 10)	819,097	868,202
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,177,050</b>	<b>940,772</b>
NET POSITION:		
Net investment in capital assets (note 7)	105,042,348	102,275,574
Restricted for pension benefits	3,383,344	4,814,662
Unrestricted	33,939,267	30,234,917
<b>TOTAL NET POSITION</b>	<b>\$ 142,364,959</b>	<b>\$ 137,325,153</b>

See accompanying notes to basic financial statements.

MESA WATER DISTRICT  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2020 and 2019

	2020	2019
<b>OPERATING REVENUES:</b>		
Water consumption sales	\$ 26,913,077	\$ 25,910,454
Monthly meter service charge	7,870,740	7,511,575
Recycled water sales	1,250,605	1,119,273
Concessions from governmental agencies	163,691	1,226,127
Other charges and services	526,777	400,446
TOTAL OPERATING REVENUES	36,724,890	36,167,875
<b>OPERATING EXPENSES:</b>		
Imported sources of supply	507,008	368,722
Basin managed water	659,666	2,628,097
Clear water	6,760,158	5,453,136
Amber water	3,158,924	2,970,494
Recycled water	861,521	758,122
Transmission and distribution	6,020,490	5,479,178
Depreciation and amortization	5,517,326	5,155,612
General and administrative	9,270,384	7,589,724
TOTAL OPERATING EXPENSES	32,755,477	30,403,085
OPERATING INCOME	3,969,413	5,764,790
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment earnings	1,255,743	1,872,020
Interest expense - long-term debt	(964,979)	(945,513)
Gain (loss) on sale/disposition of capital assets, net	8,123	(2,904)
Bond issuance costs	(322,473)	-
Other nonoperating, net	(1,990,429)	91,145
TOTAL NONOPERATING REVENUES (EXPENSES)	(2,014,015)	1,014,748
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,955,398	6,779,538
<b>CAPITAL CONTRIBUTIONS:</b>		
Capacity and installation charges	1,297,240	860,855
Capital grant	584,091	554,095
Developers and others	1,203,077	502,128
TOTAL CAPITAL CONTRIBUTIONS	3,084,408	1,917,078
CHANGE IN NET POSITION	5,039,806	8,696,616
TOTAL NET POSITION - beginning of year	137,325,153	128,628,537
TOTAL NET POSITION - end of year	\$ 142,364,959	\$ 137,325,153

See accompanying notes to basic financial statements.

MESA WATER DISTRICT  
Statement of Cash Flows  
Year Ended June 30, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers for water sales and services	\$ 35,474,198	\$ 35,681,795
Cash paid to employees for salaries and wages	(8,741,314)	(8,106,587)
Cash paid to vendors and suppliers for materials and services	(18,698,097)	(17,551,282)
Net cash provided by operating activities	8,034,787	10,023,926
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(6,569,313)	(10,661,395)
Proceeds from capacity and installation charges	782,866	773,706
Principal proceeds from 2020 certificates of participation	55,985,000	-
Premium proceeds from 2020 certificates of participation	14,346,984	-
Bond issuance costs	(322,473)	-
Proceeds from capital grants	584,091	554,095
Principal paid on long-term debt	(2,785,000)	(2,605,000)
Interest paid on long-term debt	(1,293,258)	(1,423,500)
Proceeds from sale of capital assets	8,123	3,580
Net cash provided by (used for) capital and related financing activities	60,737,020	(13,358,514)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payment to PARS Pension Trust	-	(1,000,000)
Payment to PARS OPEB Trust	(110,000)	-
Earnings on PARS Pension Trust used to purchase investments, net of \$66,170 and \$64,636 of administrative fees as of June 30, 2020 and 2019, respectively	(178,051)	(780,980)
Investment earnings	549,809	410,802
Proceeds from sale of investments	13,312,113	2,991,687
Purchase of investments	(7,999,463)	(3,996,182)
Net cash used for investing activities	5,574,408	(2,374,673)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	74,346,215	(5,709,261)
CASH AND CASH EQUIVALENTS - beginning of year	9,822,834	15,532,095
CASH AND CASH EQUIVALENTS - end of year	\$ 84,169,049	\$ 9,822,834

(Continued)

See accompanying notes to basic financial statements.

MESA WATER DISTRICT  
Statement of Cash Flows (Continued)  
Year Ended June 30, 2020 and 2019  
(with prior-year comparative totals)

	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 3,969,413	\$ 5,764,790
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	5,517,326	5,155,612
Other nonoperating revenue (expense)	(1,476,055)	178,294
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in accounts receivable	(1,160,633)	(447,235)
(Increase) decrease in materials and supplies inventory	(117,324)	13,136
(Increase) decrease in deposits and prepaid expenses	(99,901)	50,608
(Increase) decrease in deferred outflows for OPEB plan	(148,253)	(5,882)
(Increase) decrease in deferred outflows for pension plans	81,540	483,251
Increase (decrease) in accounts payable and accrued expenses	826,143	(652,662)
Increase (decrease) in customer advances and deposits	(604,433)	(125,994)
Increase (decrease) in compensated absences	89,428	25,984
Increase (decrease) in accrued wages and related payables	137,046	20,009
Increase (decrease) in net OPEB liability	(275,410)	1,625
Increase (decrease) in net pension liability	1,059,622	(167,217)
Increase (decrease) in deferred inflows for OPEB plan	285,383	11,138
Increase (decrease) in deferred inflows for pension plans	(49,105)	(281,531)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 8,034,787	\$ 10,023,926
SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES:		
Amortization of loss on bond defeasance	\$ 129,393	\$ 129,393
Amortization of long-term debt premiums	\$ 609,521	\$ 569,390
Developer constructed facilities	\$ 1,203,077	\$ 502,128
Change in fair value of investments	\$ 509,998	\$ 597,849
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:		
Cash and investments	\$ 35,006,268	\$ 31,909,778
Restricted cash and investments	80,524,995	13,528,795
Less: noncash equivalents	(31,362,214)	(35,615,739)
Cash and cash equivalents	\$ 84,169,049	\$ 9,822,834

See accompanying notes to basic financial statements.

MESA WATER DISTRICT  
Statement of Fiduciary Net Position  
Other Post-Employment Benefits (OPEB) Plan  
June 30, 2020 and 2019

	2020	2019
ASSETS:		
Restricted cash and investments held by trust	\$ 1,442,823	\$ 1,312,312
TOTAL ASSETS	1,442,823	1,312,312
NET POSITION:		
Net position restricted for OPEB benefits	1,442,823	1,312,312
TOTAL NET POSITION	\$ 1,442,823	\$ 1,312,312

See accompanying notes to basic financial statements.

MESA WATER DISTRICT  
Statement of Changes in Fiduciary Net Position  
Other Post-Employment Benefits (OPEB) Plan  
Year ended June 30, 2020 and 2019

	2020	2019
ADDITIONS:		
Employer contributions	\$ 204,212	\$ 97,603
Investment income	27,415	81,002
TOTAL ADDITIONS	231,627	178,605
DEDUCTIONS:		
Benefits	94,212	97,603
Administrative expense	6,904	6,279
TOTAL DEDUCTIONS	101,116	103,882
CHANGES IN NET POSITION	130,511	74,723
NET POSITION - beginning of year	1,312,312	1,237,589
NET POSITION - end of year	\$ 1,442,823	\$ 1,312,312

See accompanying notes to basic financial statements.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies

Organization and Description of the District

Mesa Water District (District) is an independent special district formed on January 1, 1960, pursuant to Section 33200 et. seq., of the California Water Code, which was designated the Costa Mesa District Merger Law. The general provisions of this law called for the consolidation of four predecessor agencies.

The District is located in Orange County, California and provides water to the City of Costa Mesa, parts of the City of Newport Beach, and unincorporated parts of Orange County, including the John Wayne Airport. Mesa Water sells water at a “pass-through” cost to the City of Huntington Beach through a jointly owned pipeline for which the City of Huntington Beach contributes 41.4% of the operation and maintenance costs. Amounts received from this agreement are netted against the costs to result in only the District’s cost remaining.

The District’s potable water is produced from groundwater wells or purchased from the Municipal Water District of Orange County (MWDOC), a member agency of the Metropolitan Water District of Southern California (MWD). Non-potable (recycled) water is purchased from the Orange County Water District (OCWD).

The District’s revenue results solely from its activities as a water utility and it does not receive tax revenues of any kind.

The District is governed by a five-member Board of Directors (Board) who serve overlapping four-year terms. Each member of the Board represents one of five geographic divisions of approximately equal population. The Board periodically elects one of its members to serve as President and another as Vice-President. The Board appoints the General Manager who is responsible for the day-to-day operations and the administration of the District in accordance with its policies. The Board also appoints the District Secretary, Assistant District Secretary, District Treasurer, and Assistant District Treasurer.

The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable.

Mesa Water District Improvement Corporation (Corporation) was incorporated in March 1988. The Corporation is a California non-profit public benefit corporation formed to assist in the financing of certain improvements to the District’s water system and as such has no employees or other operations. The Corporation meets the definition of a component unit, and would be presented on a blended basis, since it is part of the primary government; however, since the Corporation has no activity, no financial information has been included in these financial statements.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting - Proprietary Fund

Although the Corporation is a legally separate entity, the governing board is comprised of the same membership as the District's Board. The District may impose its will on the Corporation and there is a financial benefit/burden relationship between the District and the Corporation. The Corporation does not issue separate financial statements and does not have any activity for the fiscal years ended June 30, 2020 and 2019.

The District is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the net position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing business in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The accompanying financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the *economic measurement focus*, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the statement of net position. The statement of revenues, expenses and changes in net position present increases (revenues) and decreases (expenses) in total net position. Under the *accrual basis of accounting*, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with water operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include cost of sales and services, general and administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital contributions are reported as a separate line item in the statement of revenues, expenses and changes in net position and consist of contributed capital assets, grants, and other charges that are legally restricted for capital expenditures by state law or by Board action that established those charges.



MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting - Fiduciary Fund

The fiduciary fund financial statements include the statement of fiduciary net position and the statement of changes in fiduciary net position. The District's fiduciary other post-employment benefits (OPEB) trust fund is accounted for using the *economic resources measurement focus* and *accrual basis of accounting*. The OPEB trust fund accounts for the activities of the District's plan for post-retirement medical benefits.

New Pronouncements

*Current Year Standards - GASB No. 95*

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*, which was effective immediately. This Statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

*Current Year Standards - GASB No. 97*

In June 2020, GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84*, and a supersession of GASB Statement No. 32. Paragraph 4 of this Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. Paragraph 5 of this Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively.

The requirements of these paragraphs did not impact the District.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

New Pronouncements (Continued)

*Pending Accounting Standards - GASB No. 84*

In January 2017, GASB issued Statement No. 84 – *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, early application is encouraged.

*Pending Accounting Standards - GASB No. 87*

In June 2017, GASB issued Statement No. 87 – *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset for leases with a term of more than 12 months. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. For leases with a term of 12 months or less, lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, early application is encouraged.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

New Pronouncements (Continued)

*Pending Accounting Standards - GASB No. 92*

In January 2020, GASB issued Statement No. 92 – *Omnibus 2020*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to leases, fiduciary activities, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

*Pending Accounting Standards - GASB No. 96*

In May 2020, GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Early application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

New Pronouncements (Continued)

*Pending Accounting Standards - GASB No. 97*

In June 2020, GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84*, and a supersession of GASB Statement No. 32. This Statement requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan’s reporting period in all circumstances.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted.

Net Position

In the statement of net position, net position is classified into the following categories:

*Net investment in capital assets* - This amount consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted net position* - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments. The District’s restricted net position reflects the restricted - cash held by pension trust offset by corresponding pension deferred outflows and inflows of resources and the net pension liability.

*Unrestricted net position* - This amount is all net position that do not meet the definition of “net investment in capital assets”.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied except in the case of restricted pension net position for which the District will specifically identify annual amounts to be utilized from the pension trust to fund the annual required payments for the net pension liability.

Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparison of actual revenue and expense with planned revenue and expense for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

Cash and Cash Equivalents

The District considers all highly liquid investments that were purchased with a maturity of three months or less to be cash equivalents, except for the cash held with fiscal agent.

Investments and Investment Policy

Investments are reported in the accompanying financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District has adopted an investment policy directing the District's Treasurer to deposit funds in financial institutions. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Accounts Receivable

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as capital projects, debt service, pension, or other post-employment benefits. These assets are for the benefit of a specified purpose and, as such, are legally or contractually restricted by an external third-party agreement.

Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as deposits and prepaid items in the basic financial statements utilizing the consumption method.

Material and Supplies Inventory

Materials and supplies inventory consists primarily of pipe fittings, meters, and hydrants used for construction and repairs to the water system, which are valued at cost. The first-in first-out (FIFO) perpetual cost flow assumption is used when inventory is expensed or capitalized the time of use.

Capital and Intangible Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for capitalizing purchases at \$5,000 for both infrastructure and non-infrastructure assets. Donated assets are recorded at acquisition value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Useful Life</u>
Land improvements	15 - 50 years
Buildings and improvements	10 - 50 years
Machinery and equipment	4 - 10 years
Transmission and distribution system	10 - 99 years
Metering stations	10 - 99 years
Wells and pumping plant	5 - 50 years
Reservoirs	50 - 75 years
Control systems	4 - 20 years

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

Compensated Absences

The District's personnel policies provide for accumulation of vacation. Liabilities for vacation are recorded when benefits are earned. Cash payment of unused vacation is available to those qualified employees when retiring or separating from the District.

Customer Advances and Deposits

Customer advances include deposits received in aid of construction, which are partially refundable if the applicable construction does not take place. Construction advances are transferred to contributed capital when the applicable construction project is completed.

Customer advances also include fees received for installation and inspection services for which the District has yet to provide the service. Revenue is recognized when the service is provided and any deposit remaining at the conclusion of the service is refunded to the customer.

Customer deposits may be collected at the time water service is initiated. Deposits may be applied to customer accounts or refunded at the time an account is closed.

Water Sales

The majority of water sales are billed on a bi-monthly cyclical basis. Large meter customers and high consumption users are billed on a monthly basis. Estimated unbilled water sales and service charges through June 30<sup>th</sup> have been accrued as of year-end.

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

Capacity Charges

The District recognizes revenue from capacity charges at the time the deposits become non-refundable, which is when the relevant system actually connects to the District's potable water system.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. The District has the following items that qualify for reporting in this category:

- An unamortized loss on bond defeasance results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows related to pensions and OPEB equal to employer contributions made after the measurement date of the net pension and OPEB liabilities.
- Deferred outflows related to pensions for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows from pensions and OPEB resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining services lives of all employees that are provided with pensions and OPEB through the plans.
- Deferred outflows related to pensions resulting from the net difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflows related to pensions and OPEB for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB through the plans.
- Deferred inflows related to pensions and OPEB resulting from the net difference in projected and actual earnings on investments of the pension and OPEB plan fiduciary net position. These amounts are amortized over five years.
- Deferred inflows related to pensions from changes in assumptions and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average expected remaining services lives of all employees that are provided with pensions through the plans.



MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District’s California Public Employees’ Retirement System (CalPERS) plan (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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

	<u>2020</u>	<u>2019</u>
Valuation Date (VD)	June 30, 2018	June 30, 2017
Measurement Date (MD)	June 30, 2019	June 30, 2018
Measurement Period (MP)	June 30, 2018 to June 30, 2019	June 30, 2017 to June 30, 2018

OPEB Plan

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

Use of Estimates

The preparation of the basic financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain amounts in the June 30, 2019 financial statements have been reclassified for comparative purposes to conform to the presentation in the June 30, 2020 financial statements. There was no change in reported net income or net position related to these reclassifications.

