

MesaWater
DISTRICT®

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

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

Mesa Water District | Costa Mesa, California

MesaWater.org

Dedicated to Satisfying our Community's Water Needs

Mesa Water District

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020



1965 Placentia Avenue
Costa Mesa, CA 92627-3420

Prepared by:
Financial Services Department

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

Table of Contents

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

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

Table of Contents (Continued)

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

Introductory Section

<Page Intentionally Left Blank>



*Dedicated to
Satisfying our Community's
Water Needs*

BOARD OF DIRECTORS

Marice H. DePasquale
*President
Division III*

Shawn Dewane
*Vice President
Division V*

James Atkinson
*Director
Division IV*

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

James R. Fisler
*Director
Division II*

Paul E. Shoenberger, P.E.
General Manager

Denise Garcia
District Secretary

Marwan Khalifa, CPA, MBA
District Treasurer

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

March 11, 2021

Board of Directors
Mesa Water District

Introduction

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

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

Mesa Water Structure and Leadership

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

Mesa Water's Services

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



Economic Condition, Outlook and Major Initiatives

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

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

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

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

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

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

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



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

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

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

Water Supply

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

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

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

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

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

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



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

Internal Control Structure

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

Budgetary Control

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

Investment Policy

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

Water Rates and Revenues

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

Audit and Financial Reporting

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

Risk Management

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



Awards and Acknowledgements

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

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

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

Respectfully submitted,



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



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



Government Finance Officers Association

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

Presented to

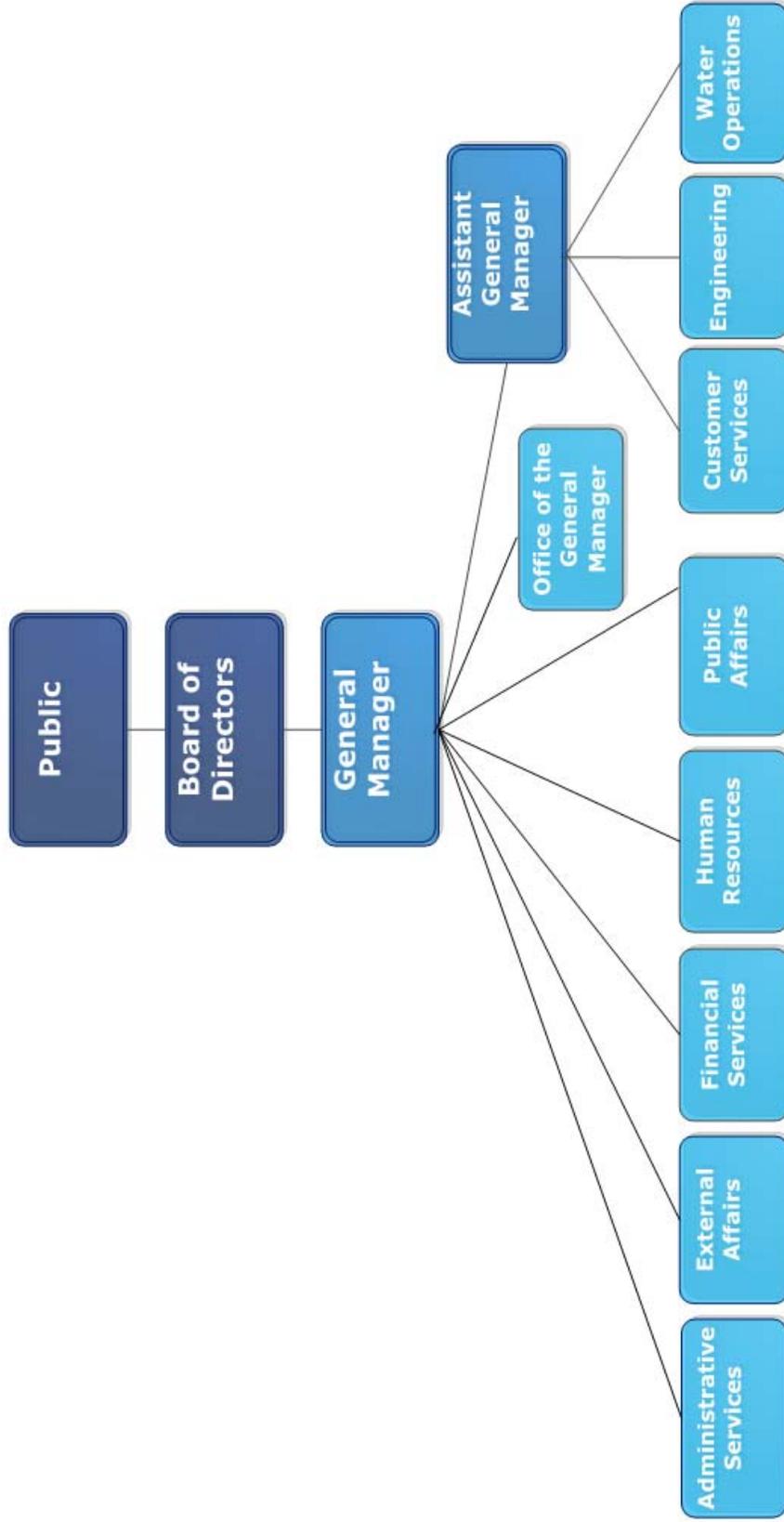
**Mesa Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

