

MesaWater
DISTRICT®

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**FOR THE
FISCAL YEAR ENDED
JUNE 30, 2023**

Mesa Water District | Costa Mesa, California

MesaWater.org

Dedicated to Satisfying our Community's Water Needs

Mesa Water District

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023



1965 Placentia Avenue
Costa Mesa, CA 92627-3420

Prepared by:
Financial Services Department

MESA WATER DISTRICT
Annual Comprehensive Financial Report
June 30, 2023

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INTRODUCTORY SECTION

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*Dedicated to
Satisfying our Community's
Water Needs*

BOARD OF DIRECTORS

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*President
Division V*

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*Vice President
Division III*

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*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

October 31, 2023

Board of Directors
Mesa Water District

Introduction

It is our pleasure to submit the Annual Financial Report for the Mesa Water District (Mesa Water®) for the fiscal year ended June 30, 2023, 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 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 special 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 57 employees, some of whom are part-time or temporary. Mesa Water's Board meets on the second and fourth Wednesday 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 67% of the water produced annually by Mesa Water. In Fiscal Year 2023, Mesa Water's potable supply was comprised of 100% groundwater.

Economic Condition, Outlook and Major Initiatives

Mesa Water carries out its mission with a highly-skilled and competent staff empowered to conduct Mesa Water's business by placing customer needs and welfare first. Employees strive to carry out their work mindful of Mesa Water's mission: "Mesa Water District, a local independent special district, manages its finances and water infrastructure, and advocates water policy, while reliably providing an abundance of clean, safe water to benefit the public's quality of life."



Mesa Water's service area includes various regional facilities and landmark venues, including but not limited to: John Wayne Airport, Orange Coast College, Vanguard University, OC Fair & Event Center, Segerstrom Center for the Arts and South Coast Plaza. The local economy is primarily based upon retail, commercial business and light manufacturing.

In Mesa Water's service area, consumers are currently experiencing the benefits of the Board's forward-thinking planning and 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 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, the Board took a major step towards reliability by approving a three-year \$70MM Capital Improvement Program funded through Certificates of Participation. In fiscal year 2023, Mesa Water completed the construction of one new well site, and another well is planned for completion in mid fiscal year 2024. The new wells will increase Mesa Water's groundwater production capacity, and be the district's largest producing wells – pumping approximately 4,000 gallons per minute of local, clean, safe water.

Mesa Water consistently invests in pipeline integrity testing through its Pipeline Integrity Program, to ensure economical and timely replacement of pipes for continued reliable service and high-quality water to customers.

Mesa Water continues its efforts 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 18,908 acre feet of water to date.

As of July 1, 2023, Mesa Water charges a uniform commodity rate of \$4.87 per unit and a bi-monthly fixed charge of \$29.55 for a 5/8 inch meter. One unit of water equals 748 gallons which means that the cost per gallon is 0.65 cents. At \$1,010 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.

Water Supply

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 state-of-the-art nanofiltration technology which expanded capacity to treat amber groundwater by approximately 50% while reducing energy costs by nearly 67%.

In fiscal year 2023, Mesa Water produced approximately 85% of its potable water supply from clear groundwater and related groundwater exchange programs, approximately 15% 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.

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 Annual Comprehensive 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 and maintenance, as well as capital improvement projects, to ensure the high-quality water that the community depends on. 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 (water usage) charge, a fixed bi-monthly service charge, and a capital charge for property owners. Mesa Water raised rates by an average of 8% in fiscal year 2023.

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 Lance, Soll & Lunghard, 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. Additionally, Mesa Water is self-insuring earthquake risk.



Awards and Acknowledgements

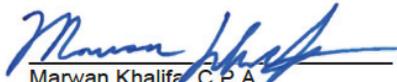
This is the 29th year that Mesa Water is submitting its Annual Comprehensive Financial Report (ACFR) for the Government Finance Officers Association of the United States and Canada's (GFOA) Certificate of Achievement for Excellence in Financial Reporting. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized ACFR. 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 ACFR meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for 2023.

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 like to thank the members of the Board 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

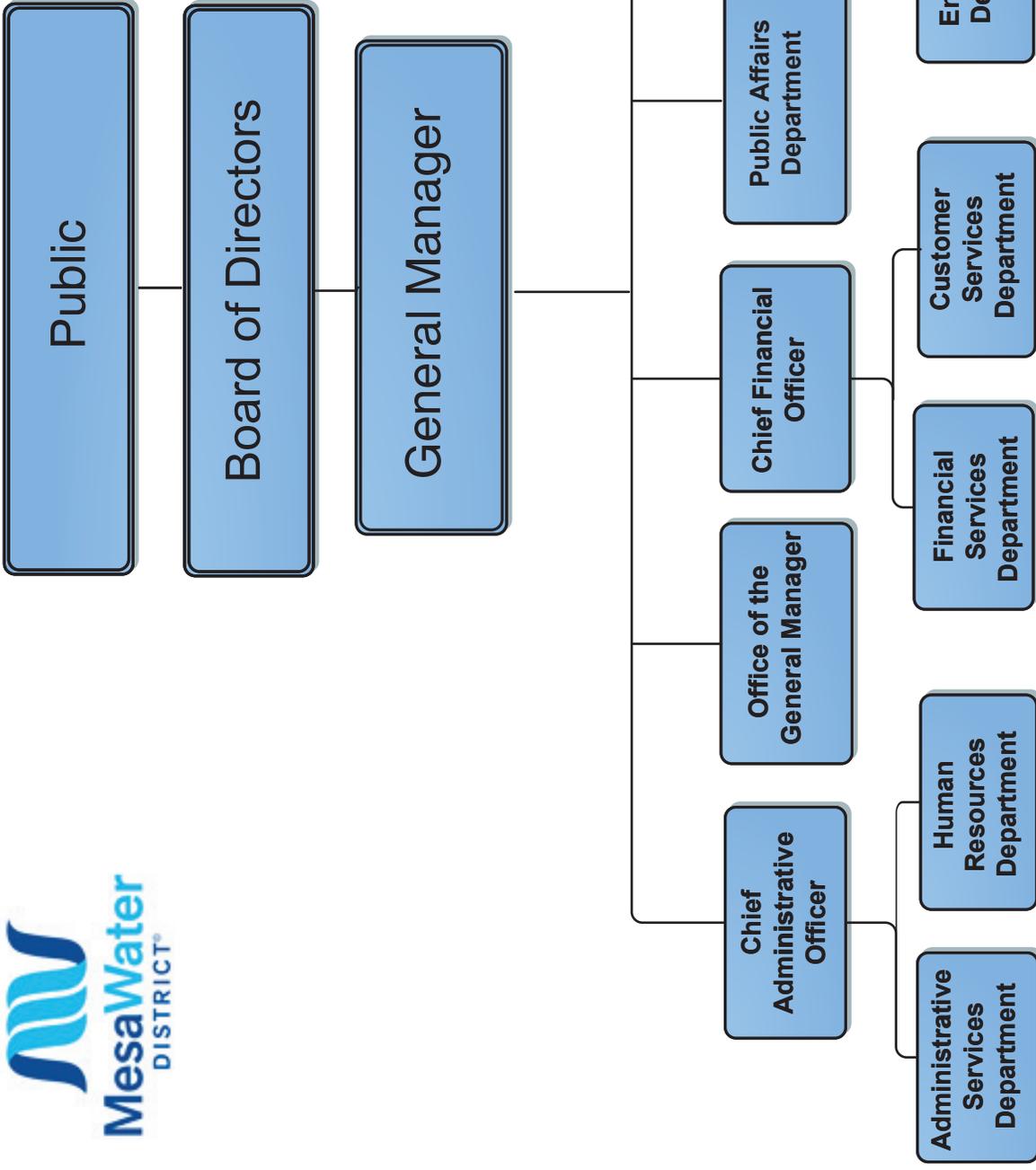
**Mesa Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

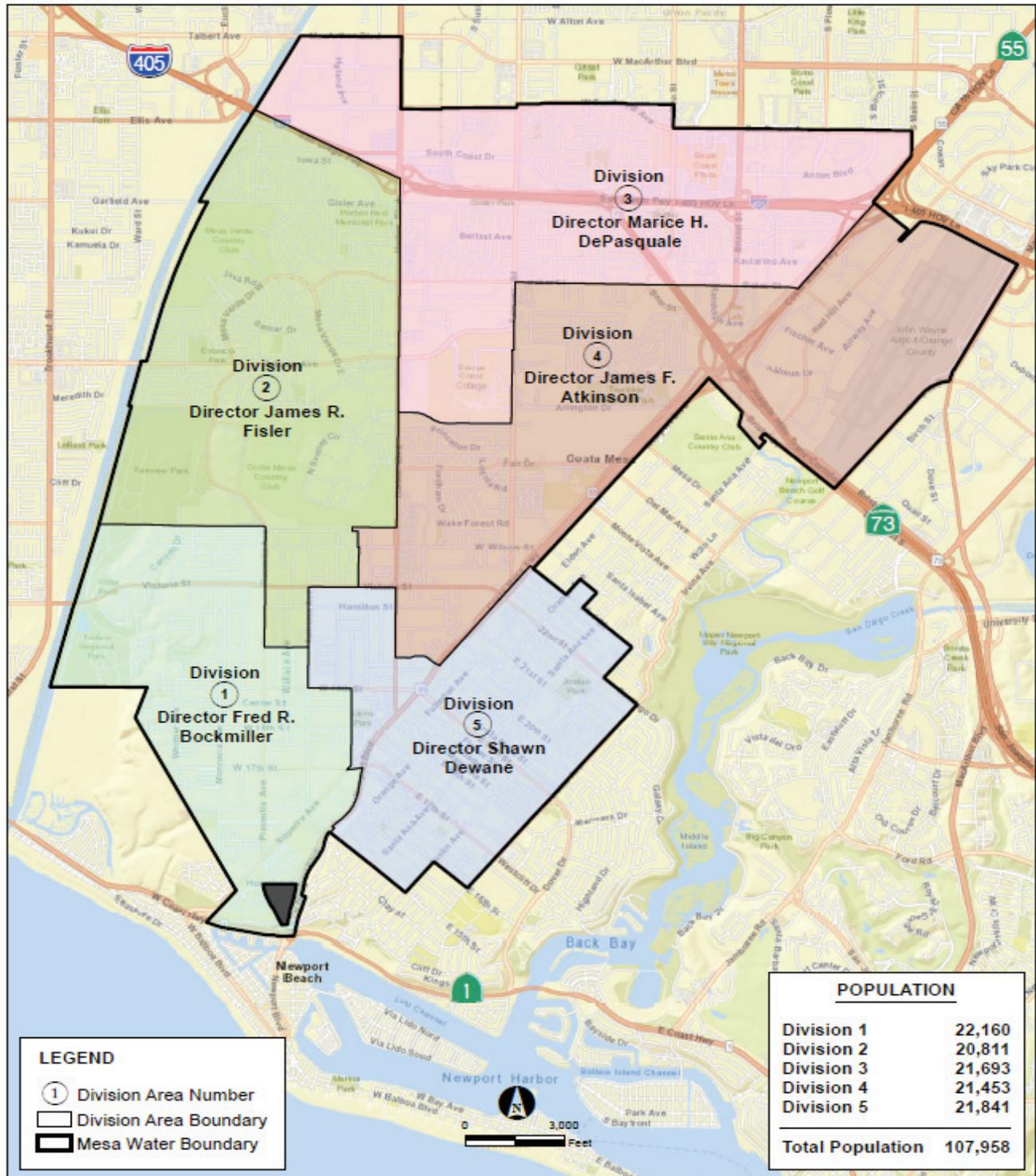
Christopher P. Morrill

Executive Director/CEO



Mesa Water District

District Service Area Map



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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mesa Water District
Costa Mesa, CA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Mesa Water District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Mesa Water Risk Retention Corporation (MWRRC), a blended component unit of the District. The MWRRC represents 10 percent, 16 percent, and 7 percent, respectively, of the assets, net position, and revenues of the District activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the MWRRC, is based solely on the report of the other auditors.

Basis for Opinion

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, and the State Controller's Minimum Audit Standards for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, the District adopted new accounting guidance, GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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



To the Board of Directors
Mesa Water District
Costa Mesa, California

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required pension and other postemployment benefits schedules, as listed on the table of contents, presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do



To the Board of Directors
Mesa Water District
Costa Mesa, California

not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying certificates of participation – revenue coverage and reconciliation of total revenues and total expenses schedules (supplementary information) are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
October 31, 2023

Mesa Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2023

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, 2023. 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 \$161.4 million, an increase of \$9.2 million or 6.0% from the prior year. \$107.1 million of Net Position was for net investment in capital assets, \$13.6 was restricted for pension benefits, and the remaining \$40.7 million was unrestricted.
- Total operating revenue slightly increased \$.03 million or .1% as a result of increased meter service charge revenue.
- Total revenues increased \$6.0 million or 15.7%, primarily due to investment gains being significantly higher than the prior year.
- Total expenses decreased by \$2.0 million or 5%. This decrease is primarily due to decreased costs for both transmission and distribution as well as general and administrative expenses.
- Total capital and intangible assets increased by \$14.9 million due to \$21.1 million in additions net of \$0.5 million in deletions, offset by depreciation expense of \$6.7 million.
- Total debt decreased by \$4.4 million due to principal repayments.

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, 2023

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.

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>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Assets and Deferred Outflows:				
Current assets	\$ 63,598,392	\$ 60,673,159	\$ 2,925,233	4.8%
Non-current assets	33,768,434	49,061,798	(15,293,364)	-31.2%
Capital and intangible assets, net	172,123,495	157,261,324	14,862,171	9.5%
Total Assets	<u>269,490,321</u>	<u>266,996,281</u>	<u>2,494,040</u>	0.9%
Deferred charges on debt refundings	226,438	355,831	(129,393)	-36.4%
Deferred amounts from OPEB & pension plans	6,803,635	2,613,566	4,190,069	160.3%
Total Deferred Outflows	<u>7,030,073</u>	<u>2,969,397</u>	<u>4,060,676</u>	136.8%
Total Assets and Deferred Outflows	<u>\$ 276,520,394</u>	<u>\$ 269,965,678</u>	<u>\$ 6,554,716</u>	2.4%
Liabilities:				
Current liabilities	\$ 16,790,905	\$ 16,923,682	\$ (132,777)	-0.8%
Non-current liabilities	96,838,187	93,278,866	3,559,321	3.8%
Total Liabilities	<u>113,629,092</u>	<u>110,202,548</u>	<u>3,426,544</u>	3.1%
Deferred Inflow of Resources - Actuarial	1,504,183	7,532,396	(6,028,213)	-80.0%
Total Liabilities and Deferred Inflows	<u>115,133,275</u>	<u>117,734,944</u>	<u>(2,601,669)</u>	-2.2%
Net position:				
Net Investment in capital assets	107,060,089	104,657,953	2,402,136	2.3%
Restricted for pension benefits	13,617,343	13,277,537	339,806	
Unrestricted	40,709,687	34,295,244	6,414,443	18.7%
Total Net Position	<u>161,387,119</u>	<u>152,230,734</u>	<u>9,156,385</u>	6.0%
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 276,520,394</u>	<u>\$ 269,965,678</u>	<u>\$ 6,554,716</u>	2.4%

Mesa Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2023

The District's total Assets and Deferred Outflows of Resources exceeded total Liabilities and Deferred Inflows of Resources by \$161.4 million and \$151.6 million as of June 30, 2023 and 2022, respectively.

The largest single component of the District's Net Position (67% and 69% for June 30, 2023 and 2022, 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, 2023 and 2022, the District showed a positive balance in its Unrestricted Net Position of \$40.7 million and \$34.3 million, respectively.

Of the \$96.8 million of non-current liabilities, \$68.8 million and \$12.1 million are attributed to the 2020 and 2017 COPS respectively. The net pension liability accounts for \$15.1 million of the balance. This amount does not include the Internal Revenue Code Section 115 trust held with PARS (Pension Trust) in the amount of \$13.6 million for fiscal year ended June 30, 2023. The PARS trust is legally restricted to providing benefits for members of the defined benefit pension plan. However, as it is a IRC Section 115 trust, the asset balance is not included in calculation of the net pension liability above.