(2) Cash and Investments

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

	<u>2020</u>	<u>2019</u>
Statements of Net Position:		
Cash and investments	\$ 35,006,268	\$ 31,909,778
Restricted cash and investments	80,524,995	13,528,795
Fiduciary Statements of Net Position:		
Restricted cash and investments	<u>1,442,823</u>	<u>1,312,312</u>
Total for proprietary and fiduciary funds	<u>\$ 116,974,086</u>	<u>\$ 46,750,885</u>

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

	<u>2020</u>	<u>2019</u>
Petty cash	\$ 14,500	\$ 4,500
Deposits with financial institutions	<u>14,018,894</u>	<u>6,120,675</u>
Total cash	<u>14,033,394</u>	<u>6,125,175</u>
Investments	20,972,874	25,784,603
Restricted:		
Investments held by fiscal agent	67,336,195	734
Investments held by pension trust	13,188,800	13,528,061
Investments held by OPEB trust	<u>1,442,823</u>	<u>1,312,312</u>
Total investments	<u>102,940,692</u>	<u>40,625,710</u>
Total cash and investments	<u>\$ 116,974,086</u>	<u>\$ 46,750,885</u>

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(2) Cash and Investments (Continued)

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's Investment Policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's Investment Policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District or the investments of funds within the pension or OPEB Trust that are governed by the agreement between the District and the trustee, rather than the general provisions of the California Government Code or the District's Investment Policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
Other State Obligations	5 years	None	None
California Local Agency Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Prime Commercial paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	*
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	**
Medium-term notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money market mutual funds	N/A	20%	10%
Trust Indenture or Other Contract	Per Contract	Per Contract	Per Contract
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	10%	None
Shares of beneficial interest in JPA's	N/A	None	None
Certificates of Deposits	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$50 million
County Pooled Investment Funds	N/A	None	None
Time Deposits	5 years	None	*

\* Subject to FDIC limits

\*\* Of Base

The District's investment policy mirrors the California Government Code except for mortgage pass-through securities. The District's policy is more restrictive than the California Government Code as investments in mortgage pass-through securities shall not exceed 10% of the portfolio.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(2) Cash and Investments (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's Investment Policy.

Pension and OPEB Trusts

*Investment Policy*

The District established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the District's pension and OPEB plans. The pension and OPEB trust Funds' specific cash and investments are managed by a third-party portfolio manager under guidelines approved by the District.

Those guidelines are as follows:

Risk Tolerance:	Capital Appreciation
Risk Management:	The portfolio is constructed to control risk through four layers of diversification - asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process help to drive return potential while reducing portfolio risk.
Investment Objective:	The primary goal of the capital appreciation objective is growth of principal. The major portion of the assets are invested in equity securities and market fluctuations are expected.
Strategic Ranges:	0% - 20% Cash 10% - 30% Fixed Income 65% - 85% Equity

*Rate of Return*

For the year ended June 30, 2020 and 2019, the annual money-weighted rate of return on investments, net of investment expense, was 1.97% and 6.56%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(2) Cash and Investments (Continued)

Investment in State Investment Pool and County Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The District is also a voluntary participant in the Orange County Investment Pool (OCIP) that is regulated by California Government Code and the Orange County Board of Supervisors under the oversight of the Orange County Treasurer-Tax Collector. The fair value of the District's investments in these pools is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF and OCIP for each respective portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF and OCIP, which are recorded on an amortized cost basis.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a governmental entity 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 governmental entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and OCIP).

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), and, the District's investment policy that requires no more than two-thirds of the District's deposits in a depository shall be collateralized by mortgage-backed securities, with the remainder to be secured by non-mortgage-backed securities.

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Bank balances, up to \$250,000 at June 30, 2020 and 2019 are either federally insured or collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(2) Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. In accordance with its Investment Policy, the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided in the following tables that shows the distribution of the District's investments by maturity as of June 30, 2020 and 2019.

*June 30, 2020:*

<u>Investment Type</u>	<u>Total</u>	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
Local agency investment pool	\$ 1,073	\$ 1,073	\$ -	\$ -
Orange County investment pool	2,798,964	2,798,964	-	-
Federal agency securities:				
Federal Farm Credit Bank (FFCB)	1,276,858	-	-	1,276,858
Federal National Mortgage Association (FNMA)	1,027,175	-	514,755	512,420
Federal Home Loan Bank (FHLB)	2,584,165	-	767,835	1,816,330
Federal Home Loan Mortgage Corporation (FHLMC)	1,749,427	-	-	1,749,427
Federal Agricultural Mortgage Corporation (FAMC)	1,077,865	-	-	1,077,865
Negotiable certificates of deposit	10,457,347	495,025	3,495,318	6,467,004
Held by fiscal agent:				
Money market mutual funds	577	577	-	-
Held by Pension Trust:				
Money market mutual funds	461,632	461,632	-	-
Mutual Funds	12,727,168	12,727,168	-	-
Held by OPEB Trust:				
Money market mutual funds	53,591	53,591	-	-
Mutual Funds	1,389,232	1,389,232	-	-
Total	<u>\$ 35,605,074</u>	<u>\$ 17,927,262</u>	<u>\$ 4,777,908</u>	<u>\$ 12,899,904</u>

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(2) Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

*June 30, 2019:*

<u>Investment Type</u>	<u>Total</u>	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
Local agency investment pool	\$ 1,049	\$ 1,049	\$ -	\$ -
Orange County investment pool	3,696,610	3,696,610	-	-
Federal agency securities:				
Federal Farm Credit Bank (FFCB)	3,679,598	-	3,679,598	-
Federal National Mortgage Association (FNMA)	6,130,019	1,145,539	-	4,984,480
Federal Home Loan Bank (FHLB)	2,241,007	448,697	-	1,792,310
Federal Home Loan Mortgage Corporation (FHLMC)	2,959,287	998,610	-	1,960,677
Federal Agricultural Mortgage Corporation (FAMC)	521,405	-	-	521,405
Negotiable certificates of deposit	6,555,628	492,226	1,178,938	4,884,464
Held by fiscal agent:				
Money market mutual funds	734	734	-	-
Held by Pension Trust:				
Money market mutual funds	232,194	232,194	-	-
Mutual Funds	13,295,867	13,295,867	-	-
Held by OPEB Trust:				
Money market mutual funds	19,574	19,574	-	-
Mutual Funds	1,292,738	1,292,738	-	-
Total	\$ <u>40,625,710</u>	\$ <u>21,623,838</u>	\$ <u>4,858,536</u>	\$ <u>14,143,336</u>

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(2) Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the actual ratings by Standard & Poor's as of year-end for each investment type for the fiscal years ended June 30, 2020 and 2019.

*June 30, 2020:*

<u>Investment Type</u>	<u>AAA</u>	<u>AA+</u>	<u>Not Rated</u>	<u>Total</u>
Local agency investment pool	\$ -	\$ -	\$ 1,073	\$ 1,073
Orange County investment pool	2,798,964	-	-	2,798,964
Federal agency securities:				
Federal Farm Credit Bank (FFCB)	-	1,276,858	-	1,276,858
Federal National Mortgage Association (FNMA)	-	1,027,175	-	1,027,175
Federal Home Loan Bank (FHLB)	-	2,584,165	-	2,584,165
Federal Home Loan Mortgage Corporation (FHLMC)	-	1,749,427	-	1,749,427
Federal Agricultural Mortgage Corporation (FAMC)	-	1,077,865	-	1,077,865
Negotiable certificates of deposit	-	-	10,457,347	10,457,347
Held by fiscal agent:				
Money market mutual funds	577	-	-	577
Held by Pension Trust:				
Money market mutual funds	461,632	-	-	461,632
Mutual Funds	-	-	12,727,168	12,727,168
Held by OPEB Trust:				
Money market mutual funds	53,591	-	-	53,591
Mutual Funds	-	-	1,389,232	1,389,232
Total	<u>\$ 3,314,764</u>	<u>\$ 7,715,490</u>	<u>\$ 24,574,820</u>	<u>\$ 35,605,074</u>



MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(2) Cash and Investments (Continued)

Disclosures Relating to Credit Risk (Continued)

*June 30, 2019:*

<u>Investment Type</u>	<u>AAA</u>	<u>AA+</u>	<u>Not Rated</u>	<u>Total</u>
Local agency investment pool	\$ -	\$ -	\$ 1,049	\$ 1,049
Orange County investment pool	-	-	3,696,610	3,696,610
Federal agency securities:				
Federal Farm Credit Bank (FFCB)	-	3,679,598	-	3,679,598
Federal National Mortgage Association (FNMA)	-	6,130,019	-	6,130,019
Federal Home Loan Bank (FHLB)	-	2,241,007	-	2,241,007
Federal Home Loan Mortgage Corporation (FHLMC)	-	2,959,287	-	2,959,287
Federal Agricultural Mortgage Corporation (FAMC)	-	521,405	-	521,405
Negotiable certificates of deposit	-	-	6,555,628	6,555,628
Held by fiscal agent:				
Money market mutual funds	734	-	-	734
Held by Pension Trust:				
Money market mutual funds	232,194	-	-	232,194
Mutual Funds	-	-	13,295,867	13,295,867
Held by OPEB Trust:				
Money market mutual funds	19,574	-	-	19,574
Mutual Funds	-	-	1,292,738	1,292,738
Total	\$ <u>252,502</u>	\$ <u>15,531,316</u>	\$ <u>24,841,892</u>	\$ <u>40,625,710</u>

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(2) Cash and Investments (Continued)

Disclosures Relating to Credit Risk (Continued)

Investments in any one issuer (other than external investment pools, such as LAIF, OCIP, and the pension and OPEB trusts) that represent 5% or more of total District investments (excluding investments held by fiscal agent, held by pension trust, and held by OPEB trust) are as follows for the fiscal years ended June 30, 2020 and 2019:

*June 30, 2020:*

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
FFCB	Federal Agency Securities	\$ 1,276,858
FHLB	Federal Agency Securities	2,584,165
FHLMC	Federal Agency Securities	1,749,427
FAMC	Federal Agency Securities	<u>1,077,865</u>
		<u>\$ 6,688,315</u>

*June 30, 2019:*

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
FFCB	Federal Agency Securities	\$ 3,679,598
FNMA	Federal Agency Securities	6,130,019
FHLB	Federal Agency Securities	2,241,007
FHLMC	Federal Agency Securities	<u>2,959,287</u>
		<u>\$ 15,009,911</u>

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets (significant other observable inputs), and Level 3 inputs are significant unobservable inputs.

Federal agency securities, negotiable certificates of deposit, and mutual funds classified in level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(2) Cash and Investments (Continued)

Fair Value Measurements (Continued)

The District had the following recurring fair value measurements as of June 30, 2020:

Investment Type	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Federal agency securities:				
Federal Farm Credit Bank (FFCB)	\$ -	\$ 1,276,858	\$ -	\$ 1,276,858
Federal National Mortgage Association (FNMA)	-	1,027,175	-	1,027,175
Federal Home Loan Bank (FHLB) Federal Home Loan Mortgage Corporation (FHLMC)	-	2,584,165	-	2,584,165
Federal Agricultural Mortgage Corporation (FAMC)	-	1,749,427	-	1,749,427
Negotiable certificates of deposit Held by Pension Trust:	-	10,457,347	-	10,457,347
Mutual Funds	-	12,727,168	-	12,727,168
Held by OPEB Trust:				
Mutual Funds	-	1,389,232	-	1,389,232
	<u>\$ -</u>	<u>\$ 32,289,237</u>	<u>\$ -</u>	<u>32,289,237</u>
Local agency investment pool*				1,073
Orange County investment pool*				2,798,964
Held by fiscal agent:				
Money market mutual funds				577
Held by Pension Trust:				
Money market mutual funds*				461,632
Held by OPEB Trust:				
Money market mutual funds*				53,591
Total investment portfolio				<u>\$ 35,605,074</u>

\* Not subject to fair value measurement hierarchy.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(2) Cash and Investments (Continued)

Fair Value Measurements (Continued)

The District had the following recurring fair value measurements as of June 30, 2019:

Investment Type	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Federal agency securities:				
Federal Farm Credit Bank (FFCB) \$	-	\$ 3,679,598	\$ -	\$ 3,679,598
Federal National Mortgage Association (FNMA)	-	6,130,019	-	6,130,019
Federal Home Loan Bank (FHLB)	-	2,241,007	-	2,241,007
Federal Home Loan Mortgage Corporation (FHLMC)	-	2,959,287	-	2,959,287
Federal Agricultural Mortgage Corporation (FAMC)	-	521,405	-	521,405
Negotiable certificates of deposit	-	6,555,628	-	6,555,628
Held by Pension Trust:				
Mutual Funds	-	13,295,867	-	13,295,867
Held by OPEB Trust:				
Mutual Funds	-	1,292,738	-	1,292,738
	<u>\$ -</u>	<u>\$ 36,675,549</u>	<u>\$ -</u>	<u>36,675,549</u>
Local agency investment pool*				1,049
Orange County investment pool*				3,696,610
Held by fiscal agent:				
Money market mutual funds				734
Held by Pension Trust:				
Money market mutual funds*				232,194
Held by OPEB Trust:				
Money market mutual funds*				19,574
Total investment portfolio				<u>\$ 40,625,710</u>

\* Not subject to fair value measurement hierarchy.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(3) Capital Assets

Changes in capital assets during the fiscal year ended June 30, 2020, were as follows:

	Balance <u>June 30, 2019</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	Balance <u>June 30, 2020</u>
Non-depreciable assets:				
Land	\$ 11,225,090	\$ -	\$ -	\$ 11,225,090
Construction-in-progress	<u>7,833,081</u>	<u>7,772,390</u>	<u>(1,683,631)</u>	<u>13,921,840</u>
Total non-depreciable assets	<u>19,058,171</u>	<u>7,772,390</u>	<u>(1,683,631)</u>	<u>25,146,930</u>
Depreciable assets:				
Land improvements	984,412	-	-	984,412
Buildings and improvements	5,121,698	-	-	5,121,698
Machinery and equipment	4,811,605	-	(33,467)	4,778,138
Transmission and distribution system	97,636,585	1,683,631	-	99,320,216
Reservoirs	28,999,946	-	-	28,999,946
Wells and pumping plant	22,021,182	-	-	22,021,182
Metering stations	1,225,758	-	-	1,225,758
Intangible assets	2,388,615	-	-	2,388,615
Control systems	5,074,242	-	-	5,074,242
Mesa water reliability facility	<u>31,045,684</u>	<u>-</u>	<u>-</u>	<u>31,045,684</u>
Total depreciable assets	<u>199,309,727</u>	<u>1,683,631</u>	<u>(33,467)</u>	<u>200,959,891</u>
Accumulated depreciation:				
Land improvements	(719,094)	(28,429)	-	(747,523)
Buildings and improvements	(2,373,933)	(133,477)	-	(2,507,410)
Machinery and equipment	(3,012,381)	(415,160)	33,467	(3,394,074)
Transmission and distribution system	(44,291,962)	(1,665,547)	-	(45,957,509)
Reservoirs	(11,591,142)	(486,725)	-	(12,077,867)
Wells and pumping plant	(3,576,500)	(466,446)	-	(4,042,946)
Metering stations	(355,970)	(24,515)	-	(380,485)
Intangible assets	(2,184,679)	(75,087)	-	(2,259,766)
Control systems	(2,805,555)	(366,425)	-	(3,171,980)
Mesa water reliability facility	<u>(14,780,288)</u>	<u>(1,855,515)</u>	<u>-</u>	<u>(16,635,803)</u>
Total accumulated depreciation	<u>(85,691,504)</u>	<u>(5,517,326)</u>	<u>33,467</u>	<u>(91,175,363)</u>
Total depreciable assets, net	<u>113,618,223</u>	<u>(3,833,695)</u>	<u>-</u>	<u>109,784,528</u>
Total capital assets, net	<u>\$ 132,676,394</u>	<u>\$ 3,938,695</u>	<u>\$ (1,683,631)</u>	<u>\$ 134,931,458</u>

Depreciation and amortization expense during the fiscal year ended June 30, 2020 is as follows:

Capital assets - depreciation expense	\$ 5,442,239
Intangible assets - amortization expense	<u>75,087</u>
	<u>\$ 5,517,326</u>

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(3) Capital Assets (Continued)

Changes in capital assets during the fiscal year ended June 30, 2019, were as follows:

	Balance <u>June 30, 2018</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	Balance <u>June 30, 2019</u>
Non-depreciable assets:				
Land	\$ 11,225,090	\$ -	\$ -	\$ 11,225,090
Construction-in-progress	<u>15,574,983</u>	<u>11,163,523</u>	<u>(18,905,425)</u>	<u>7,833,081</u>
Total non-depreciable assets	<u>26,800,073</u>	<u>11,163,523</u>	<u>(18,905,425)</u>	<u>19,058,171</u>
Depreciable assets:				
Land improvements	881,461	102,951	-	984,412
Buildings and improvements	4,734,646	387,052	-	5,121,698
Machinery and equipment	4,267,198	736,457	(192,050)	4,811,605
Transmission and distribution system	95,151,191	2,485,394	-	97,636,585
Reservoirs	28,922,516	77,430	-	28,999,946
Wells and pumping plant	6,905,041	15,116,141	-	22,021,182
Metering stations	1,225,758	-	-	1,225,758
Intangible assets	2,388,615	-	-	2,388,615
Control systems	5,074,242	-	-	5,074,242
Mesa water reliability facility	<u>31,045,684</u>	<u>-</u>	<u>-</u>	<u>31,045,684</u>
Total depreciable assets	<u>180,596,352</u>	<u>18,905,425</u>	<u>(192,050)</u>	<u>199,309,727</u>
Accumulated depreciation:				
Land improvements	(693,766)	(25,328)	-	(719,094)
Buildings and improvements	(2,247,554)	(126,379)	-	(2,373,933)
Machinery and equipment	(2,842,153)	(355,794)	185,566	(3,012,381)
Transmission and distribution system	(42,661,638)	(1,630,324)	-	(44,291,962)
Reservoirs	(11,105,364)	(485,778)	-	(11,591,142)
Wells and pumping plant	(3,387,183)	(189,317)	-	(3,576,500)
Metering stations	(331,455)	(24,515)	-	(355,970)
Intangible assets	(2,090,667)	(94,012)	-	(2,184,679)
Control systems	(2,439,129)	(366,426)	-	(2,805,555)
Mesa water reliability facility	<u>(12,922,549)</u>	<u>(1,857,739)</u>	<u>-</u>	<u>(14,780,288)</u>
Total accumulated depreciation	<u>(80,721,458)</u>	<u>(5,155,612)</u>	<u>185,566</u>	<u>(85,691,504)</u>
Total depreciable assets, net	<u>99,874,894</u>	<u>13,749,813</u>	<u>(6,484)</u>	<u>113,618,223</u>
Total capital assets, net	<u>\$ 126,674,967</u>	<u>\$ 24,913,336</u>	<u>\$ (18,911,909)</u>	<u>\$ 132,676,394</u>

Depreciation and amortization expense during the fiscal year ended June 30, 2019 is as follows:

Capital assets - depreciation expense	\$ 5,061,600
Intangible assets - amortization expense	<u>94,012</u>
	<u>\$ 5,155,612</u>

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(4) Compensated Absences

Compensated absences comprise of unpaid vacation which is accrued as earned. The changes in compensated absences balances during the fiscal years ended June 30, 2020 and 2019, were as follows:

<u>Balance</u> <u>June 30, 2019</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 452,333	\$ 375,843	\$ (286,415)	\$ 541,761	\$ 433,409	\$ 108,352

<u>Balance</u> <u>June 30, 2018</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 426,349	\$ 348,885	\$ (322,901)	\$ 452,333	\$ 361,866	\$ 90,467

(5) Other Post-Employment Benefits (OPEB) Plan

Plan Description

The District has an agent multiple-employer defined benefit plan that provides post-employment health care benefits, including medical, dental, and vision benefits, to eligible employees and their dependents at retirement through the California Public Employees Medical and Hospital Care Act (PEMHCA).