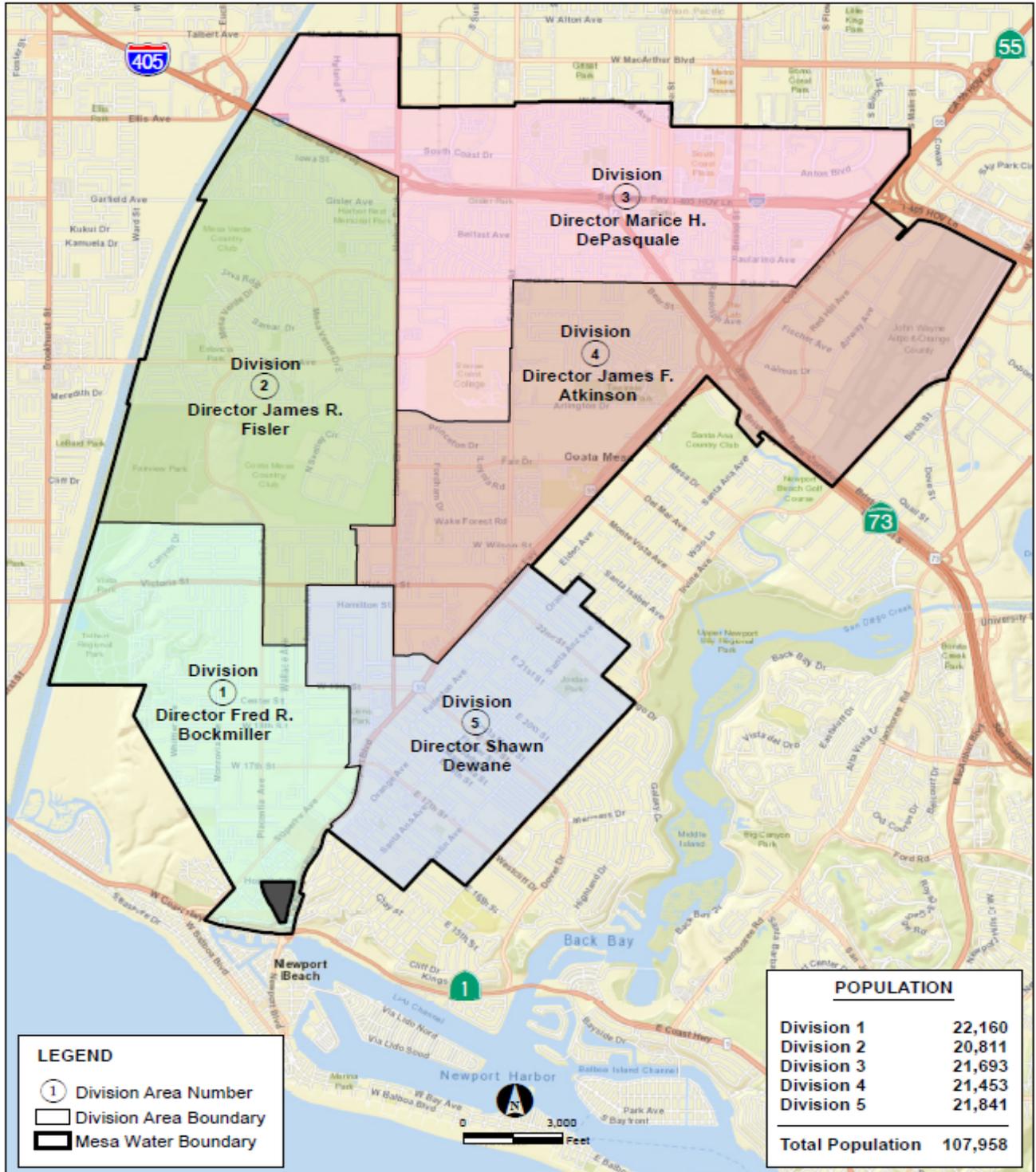
Christopher P. Morrill

Executive Director/CEO



Mesa Water District

District Service Area Map



Financial Section

<Page Intentionally Left Blank>



INDEPENDENT AUDITORS' REPORT

Board of Directors
Mesa Water District
Costa Mesa, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Prior-Year Information

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

Report on Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplementary information consisting of the certificates of participation - revenue coverage and reconciliation of total revenues and total expenses, and the statistical information section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

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



CliftonLarsonAllen LLP

Irvine, California
February 22, 2021

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

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

Financial Highlights

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

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

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

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

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

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

Other Information includes required supplementary information.

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

Financial Analysis of the District

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

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

Statement of Net Position

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

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

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

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

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

Total District Revenues

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

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

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

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

Total District Expenses

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

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

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

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

Capital Assets

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

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

Debt Administration

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

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

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

Requests for Information

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

<Page Intentionally Left Blank>

Basic Financial Statements

<Page Intentionally Left Blank>

MESA WATER DISTRICT

Statement of Net Position

June 30, 2020 and 2019

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

(Continued)

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

(1) Summary of Significant Accounting Policies

Organization and Description of the District

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

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

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

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

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

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting - Proprietary Fund

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

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

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

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting - Fiduciary Fund

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

New Pronouncements

Current Year Standards - GASB No. 95

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

Current Year Standards - GASB No. 97

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

The requirements of these paragraphs did not impact the District.

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

(1) Summary of Significant Accounting Policies (Continued)

New Pronouncements (Continued)

Pending Accounting Standards - GASB No. 84

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

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

Pending Accounting Standards - GASB No. 87

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

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

(1) Summary of Significant Accounting Policies (Continued)

New Pronouncements (Continued)

Pending Accounting Standards - GASB No. 92

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

The requirements of this Statement are effective as follows:

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

Pending Accounting Standards - GASB No. 96