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, 2023 is presented below:

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Revenues				
Operating revenues	\$ 41,102,347	\$ 41,072,417	\$ 29,930	0.1%
Non-operating revenues	3,337,995	(2,656,135)	5,994,130	-225.7%
Total Revenues	<u>44,440,342</u>	<u>38,416,282</u>	<u>6,024,060</u>	<u>15.7%</u>
Expenses:				
Operating expenses (not including deprec.)	29,457,519	31,425,466	(1,967,947)	-6.3%
Depreciation and amortization	6,657,317	6,130,487	526,830	8.6%
Non-operating expenses	2,505,697	3,100,026	(594,329)	-19.2%
Total Expenses	<u>38,620,533</u>	<u>40,655,979</u>	<u>(2,035,446)</u>	<u>-5.0%</u>
Net income before contributions	<u>5,819,809</u>	<u>(2,239,697)</u>	<u>8,059,506</u>	<u>-359.8%</u>
Capital Contributions	<u>3,170,279</u>	<u>1,809,920</u>	<u>1,360,359</u>	<u>75.2%</u>
Change in Net Position	<u>8,990,088</u>	<u>(429,777)</u>	<u>9,419,865</u>	<u>-2191.8%</u>
Net Position, beginning of year	<u>151,643,343</u>	<u>152,073,120</u>	<u>(429,777)</u>	<u>-0.3%</u>
Restatement	<u>753,688</u>	<u>-</u>	<u>753,688</u>	
Net Position, beginning of year as restated	<u>152,397,031</u>	<u>152,073,120</u>	<u>323,911</u>	<u>0.2%</u>
Net Position, end of year	<u>\$ 161,387,119</u>	<u>\$ 151,643,343</u>	<u>\$ 9,743,776</u>	<u>6.4%</u>

Mesa Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2023

The District's Net Position increased by \$9.7 million for the year ended June 30, 2023, while for the year ended June 30, 2022, Net Position decreased by \$.4 million.

Total District Revenues

Total District Revenues for the year ended June 30, 2023 is summarized below:

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Water sales	\$ 28,790,095	\$ 30,400,094	\$ (1,609,999)	-5.3%
Meter service charges	10,565,861	8,913,788	1,652,073	18.5%
Recycled water sales	1,208,355	1,470,021	(261,666)	-17.8%
Other charges and services	538,036	288,514	249,522	86.5%
Total Operating Revenues	<u>41,102,347</u>	<u>41,072,417</u>	<u>29,930</u>	<u>0.1%</u>
Investment earnings	3,336,769	(3,989,935)	7,326,704	-183.6%
Gain on sale/disposition of capital assets, net	-	-	-	0.0%
Intergovernmental	-	365,745	(365,745)	-100.0%
Other nonoperating revenue, net	1,226	968,055	(966,829)	-99.9%
Total Non-operating revenues	<u>3,337,995</u>	<u>(2,656,135)</u>	<u>5,994,130</u>	<u>-225.7%</u>
Total Revenues	<u>\$ 44,440,342</u>	<u>\$ 38,416,282</u>	<u>\$ 6,024,060</u>	<u>15.7%</u>

The District's operating revenues totaled \$41.1 million in fiscal year 2023. This represents an increase of \$.03 million or 0.1% from the prior year. The increase in total operating revenue was a result of an increase of \$1.7 million in meter service charge revenue which was offset by a decrease of \$1.6 million in water sales.

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

Mesa Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Total District Expenses

A summary of Total District Expenses for the year ended June 30, 2023 is outlined below:

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Import source of supply	\$ 337,578	\$ 413,434	\$ (75,856)	-18.3%
Basin managed water	-	3,200	(3,200)	-100.0%
Clear well production	8,840,948	7,895,494	945,454	12.0%
Amber well production	2,540,434	3,501,950	(961,516)	-27.5%
Recycled water	727,510	920,277	(192,767)	-20.9%
Total Water Supply	12,446,470	12,734,355	(287,885)	-2.3%
Transmission and distribution	7,456,248	8,432,923	(976,675)	-11.6%
General and administrative	9,554,801	10,258,188	(703,387)	-6.9%
Depreciation and amortization	6,657,317	6,130,487	526,830	8.6%
Total Operating Expense	36,114,836	37,555,953	(1,441,117)	-3.8%
Interest expense - long-term debt	2,449,394	2,606,831	(157,437)	-6.0%
Loss on sale/disposition of capital assets, net	56,303	469,500	(413,197)	-88.0%
Other nonoperating expense, net	-	23,695	(23,695)	-100.0%
Total Nonoperating Expenses	2,505,697	3,100,026	(594,329)	-19.2%
Total Expenses	\$ 38,620,533	\$ 40,655,979	\$ (2,035,446)	-5.0%

The District's total expenses decreased by \$2.0 million or 5.0%. This decrease is primarily due to spending cutbacks in transmission and distribution and general and administrative expenses.

Capital Assets

Changes in capital assets amounts for the year ended June 30, 2023 is as follows:

	<u>Balance 2022</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2023</u>
Capital assets:					
Non-depreciable assets	\$ 41,534,727	\$ (2,045,257)	\$ 20,264,620	\$ (5,348,287)	\$ 54,405,803
Depreciable assets	218,185,898	1,576,938	791,741	4,806,904	225,361,481
Accumulated Depreciation	(101,471,552)	-	(6,657,317)	485,080	(107,643,789)
	<u>\$ 158,249,073</u>	<u>\$ (468,319)</u>	<u>\$ 14,399,044</u>	<u>\$ (56,303)</u>	<u>\$ 172,123,495</u>

As of June 30, 2023 and 2022, the District's investment in capital assets amounted to \$172.1 million and \$159.8 million, respectively, net of accumulated depreciation, resulting in a net increase of \$13.9 million. The increase includes new right-to-use assets for subscriptions related to the implementation of GASB 96.

Mesa Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Capital additions to depreciable assets were \$.79 million in fiscal year 2023. Depreciation and Amortization totaled \$6.7 million as of June 30, 2023, an increase of \$0.5 million in comparison to the prior year. Please refer to Note 3, Capital Assets, in the accompanying Notes to the Financial Statements.

Adjustments in the current year relate to writing off previously capitalized assets recorded as CIP for \$821,452 and the implementation of GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. The net impact of the implementation resulted in an increase of \$1,223,805 in Subscription Liabilities and Right-to-Use Assets.

Debt Administration

	<u>Balance 2022</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance 2023</u>
2017 Series COPS	\$ 19,634,603	\$ -	\$ (3,954,390)	\$ 15,680,213
2020 Series COPS	69,328,699	-	(481,577)	68,847,122
Total long-term debt	<u>\$ 88,963,302</u>	<u>\$ -</u>	<u>\$ (4,435,967)</u>	<u>\$ 84,527,335</u>

Changes in debt amounts for the year ended June 30, 2023 is as follows:

As of June 30, 2023, the District had total outstanding debt of \$84.5 million, which was a decrease of \$4.4 million from the prior fiscal year. The decrease was due to principal repayments. Please refer to Note 6, Long-Term Debt in the accompanying Notes to the Financial Statements.

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.

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BASIC FINANCIAL STATEMENTS

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MESA WATER DISTRICT

Statement of Net Position

June 30, 2023

ASSETS

Current:	
Cash and Investments	\$ 55,826,615
Receivables (Net of Uncollectibles):	
Accounts	6,755,990
Accrued Interest	59,636
Deposits and Prepaid Costs	236,601
Material and Supplies Inventories	719,550
Total Current Assets	<u>63,598,392</u>
Noncurrent:	
Restricted - Cash and Investments Held by Pension Trust	13,617,343
Restricted - Cash and Investments Held by Fiscal Agent	19,989,646
Net OPEB asset	161,445
Capital Assets, Not Depreciated	54,405,803
Capital Assets, Net of Accumulated Depreciation and Amortization	117,717,692
Total Noncurrent Assets	<u>205,891,929</u>
Total Assets	<u>269,490,321</u>

DEFERRED OUTFLOWS OF RESOURCES

Unamortized Loss on Bond Defeasance	226,438
Pension-related	6,380,432
OPEB-related	423,203
Total Deferred Outflows of Resources	<u>7,030,073</u>

LIABILITIES

Current:	
Accounts Payable and Accrued Expenses	9,468,672
Accrued Wages and Related Payables	357,750
Accrued Interest	946,006
Customer Advances and Deposits	1,951,240
Current Portion of Compensated Absences	133,230
Current Portion of Certificates of Participation	3,605,000
Current Portion of Leases Payable	121,024
Current Portion of Subscriptions Payable	207,983
Total Current Liabilities	<u>16,790,905</u>
Noncurrent:	
Compensated Absences	532,918
Certificates of Participation Payable	80,922,335
Leases Payable	109,531
Subscription Payable	313,617
Net Pension Liability	14,959,786
Total Noncurrent Liabilities	<u>96,838,187</u>
Total Liabilities	<u>113,629,092</u>

DEFERRED INFLOWS OF RESOURCES

Pension-related	1,108,204
OPEB-related	395,979
Total Deferred Inflows of Resources	<u>1,504,183</u>

NET POSITION

Net Investment in Capital Assets	107,060,089
Restricted for Pension Benefits	13,617,343
Unrestricted	40,709,687
Total Net Position	<u>\$ 161,387,119</u>

MESA WATER DISTRICT
Statement of Revenues, Expenses and
Changes in Net Position
For the Year Ended June 30, 2023

OPERATING REVENUES

Water Consumption Sales	\$ 28,790,095
Monthly Meter Service Charge	10,565,861
Recycled Water Sales	1,208,355
Other Charges and Services	538,036
Total Operating Revenues	<u>41,102,347</u>

OPERATING EXPENSES

Imported Sources of Supply	337,578
Clear Water	8,840,948
Amber Water	2,540,434
Recycled Water	727,510
Transmission and Distribution	7,456,248
General and Administrative	9,554,801
Depreciation and Amortization	6,657,317
Total Operating Expenses	<u>36,114,836</u>

Operating Income (Loss)

4,987,511

NONOPERATING REVENUES (EXPENSES)

Interest Earnings	3,336,769
Interest Expense	(2,449,394)
Other Non-Operating, net	1,226
Gain (Loss) on Disposal of Capital Assets	(56,303)
Total Nonoperating Revenues (Expenses)	<u>832,298</u>

Income (Loss) Before Capital Contributions and Transfers

5,819,809

Capital Contributions

Capacity and Installation Charges	1,002,954
Capital Grant	365,267
Developers and Others	1,802,058
Total Capital Contributions	<u>3,170,279</u>

Change in Net Position

8,990,088

Net Position-beginning, as Previously Reported	151,643,343
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Prior Period Adjustments (Note 14)	<u>753,688</u>
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Net Position-beginning, as Restated	<u>152,397,031</u>
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Net Position-Ending	<u>\$ 161,387,119</u>
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MESA WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers for Water Sales and Services	\$ 41,445,246
Payments to Vendors and Suppliers for Materials and Services	(19,776,179)
Payments to Employees for Salaries and Benefits	<u>(11,419,830)</u>
Net Cash Provided by (Used for) Operating Activities	<u>10,249,237</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Non-capital Operating Revenues	2,070
Non-capital Operating Expense	<u>(844)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>1,226</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(18,030,498)
Proceeds from Capacity and Installation Charges	1,002,954
Proceeds from Capital Grants	365,267
Principal Paid on Capital Debt, Leases and SBITAs	(3,715,571)
Interest Paid on Capital Debt, Leases and SBITAs	<u>(1,318,399)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(21,696,247)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments to PARS OPEB Trust	(110,000)
Earnings on PARS Pension Trust Used to Purchase Investments, Net of Administrative Fees	1,431,853
Interest on Investments	823,058
Sale of Investments	3,496,900
Purchase of Investments	<u>(2,052,298)</u>
Net Cash Provided by (Used for) Investing Activities	<u>3,589,513</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,856,271)
Cash and Cash Equivalents-beginning	<u>57,922,988</u>
Cash and Cash Equivalents-ending	<u>\$ 50,066,717</u>

MESA WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2023

**RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO THE STATEMENT OF NET POSITION**

Cash and Investments	\$ 55,826,615
Restricted Cash and Investments Held by Pension Trust	13,617,343
Restricted Cash and Investments Held by Fiscal Agent	19,989,646
Less: Noncash Equivalents	<u>(39,366,887)</u>
Total Cash and Cash Equivalents	<u>\$ 50,066,717</u>

**RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED BY (USED FOR)**

OPERATING ACTIVITIES

Operating Income (Loss)	<u>\$ 4,987,511</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Depreciation and Amortization Expense	6,657,317
(Increase) Decrease in Accounts Receivable	915,443
(Increase) Decrease in Inventories	(239,347)
(Increase) Decrease in Prepaid Items	22,401
(Increase) Decrease in OPEB-Related Deferred Outflows	179,004
(Increase) Decrease in Pension-Related Deferred Outflows	(4,011,065)
Increase (Decrease) in Accounts Payable	343,485
Increase (Decrease) in Accrued Liabilities	57,352
Increase (Decrease) in Deposits Payable	(572,544)
Increase (Decrease) in Compensated Absences	68,234
Increase (Decrease) in Net OPEB Liability	305,856
Increase (Decrease) in Net Pension Liability	7,563,803
Increase (Decrease) in OPEB-Related Deferred Inflows	(373,288)
Increase (Decrease) in Pension-Related Deferred Inflows	<u>(5,654,925)</u>
Total Adjustments	<u>5,261,726</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 10,249,237</u>

**SCHEDULE OF NON-CASH NONCAPITAL, CAPITAL,
AND INVESTING ACTIVITIES**

Loss on Sale of Capital Assets	\$ 56,303
Contributions of Capital Assets	1,802,058
Amortization on Bond Discount/(Premium)	(1,050,967)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of the District

Mesa Water District (the 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. The District 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). Nonpotable (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 nonprofit 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 Risk Retention Corporation (MWRRC) was incorporated as a nonprofit corporation under the Utah Revised Nonprofit Corporation Act on December 15, 2021. MWRRC commenced operations on January 25, 2022, as a pure captive insurer under the captive insurance laws of the State of Utah. MWRRC was established by Mesa Water District and is reported as a blended component unit under the District. MWRRC was formed to provide a self-insurance plan for the District for earthquake property insurance coverage on a claim basis with limits of \$5,000,000 per occurrence and in the aggregate.

Although the Corporation and the MWRRC are legally separate entities, the governing boards are 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, 2023. The MWRRC issues separate financial statements which can be obtained by contacting the District.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting – Proprietary Fund

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 such as water consumption sales, monthly meter service charge, recycled water sales, concessions from governmental agencies, and other charges and services. Operating expenses include cost of sales and services, which includes imported sources of supply, basin managed water, clear water, amber water, recycled water, transmission and distribution, 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 (developers and others), capital grants, and other charges that are legally restricted for capital expenditures by state law or by Board action that established those charges (capacity and installation charges).

New GASB Pronouncements Effective during Fiscal Year

The following Government Accounting Standards Board (GASB) pronouncements were effective for and/or early implemented for the fiscal year ended June 30, 2023:

1. *GASB Statement No. 91, Conduit Debt Obligations*

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. There is no impact on the current year financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. There is no impact on the current year financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. GASB Statement No. 96, Subscription-Based Information Technology Arrangements

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The net impact on the current year financial statements is disclosed in note 14.

4. GASB Statement No. 100, Accounting Changes and Error Corrections

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. This pronouncement has no financial impact and is only for disclosures purposes.

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 amortization, and reduced by outstanding debt and other payables that are 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".

NOTE 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 nonappropriated 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.

Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as capital projects or pension. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, Intangible Assets and Right-to-Use 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 noninfrastructure 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.

Right-to-use assets are defined as assets with an estimated useful life in excess of one year and with an initial, individual cost of \$5,000 or more. Right-to-use assets are recorded at the present value of the lease or subscription liability, including expenses to place the asset into service. In accordance with GASB Statement No. 87 and GASB Statement No. 96, the District has reported right-to-use assets for vehicles, equipment and subscriptions.