The District elected to join PARS (OPEB Trust) as a means to fund the Annual Determined Contribution (ADC). The OPEB Trust issues a publicly available financial report for the fiduciary net position that is available upon request. The OPEB Trust is reported as a fiduciary fund. The plan itself does not issue a separate financial report.

The District is required to pay the PEMCHA minimum (\$136/month in 2019 and \$139/month in 2020) for each CalPERS retiree who is enrolled in CalPERS medical insurance for whom the District was their employer.

The following requirements must be satisfied in order to be eligible for post-employment medical, dental, and vision benefits: (1) attainment of age 55, and (2) 11 years of full-time service, and (3) retirement from the District (the District must be the last employer prior to retirement). For qualifying participants enrolled in a CalPERS medical plan, their District benefit includes the PEMHCA minimum.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(5) Other Post-Employment Benefits (OPEB) Plan (Continued)

Plan Description (Continued)

Spouses at the time of the employee's retirement and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the District's medical and dental programs. The ability to participate in the vision program is linked to participation in the medical program.

Employees Covered

As of the measurement dates June 30, 2019 and 2018, the following current and former employees were covered by the benefit terms under the plan:

*Measurement Date June 30, 2019*

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees or beneficiaries entitled to but not yet receiving benefits	1
Active employees	57
	89

*Measurement Date June 30, 2018*

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees or beneficiaries entitled to but not yet receiving benefits	1
Active employees	45
	80

Contributions

Benefit provisions and contribution requirements are established and may be amended by the Board of Directors through agreements and memorandums of understanding between the District and its employees. The plan does not require employee contributions. Administrative costs of the OPEB plan are financed through investment earnings or paid directly by the District.

The annual contribution for the fiscal years ended June 30, 2020 and 2019, were based on the actuarially determined contribution and pay-as-you-go basis (i.e. as medical insurance premiums become due), respectively. For the fiscal year ended June 30, 2020, the District paid \$69,457 for current premiums, \$110,000 to the OPEB trust, \$6,444 for administrative expenses, and the estimated implied subsidy was \$24,755, resulting in total payments of \$210,656. The payments for current premiums of \$69,457 and administrative expenses of \$6,444 were paid directly by the District and were not reimbursed by the OPEB trust.



MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(5) Other Post-Employment Benefits (OPEB) Plan (Continued)

Contributions (Continued)

For the fiscal year ended June 30, 2019, the District paid \$67,603 for current premiums, no payments to the OPEB trust, \$6,279 for administrative expenses, and the estimated implied subsidy was \$30,000, resulting in total payments of \$103,882. The payments for current premiums of \$67,603 and administrative expenses of \$6,279 were paid directly by the District and were not reimbursed by the OPEB trust.

Accounting for the Plan

The OPEB trust with PARS is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments

Investments with PARS are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

Net OPEB Liability

For the fiscal year ended June 30, 2020, the District's net OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019. For the fiscal year ended June 30, 2019, the District's net OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of the principal assumptions and methods used to determine the total OPEB liability are shown below.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(5) Other Post-Employment Benefits (OPEB) Plan (Continued)

Net OPEB Liability (Continued)

*Actuarial Assumptions*

The total OPEB liability in the June 30, 2019 and 2017 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2019	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry age normal, level percentage of payroll	
Asset Valuation Method	Fair value	
Actuarial Assumptions:		
Discount Rate	6.75%	
Long-Term Expected Rate of Return on Investments	6.75%	
General Inflation	2.75%	
Medical Trend	Non-Medicare: 7.5% for 2020 (7.25% for 2021), decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare: 6.5% for 2020 (6.3% for 2021), decreasing to an ultimate rate of 4.0% in 2076 and later years	
Mortality	CalPERS 1997-2015 experience	CalPERS 1997-2015 experience
Mortality Improvement	Mortality projected fully generational with Scale MP-2019	Mortality projected fully generational with Scale MP-2017

The long-term expected rates of return are Bartel Associates estimates and are presented as geometric means developed over a 20-year period. The long-term expected real rates of return for each major asset class included in the OPEB plan's target asset allocation as of the fiscal years ended June 30, 2020 and 2019, are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
PARS OPEB Trust:		
Global Equity	73.00%	4.82%
Fixed Income	20.00%	1.47%
Real Estate Investment Trusts	2.00%	3.76%
Cash	5.00%	0.06%
Total	<u>100.00%</u>	

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(5) Other Post-Employment Benefits (OPEB) Plan (Continued)

Net OPEB Liability (Continued)

*Discount Rate*

For the fiscal years ended June 30, 2020 and 2019, the discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed District contributions would result in sufficient plan assets to pay all benefits from the trust. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the OPEB trust was applied to all periods of the projected benefits payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
<b>Balance at June 30, 2018 (Measurement Date)</b>	\$ 1,923,848	\$ 1,237,589	\$ 686,259
<b>Changes in the Year:</b>			
Service cost	79,816	-	79,816
Interest on the total OPEB liability	131,954	-	131,954
Differences between actual and expected experience	(363,133)	-	(363,133)
Changes in assumptions	48,279	-	48,279
Contributions - employer	-	103,882	(103,882)
Net investment income	-	77,659	(77,659)
Benefit payments	(97,603)	(97,603)	-
Administrative expenses	-	(9,215)	9,215
<b>Net Changes</b>	<u>(200,687)</u>	<u>74,723</u>	<u>(275,410)</u>
<b>Balance at June 30, 2019 (Measurement Date)</b>	<u>\$ 1,723,161</u>	<u>\$ 1,312,312</u>	<u>\$ 410,849</u>

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(5) Other Post-Employment Benefits (OPEB) Plan (Continued)

Changes in the Net OPEB Liability (Continued)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
<b>Balance at June 30, 2017 (Measurement Date)</b>	\$ 1,815,878	\$ 1,131,244	\$ 684,634
<b>Changes in the Year:</b>			
Service cost	77,491	-	77,491
Interest on the total OPEB liability	124,626	-	124,626
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	100,236	(100,236)
Net investment income	-	109,377	(109,377)
Benefit payments	(94,147)	(94,147)	-
Administrative expenses	-	(9,121)	9,121
<b>Net Changes</b>	<u>107,970</u>	<u>106,345</u>	<u>1,625</u>
<b>Balance at June 30, 2018 (Measurement Date)</b>	<u>\$ 1,923,848</u>	<u>\$ 1,237,589</u>	<u>\$ 686,259</u>

*Change of Assumptions*

The mortality improvement scale was updated to Scale MP-2019 from Scale MP-2017 from the measurement period ended June 30, 2018 to June 30, 2019.

*Change of Benefit Terms*

There were no changes of benefit terms.

*Subsequent Events*

There were no subsequent events that would materially affect the results presented in this disclosure.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(5) Other Post-Employment Benefits (OPEB) Plan (Continued)

Changes in the Net OPEB Liability (Continued)

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the net OPEB liability of the District, as well as what the District's net OPEB 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 discount rate:

	<u>1% Decrease (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Plan's Net OPEB Liability as of the fiscal year ended June 30, 2020	\$ 624,673	\$ 410,849	\$ 233,620
	<u>1% Decrease (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Plan's Net OPEB Liability as of the fiscal year ended June 30, 2019	\$ 918,692	\$ 686,259	\$ 492,791

*Sensitivity of the Net OPEB Liability to Changes in Medical Trend Rates*

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using medical trend rates that are 1-percentage point lower:

	<u>6.25% (Non-Medicare) and 5.3% (Medicare) Decreasing to 3.0% in 2076</u>	<u>7.25% (Non-Medicare) and 6.3% (Medicare) Decreasing to 4.0% in 2076</u>	<u>8.25% (Non-Medicare) and 7.3% (Medicare) Decreasing to 5.0% in 2076</u>
Plan's Net OPEB Liability as of the fiscal year ended June 30, 2020	\$ 218,282	\$ 410,849	\$ 648,423
	<u>6.5% (Non-Medicare) and 5.5% (Medicare) Decreasing to 3.0% in 2076</u>	<u>7.5% (Non-Medicare) and 6.5% (Medicare) Decreasing to 4.0% in 2076</u>	<u>8.5% (Non-Medicare) and 7.5% (Medicare) Decreasing to 5.0% in 2076</u>
Plan's Net OPEB Liability as of the fiscal year ended June 30, 2019	\$ 496,275	\$ 686,259	\$ 920,588

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(5) Other Post-Employment Benefits (OPEB) Plan (Continued)

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

For the years ended June 30, 2020 and 2019, the District recognized OPEB expense of \$72,376 and \$112,999, respectively.

As of June 30, 2020 and 2019, which are the measurement periods ending June 30, 2019 and 2018, respectively, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<i>As of the fiscal year ended June 30, 2020</i>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 210,656	\$ -
Differences between actual and expected experience	-	(311,988)
Changes in assumptions	41,479	-
Net differences between projected and actual earnings on plan investments	-	(45,965)
Total	\$ 252,135	\$ (357,953)

\$210,656 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2021	\$ (65,171)
2022	(65,171)
2023	(49,813)
2021	(43,190)
2025	(44,345)
Thereafter	(48,784)

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(5) Other Post-Employment Benefits (OPEB) Plan (Continued)

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB (Continued)

*As of the fiscal year ended June 30, 2019*

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 103,882	\$ -
Net differences between projected and actual earnings on plan investments	-	(72,570)
Total	<u>\$ 103,882</u>	<u>\$ (72,570)</u>

\$103,882 reported as deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2020	\$ (21,982)
2021	(21,982)
2022	(21,982)
2023	(6,624)
2021	-
Thereafter	-

Payable to the OPEB Plan

At June 30, 2020, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(6) Long-Term Debt

The following amounts of debt were outstanding June 30, 2020 and 2019:

	Balance at June 30, 2019	Additions	Repayments	Balance at June 30, 2020	Amount Due in One Year
<b>Other debt:</b>					
2017 Series COPs	25,865,000	-	(2,785,000)	23,080,000	2,975,000
Plus: Unamortized premium	4,412,774	-	(569,390)	3,843,384	-
Subtotal 2017 COPs	<u>30,277,774</u>	<u>-</u>	<u>(3,354,390)</u>	<u>26,923,384</u>	<u>2,975,000</u>
2020 Series COPs	-	55,985,000	-	55,985,000	-
Plus: Unamortized premium	-	14,346,984	(40,131)	14,306,853	-
Subtotal 2020 COPs	<u>-</u>	<u>70,331,984</u>	<u>(40,131)</u>	<u>70,291,853</u>	<u>-</u>
Total COPs	\$ <u>30,277,774</u>	\$ <u>70,331,984</u>	\$ <u>(3,394,521)</u>	\$ <u>97,215,237</u>	\$ <u>2,975,000</u>
	Balance at June 30, 2018	Additions	Repayments	Balance at June 30, 2019	Amount Due in One Year
<b>Other debt:</b>					
2017 Series COPs	28,470,000	-	(2,605,000)	25,865,000	2,785,000
Plus: Unamortized premium	4,982,164	-	(569,390)	4,412,774	-
Total COPs	\$ <u>33,452,164</u>	<u>-</u>	<u>(3,174,390)</u>	<u>30,277,774</u>	<u>2,785,000</u>

2017 Revenue Certificates of Participation

On June 19, 2017, the District issued \$29,295,000 of 2017 Revenue Certificates of Participation (COPs). The issuance proceeds were used to refund the 2010 COPs and to finance the purchase of two wells in order to increase the pumping capacity of the District. The COPs were issued at a premium of \$5,551,554 which will be amortized by \$42,263 per month over the life of the debt service, which is 10 years. Principal is payable on March 15th of each year and interest payments are payable on March 15th and September 15th each year, commencing September 15, 2017 with an interest rate of 5.0%. The COPs are scheduled to mature on March 15, 2027.

As a result of the refunding, the 2010 COPs are considered to be in substance defeased, and the related liabilities have been removed from the District's financial statements.

The above Certificates are secured by a pledge of net revenues from the operation of the enterprise. The District has covenanted that it will set charges which will be sufficient to provide net revenues equal to at least 115% of the aggregate amount of annual debt service of the District. For the year ended June 30, 2019, the District reported net revenues of \$13,725,777 and debt service of \$4,028,500, which is 341%. For the year ended June 30, 2020, the District reported net revenues of \$9,891,067 and debt service of \$4,078,250, which is 243%.



MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(6) Long-Term Debt (Continued)

2017 Revenue Certificates of Participation (Continued)

Future annual debt service requirements on the 2017 COPs are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,975,000	\$ 1,154,000	\$ 4,129,000
2022	3,175,000	1,005,250	4,180,250
2023	3,385,000	846,500	4,231,500
2024	3,605,000	677,250	4,282,250
2025	3,835,000	497,000	4,332,000
2026-2027	6,105,000	408,000	6,513,000
Total Payments	\$ <u>23,080,000</u>	\$ <u>4,588,000</u>	\$ <u>27,668,000</u>

2020 Revenue Certificates of Participation

On June 2, 2020, the District issued \$55,985,000 of 2020 Revenue Certificates of Participation (COPs). The issuance proceeds were used to finance improvements to the District Water System, including but not limited to: (i) the construction of two new groundwater production wells to increase groundwater production capacity, (ii) the rehabilitation of two reservoirs currently in operation, (iii) the development and construction of an outreach center at the Mesa Water Reliability Facility (MWRF), (iv) the rehabilitation and/or abandonment of nine large vaults, and (v) the scheduled annual replacements of hydrants, valves and meters. The COPs were issued at a premium of \$14,346,984 which will be amortized by \$40,131 per month over the life of the debt service, which is approximately 30 years. Principal is payable on March 15th of each year and interest payments are payable on March 15th and September 15th each year, commencing September 15, 2020 with interest rates ranging from of 3.0% to 5.0%. The COPs are scheduled to mature on March 15, 2050.