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

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

(1) Summary of Significant Accounting Policies (Continued)

New Pronouncements (Continued)

Pending Accounting Standards - GASB No. 97

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

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

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

Net Position

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

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

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

Net Position Flow Assumption

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

Budgetary Policies

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

Cash and Cash Equivalents

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

Investments and Investment Policy

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

Accounts Receivable

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

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

(1) Summary of Significant Accounting Policies (Continued)

Restricted Assets

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

Prepaid Expenses

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

Material and Supplies Inventory

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

Capital and Intangible Assets

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

Customer Advances and Deposits

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

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

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

Water Sales

The majority of water sales are billed on a bi-monthly cyclical basis. Large meter customers and high consumption users are billed on a monthly basis. Estimated unbilled water sales and service charges through June 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 non-refundable, which is when the relevant system actually connects to the District's potable water system.

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

(1) Summary of Significant Accounting Policies (Continued)

Deferred Inflows/Outflows of Resources

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

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

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

Pensions

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

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

| | 2020 | 2019 |
|-------------------------|--------------------------------|--------------------------------|
| Valuation Date (VD) | June 30, 2018 | June 30, 2017 |
| Measurement Date (MD) | June 30, 2019 | June 30, 2018 |
| Measurement Period (MP) | June 30, 2018 to June 30, 2019 | June 30, 2017 to June 30, 2018 |

OPEB Plan

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

Use of Estimates

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

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

(1) Summary of Significant Accounting Policies (Continued)

Reclassifications

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

(2) Cash and Investments

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

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

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

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

MESA WATER DISTRICT

Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2020 and 2019

(2) Cash and Investments (Continued)

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

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

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

* Subject to FDIC limits

** Of Base

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

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

(2) Cash and Investments (Continued)

Investments Authorized by Debt Agreements

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

Pension and OPEB Trusts

Investment Policy

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

Those guidelines are as follows:

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

Rate of Return

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

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

(2) Cash and Investments (Continued)

Investment in State Investment Pool and County Investment Pool

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

Custodial Credit Risk

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

The California Government Code and the District's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit), and, the District's investment policy that requires no more than two-thirds of the District's deposits in a depository shall be collateralized by mortgage-backed securities, with the remainder to be secured by non-mortgage-backed securities.