Depreciation or amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Useful Life

Land Improvements	15 to 50 Years
Buildings and Improvements	10 to 50 Years
Machinery and Equipment	4 to 10 Years
Transmission and Distribution System	10 to 99 Years
Reservoirs	50 to 75 Years
Metering Stations	10 to 99 Years
Wells and Pumping Plant	5 to 50 Years
Intangible Assets	3 to 40 Years
Control Systems	4 to 20 Years
Mesa Water Reliability Facility	5 to 50 Years
Right-to-Use Leased Assets	Shorter of the asset's useful life or the lease term
Right-to-Use Subscription Assets	Shorter of the asset's useful life or the subscription term

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 30th 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 nonrefundable, which is when the relevant system actually connects to the District's potable water system.

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 assets 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 and OPEB resulting from the net difference in projected and actual earnings on investments of the pension plan and OPEB plan fiduciary net position. These amounts are amortized over five years.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 asset 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 and changes in assumptions. 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 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.

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:

	2023
Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	June 30, 2021 to June 30, 2022

Other Post Employment Benefit (OPEB) Plan

For purposes of measuring the net OPEB liability (asset), 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 accounting principles generally accepted in the United States of America 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
June 30, 2023

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2023, are classified in the financial statements as follows:

	<u>2023</u>
Statements of Net Position	
Cash and Investments	\$ 55,826,615
Restricted Cash and Investments: Fiscal Agent	19,989,646
Restricted Cash and Investments: Pension Trust	13,617,343
Total Cash and Investments	<u>\$ 89,433,604</u>

Cash and investments as of June 30, 2023, consist of the following:

	<u>2023</u>
Petty Cash	\$ 14,000
Deposits with Financial Institutions	4,221,269
Deposits held with MWRRC	<u>1,317,801</u>
Total Cash	5,553,070
Investments	25,759,103
Investments held with MWRRC	24,514,442
Restricted:	
Held by Pension Trust	13,617,343
Held by Fiscal Agent	<u>19,989,646</u>
Total Investments	<u>83,880,534</u>
Total Cash and Investments	<u>\$ 89,433,604</u>

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 that are governed by provisions other than the general provisions of the California Government Code or the District's Investment Policy. These include investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, the investments of funds within the Pension Trust that are governed by the agreement between the District and the trustee, and the investments of the MWRRC which are governed by the Utah Code Annotated (U.C.A.) § 31A-18-105.

MESA WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Authorized Investment Type	Maximum Maturity	Maximum in Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 Years	None	None
Mesa Water District Bonds	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
State of California 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%	10%
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	20%	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	\$75 Million
County Pooled Investment Funds	N/A	None	None
Time Deposits	5 Years	None	*

*Subject to FDIC limits

**of Base

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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.

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 Trust

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 plan. The Pension 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% to 20% Cash
10% to 30% Fixed Income
65% to 85% Equity

Investments Held by MWRRRC

The MWRRRC, incorporated as a nonprofit corporation under the Utah Revised Nonprofit Corporation Act, invests according to the provisions of the Utah Code Annotated (U.C.A.) § 31A-18-105. The MWRRRC invests in equity securities that consist of equity and fixed income mutual funds. Dividend income is recognized within investment earnings on the statement of revenues, expenses and changes in net position.

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 multiplied by a fair value factor.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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 nonmortgage-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. \$250,000 of bank balances at June 30, 2023 are federally insured. Bank balances of \$9,615,613 at June 30, 2023, respectively, are collateralized in accordance with IRC; however, the collateralized securities are not held in the District's name.

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, 2023.

MESA WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investment Type	June 30, 2023			
	Total	12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Pool	\$ 1,104	\$ 1,104	\$ -	\$ -
Orange County Investment Pool	9,314	9,314	-	-
Federal Agency Securities:				
Federal Farm Credit Bank (FFCB)	4,212,730	980,842	1,160,540	2,071,348
Federal National Mortgage Association (FNMA)	1,658,359	-	-	1,658,359
Federal Home Loan Bank (FHLB)	2,582,412	462,920	1,397,392	722,100
Federal Home Loan Mortgage Corporation (FHLMC)	3,620,524	973,957	1,410,343	1,236,224
Federal Agricultural Mortgage Corporation (FAMC)	982,310	982,310	-	-
Negotiable Certificates of Deposit	9,615,612	3,651,826	3,253,243	2,710,543
Money Market Mutual Funds	536,177	536,177	-	-
U.S. Treasury Obligation	2,540,561	1,165,648	927,735	447,178
Held by Fiscal Agent:				
Money Market Mutual Funds	19,989,646	19,989,646	-	-
Held by Pension Trust:				
Mutual Funds	13,617,343	13,617,343	-	-
Held by MWRRC:				
Equity Securities	24,514,442	24,514,442	-	-
Total	<u>\$ 83,880,534</u>	<u>\$ 66,885,529</u>	<u>\$ 8,149,253</u>	<u>\$ 8,845,752</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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 for each investment type as of June 30, 2023.

MESA WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investment Type	June 30, 2023			
	AA+	AAA	Not Rated	Total
Local Agency Investment Pool	\$ -	\$ -	\$ 1,104	\$ 1,104
Orange County Investment Pool	-	-	9,314	9,314
Federal Agency Securities:				
Federal Farm Credit Bank (FFCB)	3,971,476	241,254	-	4,212,730
Federal National Mortgage Association (FNMA)	1,658,359	-	-	1,658,359
Federal Home Loan Bank (FHLB)	2,582,412	-	-	2,582,412
Federal Home Loan Mortgage Corporation (FHLMC)	3,620,524	-	-	3,620,524
Federal Agricultural Mortgage Corporation (FAMC)	982,310	-	-	982,310
Negotiable Certificates of Deposit	-	-	9,615,612	9,615,612
Money Market Mutual Funds	-	-	536,177	536,177
U.S. Treasury Obligation	2,298,557	242,004	-	2,540,561
Held By Fiscal Agent:				
Money Market Mutual Funds	-	-	19,989,646	19,989,646
Held by Pension Trust:				
Mutual Funds	-	-	13,617,343	13,617,343
Held by MWRRRC:				
Equity Securities	-	-	24,514,442	24,514,442
Total	<u>\$ 15,113,638</u>	<u>\$ 483,258</u>	<u>\$ 68,283,638</u>	<u>\$ 83,880,534</u>

Investments in any one issuer (other than external investment pools, such as LAIF, OCIP, and the pension trust) that represent 5% or more of total District investments (excluding investments held by fiscal agent and held by pension trust) is as follows as of June 30, 2023:

June 30, 2023		
Issuer	Investment Type	Amount
FFCB	Federal Agency Securities	\$ 4,212,730
FHLB	Federal Agency Securities	2,582,412
FHLMC	Federal Agency Securities	3,620,524
FNMA	Federal Agency Securities	1,658,359
Total		<u>\$ 12,074,025</u>

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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.

MESA WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Federal agency securities, negotiable certificates of deposit, U.S. treasury obligations, 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.

The District had the following recurring fair value measurements as of June 30, 2023:

Investment Type	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Federal Agency Securities:				
Federal Farm Credit Bank (FFCB)	\$ -	\$ 4,212,730	\$ -	\$ 4,212,730
Federal National Mortgage Association (FNMA)	-	1,658,359	-	1,658,359
Federal Home Loan Bank (FHLB)	-	2,582,412	-	2,582,412
Federal Home Loan Mortgage Corporation (FHLMC)	-	3,620,524	-	3,620,524
Federal Agricultural Mortgage Corporation (FAMC)	-	982,310	-	982,310
Negotiable Certificates of Deposit	-	9,615,612	-	9,615,612
U.S. Treasury Obligation	-	2,540,561	-	2,540,561
Held by Pension Trust:				
Mutual Funds	-	13,617,343	-	13,617,343
Held by MWRRC				
Equity Securities	24,514,442	-	-	24,514,442
Total	\$ 24,514,442	\$ 38,829,851	\$ -	63,344,293
Local Agency Investment Pool*				1,104
Orange County Investment Pool*				9,314
Money Market Mutual Funds*				536,177
Held by Fiscal Agent:				
Money Market Mutual Funds*				19,989,646
Total Investment Portfolio				\$ 83,880,534

**Not subject to fair value measurement hierarchy.*

MESA WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 3: CAPITAL ASSETS

Changes in capital assets during the fiscal year ended June 30, 2023 were as follows:

	Balance July 1, 2022	Adjustments	Additions	Deletions	Transfers	Balance June 30, 2023
Capital assets, not being depreciated/amortized						
Land	\$ 11,225,090	\$ -	\$ -	\$ -	\$ -	\$ 11,225,090
Construction-in-Progress	30,309,637	(2,045,257)	20,264,620	-	(5,348,287)	43,180,713
Total capital assets, not being depreciated/amortized	41,534,727	(2,045,257)	20,264,620	-	(5,348,287)	54,405,803
Capital assets, being depreciated/amortized						
Land Improvements	2,271,761	-	-	-	12,754	2,284,515
Building and Improvements	9,762,156	-	-	-	111,428	9,873,584
Machinery and Equipment	5,685,513	-	-	-	105,225	5,790,738
Transmission and Distribution System	106,759,303	-	-	(541,383)	5,118,880	111,336,800
Reservoirs	29,176,525	-	-	-	-	29,176,525
Wells and Plumping Plant	22,850,025	-	-	-	-	22,850,025
Metering Stations	1,225,758	-	-	-	-	1,225,758
Intangible Assets	3,677,135	-	-	-	-	3,677,135
Right-to-Use Assets - Machinery and Equipment	381,724	-	56,272	-	-	437,996
Right-to-Use Assets - Subscriptions	-	1,576,938	735,469	-	-	2,312,407
Control Systems	5,074,242	-	-	-	-	5,074,242
Mesa Water Reliability Facility	31,321,756	-	-	-	-	31,321,756
Total capital assets, being depreciated/amortized	218,185,898	1,576,938	791,741	(541,383)	5,348,287	225,361,481
Less accumulated depreciation/amortization						
Land Improvements	(882,425)	-	(104,529)	-	-	(986,954)
Building and Improvements	(3,024,679)	-	(366,090)	-	-	(3,390,769)
Machinery and Equipment	(4,075,066)	-	(436,547)	-	-	(4,511,613)
Transmission and Distribution System	(48,275,196)	-	(1,978,412)	485,080	-	(49,768,528)
Reservoirs	(13,044,318)	-	(477,896)	-	-	(13,522,214)
Wells and Plumping Plant	(4,968,984)	-	(463,718)	-	-	(5,432,702)
Metering Stations	(429,515)	-	(24,515)	-	-	(454,030)
Intangible Assets	(2,666,661)	-	(392,759)	-	-	(3,059,420)
Right-to-Use Assets - Machinery and Equipment	(83,086)	-	(121,139)	-	-	(204,225)
Right-to-Use Assets - Subscriptions	-	-	(749,211)	-	-	(749,211)
Control Systems	(3,904,831)	-	(232,523)	-	-	(4,137,354)
Mesa Water Reliability Facility	(20,116,791)	-	(1,309,978)	-	-	(21,426,769)
Total accumulated depreciation/amortization	(101,471,552)	-	(6,657,317)	485,080	-	(107,643,789)
Total capital assets, being depreciated/amortized, net	116,714,346	1,576,938	(5,865,576)	(56,303)	5,348,287	117,717,692
Total capital assets	\$ 158,249,073	\$ (468,319)	\$ 14,399,044	\$ (56,303)	\$ -	\$ 172,123,495

NOTE 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, 2023, were as follows:

July 1, 2023	Earned	Taken	June 30, 2023	Current Portion
\$ 597,914	\$ 591,146	\$ 522,912	\$ 666,148	\$ 133,230

NOTE 5: OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

Plan Description

The District has an agent multiple-employer defined benefit plan that provides postemployment 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 plan itself does not issue a separate financial report.

The District is required to pay the PEMCHA minimum (\$149/month in 2023) 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 postemployment 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.

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 date June 30, 2022, the following current and former employees were covered by the benefit terms under the plan:

	Measurement Date <u>June 30, 2022</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	33
Inactive Employees or Beneficiaries Entitled to But Not Yet Receiving Benefits	-
Active Employees	60
Total	<u>93</u>

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 year ended June 30, 2023, was 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, 2023, the District paid \$70,509 for current premiums, the implied subsidy was \$34,484, and payments to the OPEB trust totaled \$110,000 for total contributions of \$214,993.

NOTE 5: OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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.

Fiduciary Net Position with PARS Trust

The PARS OPEB Trust (Trust) contains assets of 164 member agencies as of June 30, 2022. The Trust invests in various investment securities including U.S. Treasury Obligations, U.S. Government Agency Issues, Corporate Debt Issues, Foreign Debt Issues, Municipal Debt Issues, Money Market Mutual Funds, Equity Mutual Funds, Fixed Income Mutual Funds, Domestic Common Stocks, and Foreign Stocks.

Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Trust manages exposure to interest rate risk 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. Investments in the Trust mature as of June 30, 2022, as follows: 1% in one year or less, 5% in two to five years, 8% in five to ten years, 9% in more than 10 years.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Trust investments are rated by Standard and Poor's or Moody's as of June 30, 2022, as follows: 6% are rated AAA; 1% are AA; 1% are A; 4% are BBB; 4% are exempt from ratings, and 90% are not rated.

Concentration of credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. At June 30, 2022, the Trust had no investments concentrated in one issuer (other than mutual funds, U.S. Treasury obligations, and corporate debt securities) that exceeded 5% of the Trust's investments.

All of the Trust's cash deposits as of June 30, 2022 of \$71,308,658, which includes the balances of all 164 member agencies, are federally insured for up to \$250,000 by the Federal Deposit Insurance Corporation. Deposits in excess of the federally insured amount are subject to custodial credit risk, which is the risk that, in the event of the failure of a depository financial institution, the Trust will not be able to recover its deposits.

Net OPEB Liability (Asset)

For the fiscal year ended June 30, 2023, the District's net OPEB liability (asset) was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2021, rolled forward using standard update procedures to June 30, 2022. A summary of the principal assumptions and methods used to determine the net OPEB liability (asset) are shown below.

MESA WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 5: OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

Actuarial Assumptions

The net OPEB liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry age normal, level percentage of payroll
Asset Valuation Method	Fair value
Actuarial assumptions:	
Discount rate	6.50%
Long-Term Expected Rate of Return on Investments	6.50%
General Inflation	2.30%
Medical Trend	Non-Medicare: 5.50% for 2023, decreasing to an ultimate rate of 4.04% by 2075 Medicare: 5.30% for 2023, decreasing gradually to an ultimate rate of 4.04% by 2075
Mortality	CalPERS Experience Study published in November 2021
Mortality Improvement	Mortality projected fully generational with Scale MP-2021

The long-term expected rates of return are GovInvest's 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 year ended June 30, 2022, 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%	4.38%
Fixed Income	20.00%	1.12%
Real Estate Investment Trusts	2.00%	3.54%
Cash	5.00%	-0.45%
Total	<u>100.00%</u>	
Assumed Long-Term Rate of Inflation		2.30%
Expected Long-Term Net Rate of return, Rounded		6.50%

Discount Rate

The discount rate used to measure the net OPEB liability (asset) was 6.50%. 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 (asset).

MESA WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 5: OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

Changes in the Net OPEB Liability (Asset)

The changes in the net OPEB liability (asset) for the year ended June 30, 2023 are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2021 (Measurement Date)	\$ 1,583,438	\$ 2,050,739	\$ (467,301)
Changes in the Year:			
Service Cost	60,303	-	60,303
Interest on the Total OPEB Liability	107,423	-	107,423
Changes in Assumptions	43,149	-	43,149
Difference between expected and actual experience	(11,907)	-	(11,907)
Contributions - Employer	-	216,320	(216,320)
Net Investment Income	-	(313,411)	313,411
Benefit Payments	(106,320)	(106,320)	-
Administrative Expenses	-	(9,797)	9,797
Net Changes	92,648	(213,208)	305,856
Balance at June 30, 2022 (Measurement Date)	<u>\$ 1,676,086</u>	<u>\$ 1,837,531</u>	<u>\$ (161,445)</u>

Change of Assumptions

All actuarial methods and assumptions used in this year's roll-forward report are the same as those used in the Mesa Water District GASB 75 Disclosures for fiscal year ending June 30, 2022, except as noted below.