The above Certificates are secured by a pledge of net revenues from the operation of the enterprise. The District has covenanted that it will set charges which will be sufficient to provide net revenues equal to at least 125% of the aggregate amount of annual debt service of the District. For the year ended June 30, 2020, the District reported net revenues of \$9,568,594 and debt service of \$4,078,250, which is 235%.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(6) Long-Term Debt (Continued)

2020 Revenue Certificates of Participation (Continued)

Future annual debt service requirements on the 2020 COPs are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 2,010,190	\$ 2,010,190
2022	-	2,566,200	2,566,200
2023	-	2,566,200	2,566,200
2024	-	2,566,200	2,566,200
2025	-	2,566,200	2,566,200
2026-2030	4,450,000	12,615,750	17,065,750
2031-2035	9,030,000	10,859,500	19,889,500
2036-2040	11,410,000	8,482,700	19,892,700
2041-2045	13,870,000	6,014,050	19,884,050
2046-2050	<u>17,225,000</u>	<u>2,668,000</u>	<u>19,893,000</u>
Total Payments	<u>\$ 55,985,000</u>	<u>\$ 52,914,990</u>	<u>\$ 108,899,990</u>

Other Defeased Certificates of Participation

In fiscal year 2016-2017, the District defeased the 2010 COPs by placing the proceeds of the new bonds with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2020 and 2019, \$0 and \$16,865,000 of bonds outstanding to be paid by the escrow agent are considered defeased.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(7) Net Position

Calculation of net investment in capital assets as of June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Capital assets, net	\$ 134,931,458	\$ 132,676,394
Certificates of participation payable, current	(2,975,000)	(2,785,000)
Certificates of participation payable, non-current	(94,240,237)	(27,492,774)
Restricted - cash and investments		
held by fiscal agent	67,336,195	734
Deferred amount on refunding	614,618	744,011
Capital related payables	(462,707)	(685,425)
Retention payable	(161,979)	(182,366)
Net investment in capital assets	<u>\$ 105,042,348</u>	<u>\$ 102,275,574</u>

(8) Deferred Compensation Program

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. The District is not required to make any contributions to this Program. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Fair value of the Program assets held in trust at June 30, 2020 and 2019 was \$6,888,354 and \$7,241,077, respectively.

Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(9) 401(a) Defined Contribution Plan and Terminated Retiree Health Savings Plan

*Plan Prior to January 1, 2017*

For the benefit of its employees, the District participated in a Retiree Health Savings Plan (RHSP). The purpose of the RHSP was to provide supplementary health care benefits to the District's executive management. Prior to January 1, 2017, the District contributed \$15,000 per year for each member of the RHSP, which was automatically vested. No contributions were required of the participants. Members could withdraw funds at the normal retirement age of 55. Benefit terms, including contribution requirements, were established and could be amended by the District's Board of Directors.

The District is no longer making contributions to this plan since it was terminated on January 1, 2017 and replaced with a 401(a) plan as noted below. After the termination date, the only additions consist of investment earnings.

These assets are held in trust for the exclusive benefit of the participants. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of the RHSP assets held in trust at June 30, 2020 and 2019 was \$558,780 and \$581,348, respectively.

Since the District has little administrative involvement and does not perform the investing function for the RHSP, the assets and related liabilities are not shown on the statement of net position.

*Plan After January 1, 2017*

On January 1, 2017, the District terminated the RHSP plan noted above and replaced this plan with a 401(a) single employer defined contribution pension plan for employees within the Management Group. The District contributes 2.5% of each participant's base salary each year subject to limitations by the federal code, which is automatically vested. No contributions are required of the plan participants. Members can withdraw funds at the normal retirement age of 55. Benefit terms, including contribution requirements, are established and may be amended by the District's Board of Directors.

For the years ended June 30, 2020 and 2019, the District contributed \$26,753 and \$26,717, respectively to the 401(a) plan.

These assets are held in trust for the exclusive benefit of the participants. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of the 401(a) assets held in trust at June 30, 2020 and 2019, was \$100,797 and \$79,702, respectively.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(10) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(10) Defined Benefit Pension Plan (Continued)

Benefits Provided (Continued)

The Plan's provisions and benefits in effect as of the fiscal years ended June 30, 2020 and 2019, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates:	6.891%	6.308%
<i>June 30, 2019:</i>		
Required employer contribution rates:		
Normal cost rate	10.152%	7.266%
Payment of unfunded liability	\$ 529,101	\$ 1,941
<i>June 30, 2020:</i>		
Required employer contribution rates:		
Normal cost rate	10.868%	7.072%
Payment of unfunded liability	\$ 686,538	\$ 3,212

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(10) Defined Benefit Pension Plan (Continued)

Actuarial Methods and Assumptions used to determine Total Pension Liability

The total pension liability for the June 30, 2019 measurement period was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The total pension liability for the June 30, 2018, measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The total pension liability was based on the following assumptions:

	<u>Miscellaneous</u>	<u>Miscellaneous</u>
Valuation Date	June 30, 2017	June 30, 2018
Measurement Date	June 30, 2018	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increases	(1)	(1)
Mortality Rate Table	(2)	(2)
Post Retirement Benefit Increase	(3)	(3)

- (1) Varies by entry age and service
- (2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.
- (3) The less of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

Long-term Expected Rate of Return

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

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(10) Defined Benefit Pension Plan (Continued)

Long-term Expected Rate of Return (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (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 expenses.

The expected real rates of return by asset class for the fiscal years ended June 30, 2020 and 2019, are as follows:

Asset Class (a)	New Strategic Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

- (a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
- (b) An expected inflation of 2.0% used for this period
- (c) An expected inflation of 2.92% used for this period



MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(10) Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the fiscal years ended June 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

At June 30, 2020 and 2019, the District reported a net pension liability for its proportionate share of the net pension liability as follows:

	<u>2020</u>	<u>2019</u>
Miscellaneous - Proportionate Share of the Net Pension Liability	<u>\$ 11,526,367</u>	<u>\$ 10,466,745</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. For the fiscal year ended June 30, 2020, the net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. For the fiscal year ended June 30, 2019, the net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(10) Defined Benefit Pension Plan (Continued)

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

The District's proportionate share of the net pension liability for the Plan as of the measurement dates ended June 30, 2017, 2018, and 2019 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2017	0.26976%
Proportion - June 30, 2018	0.27773%
Change - Increase (Decrease)	0.00797%

	<u>Miscellaneous</u>
Proportion - June 30, 2018	0.27773%
Proportion - June 30, 2019	0.28784%
Change - Increase (Decrease)	0.01011%

For the years ended June 30, 2020 and 2019, the District recognized a pension expense of \$2,281,880 and \$1,009,473, respectively for the Plan.

As of June 30, 2020 and 2019, which are the measurement periods ending June 30, 2019 and 2018, respectively, the District reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	<i>As of the fiscal year ended June 30, 2020</i>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,189,823	\$ -
Differences between actual and expected experience	800,554	(62,027)
Change in assumptions	549,631	(194,840)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(360,713)
Net differences between projected and actual earnings on plan investments	-	(201,517)
Total	<u>\$ 2,540,008</u>	<u>\$ (819,097)</u>

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(10) Defined Benefit Pension Plan (Continued)

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

\$1,189,823 is 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 ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2021	\$ 625,620
2022	(191,637)
2023	56,383
2024	40,722
2025	-
Thereafter	-

*As of the fiscal year ended June 30, 2019*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 974,972	\$ -
Differences between actual and expected experience	401,591	(136,659)
Change in assumptions	1,193,240	(292,440)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(439,103)
Net differences between projected and actual earnings on plan investments	51,745	-
Total	\$ 2,621,548	\$ (868,202)

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(10) Defined Benefit Pension Plan (Continued)

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

\$974,972 is reported as deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2020	\$ 813,354
2021	421,694
2022	(362,531)
2023	(94,143)
2024	-
Thereafter	-

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

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

	<b>Discount Rate - 1% (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>Discount Rate + 1% (8.15%)</b>
Plan's Net Pension Liability as of the fiscal year ended June 30, 2020	\$ 17,929,028	\$ 11,526,367	\$ 6,241,422
	<b>Discount Rate - 1% (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>Discount Rate + 1% (8.15%)</b>
Plan's Net Pension Liability as of the fiscal year ended June 30, 2019	\$ 16,580,186	\$ 10,466,745	\$ 5,420,199

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(10) Defined Benefit Pension Plan (Continued)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2020 and 2019, the District had no outstanding amount of contributions to the pension plan required for the years ended June 30, 2020 and 2019.

Additional Funding of the Pension Plan

In June 2017, the District approved the creation of a CalPERS defined benefit pension plan trust with PARS (Pension Trust). The PARS trust is legally restricted to providing benefits for members of the defined benefit pension plan. However, in accordance with GASB 68, the asset balance is not included in calculation of the net pension liability above.

The District contributed \$0 and \$1 million to the Pension Trust in the fiscal years ended June 30, 2020 and 2019, respectively. Investments earnings of \$244,221, administrative expenses of \$66,170, and distributions of \$517,312 resulted in an asset balance of \$13,188,800 as of June 30, 2020. Investments earnings of \$845,616, administrative expenses of \$64,636, and distributions (benefit payments) of \$531,042 resulted in an asset balance of \$13,528,061 as of June 30, 2019.

(11) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. On June 30, 2020 and 2019 the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$5 million. ACWA/JPIA purchases additional excess coverage layers: \$55 million for general, auto, and public official's liability which increases the limits on the insurance coverage noted above.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(11) Risk Management (Continued)

- Public employee dishonesty coverage up to \$3.0 million per loss and includes public employee dishonesty, forgery or alteration, computer fraud, and ERISA.
- Cyber liability coverage up to \$3,000,000 per occurrence and \$5,000,000 in aggregate.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis. ACWA/JPIA is self-insured for the first \$100,000 and purchases excess coverage up to \$500 million limited to insurable value of \$77,286,626.
- Boiler and machinery coverage for the replacement cost up to \$500 million per occurrence limited to insurable value, subject to various deductibles depending on the type of equipment.
- Workers' Compensation Insurance up to California statutory limits for all work related injuries/illnesses covered by California law. ACWA/JPIA is self-insured to \$2 million has purchased excess insurance to the statutory limit.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ended June 30, 2020 and 2019. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no claims payable as of June 30, 2020, 2019, and 2018.

(12) Commitments and Contingencies

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of an outbreak of a new strain of coronavirus (the "COVID-19 outbreak") and the risks that is posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

MESA WATER DISTRICT  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and 2019

(12) Commitments and Contingencies (Continued)

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on the District's financial condition, liquidity, operations and workforce. The District cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, if the pandemic continues, it may have an effect on the District's results of future operations and financial position in fiscal year 2021.

**<Page Intentionally Left Blank>**



## **Required Supplementary Information**

**<Page Intentionally Left Blank>**

MESA WATER DISTRICT

Schedule of Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years\*

Fiscal year ended	<u>June 30, 2020</u>
Measurement period	June 30, 2019
Plan's proportion of the net pension liability	0.28784%
Plan's proportionate share of the net pension liability	\$ 11,526,367
Plan's covered payroll	\$ 4,731,286
Plan's proportionate share of the net pension liability as a percentage of its covered payroll	243.62%
Plan's proportionate share of fiduciary net position as a percentage of the Plan's total pension liability	75.26%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

MESA WATER DISTRICT

Schedule of Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years\*

Fiscal year ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.27773%	0.26976%	0.26051%	0.24319%	0.25558%
Plan's proportionate share of the net pension liability	\$ 10,466,745	\$ 10,633,962	\$ 9,049,658	\$ 6,671,898	\$ 6,316,538
Plan's covered payroll	\$ 4,788,239	\$ 4,880,332	\$ 4,641,846	\$ 4,124,923	\$ 5,360,103
Plan's proportionate share of the net pension liability as a percentage of its covered payroll	218.59%	217.89%	194.96%	161.75%	117.84%
Plan's proportionate share of fiduciary net position as a percentage of the Plan's total pension liability	75.26%	73.31%	74.06%	82.72%	83.03%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

MESA WATER DISTRICT

Schedule of Plan Contributions - Pension

Last Ten Fiscal Years\*

Fiscal year ended	<u>June 30, 2020</u>
Contractually required contribution (actuarially determined)	\$ 1,189,823
Contributions in relation to the actuarially determined contributions	<u>(1,189,823)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 5,167,801
Contributions as a percentage of covered payroll	23.02%

Notes to Schedule:

Valuation Date	6/30/2017
----------------	-----------

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Entry age
Amortization method	(1)
Asset valuation method	Fair Value
Inflation	2.625%
Salary increases	(2)
Investment rate of return	7.25% (3)
Retirement age	(4)
Mortality	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) 50 years (2%@55) and 52 years (2%@62)
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

MESA WATER DISTRICT

Schedule of Plan Contributions - Pension

Last Ten Fiscal Years\*

Fiscal year ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 974,972	\$ 838,463	\$ 766,997	\$ 693,154	\$ 510,456
Contributions in relation to the actuarially determined contributions	<u>(974,972)</u>	<u>(838,463)</u>	<u>(766,997)</u>	<u>(693,154)</u>	<u>(510,456)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,731,286	\$ 4,788,239	\$ 4,880,332	\$ 4,641,846	\$ 4,124,923
Contributions as a percentage of covered payroll	20.61%	17.51%	15.72%	14.93%	12.37%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
----------------	-----------	-----------	-----------	-----------	-----------

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) 50 years (2%@55) and 52 years (2%@62)
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

MESA WATER DISTRICT

OPEB Plan  
Annual Money-Weighted Rate of Return on Investments

Last Ten Fiscal Years\*

**Retiree Health Plan**

<u>Fiscal Year Ended</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense (1)</u>
6/30/17	15.77%
6/30/18	10.11%
6/30/19	6.56%
6/30/20	1.97%

(1) Ten years of historical information is required by the Governmental Accounting Standards Board, Statement No. 74. Fiscal year ended June 30, 2017 was the first year of implementation; therefore, only four years are presented.

MESA WATER DISTRICT

Schedule of Changes in the Net OPEB Liability and Related Ratios

Last Ten Fiscal Years\*

Fiscal year ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement period	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability:			
Service cost	\$ 79,816	\$ 77,491	\$ 75,234
Interest on total OPEB liability	131,954	124,626	117,658
Actual vs. expected experience	(363,133)	-	-
Assumption changes	48,279	-	-
Benefit payments, including refunds and the implied subsidy benefit payments	(97,603)	(94,147)	(89,724)
Net Change in Total OPEB Liability	(200,687)	107,970	103,168
Total OPEB Liability - Beginning of Year	1,923,848	1,815,878	1,712,710
Total OPEB Liability - End of Year (a)	1,723,161	1,923,848	1,815,878
Plan Fiduciary Net Position:			
Contributions - employer	103,882	100,236	339,724
Net investment income	77,659	109,377	135,762
Benefit payments, including refunds and the implied subsidy benefit payments	(97,603)	(94,147)	(89,724)
Administrative expenses	(9,215)	(9,121)	(6,367)
Net Change in Plan Fiduciary Net Position	74,723	106,345	379,395
Plan Fiduciary Net Position - Beginning of Year	1,237,589	1,131,244	751,849
Plan Fiduciary Net Position - End of Year (b)	1,312,312	1,237,589	1,131,244
Net OPEB Liability - Ending (a)-(b)	\$ 410,849	\$ 686,259	\$ 684,634
Plan fiduciary net position as a percentage of the total OPEB liability	76.16%	64.33%	62.30%
Covered-employee payroll	\$ 4,737,491	\$ 4,788,239	\$ 4,798,000
Net OPEB liability as percentage of covered payroll	8.67%	14.33%	14.27%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

The mortality improvement scale was updated to Scale MP-2019 from Scale MP-2017 in the fiscal year ended June 30, 2020.

\* Fiscal year 2018 was the first year of implementation; therefore, only three years are shown.