Single Equivalent Discount Rate (SEDR) has been reduced from 6.75% as of June 30, 2021 to 6.50% as of June 30, 2022 based on the updated expected rate of return of the Trust, which caused a decrease in the liability. Second year health care trend rates have been updated to reflect actual premium increases from 2022 to 2023 as shown below, which caused a decrease in the liability.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) 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:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Plan's Net OPEB Liability (Asset) as of the Fiscal Year Ended June 30, 2023	\$ 31,427	\$ (161,445)	\$ (323,570)

Sensitivity of the Net OPEB Liability (Asset) to Changes in Medical Trend Rates

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

	4.50% (Non-Medicare) and 4.30% (Medicare) Decreasing to 3.04% in 2075	5.50% (Non-Medicare) and 5.30% (Medicare) Decreasing to 4.04% in 2075	6.50% (Non-Medicare) and 6.3% (Medicare) Decreasing to 5.04% in 2075
Plan's Net OPEB Liability (Asset) as of the Fiscal Year Ended June 30, 2023	\$ (341,380)	\$ (161,445)	\$ 57,299

MESA WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 5: OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$31,443.

As of the year ended June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 214,993	\$ -
Difference between actual and expected experience	-	(261,585)
Change in assumptions	58,064	(134,394)
Net difference between projected and actual earnings on pension plan investments	150,146	-
Total	<u>\$ 423,203</u>	<u>\$ (395,979)</u>

The \$214,993 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the fiscal year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2024	\$ (60,591)
2025	(61,747)
2026	(75,845)
2027	45,171
2028	(39,221)
Thereafter	4,464
Total	<u>\$ (187,769)</u>

NOTE 6: LONG-TERM DEBT

The following amounts of debt were outstanding June 30, 2023:

	Balance at June 30, 2022	Additions	Repayments	Balance at June 30, 2023	Amount Due in One Year
2017 Series COPs	\$ 16,930,000	\$ -	\$ (3,385,000)	\$ 13,545,000	\$ 3,605,000
Plus: Unamortized Premium	2,704,603	-	(569,390)	2,135,213	-
Subtotal 2017 COPs	<u>19,634,603</u>	<u>-</u>	<u>(3,954,390)</u>	<u>15,680,213</u>	<u>3,605,000</u>
2020 Series COPs	55,985,000	-	-	55,985,000	-
Plus: Unamortized Premium	13,343,699	-	(481,577)	12,862,122	-
Subtotal 2020 COPs	<u>69,328,699</u>	<u>-</u>	<u>(481,577)</u>	<u>68,847,122</u>	<u>-</u>
Total Long-Term Debt	<u>\$ 88,963,302</u>	<u>\$ -</u>	<u>\$ (4,435,967)</u>	<u>\$ 84,527,335</u>	<u>\$ 3,605,000</u>

NOTE 6: LONG-TERM DEBT (CONTINUED)

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.

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ 3,605,000	\$ 677,250	\$ 4,282,250
2025	3,835,000	497,000	4,332,000
2026	4,050,000	305,250	4,355,250
2027	2,055,000	102,750	2,157,750
Total	<u>\$ 13,545,000</u>	<u>\$ 1,582,250</u>	<u>\$ 15,127,250</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, vales and meters. The COPs were issued at a premium of \$14,346,984 which will be amortized 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.

MESA WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 6: LONG-TERM DEBT (CONTINUED)

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ -	\$ 2,566,200	\$ 2,566,200
2025	-	2,566,200	2,566,200
2026	-	2,566,200	2,566,200
2027	-	2,566,200	2,566,200
2028	1,410,000	2,566,200	3,976,200
2029-2033	8,190,000	11,699,000	19,889,000
2034-2038	10,455,000	9,436,250	19,891,250
2039-2043	12,830,000	7,060,850	19,890,850
2044-2048	15,700,000	4,185,800	19,885,800
2049-2050	7,400,000	559,500	7,959,500
Total	<u>\$ 55,985,000</u>	<u>\$ 45,772,400</u>	<u>\$ 101,757,400</u>

Pledged Revenues

The 2017 and 2020 Certificates of Participation 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, 2023, the District reported net revenues of \$16,278,208 and debt service of \$6,797,700, which is 239%.

NOTE 7: LEASES

The District implemented GASB Statement No. 87 in the fiscal year ended June 30, 2022. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. 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. For additional information, refer to the disclosures below.

Lease Payable and Right to Use Lease Assets

During the current and prior fiscal years, the District entered into various lease agreement as lessee for the acquisition and use of vehicles and equipment as detailed below.

As of July 1, 2021, the District entered into a 48-month lease for the use of a Mailing System. An initial lease liability was recorded in the amount of \$13,166. As of June 30, 2023, the value of the lease liability is \$6,609. The District is required to make quarterly fixed payments of \$831. The lease has an interest rate of 0.5214%. The value of the right to use asset as of June 30, 2023 is \$13,166 with accumulated amortization of \$6,551.

As of July 1, 2021, the District entered into a 27-month lease for the use of a 2020 Ford Explorer. An initial lease liability was recorded in the amount of \$12,252. As of June 30, 2023, the value of the lease liability is \$1,759. The District is required to make monthly fixed payments of \$474. The lease has an interest rate of 0.4740%. The value of the right to use asset as of June 30, 2023 is \$12,784 with accumulated amortization of \$11,336.

As of July 1, 2021, the District entered into a 36-month lease for the use of a 2019 Ford Escape. An initial lease liability was recorded in the amount of \$16,642. As of June 30, 2023, the value of the lease liability is \$5,571. The District is required to make monthly fixed payments of \$498. The lease has an interest rate of 0.4740%. The value of the right to use asset as of June 30, 2023 is \$16,671 with accumulated amortization of \$11,114.

MESA WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 7: LEASES (CONTINUED)

As of July 1, 2021, the District entered into a 48-month lease for the use of a copiers with Canon Financial. An initial lease liability was recorded in the amount of \$94,997. As of June 30, 2023, the value of the lease liability is \$47,743. The District is required to make monthly fixed payments of \$2,001. The lease has an interest rate of 0.5610%. The value of the right to use asset as of June 30, 2023 is \$94,997 with accumulated amortization of \$47,499.

On December 2, 2021, the District entered into a 36-month lease for the use of phone system equipment. An initial lease liability was recorded in the amount of \$234,715. As of June 30, 2023, the value of the lease liability is \$111,464. The District is required to make monthly fixed payments of \$6,596. The lease has an interest rate of 0.7980%. The value of the right to use asset as of June 30, 2023 is \$234,715 with accumulated amortization of \$123,775.

On April 26, 2023, the District entered into a 36 month lease as Lessee for the use of a 2023 Kia Telluride. An initial lease liability was recorded in the amount of \$59,272. As of June 30, 2023, the value of the lease liability is \$57,409. The District is required to make monthly fixed payments of \$964. The lease has an interest rate of 6.5619%. The value of the right to use asset as of June 30, 2023 of \$65,663 with accumulated amortization of \$3,950.

Leases payable include the following as of June 30, 2023:

Asset Class	Balance as of July 1, 2022	Additions	Reductions	Balance as of June 30, 2023	Short-term Portion
Equipment	\$ 270,691	\$ -	\$ 104,875	\$ 165,816	\$ 102,105
Vehicles	18,132	59,663	13,056	64,739	18,919
Total Leases Payable	<u>\$ 288,823</u>	<u>\$ 59,663</u>	<u>\$ 117,931</u>	<u>\$ 230,555</u>	<u>\$ 121,024</u>

The future principal and interest lease payments as of June 30, 2023, were as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 121,024	\$ 4,381	\$ 125,405
2025	68,753	3,133	71,886
2026	40,778	2,046	42,824
Total	<u>\$ 230,555</u>	<u>\$ 9,560</u>	<u>\$ 240,115</u>

NOTE 8: SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

MESA WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 8: SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

Subscription Liability and Subscription Assets

During the current and prior fiscal years, the District entered into various subscription contracts as detailed below.

On July 1, 2022, the District entered into a 30-month subscription for the use of Amazon Web Services (AWS). An initial subscription liability was recorded in the amount of \$292,293. As of June 30, 2023, the value of the subscription liability is \$177,135. The District is required to make monthly fixed payments of \$10,000. The subscription has an interest rate of 2.0377%. The value of the right to use asset as of June 30, 2023 of \$1,349,800 with accumulated amortization of \$527,609. The District had a termination period of 1 month as of the subscription commencement.

On July 1, 2022, District entered into a 26-month subscription for the use of Trace3 - Okta. An initial subscription liability was recorded in the amount of \$25,273. As of June 30, 2023, the value of the subscription liability is \$12,558. The District is required to make annual fixed payments of \$12,796. The subscription has an interest rate of 1.8937%. The value of the right to use asset as of June 30, 2023 of \$191,571 with accumulated amortization of \$88,417.

On July 1, 2022, the District entered into a 30-month subscription for the use of Microsoft Volume Licensing. An initial subscription liability was recorded in the amount of \$35,567. As of June 30, 2023, the value of the subscription liability is \$17,800. The District is required to make annual fixed payments of \$18,163. The subscription has an interest rate of 2.0377%. The value of the right to use asset as of June 30, 2023 of \$35,567 with accumulated amortization of \$13,963. The District has one extension option of 36 months.

On September 5, 2022, the District entered into a 60-month subscription for the use of Microsoft O365 Teams Hosted Services. An initial subscription liability was recorded in the amount of \$381,107. As of June 30, 2023, the value of the subscription liability is \$314,107. The District is required to make annual fixed payments of \$67,000. The subscription has an interest rate of 2.1857%. The value of the right to use asset as of June 30, 2023 of \$735,469 with accumulated amortization of \$119,222. The District had a termination period of 1 month as of the subscription commencement.

Subscription liability include the following as of June 30, 2023:

<u>Asset Class</u>	<u>Balance as of July 1, 2022</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance as of June 30, 2023</u>	<u>Short-term Portion</u>
Software Subscription	\$ -	\$ 353,133	\$ 381,107	\$ 212,640	\$ 521,600	\$ 207,983

The future principal and interest payments as of June 30, 2023, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 207,983	\$ 9,976	\$ 217,959
2025	121,094	5,906	127,000
2026	62,792	4,208	67,000
2027	64,165	2,836	67,001
2028	65,566	1,433	66,999
Total	\$ 521,600	\$ 24,359	\$ 545,959

NOTE 9: 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.

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.

NOTE 10: 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.

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. Beginning in fiscal year 2023, the District expanded this program to all district employees resulting in an increase of contributions. The District contributes 3.5% 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 year ended June 30, 2023, the District contributed \$235,479 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.

NOTE 11: 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 nonindustrial disability benefits after five 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.

The Plan’s provisions and benefits in effect as of the fiscal year ended June 30, 2023, are summarized as follows:

	Miscellaneous	
	Hire Date Prior to January 1, 2013	Hire Date on or After January 1, 2013
Benefit Formula	2% at Age 55	2% at Age 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 to 63	52 to 67
Monthly Benefits, as a Percent of Eligible Compensation	1.426% to 2.418%	1.0% to 2.5%
Required Employee Contribution Rates:	6.920%	7.250%
June 30, 2022:		
Required Employer Contribution Rates:		
Normal Cost Rate	11.610%	7.760%
Payment of Unfunded Liability	1,084,560	7,487

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.

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the fiscal year ended June 30, 2023, the District made contributions of \$1,701,465.

Actuarial Methods and Assumptions used to determine Total Pension Liability

The total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability as of June 30, 2023. The total pension liability was based on the following assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

(1) Varies by entry age and service

(2) Derived using CalPERS' Membership Data for all Funds. The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website

(3) Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

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.

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.

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONTINUED)

The expected real rates of return by asset class for the fiscal year ended June 30, 2023 are as follows:

Asset Class	New Strategic Allocation	Real Return Years (a) (b)
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

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

(b) Figures are based on the 2021-22 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90% for fiscal year ended June 30, 2023. 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, 2023, the District reported a net pension liability for its proportionate share of the miscellaneous plan net pension liability of \$14,959,786.

The District's net pension liability for the Plan is measured as the proportionate share of the collective net pension liability. For the fiscal year ended June 30, 2023, the net pension liability of the Plan is measured as of June 30, 2022, 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, 2021. 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
June 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONTINUED)

The District's proportionate share of the net pension liability for the Plan as of the measurement dates ended June 30, 2022 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2021	0.25802%
Proportion - June 30, 2022	0.25634%
Change - Increase (Decrease)	<u><u>-0.00168%</u></u>

For the years ended June 30, 2023, the District recognized a pension expense (income) of (\$400,722) for the Plan.

As the measurement period ending June 30, 2022, the District reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	<u>June 30, 2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,701,465	\$ -
Difference between actual and expected experience	300,422	(201,209)
Change in Assumptions	1,532,943	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	105,367	(906,995)
Net difference between projected and actual earnings on pension plan investments	2,740,235	-
Total	<u><u>\$ 6,380,432</u></u>	<u><u>\$ (1,108,204)</u></u>

The \$1,701,465 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 800,221
2025	704,000
2026	390,520
2027	1,676,022
Total	<u><u>\$ 3,570,763</u></u>

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Plan's Net Pension Liability as of the Fiscal Year ended June 30, 2023	\$ 22,455,187	\$ 14,959,786	\$ 8,792,930

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, 2023, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

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 made no contributions to the Pension Trust in the fiscal year ended June 30, 2023. Investment earnings of \$637,462, administrative expenses of \$5,469, and distributions of \$910,039 resulted in an asset balance of \$13,617,343 as of June 30, 2023.

NOTE 12: 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, 2023, 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.
- 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 \$2,000,000 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 \$10,00,000 and purchases excess coverage up to \$500 million limited to insurable value of \$86,635,442.

NOTE 12: RISK MANAGEMENT (CONTINUED)

- Boiler and machinery coverage for the replacement cost up to \$100 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, 2023. 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, 2023.

The District is self-insured for earthquake property insurance through the MWRRC. In establishing reserves for losses and loss adjustment expenses, the MWRRC utilizes the findings of an independent consulting actuary. The principal estimate and analysis methods utilized by the MWRRC's actuary to evaluate the reserve estimates are the incurred and paid development methods, the incurred and paid Bornhuetter-Ferguson methods and the frequency severity method. As of June 30, 2023, no claims have been reported and therefore, management believes that no reserves for losses and loss adjustment expenses are required as of June 30, 2023.

NOTE 13: 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.

The following material construction commitments existed as of June 30, 2023:

<u>Project Title</u>	<u>Contract Amount</u>	<u>Expenditure to date as of June 30, 2023</u>	<u>Remaining Commitments</u>
Wilson & 1951 Cohort Pipeline Replacements	\$ 918,120	\$ 292,084	\$ 626,036
Reservoir 1 and 2 Pump Station Upgrades Project	1,400,518	8,920	1,391,598
Chandler Avenue Well No. 12 and Croddy Way Well No. 14 Pipeline	4,332,196	3,440,340	891,856
Chandler Avenue Well No. 12 and Croddy Way Well No. 14 Well Equipping	14,272,500	13,073,303	1,199,197

NOTE 14: PRIOR PERIOD ADJUSTMENTS

A. Correction of an Error in Previously Issued Financial Statements (Column A)

During fiscal year 2023, the District discovered revenue from the Proposition 84 program that were incorrectly recognized during fiscal year 2023 that should have been recognized during fiscal year 2022. Due to this error, the fiscal year ended June 30, 2022 financial statements understated receivables and revenue by \$1,575,140.

During fiscal year 2023, the District discovered capital asset items totaling \$821,452 for various projects that were incorrectly capitalized. The project costs represent various noncapital project related items that should have been expensed in prior fiscal years.

The effect of correcting these errors are shown in column A of the table below.

MESA WATER DISTRICT
Notes to the Financial Statements
June 30, 2023

NOTE 14 PRIOR PERIOD ADJUSTMENTS (CONTINUED)

B. Change in Accounting Principle (Column B)

For fiscal year ended June 30, 2023, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which established a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and a right-to-use subscription asset. The effect of the implementation of the change in accounting principle is shown below and is reflected in column B of the reconciliation table below.

\$ (1,223,805)	Remove software implementation costs from the beginning balance of construction in progress
1,576,938	Beginning balance of Right-to-Use Asset for Subscriptions
(353,133)	Beginning balance of Subscriptions Payable
<u>\$ -</u>	

C. Adjustments to and Restatements of Beginning Balances

During fiscal year 2023, changes to or within the financial reporting entity, an error correction, and the change in accounting principle resulted in adjustments to and restatements of beginning net position and fund net position, as follows:

June 30, 2022	(A)	(B)	June 30, 2022
As Previously	Error	Changes in	As Restated
Reported	Correction	Accounting	
		Principle	
\$ 151,643,343	\$ 753,688	\$ -	\$ 152,397,031

NOTE 15: SUBSEQUENT EVENTS

The District evaluated subsequent events for recognition and disclosure through October 31, 2023, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023, that required recognition or disclosure in these financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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MESA WATER DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
Cost-Sharing Multiple Employer Miscellaneous Plan
As of June 30, for the Last Ten Fiscal Years (1)

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Proportion of the Net Pension Liability	0.25634%	0.25802%	0.29814%	0.28784%
Proportionate Share of the Net Pension Liability	\$ 14,959,786	\$ 7,395,983	\$ 12,575,902	\$ 11,526,367
Covered Payroll	6,076,826	5,786,754	5,167,801	4,731,286
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	246.18%	127.81%	243.35%	243.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.68%	85.64%	74.81%	75.26%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes of Assumptions:

There were no significant changes in assumptions.

(1) Historical information is required only for measurement years for which GASB Statement 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only nine years are shown.

<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>
0.27773%	0.26976%	0.26051%	0.24319%	0.25558%
\$ 10,466,745	\$ 10,633,962	\$ 9,049,658	\$ 6,671,898	\$ 6,316,538
4,788,239	4,880,332	4,641,846	4,124,923	5,360,103
218.59%	217.89%	194.96%	161.75%	117.84%
75.26%	73.31%	74.06%	82.72%	83.03%

MESA WATER DISTRICT
Schedule of Plan Contributions - Pension
Cost-Sharing Multiple Employer Miscellaneous Plan
As of June 30, for the Last Ten Fiscal Years (1)

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Actuarially Determined Contribution	\$ 1,701,465	\$ 1,539,987	\$ 1,376,783	\$ 1,189,823
Contribution in Relation to the Actuarially Determined Contribution	<u>(1,701,465)</u>	<u>(1,539,987)</u>	<u>(1,376,783)</u>	<u>(1,189,823)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	 \$ 6,274,765	 \$ 6,076,826	 \$ 5,786,754	 \$ 5,167,801
 Contributions as a Percentage of Covered Payroll	 27.12%	 25.34%	 23.79%	 23.02%

(1) Historical information is required only for measurement years for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only nine years are shown.

Notes to Schedule:

Valuation Date:	June 30, 2021
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry age normal cost method
Amortization method	Varies by date established and source. May be level dollar or level percent of pay and may include direct rate smoothing.
Remaining amortization periods	Differs by employer rate plan but not more than 28 years
Asset valuation method	Market value of assets
Inflation	2.50%
Projected Salary Increases	Varies by category, entry age, and service
Investment Rate of Return	7.0% (net of investment and administrative expenses)
Mortality	Derived using CalPERS' Membership Data for all Funds. The post-retirement mortality rates include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

<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>
\$ 974,972	\$ 838,463	\$ 766,997	\$ 693,154	\$ 510,456
<u>(974,972)</u>	<u>(838,463)</u>	<u>(766,997)</u>	<u>(693,154)</u>	<u>(510,456)</u>
<u>\$ -</u>				
\$ 4,731,286	\$ 4,788,239	\$ 4,880,332	\$ 4,641,846	\$ 4,124,923
20.61%	17.51%	15.72%	14.93%	12.37%

MESA WATER DISTRICT
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios
As of June 30, For the Last Ten Fiscal Years (1)

Fiscal Year	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability						
Service cost	\$ 60,303	\$ 71,669	\$ 72,849	\$ 79,816	\$ 77,491	\$ 75,234
Interest on the total OPEB liability	107,423	122,126	118,050	131,954	124,626	117,658
Differences between expected and actual experience	(11,907)	(129,956)	-	(363,133)	-	-
Changes in assumptions	43,149	(163,499)	(29,495)	48,279	-	-
Benefit payments	(106,320)	(107,255)	(94,212)	(97,603)	(94,147)	(89,724)
Net change in total OPEB liability	92,648	(206,915)	67,192	(200,687)	107,970	103,168
Total OPEB liability - beginning	1,583,438	1,790,353	1,723,161	1,923,848	1,815,878	1,712,710
Total OPEB liability - ending (a)	1,676,086	1,583,438	1,790,353	1,723,161	1,923,848	1,815,878
Plan Fiduciary Net Position						
Contribution - employer	216,320	217,255	210,656	103,882	100,236	339,724
Net investment income	(313,411)	506,327	23,764	77,659	109,377	135,762
Benefit payments	(106,320)	(107,255)	(94,212)	(97,603)	(94,147)	(89,724)
Administrative expense	(9,797)	(8,411)	(9,697)	(9,215)	(9,121)	(6,367)
Net change in plan fiduciary net position	(213,208)	607,916	130,511	74,723	106,345	379,395
Plan fiduciary net position - beginning	2,050,739	1,442,823	1,312,312	1,237,589	1,131,244	751,849
Plan fiduciary net position - ending (b)	\$ 1,837,531	\$ 2,050,739	\$ 1,442,823	\$ 1,312,312	\$ 1,237,589	\$ 1,131,244
Net OPEB Liability/(Assets) - ending (a) - (b)	\$ (161,445)	\$ (467,301)	\$ 347,530	\$ 410,849	\$ 686,259	\$ 684,634
Plan fiduciary net position as a percentage of the total OPEB liability	109.63%	129.51%	80.59%	76.16%	64.33%	62.30%
Covered-employee payroll	\$ 5,877,251	\$ 5,786,754	\$ 5,167,801	\$ 4,737,491	\$ 4,788,239	\$ 4,798,000
Net OPEB liability as a percentage of covered-employee payroll	-2.75%	-8.08%	6.72%	8.67%	14.33%	14.27%

(1) Historical information is required only for the measurement periods for which GASB Statement 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule:

Benefit changes:

There were no changes in benefits

Changes in assumptions:

All actuarial methods and assumptions used in this year's roll-forward report are the same as those used in the Mesa Water District GASB 75, except as noted below.

The following assumptions have been updated since the prior valuation:

- Single Equivalent Discount Rate (SEDR) has been reduced from 6.75% as of June 30, 2021 to 6.50% as of June 30, 2022 based on the updated expected rate of return of the Trust, which caused a decrease in the liability.
- Second year health care trend rates have been updated to reflect actual premium increases from 2022 to 2023 as shown below, which caused a decrease in the liability.

Periods	Active	Retirees
Non-Medicare	8.50%	10.90%
Medicare	6.50%	5.60%

MESA WATER DISTRICT
Schedule of Plan Contributions - OPEB
As of June 30, for the Last Ten Fiscal Years (1)

Fiscal Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially Determined Contribution	\$ 52,111	\$ 122,916	\$ 119,039	\$ 115,302	\$ 147,000	\$ 143,000
Contribution in Relation to the Actuarially Determined Contributions	(214,993)	(216,320)	(217,769)	(210,656)	(103,882)	(98,000)
Contribution Deficiency (Excess)	<u>\$ (162,882)</u>	<u>\$ (93,404)</u>	<u>\$ (98,730)</u>	<u>\$ (95,354)</u>	<u>\$ 43,118</u>	<u>\$ 45,000</u>
Covered-employee payroll	\$ 5,714,915	\$ 5,877,251	\$ 5,786,754	\$ 5,167,801	\$ 4,737,491	\$ 4,788,239
Contributions as a percentage of covered payroll	3.76%	3.68%	3.76%	4.08%	2.19%	2.05%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Methods and assumptions used to determine contributions:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay
Actuarial Assumptions:	
Discount Rate	6.50%
General Inflation	2.30%
Payroll Increases	2.8% wage inflation based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021
Healthcare trend rates	Based on 2021 Getzen model that reflects actual premium increases through 2023, followed by 5.50% non-Medicare / 5.30% Medicare in 2023, decreasing gradually to an ultimate rate of 4.04% by FYE
Mortality Factors	CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021

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SUPPLEMENTARY INFORMATION

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MESA WATER DISTRICT
Certificates of Participation
Revenue Coverage
Year Ended June 30, 2023

	<u>2023</u>
Total Operating and Nonoperating Revenue and Capacity	
Installation Charges	\$ 45,442,070
Legal settlements available	2,070
Total Maintenance and Operating Expenses and	
Nonoperating Revenues - Investment Earnings (Loss)	<u>29,165,932</u>
Net Revenues	<u>\$ 16,278,208</u>
Certificates of Participation Annual Debt Service and all	
Other Parity Debt Constituting Obligations Payable from	
Net Revenues	<u>\$ 6,797,700</u>
Ratio of Net Revenues to Annual Debt Service and all Other	
Parity Debt Payable from Net Revenues	2.39

MESA WATER DISTRICT
Certificates of Participation
Reconciliation of Total Revenues and Total Expenses
Year Ended June 30, 2023

	<u>2023</u>
Revenues	
Operating Revenues	\$ 41,102,347
Nonoperating Revenues - Investment Earnings (Loss)	3,336,769
Capacity and Installation Charges	1,002,954
Legal settlements available	2,070
Total Revenues	<u>\$ 45,444,140</u>
Maintenance and Operating Expenses	
Operating Expenses Before Depreciation and Amortization	\$ 29,457,519
Nonoperating Expenses - Other Nonoperating, Net	844
Plus: Other Postemployment Benefits Noncash Activity	(292,431)
Total Maintenance Operating Expenses	<u>29,165,932</u>
Nonoperating Expenses:	
Interest Expense - Long-Term Debt	2,449,394
Less: Certificates of Participation Interest Paid and Noncash Amortization of Bond Defeasance and Premiums	<u>(2,449,394)</u>
Total Nonoperating Expenses	<u>-</u>
Total Expenses	<u>\$ 29,165,932</u>

STATISTICAL INFORMATION SECTION

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STATISTICAL SECTION
DESCRIPTION OF SCHEDULES
June 30, 2023

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

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant own- source revenue, water sales, and related expenses.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

This schedule offers demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information

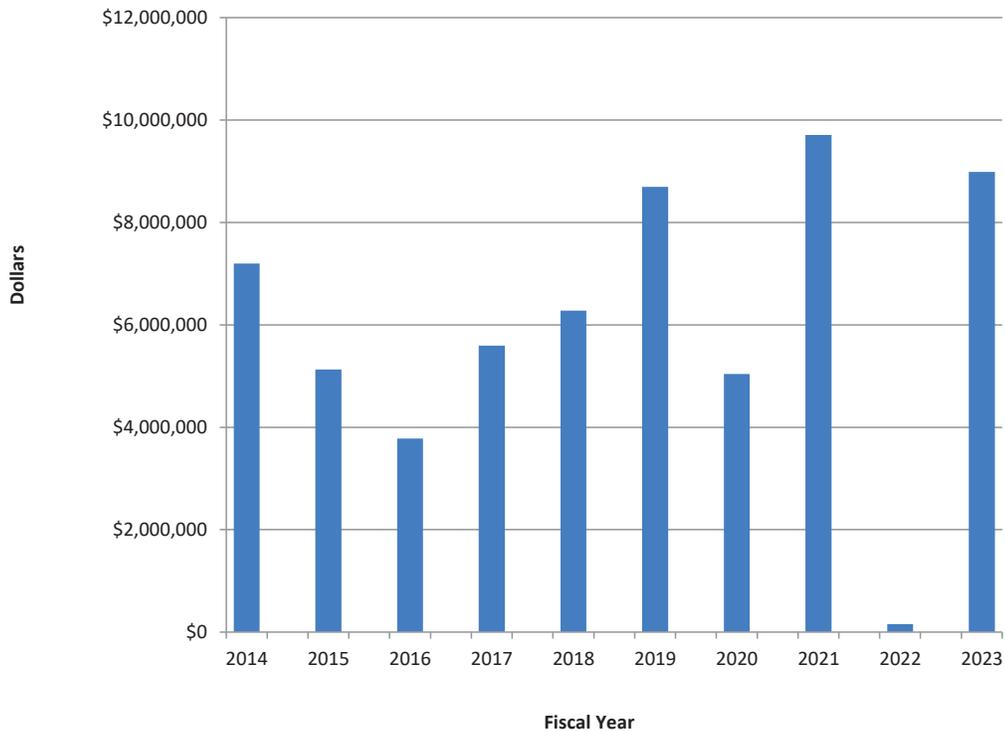
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides.

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

	Fiscal Year			
	2014	2015	2016	2017
Changes in net position:				
Operating revenues (see schedule 2)	\$ 37,675,090	32,913,142	28,997,983	31,124,804
Operating expenses (see schedule 3)	(31,103,589)	(28,025,981)	(26,227,594)	(28,489,995)
Operating income(loss)	6,571,501	4,887,161	2,770,389	2,634,809
Net non-operating revenue(expense) (see schedule 4)	(1,142,788)	(889,936)	(2,009,000)	(1,382,150)
Net income(loss) before capital contributions	5,428,713	3,997,225	761,389	1,252,659
Capital contributions	1,771,171	2,552,466	3,016,356	4,340,361
Extraordinary Loss on Capital Assets Abandonment	-	-	-	-
Prior Period Adjustment	-	(1,418,737)	-	-
Changes in net position	\$ 7,199,884	5,130,954	3,777,745	5,593,020
Net position:				
Net Investment in capital assets	\$ 85,117,787	84,181,875	86,535,551	90,777,661
Restricted	-	-	-	-
Unrestricted	30,813,020	28,797,704	30,221,773	31,572,683
Total net position	\$ 115,930,807	112,979,579 *	116,757,324	122,350,344

* as restated.

Changes in Net Position

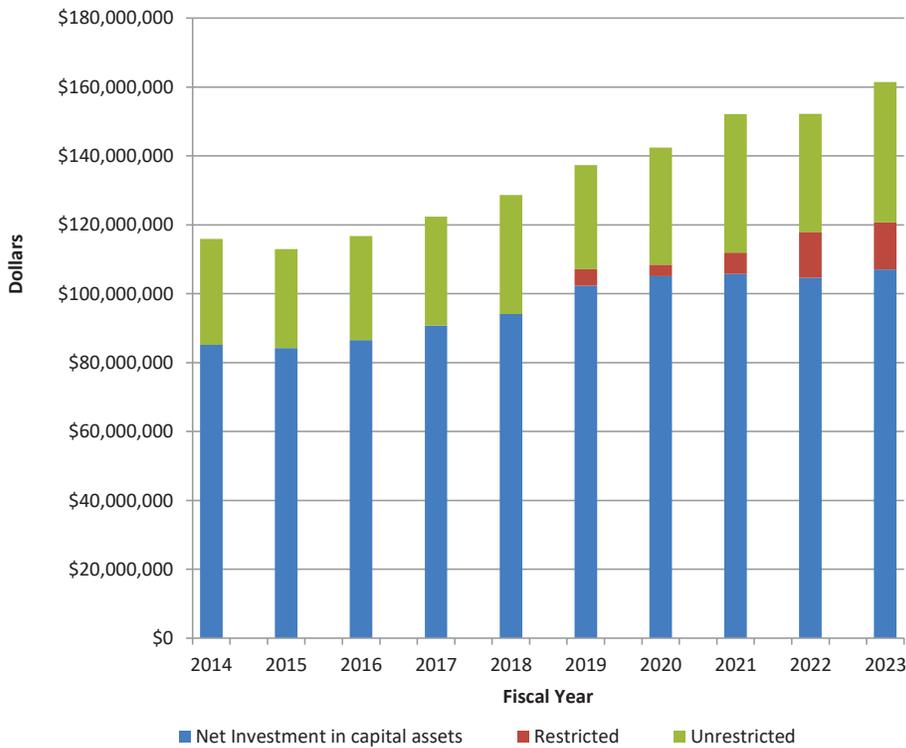


Source: Mesa Water District Audited Financial Statements.