MESA WATER DISTRICT

Schedule of Plan Contributions - OPEB

Last Ten Fiscal Years\*

Fiscal year ended	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ 115,302	\$ 147,000	\$ 143,000
Contributions in relation to the actuarially determined contributions	<u>(210,656)</u>	<u>(103,882)</u>	<u>(98,000)</u>
Contribution deficiency (excess)	<u>\$ (95,354)</u>	<u>\$ 43,118</u>	<u>\$ 45,000</u>
Covered-employee payroll	\$ 5,167,801	\$ 4,737,491	\$ 4,788,239
Contributions as a percentage of covered-employee payroll	4.08%	2.19%	2.05%

Notes to Schedule:

Valuation Date	6/30/2019	6/30/2017	6/30/2017
----------------	-----------	-----------	-----------

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal, level percentage of payroll
Amortization method	Level percent of pay
Amortization period	17-year fixed period for 2017/18; 15-year fixed period for 2019/20
Asset valuation method	Fair value
Discount rate	6.75%
General Inflation	2.75%
	Non-Medicare: 7.5% for 2020 (7.25% for 2021), decreasing to an ultimate rate of 4.0% in 2076 and later years
Medical trend	Medicare: 6.5% for 2020 (6.3% in 2021), decreasing to an ultimate rate of 4.0% in 2076 and later years
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	<i>Fiscal year June 30, 2020:</i> Mortality projected fully generational with Scale MP-2019 <i>Fiscal years June 30, 2018 and 2019:</i> Mortality projected fully generational with Scale MP-2017

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

**<Page Intentionally Left Blank>**

## **Supplementary Information**

**<Page Intentionally Left Blank>**

MESA WATER DISTRICT

Certificates of Participation  
Revenue Coverage

Years Ended June 30, 2020 and 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Total operating and nonoperating revenues and capacity installation charges	\$ 39,277,873	\$ 38,991,895
Total maintenance and operating expenses and nonoperating expenses	<u>29,386,806</u>	<u>25,266,118</u>
Net Revenues	<u>\$ 9,891,067</u>	<u>\$ 13,725,777</u>
Certificates of participation annual debt service and all other parity debt constituting obligations payable from net revenues	<u>\$ 4,078,250</u>	<u>\$ 4,028,500</u>
<b>Ratio of net revenues to annual debt service and all other parity debt payable from net revenues</b>	<b>2.43</b>	<b>3.41</b>

MESA WATER DISTRICT

Certificates of Participation  
Reconciliation of Total Revenues and Total Expenses

Years Ended June 30, 2020 and 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Revenues:		
Operating revenues	\$ 36,724,890	\$ 36,167,875
Nonoperating revenues - investment earnings	1,255,743	1,872,020
Nonoperating revenues - other nonoperating, net	-	91,145
Capacity and installation charges	<u>1,297,240</u>	<u>860,855</u>
Total revenues	<u>\$ 39,277,873</u>	<u>\$ 38,991,895</u>
Maintenance and operating expenses:		
Operating expenses before depreciation and amortization	27,238,151	25,247,473
Nonoperating expenses - other nonoperating, net	1,990,429	-
Plus: Other post-employment benefits noncash activity	<u>158,226</u>	<u>18,645</u>
Total maintenance and operating expenses	<u>29,386,806</u>	<u>25,266,118</u>
Nonoperating expenses:		
Interest expense - long-term debt	964,979	945,513
Less: Certificates of participation interest paid and noncash amortization of bond defeasance and premiums	<u>(964,979)</u>	<u>(945,513)</u>
Total nonoperating expenses	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 29,386,806</u>	<u>\$ 25,266,118</u>

# **Statistical Information Section**

**<Page Intentionally Left Blank>**



# MESA WATER DISTRICT

## Statistical Section

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

### Table of Contents

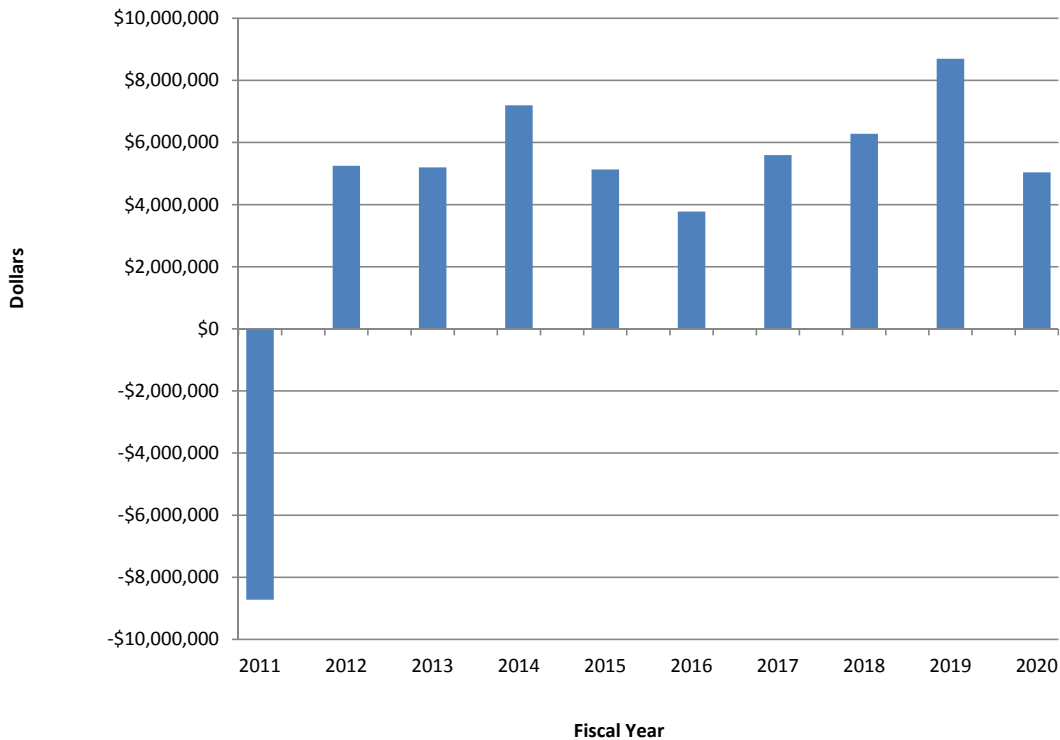
	<u>Page No.</u>
<u>Financial Trends</u>	85-88
<p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	
<u>Revenue Capacity</u>	89-95
<p>These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales, and related expenses.</p>	
<u>Debt Capacity</u>	96-97
<p>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</p>	
<u>Demographic and Economic Information</u>	98-99
<p>This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.</p>	
<u>Operating Information</u>	100-101
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.</p>	

**Mesa Water District**  
**Changes in Net Position and Net Position by Component**  
**Last Ten Fiscal Years**  
**Schedule 1**

	Fiscal Year			
	2011	2012	2013	2014
Changes in net position:				
Operating revenues (see schedule 2)	\$ 29,495,485	29,296,353	34,080,443	37,675,090
Operating expenses (see schedule 3)	<u>(25,848,828)</u>	<u>(23,953,040)</u>	<u>(29,095,185)</u>	<u>(31,103,589)</u>
<b>Operating income(loss)</b>	3,646,657	5,343,313	4,985,258	6,571,501
Net non-operating revenue(expense) (see schedule 4)	<u>(790,937)</u>	<u>(321,690)</u>	<u>(1,196,646)</u>	<u>(1,142,788)</u>
<b>Net income(loss) before capital contributions</b>	2,855,720	5,021,623	3,788,612	5,428,713
Capital contributions	1,779,584	228,413	1,409,655	1,771,171
Extraordinary Loss on Capital Assets Abandonment	(13,357,434)	-	-	-
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Changes in net position</b>	<u>\$ (8,722,130)</u>	<u>5,250,036</u>	<u>5,198,267</u>	<u>7,199,884</u>
Net position:				
Net Investment in capital assets	\$ 73,793,234	84,080,083	84,054,617	85,117,787
Restricted	-	-	-	-
Unrestricted	<u>16,474,621</u>	<u>19,452,573</u>	<u>24,676,306</u>	<u>30,813,020</u>
<b>Total net position</b>	<u>\$ 90,267,855</u>	<u>103,532,656</u>	<u>108,730,923</u>	<u>115,930,807</u>

\* as restated.

### Changes in Net Position

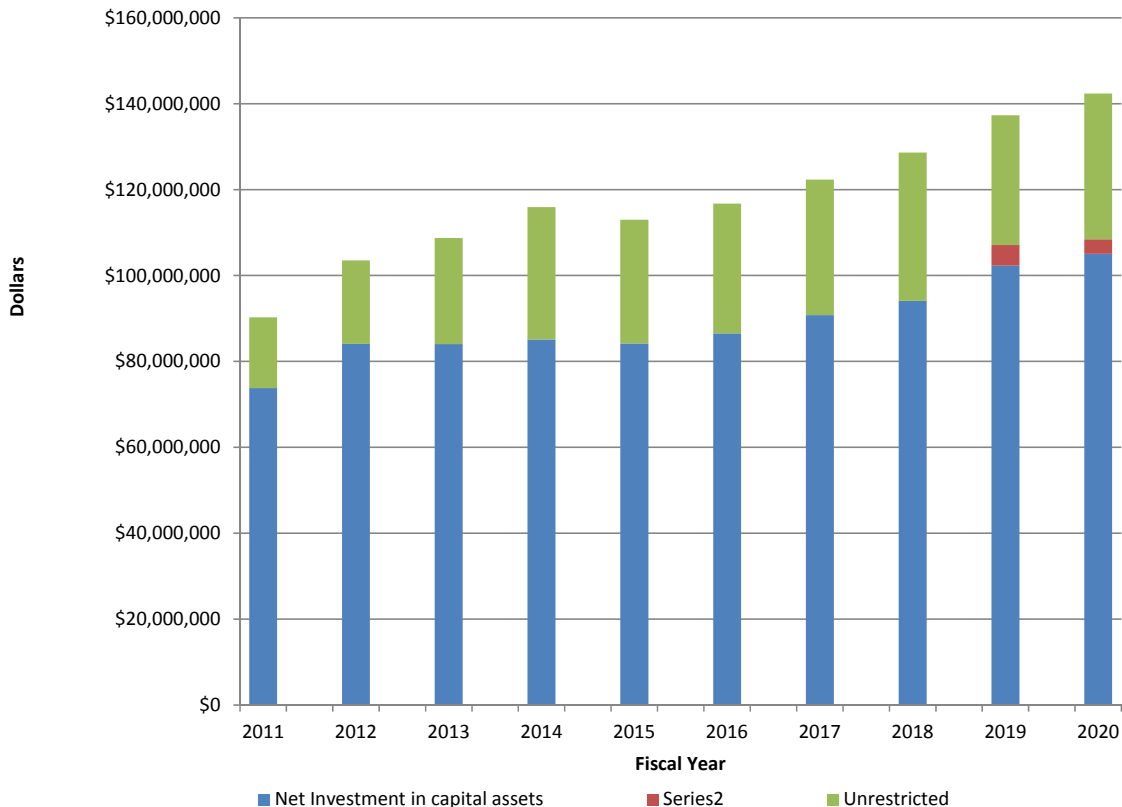


Source: Mesa Water District Audited Financial Statements.

**Mesa Water District**  
**Changes in Net Position and Net Position by Component**  
**Last Ten Fiscal Years**  
**Schedule 1, Continued**

Fiscal Year					
2015	2016	2017	2018	2019	2020
32,913,142	28,997,983	31,124,804	35,705,309	36,167,875	36,724,890
(28,025,981)	(26,227,594)	(28,489,995)	(31,234,095)	(30,403,085)	(32,755,477)
4,887,161	2,770,389	2,634,809	4,471,214	5,764,790	3,969,413
(889,936)	(2,009,000)	(1,382,150)	(549,097)	1,014,748	(2,014,015)
3,997,225	761,389	1,252,659	3,922,117	6,779,538	1,955,398
2,552,466	3,016,356	4,340,361	3,283,326	1,917,078	3,084,408
-	-	-	-	-	-
(1,418,737)	-	-	(927,250)	-	-
5,130,954	3,777,745	5,593,020	6,278,193	8,696,616	5,039,806
84,181,875 *	86,535,551 *	90,777,661	94,096,310	102,275,574	105,042,348
-	-	-	-	4,814,662	3,383,344
28,797,704	30,221,773	31,572,683	34,532,227	30,234,917	33,939,267
112,979,579	116,757,324	122,350,344	128,628,537	137,325,153	142,364,959

**Net Position by Component**



Source: Mesa Water District Audited Financial Statements.

**Mesa Water District**  
**Historic Operating Results and Debt Service Coverage**  
**Last Ten Fiscal Years**  
**Schedule 1a**

	Fiscal Year			
	2011	2012	2013	2014
Revenues				
Water Sales	\$19,598,778	\$21,446,306	\$23,205,333	\$24,639,988
Meter Service Charges	4,329,199	4,597,512	4,865,284	5,454,610
Pass-through Water Sales				
Governmental Agencies	\$3,494,841	\$1,200,178	\$3,948,733	\$4,035,580
Concessions from Governmental Agencies	739,301	2,797	-	1,238,000
Recycled Water Sales	1,042,340	1,158,856	1,549,378	1,698,506
Other Charges and Services	291,027	893,501	511,715	608,406
Capacity and Installation Charges	637,994	134,616	434,763	452,679
Investment Earnings	94,758	313,494	43,234	238,672
Total Revenues	<u>\$30,228,238</u>	<u>\$29,747,260</u>	<u>\$34,558,440</u>	<u>\$38,366,441</u>
Operation and Maintenance Costs				
Imported & Basin Managed Source of Supply	\$3,629,226	\$5,449,257	\$3,073,519	\$2,695,858
Transmission and Distribution	4,692,121	4,838,681	5,005,698	5,251,819
General and Administrative	5,268,838	5,577,027	6,217,746	6,320,500
Pass-through Water Purchases to				
Governmental Agencies	3,494,841	1,200,178	3,948,733	4,035,580
Total Clear Water Pumping	3,343,162	3,767,638	4,134,259	4,287,888
Total Amber Water Pumping	1,943,963	38,178	2,472,987	3,353,823
Recycled Water	300,364	325,349	443,319	470,767
In-lieu Source of Supply	209,053	249,703	-	-
Total Operating Expenses	<u>\$22,881,568</u>	<u>\$21,446,011</u>	<u>\$25,296,261</u>	<u>\$26,416,235</u>
Net Revenues	\$7,346,670	\$8,301,249	\$9,262,179	\$11,950,206
Senior Obligations	1,977,850	1,971,850	1,977,750	1,972,150
Senior Obligations Coverage	3.71	4.21	4.68	6.06
Revenues Available for Parity Obligations	\$5,368,820	\$6,329,399	\$7,284,429	\$9,978,056
Parity Obligations				
2010 Installment Payments	-	-	837,119	1,339,038
1991 OCWD Well Loan	51,231	44,645	46,207	97,324
1998 OCWD Well I I Loan	51,243	88,832	37,598	352,239
1998 Wells IB and 10 Loan	32,603	24,759	52,149	147,207
Total Parity Obligations	<u>135,077</u>	<u>158,236</u>	<u>973,073</u>	<u>1,935,808</u>
Parity Obligations Coverage	39.75	40.00	7.49	5.15
Revenues Available for Capital Projects and Other Coverage	5,233,743	6,171,163	6,311,356	8,042,249

Source: Mesa Water District Audited Financial Statements.

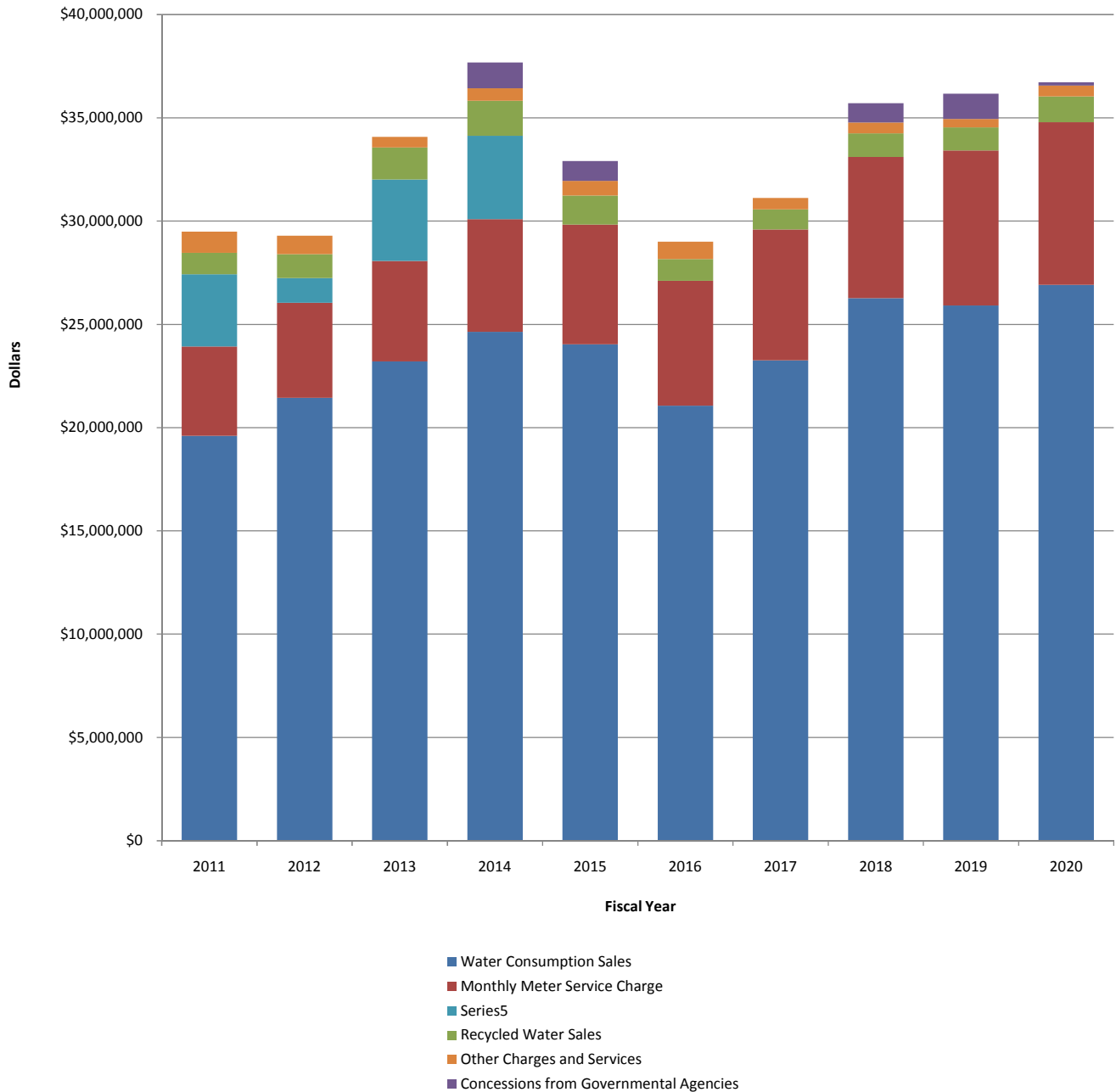
**Mesa Water District**  
**Historic Operating Results and Debt Service Coverage**  
**Last Ten Fiscal Years**  
**Schedule 1a, Continued**