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

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
35,705,309	36,167,875	36,724,890	39,990,535	41,072,417	41,102,347
<u>(31,234,095)</u>	<u>(30,403,085)</u>	<u>(32,755,477)</u>	<u>(33,981,193)</u>	<u>(37,555,953)</u>	<u>(36,114,836)</u>
4,471,214	5,764,790	3,969,413	6,009,342	3,516,464	4,987,511
<u>(549,097)</u>	<u>1,014,748</u>	<u>(2,014,015)</u>	<u>1,607,134</u>	<u>(5,756,161)</u>	<u>832,298</u>
3,922,117	6,779,538	1,955,398	7,616,476	(2,239,697)	5,819,809
3,283,326	1,917,078	3,084,408	2,091,685	1,809,920	3,170,279
-	-	-	-	-	-
<u>(927,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>587,391</u>	<u>-</u>
<u>6,278,193</u>	<u>8,696,616</u>	<u>5,039,806</u>	<u>9,708,161</u>	<u>157,614</u>	<u>8,990,088</u>
94,096,310	102,275,574	105,042,348	105,770,707	104,657,953	107,060,089
-	4,814,662	3,383,344	6,139,421	13,277,537	13,617,343
<u>34,532,227</u>	<u>30,234,917</u>	<u>33,939,267</u>	<u>40,162,992</u>	<u>34,295,244</u>	<u>40,709,687</u>
<u>128,628,537</u>	<u>137,325,153</u>	<u>142,364,959</u>	<u>152,073,120</u>	<u>152,230,734</u> *	<u>161,387,119</u>

Net Position by Component



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

	Fiscal Year			
	2014	2015	2016	2017
Revenues				
Water Sales	\$24,639,988	\$24,034,254	\$21,357,269	\$23,261,150
Meter Service Charges	5,454,610	5,803,271	6,050,343	6,331,300
Pass-through Water Sales				
Governmental Agencies	\$4,035,580	-	-	-
Concessions from Governmental Agencies	1,238,000	968,138	-	-
Recycled Water Sales	1,698,506	1,397,919	1,056,481	971,796
Other Charges and Services	608,406	709,560	830,432	560,558
Capacity and Installation Charges	452,679	1,247,867	1,945,079	2,498,287
Investment Earnings	238,672	404,763	681,378	25,518
Legal Settlements	-	-	-	-
Total Revenues	<u>\$38,366,441</u>	<u>\$34,565,772</u>	<u>\$31,920,982</u>	<u>\$33,648,609</u>
Operation and Maintenance Costs				
Imported & Basin Managed Source of Supply	\$2,695,858	\$2,645,852	\$1,031,539	\$842,353
Transmission and Distribution	5,251,819	5,750,908	4,961,178	5,021,716
General and Administrative	6,320,500	7,380,985	7,900,124	8,184,895
Pass-through Water Purchases to				
Governmental Agencies	4,035,580	-	-	-
Total Clear Water Pumping	4,287,888	4,273,537	4,682,120	4,427,407
Total Amber Water Pumping	3,353,823	2,864,506	2,453,295	4,520,866
Recycled Water	470,767	436,560	496,582	572,549
In-lieu Source of Supply	-	-	-	-
Total Operating Expenses	<u>\$26,416,235</u>	<u>\$23,352,348</u>	<u>\$21,524,838</u>	<u>\$23,569,786</u>
Net Revenues	\$11,950,206	\$11,213,424	\$10,396,144	\$10,078,823
Senior Obligations	1,972,150	1,969,750	1,973,750	1,974,000
Senior Obligations Coverage	6.06	5.69	5.27	5.11
Revenues Available for Parity Obligations	\$9,978,056	\$9,243,674	\$8,422,394	\$8,104,823
Parity Obligations				
2010 Installment Payments	1,339,038	1,339,838	1,340,038	1,339,638
2020 Installment Payments	-	-	-	-
1991 OCWD Well Loan	97,324	-	-	-
1998 OCWD Well II Loan	352,239	-	-	-
1998 Wells IB and 10 Loan	147,207	-	-	-
Total Parity Obligations	<u>1,935,808</u>	<u>1,339,838</u>	<u>1,340,038</u>	<u>1,339,638</u>
Parity Obligations Coverage	5.15	6.90	6.29	6.05
Revenues Available for Capital Projects and Other Coverage	8,042,249	7,903,837	7,082,357	6,765,185

Source: Mesa Water District Audited Financial Statements.

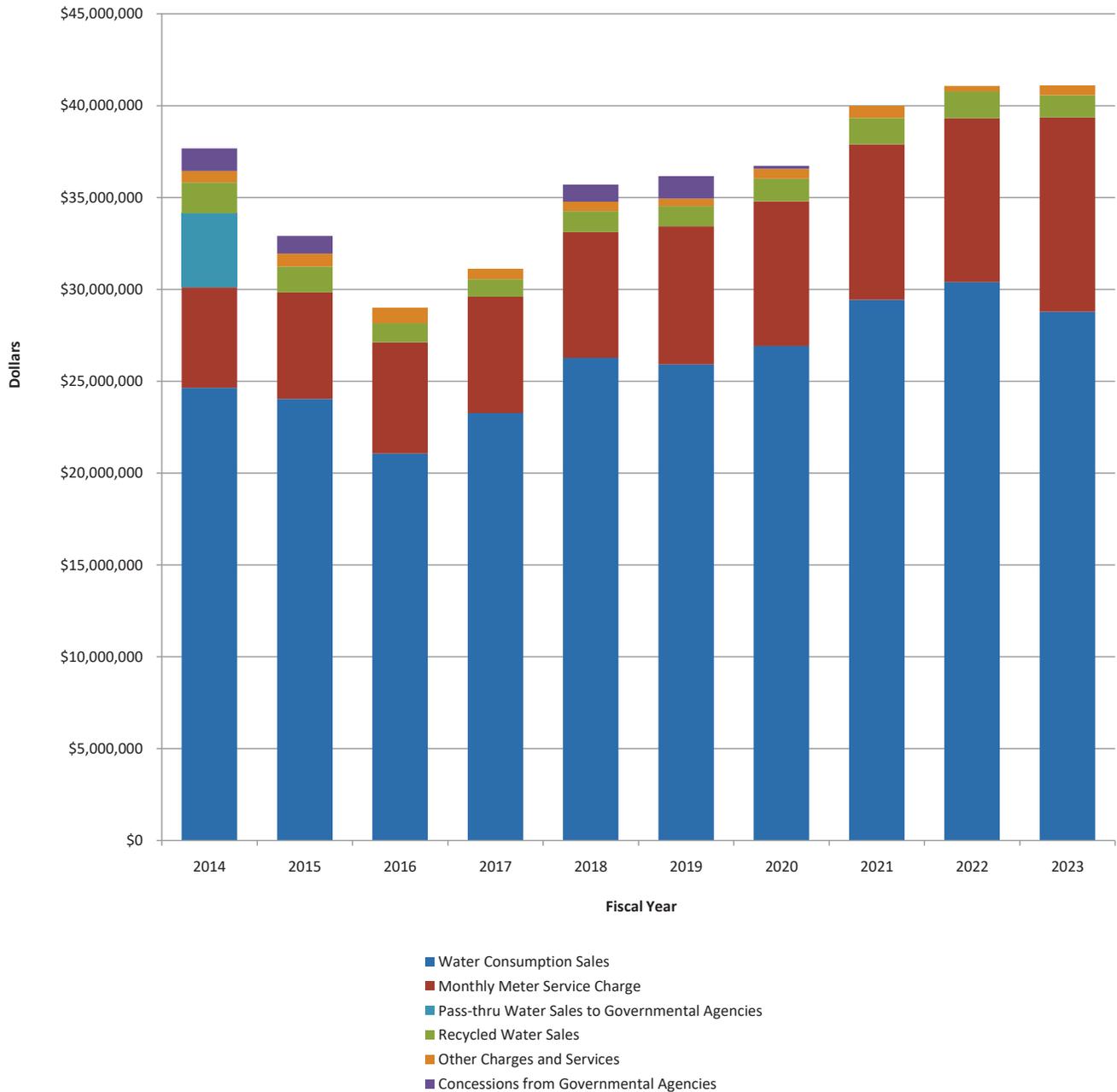
Mesa Water District
Historic Operating Results and Debt Service Coverage
Last Ten Fiscal Years
Schedule 1a, Continued

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$26,272,951	\$25,910,454	\$26,913,077	\$29,431,505	\$30,400,094	\$28,790,095
6,838,600	7,511,575	7,870,740	8,464,262	8,913,788	10,565,861
-	-	-	-	-	-
933,937	1,226,127	163,691	-	-	-
1,137,748	1,119,273	1,250,605	1,428,840	1,470,021	1,208,355
522,073	400,446	526,777	665,928	288,514	538,036
1,912,740	860,855	1,297,240	473,316	276,876	1,002,954
535,930	1,872,020	1,255,743	4,367,631	(1,671,629)	3,336,769
-	-	-	-	968,055	0
\$38,153,979	\$38,900,750	\$39,277,873	\$44,831,482	\$40,645,719	\$45,442,070
\$2,405,315	\$2,996,819	896,268	399,269	413,434	337,578
6,132,007	5,479,178	6,020,490	7,360,850	8,432,923	7,456,875
7,978,006	7,589,724	9,270,384	8,959,171	10,258,188	9,388,504
-	-	-	-	-	-
2,776,268	5,453,136	6,760,158	7,569,448	7,895,494	8,840,948
3,134,554	2,970,494	3,158,924	3,191,073	3,501,950	2,540,434
629,455	758,122	861,521	1,009,398	920,277	727,510
3,168,477	-	270,406	-	-	-
\$26,224,082	\$25,247,473	\$27,238,151	\$28,489,209	\$31,422,266	\$29,291,849
\$11,929,897	\$13,653,277	\$12,039,722	\$16,342,273	\$9,223,453	\$16,150,221
1,899,150	4,028,500	4,078,250	4,129,000	4,180,250	4,231,500
6.28	3.39	2.95	3.96	2.21	3.82
\$10,030,747	\$9,624,777	\$7,961,472	\$12,213,273	\$5,043,203	\$11,918,721
-	-	-	-	-	-
-	-	-	2,010,190	2,566,200	2,566,200
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,010,190	2,566,200	2,566,200
N/A	N/A	N/A	6.08	1.97	4.64
10,030,747	9,624,777	7,961,472	10,203,083	2,477,003	9,352,521

Source: Mesa Water District Audited Financial Statements.

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

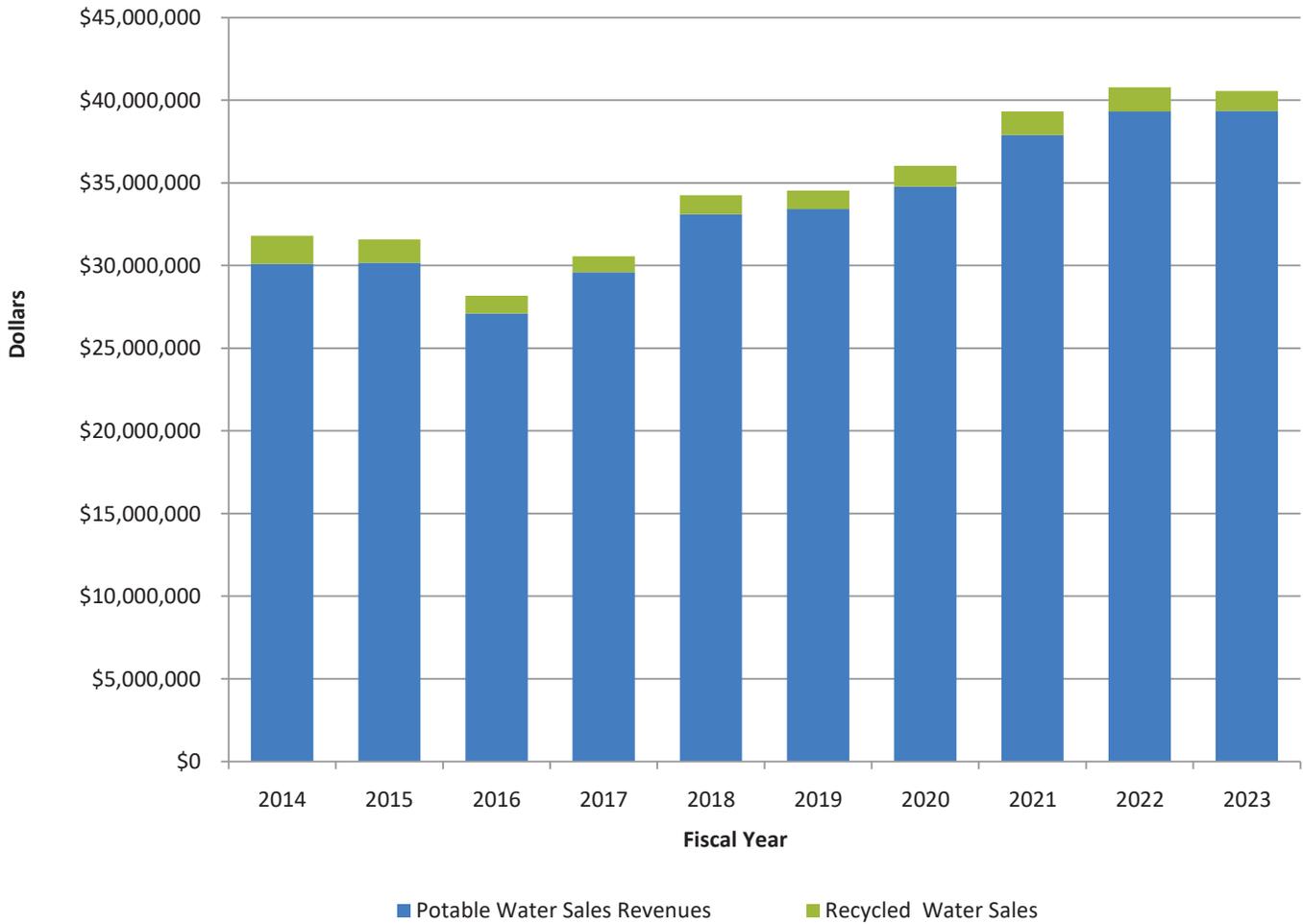
Fiscal Year	Water Consumption Sales	Monthly Meter Service Charge	Pass-thru Water Sales to Governmental Agencies	Recycled Water Sales	Other Charges and Services	Concessions from Governmental Agencies	Total Operating Revenues
2014	24,639,988	5,454,610	4,035,580	1,698,506	608,406	1,238,000	37,675,090
2015	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
2021	29,431,505	8,464,262	-	1,428,840	665,928	-	39,990,535
2022	30,400,094	8,913,788	-	1,470,021	288,514	-	41,072,417
2023	28,790,095	10,565,861	-	1,208,355	538,036	-	41,102,347



Source: Mesa Water District Audited Financial Statements.