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$24,034,254	\$21,357,269	\$23,261,150	\$26,272,951	\$25,910,454	\$26,913,077
5,803,271	6,050,343	6,331,300	6,838,600	7,511,575	7,870,740
-	-	-	-	-	-
968,138	-	-	933,937	1,226,127	163,691
1,397,919	1,056,481	971,796	1,137,748	1,119,273	1,250,605
709,560	830,432	560,558	522,073	400,446	526,777
1,247,867	1,945,079	2,498,287	1,912,740	860,855	1,297,240
404,763	681,378	25,518	535,930	1,872,020	1,255,743
<u>\$34,565,772</u>	<u>\$31,920,982</u>	<u>\$33,648,609</u>	<u>\$38,153,979</u>	<u>\$38,900,750</u>	<u>\$39,277,873</u>
\$2,645,852	\$1,031,539	\$842,353	\$2,405,315	\$2,996,819	896,268
5,750,908	4,961,178	5,021,716	6,132,007	5,479,178	6,020,490
7,380,985	7,900,124	8,184,895	7,978,006	7,589,724	9,270,384
-	-	-	-	-	-
4,273,537	4,682,120	4,427,407	2,776,268	5,453,136	6,760,158
2,864,506	2,453,295	4,520,866	3,134,554	2,970,494	3,158,924
436,560	496,582	572,549	629,455	758,122	861,521
-	-	-	3,168,477	-	270,406
<u>\$23,352,348</u>	<u>\$21,524,838</u>	<u>\$23,569,786</u>	<u>\$26,224,082</u>	<u>\$25,247,473</u>	<u>\$27,238,151</u>
\$11,213,424	\$10,396,144	\$10,078,823	\$11,929,897	\$13,653,277	\$12,039,722
1,969,750	1,973,750	1,974,000	1,899,150	4,028,500	4,078,250
5.69	5.27	5.11	6.28	3.39	2.95
\$9,243,674	\$8,422,394	\$8,104,823	\$10,030,747	\$9,624,777	\$7,961,472
1,339,838	1,340,038	1,339,638	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,339,838</u>	<u>1,340,038</u>	<u>1,339,638</u>	<u>-</u>	<u>-</u>	<u>-</u>
6.90	6.29	6.05	N/A	N/A	N/A
7,903,837	7,082,357	6,765,185	10,030,747	9,624,777	7,961,472

Source: Mesa Water District Audited Financial Statements.

**Mesa Water District  
Operating Revenues By Source  
Last Ten Fiscal Years  
Schedule 2**

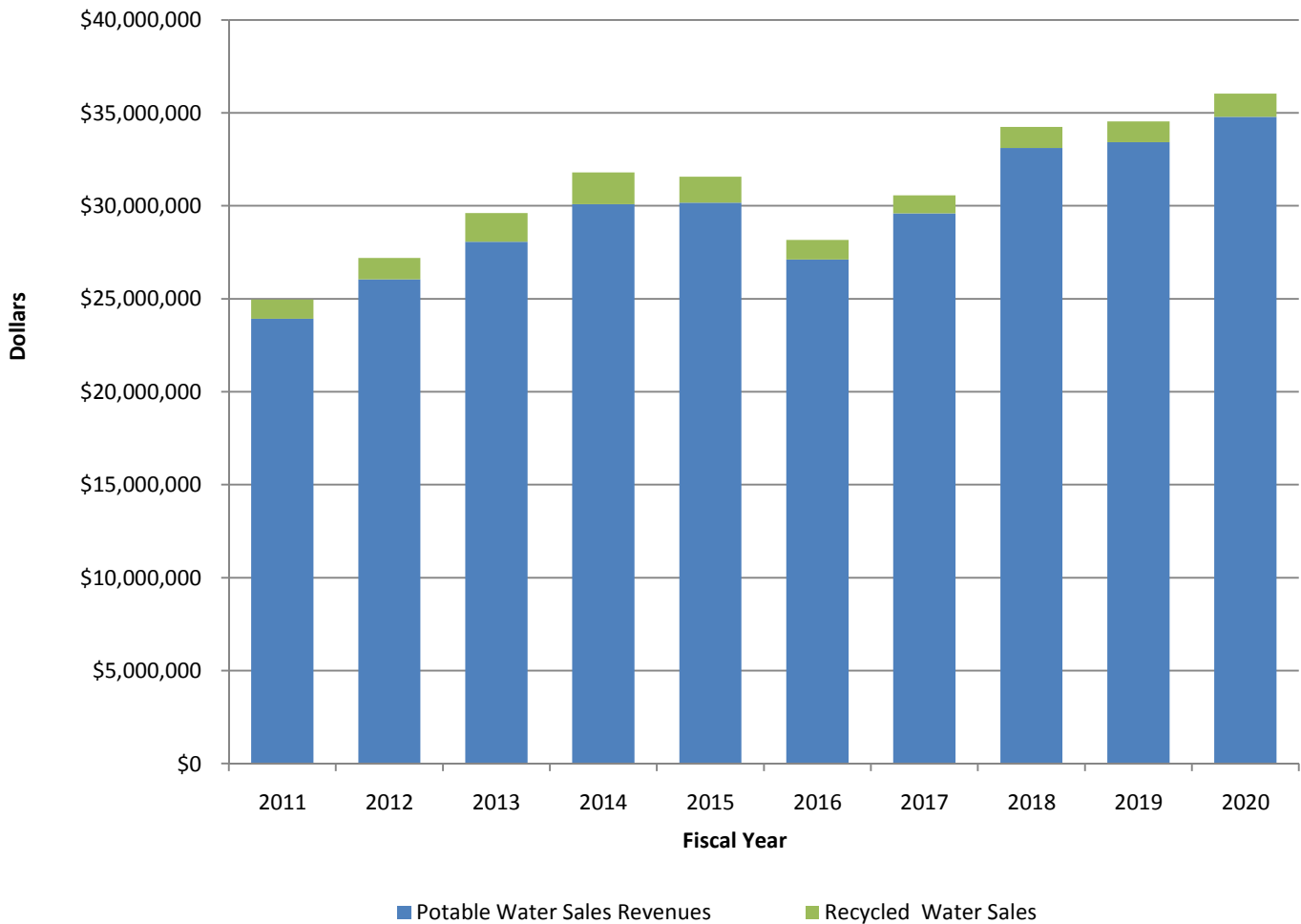
<b>Fiscal Year</b>	<b>Water Consumption Sales</b>	<b>Monthly Meter Service Charge</b>	<b>Pass-thru Water Sales to Governmental Agencies</b>	<b>Recycled Water Sales</b>	<b>Other Charges and Services</b>	<b>Concessions from Governmental Agencies</b>	<b>Total Operating Revenues</b>
2011	19,598,777	4,329,199	3,494,841	1,042,340	1,030,328	-	29,495,485
2012	21,446,306	4,597,512	1,200,178	1,158,856	893,501	-	29,296,353
2013	23,205,333	4,865,284	3,948,733	1,549,378	511,715	-	34,080,443
2014	24,639,988	5,454,610	4,035,580	1,698,506	608,406	1,238,000	37,675,090
2015	24,034,254	5,803,271	-	1,397,919	709,560	968,138	32,913,142
2016	21,060,727	6,050,343	-	1,056,481	830,432	-	28,997,983
2017	23,261,150	6,331,300	-	971,796	560,558	-	31,124,804
2018	26,272,951	6,838,600	-	1,137,748	522,073	933,937	35,705,309
2019	25,910,454	7,511,575	-	1,119,273	400,446	1,226,127	36,167,875
2020	26,913,077	7,870,740	-	1,250,605	526,777	163,691	36,724,890



Source: Mesa Water District Audited Financial Statements.

**Mesa Water District  
Historic Water Sales Revenues<sup>1</sup>  
Last Ten Fiscal Years  
Schedule 2a**

<b>Fiscal Year</b>	<b>Potable Water Sales Revenues<sup>2</sup></b>	<b>Recycled Water Sales</b>	<b>Total</b>	<b>Increase (Decrease)</b>
2011	23,927,976	1,042,340	24,970,316	2.3%
2012	26,043,818	1,158,856	27,202,674	8.9%
2013	28,070,617	1,549,378	29,619,995	8.9%
2014	30,094,598	1,698,506	31,793,104	7.3%
2015	30,174,271	1,397,919	31,572,190	-0.7%
2016	27,111,070	1,056,481	28,167,551	-10.8%
2017	29,592,450	971,796	30,564,246	8.5%
2018	33,111,551	1,137,748	34,249,299	12.1%
2019	33,422,029	1,119,273	34,541,302	0.9%
2020	34,783,817	1,250,605	36,034,422	4.3%



**Notes:**

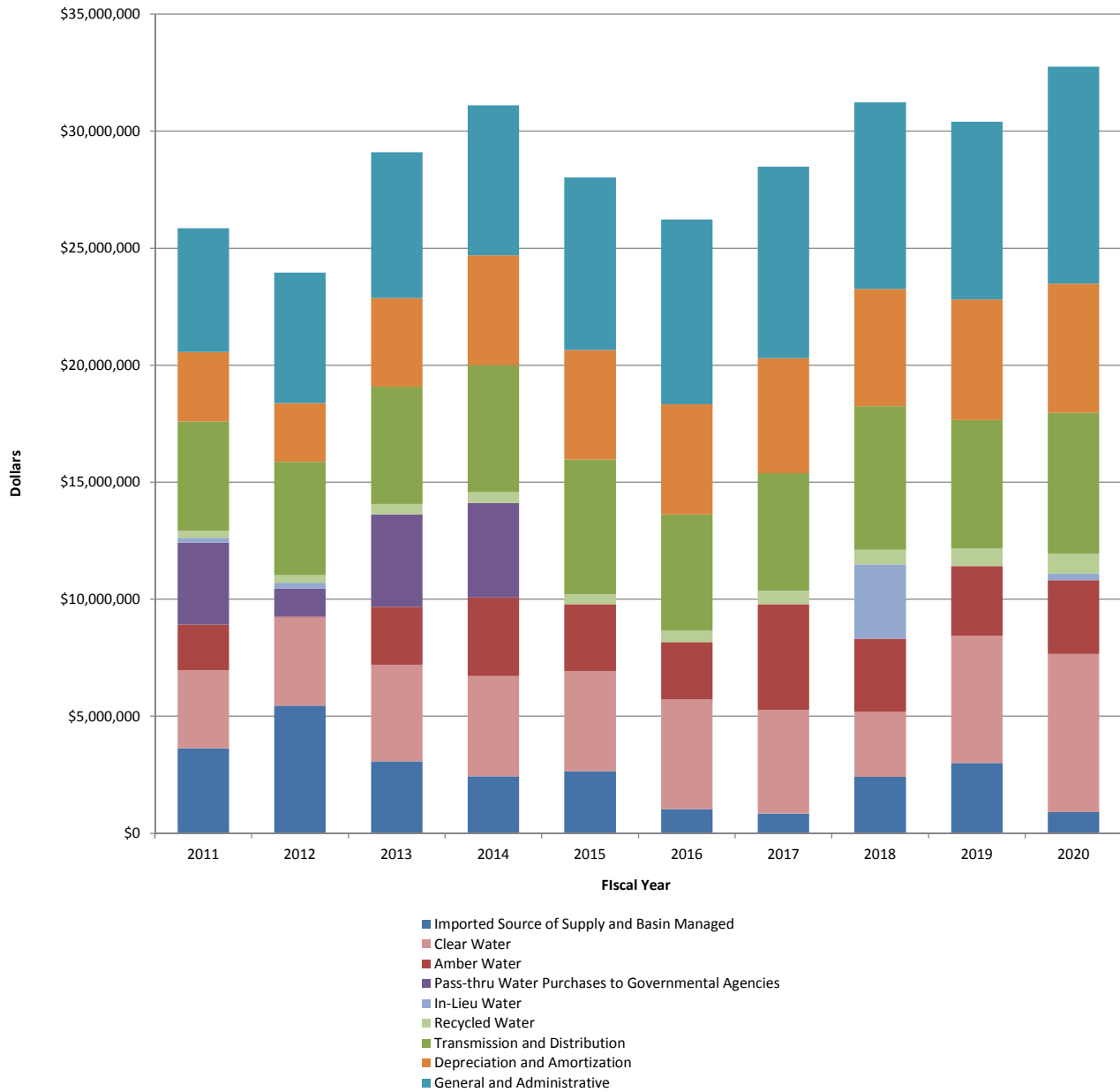
<sup>(1)</sup> Excludes revenues from sales at cost to the City of Huntington Beach.

<sup>(2)</sup> Includes bimonthly meter charges.

**Source:** Mesa Water District Audited Financial Statements.

**Mesa Water District  
Operating Expenses by Activity  
Last Ten Fiscal Years  
Schedule 3**

Fiscal Year	Imported Source of Supply and Basin Managed	Clear Water	Amber Water	Pass-thru Water Purchases to Governmental Agencies	In-Lieu Water	Recycled Water	Transmission and Distribution	Depreciation and Amortization	General and Administrative	Total Operating Expenses
2011	3,629,226	3,343,162	1,943,963	3,494,841	209,053	300,364	4,680,458	2,967,260	5,280,501	25,848,828
2012	5,449,257	3,767,638	38,178	1,200,178	249,703	325,349	4,838,681	2,507,029	5,577,027	23,953,040
2013	3,073,519	4,134,259	2,472,987	3,948,733	-	443,319	5,005,698	3,798,924	6,217,746	29,095,185
2014	2,427,936	4,287,888	3,353,823	4,035,580	-	470,767	5,425,385	4,687,354	6,414,856	31,103,589
2015	2,645,852	4,273,537	2,864,506	-	-	436,560	5,750,908	4,673,633	7,380,985	28,025,981
2016	1,031,539	4,682,120	2,453,295	-	-	496,582	4,961,178	4,702,756	7,900,124	26,227,594
2017	842,353	4,427,407	4,520,866	-	-	572,549	5,021,716	4,920,209	8,184,895	28,489,995
2018	2,405,315	2,776,268	3,134,554	-	3,168,477	629,455	6,132,007	5,010,013	7,978,006	31,234,095
2019	2,996,819	5,453,136	2,967,369	-	-	758,122	5,482,303	5,155,612	7,589,724	30,403,085
2020	896,268	6,760,158	3,158,924	-	270,406	861,521	6,020,490	5,517,326	9,270,384	32,755,477

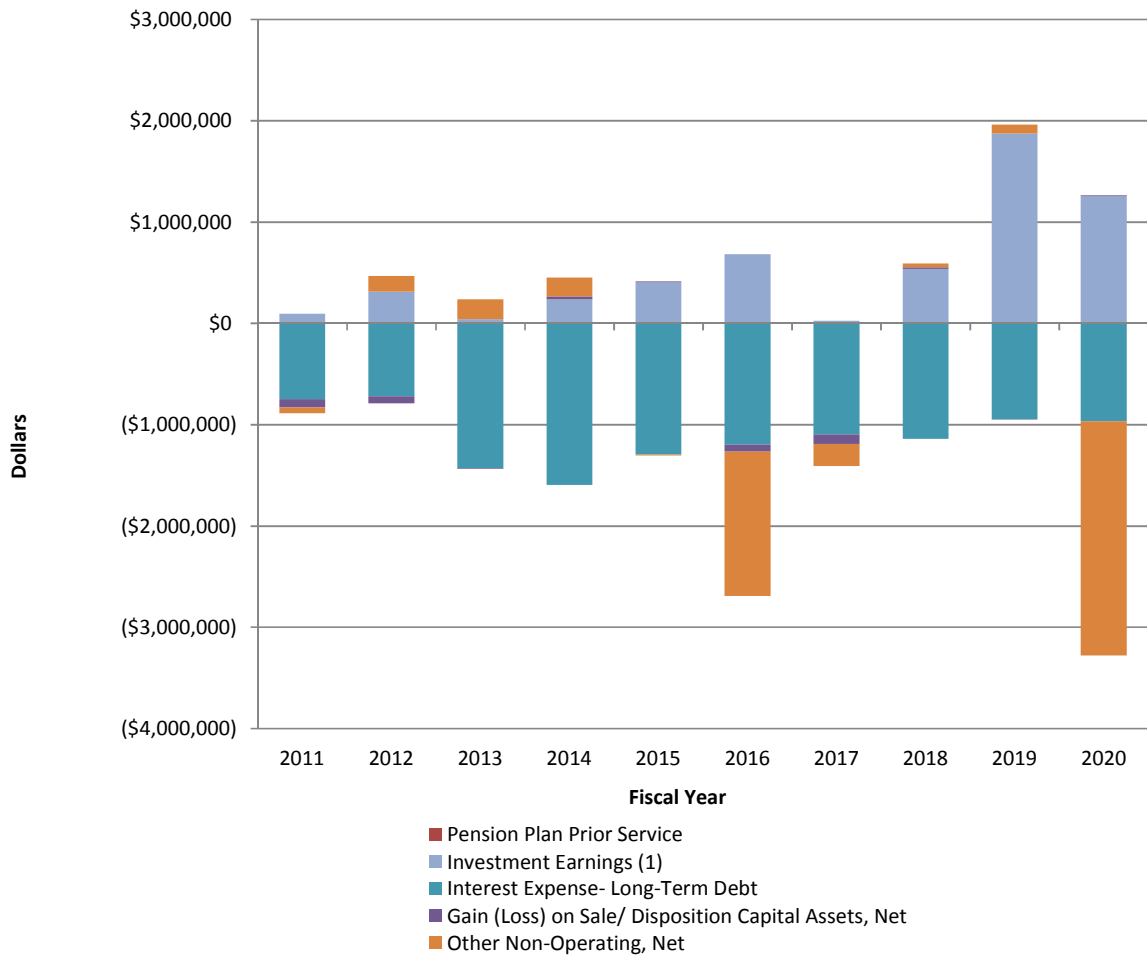


Source: Mesa Water District Audited Financial Statements.