Mesa Water District
Historic Water Sales Revenues¹
Last Ten Fiscal Years
Schedule 2a

Fiscal Year	Potable Water Sales Revenues²	Recycled Water Sales	Total	Increase (Decrease)
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%
2021	37,895,767	1,428,840	39,324,607	9.1%
2022	39,313,882	1,470,021	40,783,903	3.7%
2023	39,355,956	1,208,355	40,564,311	-0.5%



Notes:

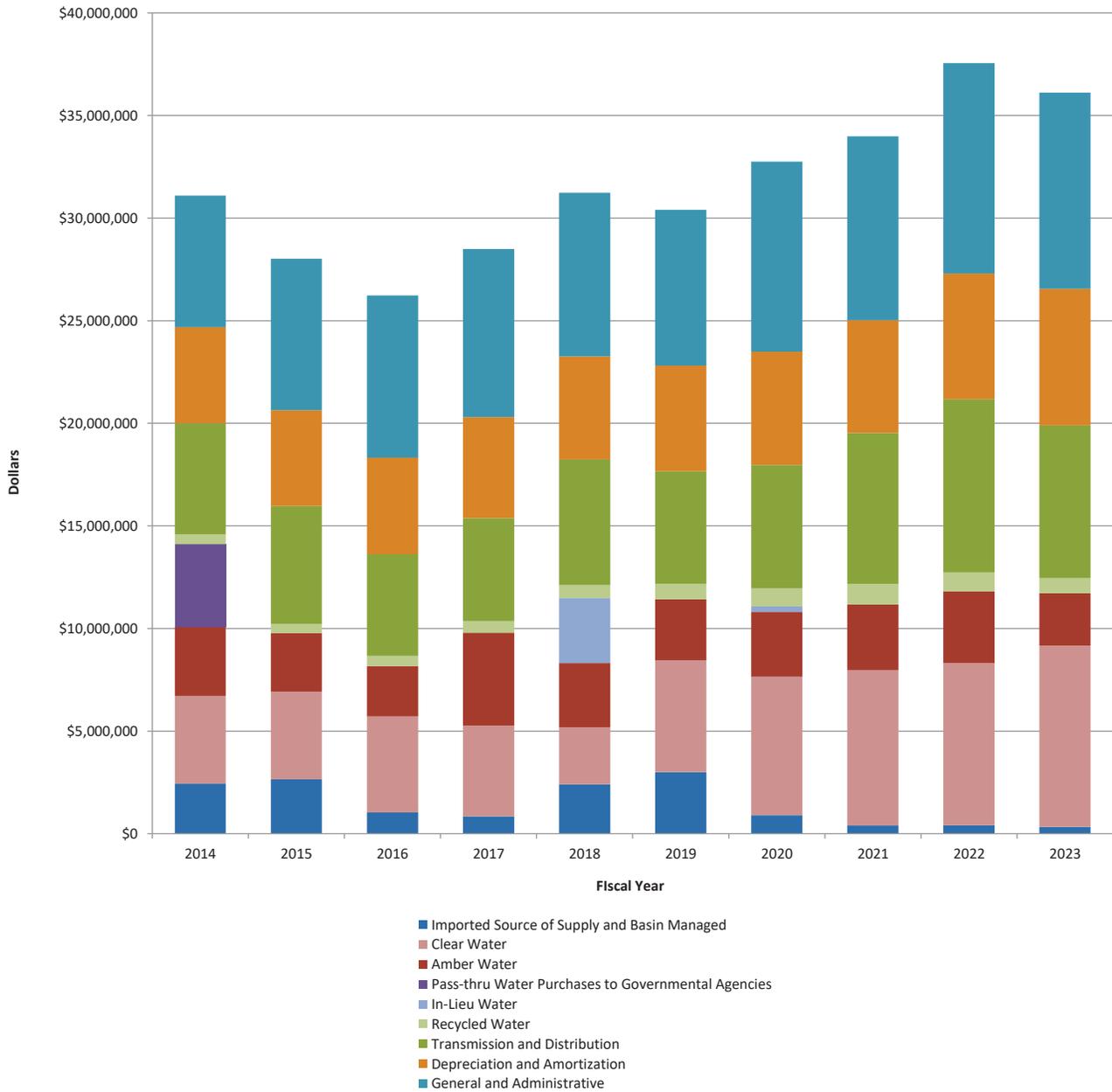
⁽¹⁾ Excludes revenues from sales at cost to the City of Huntington Beach.

⁽²⁾ Includes bimonthly meter charges.

Source: Mesa Water District Audited Financial Statements.

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

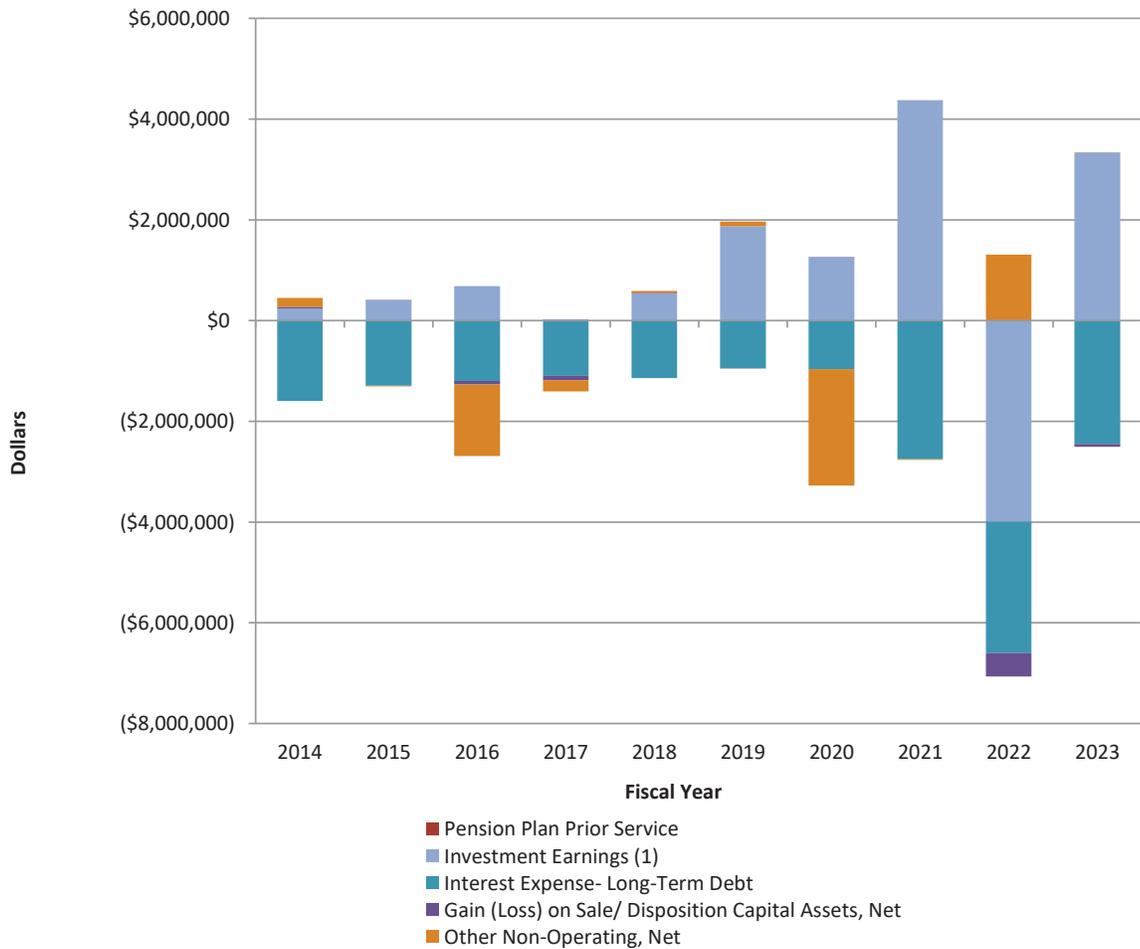
Fiscal Year	Imported Source of Supply and Basin Managed	Clear Water	Amber Water	Pass-thru Water Purchases to Governmental Agencies	In-Lieu Water	Recycled Water	Transmission and Distribution	Depreciation and Amortization	General and Administrative	Total Operating Expenses
2014	2,427,936	4,287,888	3,353,823	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
2021	399,269	7,569,448	3,191,073	-	-	1,009,398	7,360,850	5,491,984	8,959,171	33,981,193
2022	416,634	7,895,494	3,501,950	-	-	920,277	8,432,923	6,130,487	10,258,188	37,555,953
2023	337,578	8,840,948	2,540,434	-	-	727,510	7,456,248	6,657,317	9,554,801	36,114,836



Source: Mesa Water District Audited Financial Statements.

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

Fiscal Year	Investment Earnings ⁽¹⁾	Interest Expense-Long-Term Debt	Gain (Loss) on Sale/Disposition Capital Assets, Net	Other Non-Operating, Net	Pension Plan Prior Service	Nonoperating Revenues/(Expenses)
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)
2021	4,367,631	(2,754,815)	5,500	(11,182)	-	1,607,134
2022	(3,989,935)	(2,606,831)	(469,500)	1,310,105	-	(5,756,161)
2023	3,336,769	(2,449,394)	(56,303)	1,226	-	832,298



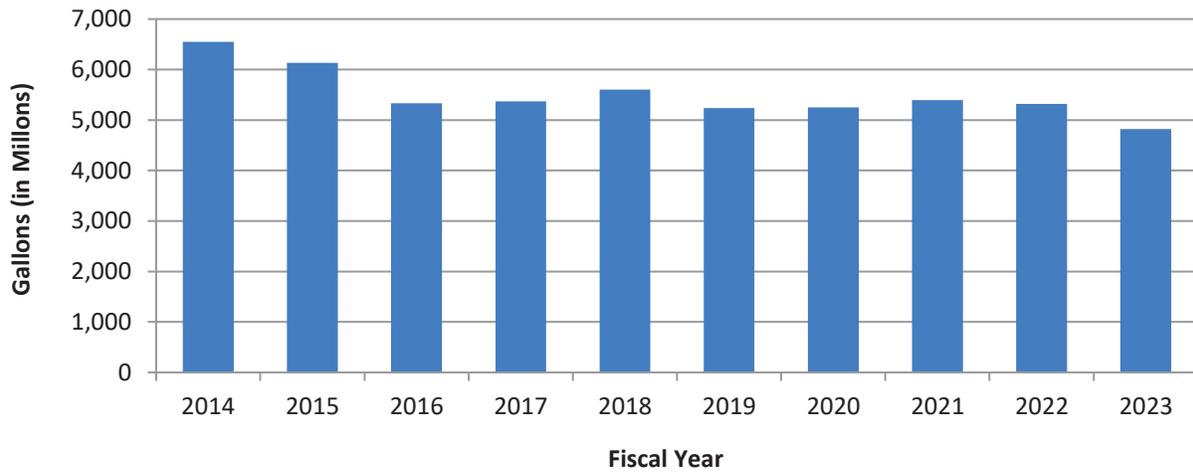
Note:

⁽¹⁾ 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**

Fiscal Year	Production (Gallons)	AF	Sales AF	Production AF
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	5,371,002,033	15,898	15,898	16,483
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
2021	5,392,834,050	16,453	16,453	16,550
2022	5,319,843,426	15,549	15,549	16,326
2023	4,818,684,588	14,022	14,022	14,788



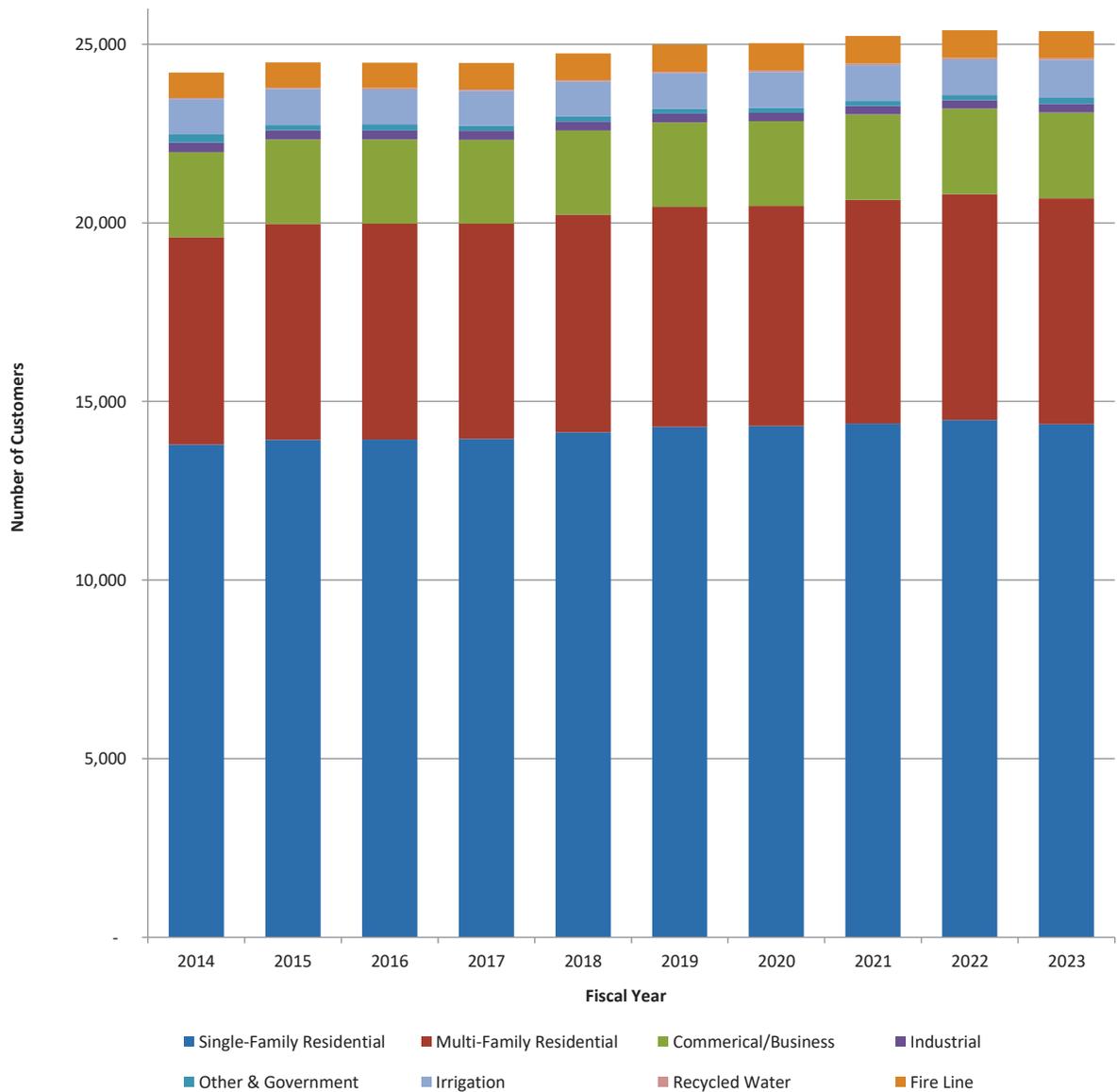
Note:

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		
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	
2021	14,384	6,263	2,391	238	140	1001	43	770	25,230	
2022	14,487	6,314	2,398	239	141	1000	43	772	25,394	
2023	14,367	6,318	2,407	238	171	1065	43	756	25,365	



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	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23
5/8"	\$ 20.00	21.50	22.50	23.00	24.69	25.93	27.23	28.60	30.03	29.55
3/4"	30.00	32.50	33.50	34.50	37.31	39.18	41.14	43.20	45.36	36.30
1"	50.00	54.00	55.50	57.50	62.00	65.10	68.36	71.78	75.37	49.79
1 1/2"	100.00	108.00	111.50	115.00	124.51	130.74	137.28	144.15	151.36	83.52
2"	160.00	172.50	178.50	184.00	199.11	209.07	219.53	230.51	242.04	124.00
3"	350.00	378.00	390.00	402.00	435.51	457.29	480.16	504.17	529.38	252.17
4"	630.00	680.00	702.00	724.00	784.32	823.54	864.72	907.96	953.36	441.06
6"	1,400.00	1,510.00	1,560.00	1,610.00	1,744.08	1,831.29	1,922.86	2,019.01	2,119.97	960.50
8"	2,400.00	2,590.00	2,670.00	2,670.00	2,983.82	3,133.02	3,289.68	3,454.17	3,626.88	1,635.11
10"	3,800.00	4,100.00	4,230.00	4,370.00	4,727.89	4,964.29	5,212.51	5,473.14	5,746.80	2,579.55

Minimum Bimonthly Service Charge - Fireline Water Service - Class I

Meter Size	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23
2"	\$ 19.00	20.50	21.00	22.00	6.81	7.16	7.52	7.90	8.30	24.24
3"	28.50	31.00	32.00	33.00	19.79	20.79	21.83	22.93	24.08	39.81
4"	38.00	41.00	42.50	43.50	42.18	44.29	46.51	48.84	51.29	66.67
6"	57.00	61.50	63.50	65.50	122.53	128.66	135.10	141.86	148.96	163.09
8"	76.00	82.00	84.50	87.50	261.11	274.17	287.88	302.28	317.40	329.38
10"	114.00	123.00	127.00	131.00	469.56	493.04	517.70	543.59	570.77	579.52
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	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23
2"	\$ 38.00	41.00	42.50	43.50	6.81	7.16	7.52	7.90	8.30	24.24
3"	57.00	61.50	63.50	65.50	19.79	20.79	21.83	22.93	24.08	39.81
4"	76.00	82.00	84.50	87.50	42.18	44.29	46.51	48.84	51.29	66.67
6"	114.00	123.00	127.00	131.00	122.53	128.66	135.10	141.86	148.96	163.09
8"	152.00	164.00	169.50	174.50	261.11	274.17	287.88	302.28	317.40	329.38
10"	228.00	246.00	254.00	262.00	469.56	493.04	517.70	543.59	570.77	579.52
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	6/30/12	6/30/13	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23
<u>Residential</u>										
Potable Commodity Rate	\$ 3.15	3.40	3.51	3.62	3.86	4.06	4.27	4.49	4.72	4.87
<u>Non-Residential</u>										
Construction Commodity Rate	\$ 4.73	5.10	5.26	5.43	4.27	4.49	4.72	4.96	5.21	4.87
Fireline Commodity Rate	\$ 6.30	6.80	7.02	7.24	4.27	4.49	4.72	4.96	5.21	4.87
Recycled Commodity Rate	\$ 2.84	2.51	2.32	1.82	2.52	2.65	2.79	2.93	3.08	3.40

Source: Mesa Water District Records.

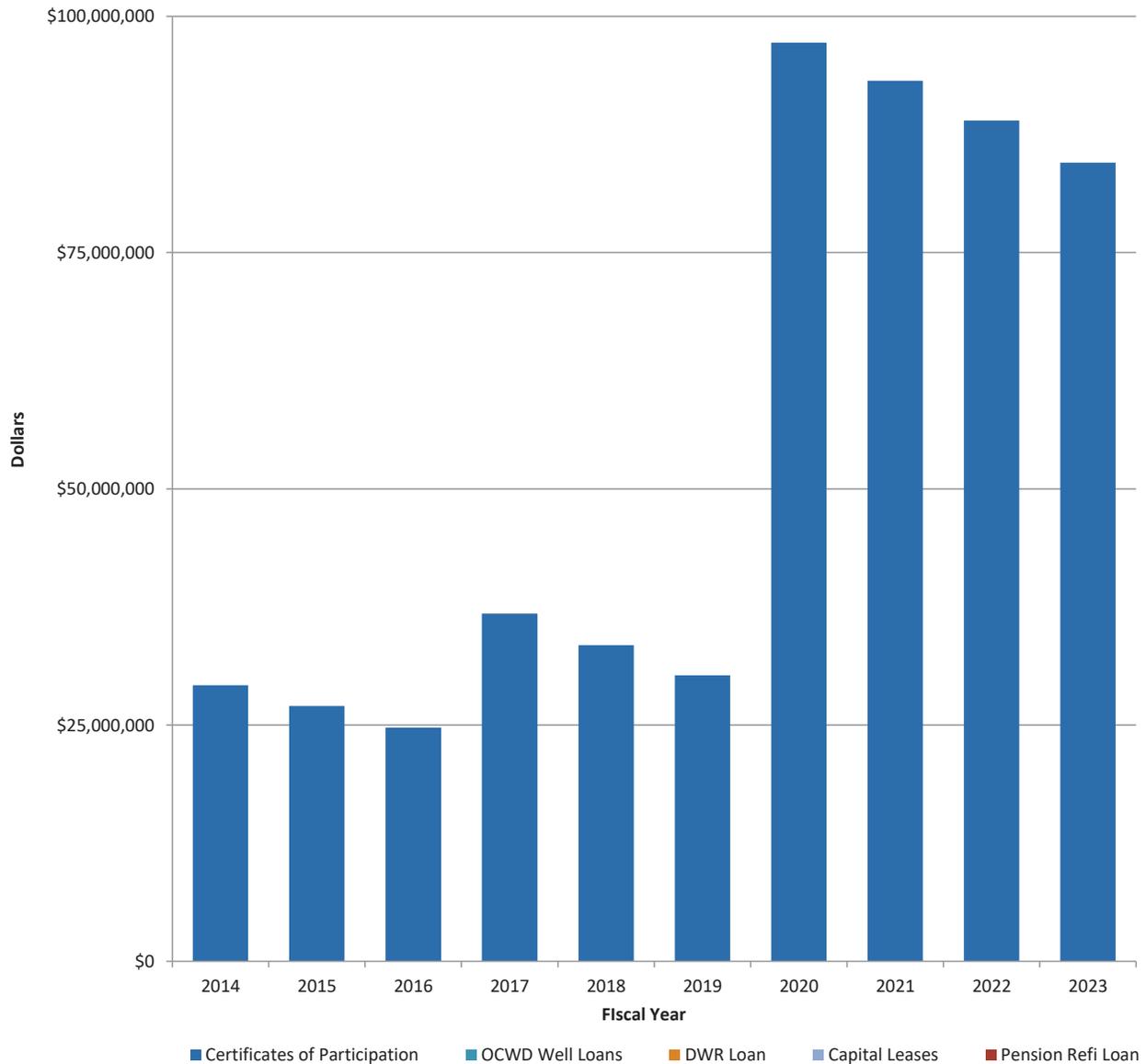
**Mesa Water District
 Ten Largest Water Users by Revenue
 Current Fiscal Year and Five Years Ago
 Schedule 8**

FY 2022/23		Consumption	Acre Feet	% of Total	FY 2017/18		Consumption	Acre Feet	% of Total
1	Mesa Verde Partners	169,053	388	2.6%	Mesa Verde Partners	219,702	504	2.8%	
2	City Of Costa Mesa	108,199	248	1.7%	Newport-Mesa Unified School District	139,476	320	1.8%	
3	Newport-Mesa Unified School District	93,051	214	1.5%	City of Costa Mesa	113,861	261	1.5%	
4	The Irvine Company, Llc	79,280	182	1.2%	The Irvine Company, Inc.	78,854	181	1.0%	
5	Casden Lakes, LP	58,833	135	0.9%	Casden Lakes	56,521	130	0.7%	
6	County of Orange	51,179	117	0.8%	South Coast Plaza	50,246	115	0.6%	
7	Camden Property Trust	50,556	116	0.8%	Arnel Residential Properties	47,838	110	0.6%	
8	Arnel Residential Properties	49,681	114	0.8%	County of Orange	47,715	110	0.6%	
9	United Dominion Realty	40,837	94	0.6%	Arnel Residential Properties	46,212	106	0.6%	
10	South Coast Plaza	36,320	83	0.6%	Camden Property Trust	46,172	106	0.6%	
		1,692	11.5%			1,943	10.8%		
<u>Sales in Acre Feet</u>				<u>Sales in Acre Feet</u>					
	Potable		14,022		Potable		17,059		
	Recycled		781		Recycled		853		
	Total Sales Acre Feet		14,803		Total Sales Acre Feet		17,912		

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
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%
2021	93,189,269	-	-	-	-	93,189,269	830.69	1.02%
2022	88,963,302	-	-	-	-	88,963,302	798.64	0.95%
2023	84,527,335	-	-	-	-	84,527,335	760.25	0.89%

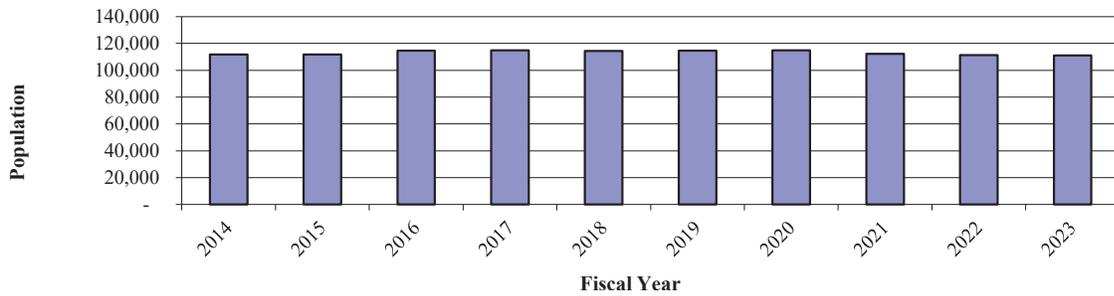


Source: Mesa Water District Audited Financial Statements.

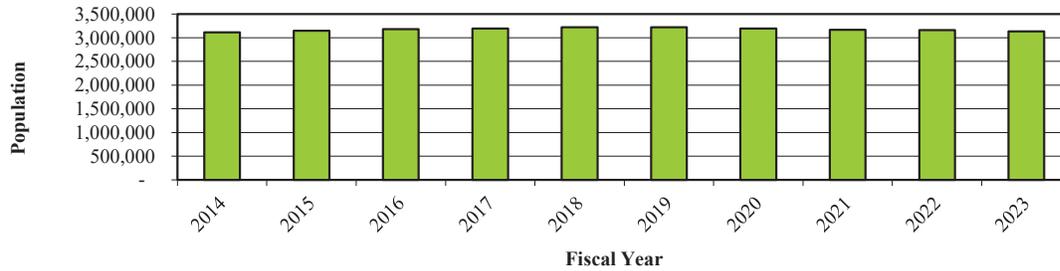
**Mesa Water District
Schedule of Demographics and Economic Statistics
Last Ten Calendar Years
Schedule 10**

Fiscal Year	Costa Mesa		County of Orange		
	Population	Unemployment Rate	Population	Personal Income (Thousands of Dollars) ¹	Personal Income per Capita
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
2021	112,183	5.7%	3,169,542	258,933,000	81,694
2022	111,394	6.5%	3,162,245	267,143,000	84,479
2023	111,183	3.7%	3,137,164	267,143,000	85,154

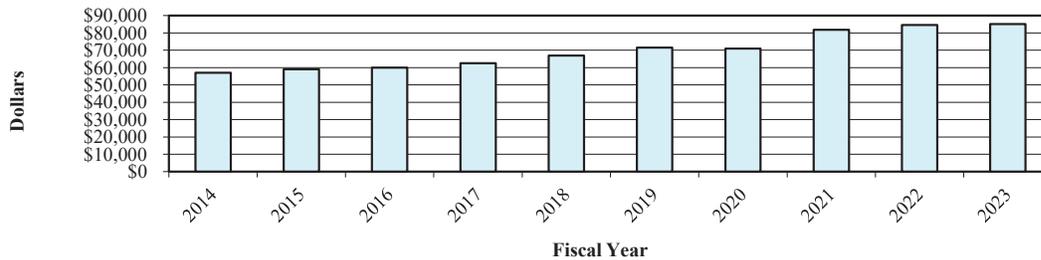
Population - Costa Mesa



Population - Orange County



Personal Income per Capita - Orange County



Note:

⁽¹⁾ Data is not yet available for fiscal year 2022-2023

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, Annual Comprehensive 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

2021-2022¹			2013-2014		
Name of Company	Number of Employees	% of Total	Name of Company	Number of Employees	% of Total
EPL Intermediate, Inc.	3,998	6.23%	Experian Information Solution	3,700	5.73%
Experian information Solutions, Inc.	3,700	5.76%	Coast Community College District Foundation	2,900	4.49%
Coast Community College District	2,900	4.52%	Orange Coast Community College	1,900	2.94%
Orange Coast College	1,900	2.96%	Fairview Developmental Center	1,500	2.32%
Automobile Club of Southern California	1,200	1.87%	A Clark/McCarthy Joint Venture	1,250	1.94%
Deloitte & Touche LLP	700	1.09%	Interinsurance Exchange	1,200	1.86%
Anduril Industries	650	1.01%	Pacific Building Care, Inc.	850	1.32%
Vans	550	0.86%	Filenet Corporation	600	0.93%
Sure Haven, Inc.	550	0.86%	TTM Technologies, Inc	500	0.77%
Vanguard University	319	0.50%	Nordstrom, Inc.	500	0.77%

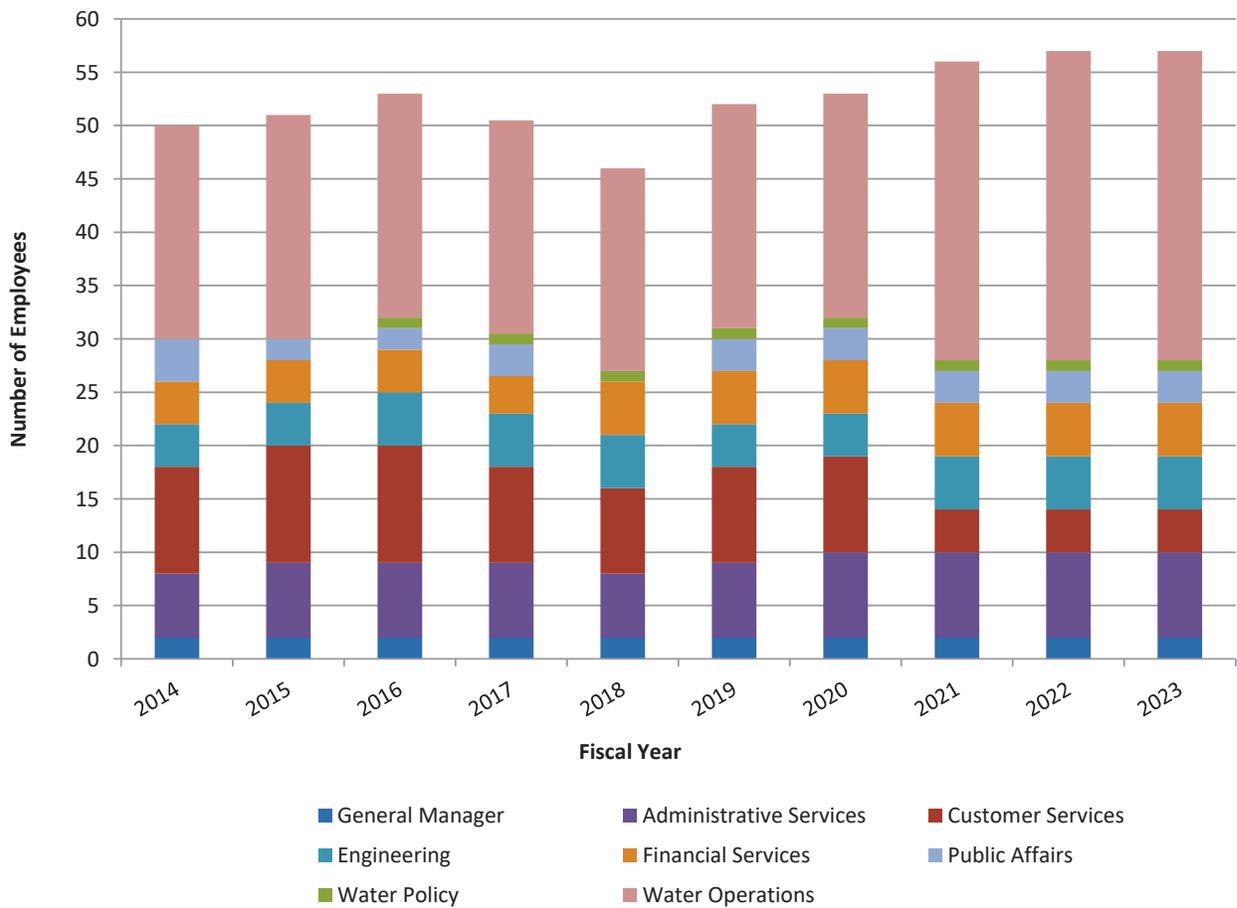
Note:

⁽¹⁾ Data is not yet available for fiscal year 2022-2023

Source: City of Costa Mesa CAFR.

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

Department	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Manager	2	2	2	2	2	2	2	2	2	2
Administrative Services	6	7	7	7	6	7	8	8	8	8
Customer Services	10	11	11	9	8	9	9	4	4	4
Engineering	4	4	5	5	5	4	4	5	5	5
Financial Services	4	4	4	3.5	5	5	5	5	5	5
Public Affairs	4	2	2	3	0	3	3	3	3	3
Water Policy	0	0	1	1	1	1	1	1	1	1
Water Operations	20	21	21	20	19	21	21	28	29	29
	50	51	53	51	46	52	53	56	57	57



Source: Mesa Water District Records.

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

Fiscal Year	Groundwater	Supplemental Water			Total
		CPTP	Recycled Water	In-Lieu Water	
2019	13,573	2,492	916	-	16,981
2020	15,249	329	959	540	17,077
2021	16,550	-	1,049	-	17,599
2022	16,326	-	1,017	-	17,343
2023	14,788	-	781	-	15,569

Source: Mesa Water District Records.

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

Fiscal Year	Potable Water Deliveries	Recycled Water Deliveries	Total	% Increase (Decrease)
2019	16,110	916	17,026	-4.95%
2020	15,905	959	16,864	-0.95%
2021	16,453	1,049	17,502	3.78%
2022	15,549	1,017	16,566	-5.35%
2023	14,022	781	14,803	-10.64%

Source: Mesa Water District Records.