**Mesa Water District  
Non-operating Revenues and (Expenses)  
Last Ten Fiscal Years  
Schedule 4**

<b>Fiscal Year</b>	<b>Investment Earnings <sup>(1)</sup></b>	<b>Interest Expense-Long-Term Debt</b>	<b>Gain (Loss) on Sale/Disposition Capital Assets, Net</b>	<b>Other Non-Operating, Net</b>	<b>Pension Plan Prior Service</b>	<b>Nonoperating Revenues/(Expenses)</b>
2011	94,758	(748,517)	(82,164)	(55,014)	-	(790,937)
2012	313,494	(720,536)	(68,158)	153,510	-	(321,690)
2013	43,234	(1,429,154)	(6,288)	195,562	-	(1,196,646)
2014	238,672	(1,595,546)	28,155	185,931	-	(1,142,788)
2015	404,763	(1,293,727)	9,639	(10,611)	-	(889,936)
2016	681,378	(1,196,589)	(69,130)	(1,424,659)	-	(2,009,000)
2017	25,518	(1,094,610)	(94,086)	(218,972)	-	(1,382,150)
2018	535,930	(1,140,774)	17,397	38,350	-	(549,097)
2019	1,872,020	(945,513)	(2,904)	91,145	-	1,014,748
2020	1,255,743	(964,979)	8,123	(2,312,902)	-	(2,014,015)



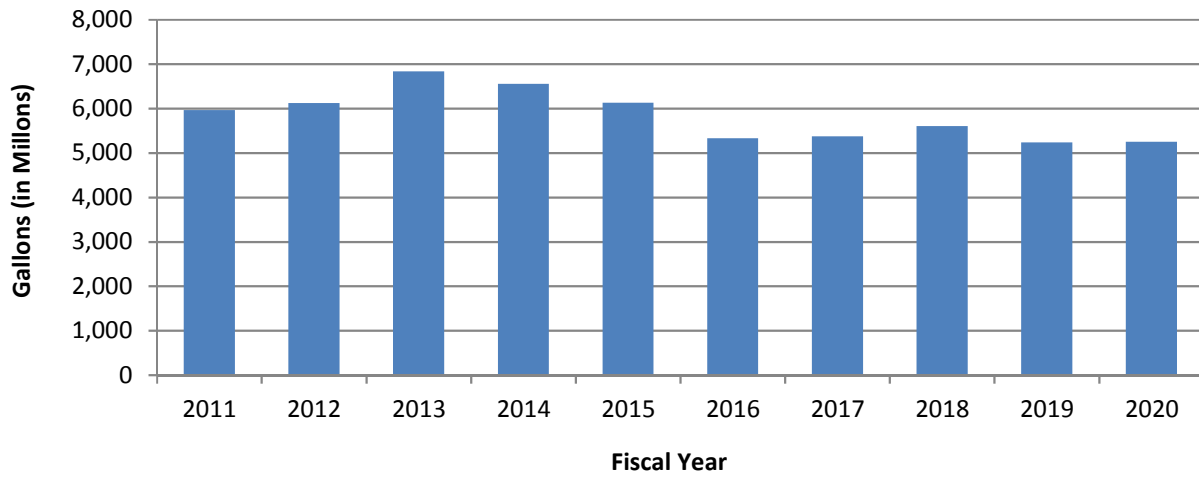
**Note:**

<sup>(1)</sup> Includes Interest Income Realized and Unrealized Gains and Losses On Investments.

**Source:** Mesa Water District Audited Financial Statements.

**Mesa Water District  
Operating Revenue Base  
Last Ten Fiscal Years  
Schedule 5**

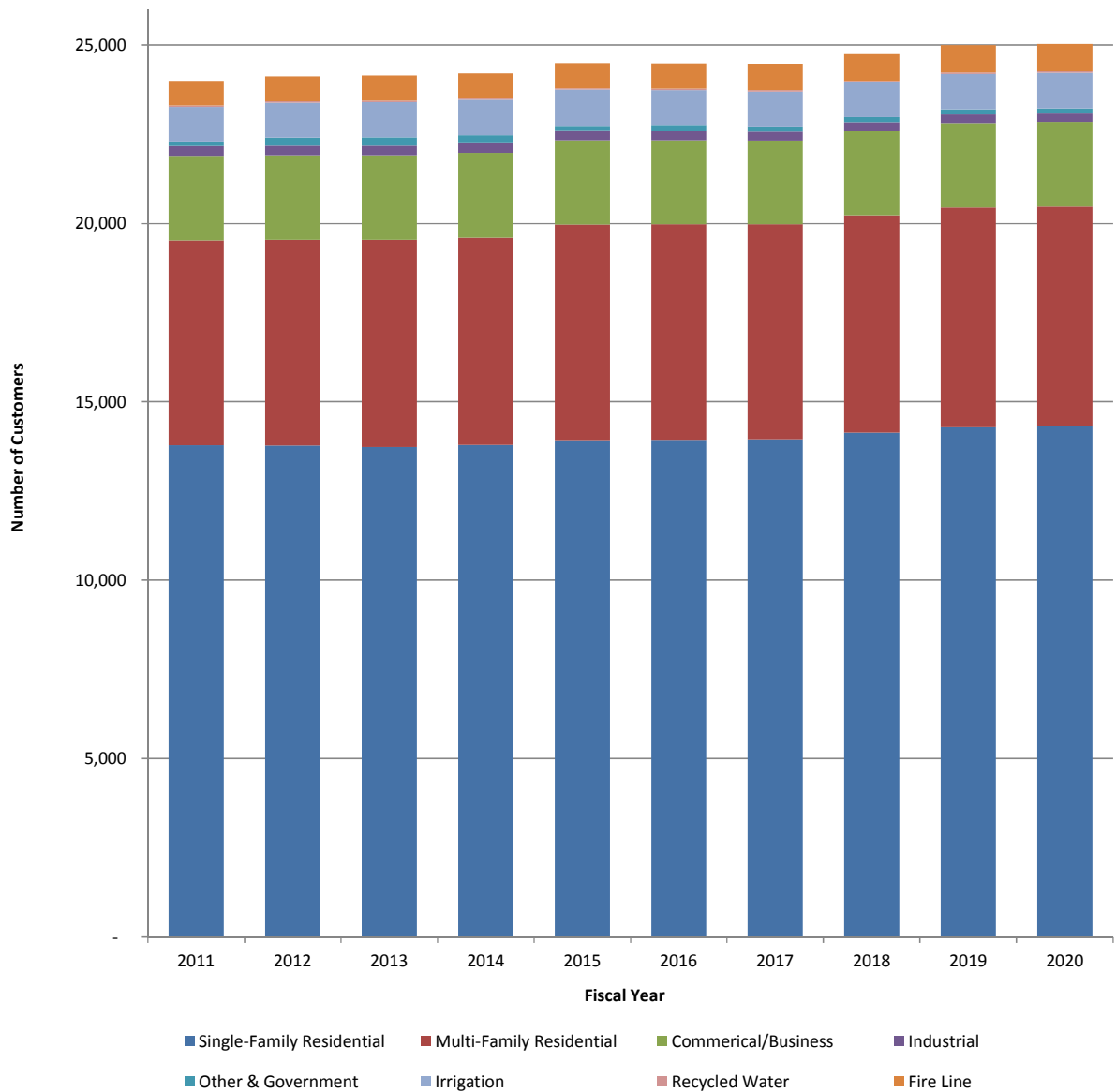
<b>Fiscal Year</b>	<b>Production (Gallons)</b>	AF	Sales AF	Production AF
2011	5,964,539,630	17,359	17,359	18,305
2012	6,119,286,269	17,874	17,874	18,779
2013	6,836,777,586	18,701	18,701	20,981
2014	6,551,560,206	19,011	19,011	20,106
2015	6,130,560,714	18,110	18,110	18,814
2016	5,330,922,360	15,057	15,057	16,360
2017	5,370,676,182	15,898	15,898	16,482
2018	5,605,288,902	17,059	17,059	17,202
2019	5,234,796,315	16,110	16,110	16,065
2020	5,252,066,418	15,905	15,905	16,118



**Note:** For Information Regarding Water Sales See Schedule 2 'Operating Revenue by Source'.  
**Source:** Mesa Water District Billing System.

**Mesa Water District  
Customer Connections  
Last Ten Fiscal Years  
Schedule 6**

Fiscal Year	Customer Type									Total Connections
	Single-Family Residential	Multi-Family Residential	Commerical/Business	Industrial	Other & Government	Irrigation	Recycled Water	Fire Line		
2011	13,783	5,742	2,369	277	129	966	42	687	23,995	
2012	13,778	5,763	2,370	274	223	977	42	698	24,125	
2013	13,732	5,808	2,371	269	240	984	42	699	24,145	
2014	13,798	5,806	2,374	267	228	996	32	704	24,205	
2015	13,931	6,041	2,359	264	142	1013	36	705	24,491	
2016	13,933	6,044	2,357	255	175	973	43	708	24,488	
2017	13,955	6,021	2,351	253	139	973	42	743	24,477	
2018	14,138	6,092	2,356	249	142	976	43	752	24,748	
2019	14,286	6,162	2,361	247	141	995	43	758	24,993	
2020	14,314	6,164	2,367	240	137	999	43	768	25,032	



Source: Mesa Water District Billing System.

**Mesa Water District  
Revenue Rates  
Last Ten Fiscal Years  
Schedule 7**

**Minimum Bimonthly Service Charge - Potable Water Service**

Meter Size	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20
5/8"	\$ 17.00	18.00	19.00	20.00	21.50	22.50	23.00	24.69	25.93	27.23
3/4"	25.50	27.00	28.50	30.00	32.50	33.50	34.50	37.31	39.18	41.14
1"	42.50	45.00	47.50	50.00	54.00	55.50	57.50	62.00	65.10	68.36
1 1/2"	85.00	90.00	95.00	100.00	108.00	111.50	115.00	124.51	130.74	137.28
2"	136.00	144.00	152.00	160.00	172.50	178.50	184.00	199.11	209.07	219.53
3"	297.50	315.00	332.50	350.00	378.00	390.00	402.00	435.51	457.29	480.16
4"	535.50	567.00	598.50	630.00	680.00	702.00	724.00	784.32	823.54	864.72
6"	1,190.00	1,260.00	1,330.00	1,400.00	1,510.00	1,560.00	1,610.00	1,744.08	1,831.29	1,922.86
8"	2,040.00	2,160.00	2,280.00	2,400.00	2,590.00	2,670.00	2,670.00	2,983.82	3,133.02	3,289.68
10"	3,230.00	3,420.00	3,610.00	3,800.00	4,100.00	4,230.00	4,370.00	4,727.89	4,964.29	5,212.51

**Minimum Bimonthly Service Charge - Fireline Water Service - Class I**

Meter Size	6/30/10	6/30/11	6/30/12	6/30/13	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20
2"	\$ 16.00	17.00	18.00	19.00	20.50	21.00	22.00	6.81	7.16	7.52
3"	24.00	25.50	27.00	28.50	31.00	32.00	33.00	19.79	20.79	21.83
4"	32.00	34.00	36.00	38.00	41.00	42.50	43.50	42.18	44.29	46.51
6"	48.00	51.00	54.00	57.00	61.50	63.50	65.50	122.53	128.66	135.10
8"	64.00	68.00	72.00	76.00	82.00	84.50	87.50	261.11	274.17	287.88
10"	96.00	102.00	108.00	114.00	123.00	127.00	131.00	469.56	493.04	517.70
12"	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Minimum Bimonthly Service Charge - Fireline Water Service - Class II**

Meter Size	6/30/10	6/30/11	6/30/12	6/30/13	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20
2"	\$ 32.00	34.00	36.00	38.00	41.00	42.50	43.50	6.81	7.16	7.52
3"	48.00	51.00	54.00	57.00	61.50	63.50	65.50	19.79	20.79	21.83
4"	64.00	68.00	72.00	76.00	82.00	84.50	87.50	42.18	44.29	46.51
6"	96.00	102.00	108.00	114.00	123.00	127.00	131.00	122.53	128.66	135.10
8"	128.00	136.00	144.00	152.00	164.00	169.50	174.50	261.11	274.17	287.88
10"	192.00	204.00	216.00	228.00	246.00	254.00	262.00	469.56	493.04	517.70
12"	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Water Use Rate (per 100 cubic feet = 748 gallons)**

User Type	6/30/10	6/30/11	6/30/12	6/30/13	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20
<u>Residential</u>										
Potable Commodity Rate	\$ 2.70	2.85	3.00	3.15	3.40	3.51	3.62	3.86	4.06	4.27
<u>Non-Residential</u>										
Construction Commodity Rate	\$ 4.05	4.28	4.50	4.73	5.10	5.26	5.43	4.27	4.49	4.72
Fireline Commodity Rate	\$ 5.40	5.70	6.00	6.30	6.80	7.02	7.24	4.27	4.49	4.72
Recycled Commodity Rate	\$ 2.43	2.57	2.70	2.84	2.51	2.32	1.82	2.52	2.65	2.79

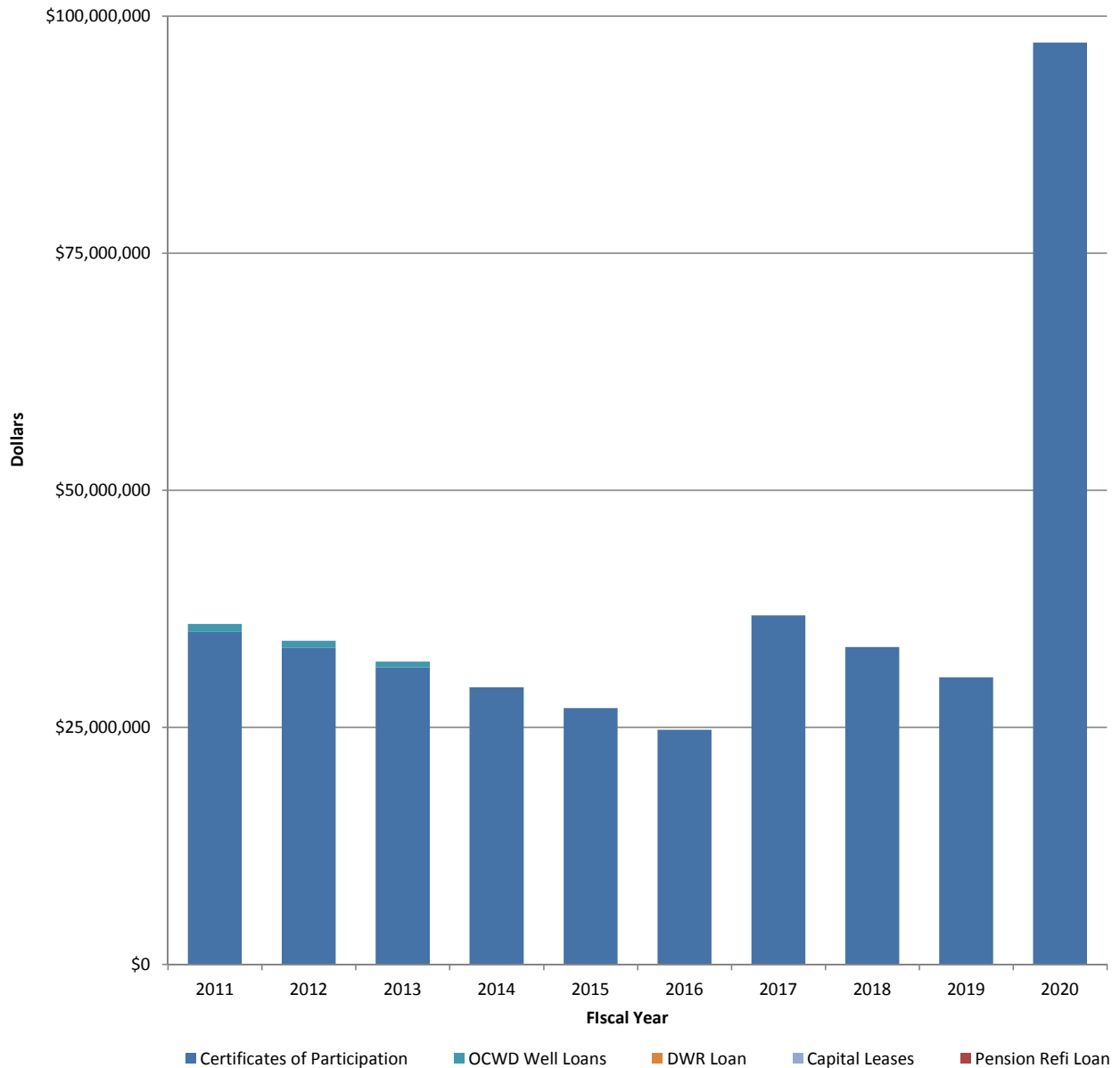
**Mesa Water District  
Ten Largest Water Users by Revenue  
Current Fiscal Year and Five Years Ago  
Schedule 8**

<b>FY 2019/20</b>		<b>Consumption</b>	<b>Acre Feet</b>	<b>% of Total</b>	<b>FY 2014/15</b>		<b>Consumption</b>	<b>Acre Feet</b>	<b>% of Total</b>
1	Mesa Verde Partners	202,879	466	2.8%	Mesa Verde Partners	246,129	565	2.9%	
2	City Of Costa Mesa	102,644	236	1.4%	City of Costa Mesa	231,354	531	2.8%	
3	Newport-Mesa Unified School District	99,526	228	1.4%	Newport-Mesa Unified School District	183,815	422	2.2%	
4	The Irvine Company, Llc	78,118	179	1.1%	County of Orange	114,334	262	1.4%	
5	Casden Lakes, Lp	56,052	129	0.8%	South Coast Plaza	91,982	211	1.1%	
6	County Of Orange	55,512	127	0.8%	The Irvine Company, Inc.	91,715	211	1.1%	
7	Arnel Residential Properties	46,655	107	0.6%	United Dominion Realty	84,788	195	1.0%	
8	Camden Property Trust	44,180	101	0.6%	Arnel Residential Properties	81,955	188	1.0%	
9	CJ Segerstrom & Sons	40,598	93	0.6%	Coast Community College	76,827	176	0.9%	
10	South Coast Plaza	38,762	89	0.5%	Fairview State Hospital	76,766	176	0.9%	
			<u>1,756</u>	<u>10.4%</u>			<u>2,938</u>	<u>15.2%</u>	
<u>Sales in Acre Feet</u>					<u>Sales in Acre Feet</u>				
Potable				15,905	Potable				18,110
Recycled				<u>959</u>	Recycled				<u>1,159</u>
Total Sales Acre Feet				<u>16,864</u>	Total Sales Acre Feet				<u>19,269</u>

Source: Mesa Water District Billing System.

**Mesa Water District  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
Schedule 9**

Fiscal Year	Certificates of Participation	OCWD Well Loans	DWR Loan	Capital Leases	Pension Refi Loan	Total		
						Debt	Per Capita	As a Share of Personal Income
2011	35,050,518	838,455	-	-	-	35,888,973	322.28	0.59%
2012	33,380,023	732,724	-	-	-	34,112,747	305.00	0.56%
2013	31,319,523	596,770	-	-	-	31,916,293	285.39	0.50%
2014	29,204,027	-	-	-	-	29,204,027	254.83	0.43%
2015	27,013,531	-	-	-	-	27,013,531	235.71	0.39%
2016	24,723,036	-	-	-	-	24,723,036	214.98	0.35%
2017	36,805,648	-	-	-	-	36,805,648	320.05	0.52%
2018	33,452,164	-	-	-	-	33,452,164	292.07	0.44%
2019	30,277,774	-	-	-	-	30,277,774	264.13	0.37%
2020	97,215,237	-	-	-	-	97,215,237	846.98	1.19%

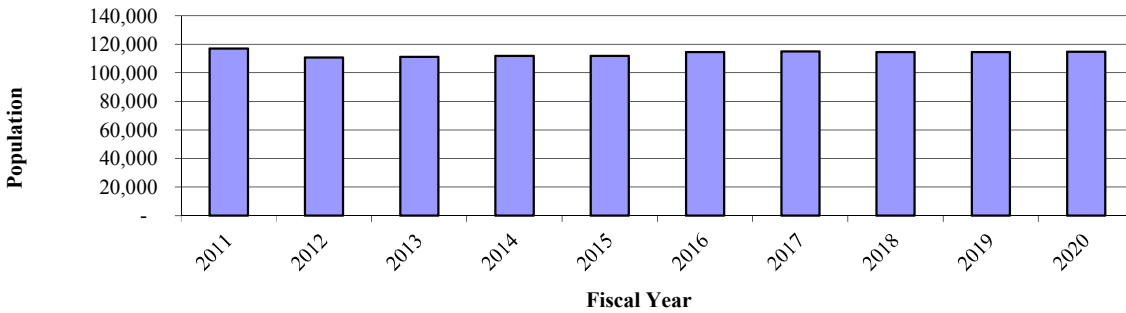


Source: Mesa Water District Audited Financial Statements.

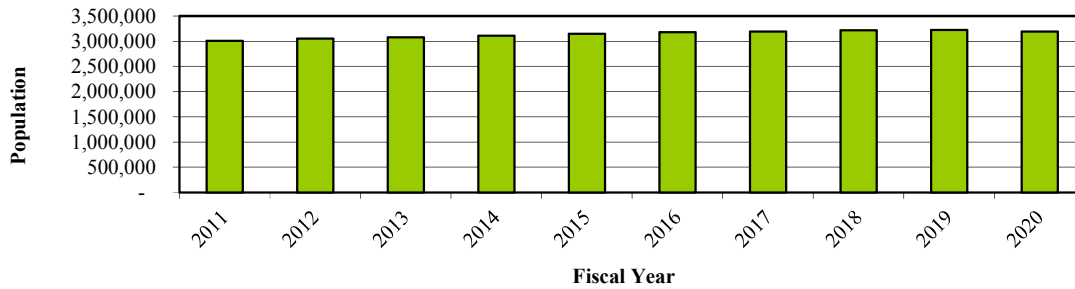
**Mesa Water District**  
**Schedule of Demographics and Economic Statistics**  
**Last Ten Calendar Years**  
**Schedule 10**

Fiscal Year	Costa Mesa		County of Orange		
	Population	Unemployment Rate	Population	Personal Income (Thousands of Dollars)	Personal Income per Capita
2011	117,178	7.8%	3,010,232	159,007,100	52,822
2012	110,757	7.1%	3,055,792	166,345,500	54,436
2013	111,358	5.0%	3,081,804	168,966,400	54,827
2014	111,846	4.6%	3,113,991	177,412,900	56,973
2015	111,835	4.1%	3,147,655	185,500,000	58,933
2016	114,603	3.6%	3,183,011	190,978,000	59,999
2017	115,012	3.3%	3,194,024	199,492,000	62,458
2018	114,536	2.9%	3,221,103	215,479,000	66,896
2019	114,634	2.6%	3,222,498	230,180,000	71,429
2020	114,778	12.4%	3,194,332	226,531,000	70,917

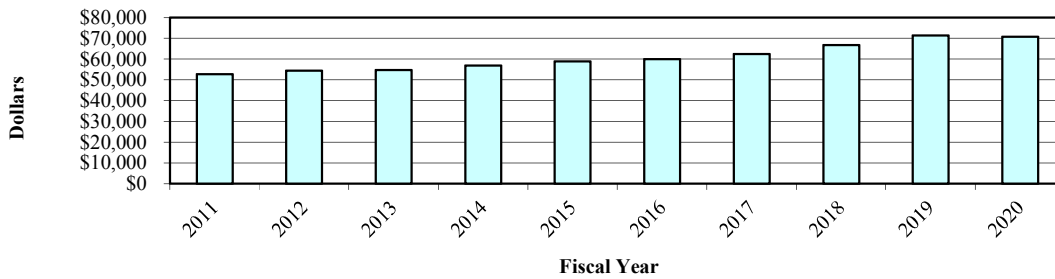
**Population - Costa Mesa**



**Population - Orange County**



**Personal Income per Capita - Orange County**



**Source:** California Department of Finance, Demographic Research Unit, <http://www.dof.ca.gov>  
State of California, Employment Development Department, <http://www.edd.ca.gov>  
County of Orange, Comprehensive Annual Financial Reports, <http://egov.ocgov.com/ocgov/Auditor-Controller>

**Mesa Water District**  
**City of Costa Mesa Principal Employers**  
**Current Year and Nine Years Ago**  
**Schedule 11**

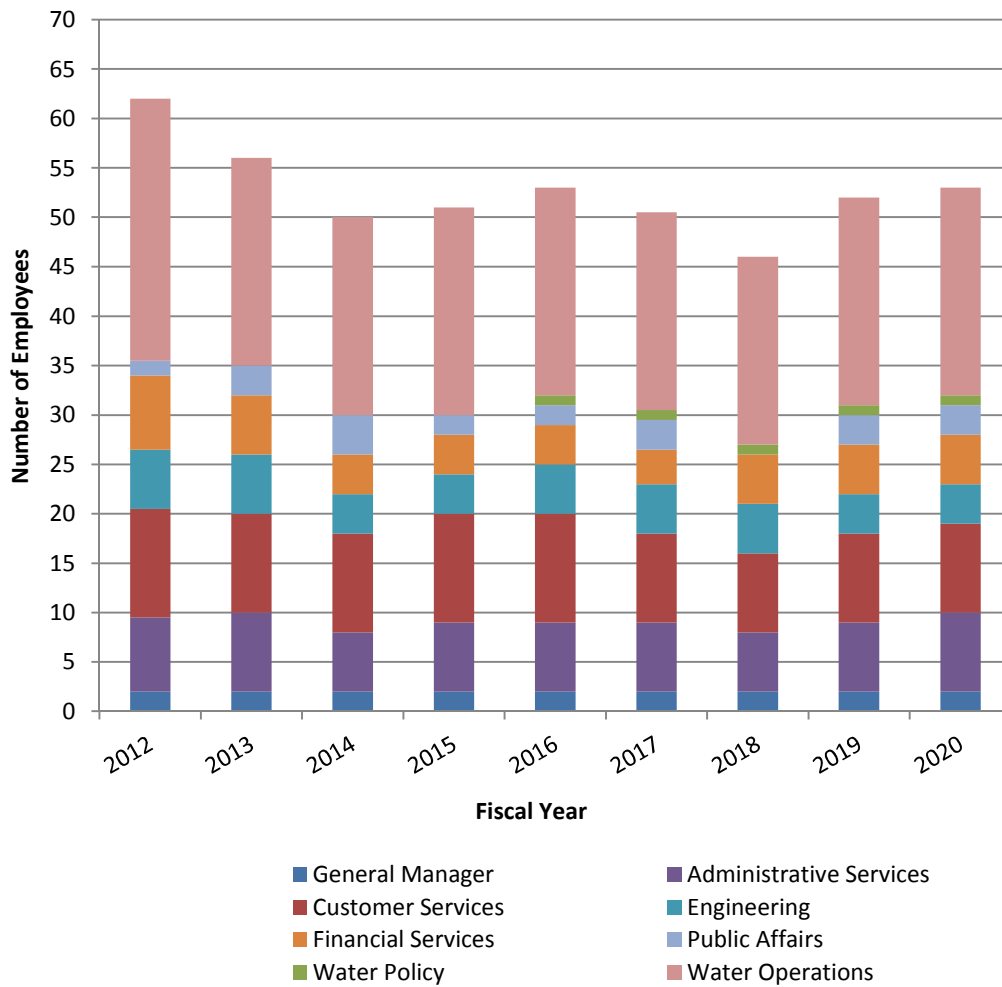
<b>2019-2020</b>			<b>2010-2011</b>		
<b>Name of Company</b>	<b>Number of Employees</b>	<b>% of Total</b>	<b>Name of Company</b>	<b>Number of Employees</b>	<b>% of Total</b>
Winfield Locks, Inc.	5,009	7.46%	Experian Information Solution	3,700	5.61%
Epl Intermediate, Inc.	3,998	5.96%	Coast Community College District Foundation	2,900	4.39%
Experian Information Solution	3,700	5.51%	Orange Coast Community College	2,500	3.79%
Coast Community College District Foundation	1,313	1.96%	Coast Community College	2,500	3.79%
Contech Engineered Solutions Inc.	1,288	1.92%	Fairview Developmental Center	1,500	2.27%
Automobile Club of Southern California	1,200	1.79%	Interinsurance Exchange	1,200	1.82%
International Business Machines Corporation	1,131	1.69%	First Team Real Estate Inc.	1,025	1.55%
Deloitte & Touche LLP	700	1.04%	Pacific Building Care Inc.	850	1.29%
Dynamic Cooking Systems, Inc.	700	1.04%	International Business Machines Corporation	750	1.15%
Sure Haven, Inc.	550	0.82%	FileNet Corporation	600	0.91%

**Source:** City of Costa Mesa CAFR.



**Mesa Water District**  
**District Employees by Department**  
**Last Ten Fiscal Years**  
**Schedule 12**

Department	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	
General Manager	2	2	2	2	2	2	2	2	2	2
Administrative Services	7.5	8	6	7	7	7	6	7	8	
Customer Services	11	10	10	11	11	9	8	9	9	
Engineering	6	6	4	4	5	5	5	4	4	
Financial Services	7.5	6	4	4	4	3.5	5	5	5	
Public Affairs	1.5	3	4	2	2	3	0	3	3	
Water Policy	0.0	0	0	0	1	1	1	1	1	
Water Operations	26.5	21	20	21	21	20	19	21	21	
	62	56	50	51	53	51	46	52	53	



Source: Mesa Water District Records.

**Mesa Water District  
Historic Water Supply  
In Acre Feet Per Year  
Last Five Fiscal Years  
Schedule 13**

<b>Fiscal Year</b>	<b>Supplemental Water</b>				<b>Total</b>
	<b>Groundwater</b>	<b>CPTP</b>	<b>Recycled Water</b>	<b>In-Lieu Water</b>	
2016	14,855	202	1,217	-	16,274
2017	16,185	298	1,197	-	17,680
2018	9,284	1,987	853	5,931	18,055
2019	13,573	2,492	916	-	16,981
2020	15,249	329	959	540	17,077

**Source:** Mesa Water District Records.

**Mesa Water Deliveries  
Historic Water Deliveries  
In Acre Feet Per Year  
Last Five Fiscal Years  
Schedule 14**

<b>Fiscal Year</b>	<b>Potable Water Deliveries</b>	<b>Recycled Water Deliveries</b>	<b>Total</b>	<b>% Increase (Decrease)</b>
2016	14,822	1,217	16,039	-11.44%
2017	15,898	1,197	17,095	6.58%
2018	17,059	853	17,912	4.78%
2019	16,110	916	17,026	-4.95%
2020	15,905	959	16,864	-0.95%

**Source:** Mesa Water District Records.