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

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

(2) Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

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

June 30, 2020:

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

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

(2) Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

June 30, 2019:

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

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

(2) Cash and Investments (Continued)

Disclosures Relating to Credit Risk

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

June 30, 2020:

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

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

(2) Cash and Investments (Continued)

Disclosures Relating to Credit Risk (Continued)

June 30, 2019:

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

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

(2) Cash and Investments (Continued)

Disclosures Relating to Credit Risk (Continued)

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

June 30, 2020:

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

June 30, 2019:

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

Fair Value Measurements

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

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

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

(2) Cash and Investments (Continued)

Fair Value Measurements (Continued)

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

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

* Not subject to fair value measurement hierarchy.

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

(2) Cash and Investments (Continued)

Fair Value Measurements (Continued)

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

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

* Not subject to fair value measurement hierarchy.

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

(3) Capital Assets

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

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

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

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

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

(3) Capital Assets (Continued)

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

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

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

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

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

(4) Compensated Absences

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

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

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

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

Plan Description

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

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

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

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

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

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

Plan Description (Continued)

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

Employees Covered

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

Measurement Date June 30, 2019

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

Measurement Date June 30, 2018

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

Contributions

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

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

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

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

Contributions (Continued)

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

Accounting for the Plan

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

Method Used to Value Investments

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

Net OPEB Liability

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

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

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

Net OPEB Liability (Continued)

Actuarial Assumptions

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

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

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

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

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

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

Net OPEB Liability (Continued)

Discount Rate

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

Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

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

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

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

Changes in the Net OPEB Liability (Continued)

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

Change of Assumptions

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

Change of Benefit Terms

There were no changes of benefit terms.

Subsequent Events

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

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

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

Changes in the Net OPEB Liability (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| <i>As of the fiscal year ended June 30, 2019</i> | | |
|---|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| OPEB contributions subsequent to measurement date | \$ 103,882 | \$ - |
| Net differences between projected and actual earnings on plan investments | - | (72,570) |
| Total | \$ 103,882 | \$ (72,570) |

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

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

Payable to the OPEB Plan

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

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

(6) Long-Term Debt

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

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

2017 Revenue Certificates of Participation

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

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

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

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

(6) Long-Term Debt (Continued)

2017 Revenue Certificates of Participation (Continued)

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

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

2020 Revenue Certificates of Participation

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

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

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

(6) Long-Term Debt (Continued)

2020 Revenue Certificates of Participation (Continued)

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

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

Other Defeased Certificates of Participation

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

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

(7) Net Position

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

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

(8) Deferred Compensation Program

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

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

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

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

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

Plan Prior to January 1, 2017

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

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

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

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

Plan After January 1, 2017

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

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

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

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

(10) Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

(10) Defined Benefit Pension Plan (Continued)

Benefits Provided (Continued)

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

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

(10) Defined Benefit Pension Plan (Continued)

Actuarial Methods and Assumptions used to determine Total Pension Liability

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

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

(1) Varies by entry age and service

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) The less of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

Long-term Expected Rate of Return

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

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

(10) Defined Benefit Pension Plan (Continued)

Long-term Expected Rate of Return (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

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

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

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

(10) Defined Benefit Pension Plan (Continued)

Discount Rate

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

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

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

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

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

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

(10) Defined Benefit Pension Plan (Continued)

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

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

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

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

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

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

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

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

(10) Defined Benefit Pension Plan (Continued)

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

\$1,189,823 is reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

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

As of the fiscal year ended June 30, 2019

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

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

(10) Defined Benefit Pension Plan (Continued)

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

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

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

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

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

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

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

(10) Defined Benefit Pension Plan (Continued)

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

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

Additional Funding of the Pension Plan

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

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

(11) Risk Management

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

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

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

(11) Risk Management (Continued)

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

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

(12) Commitments and Contingencies

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

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

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

(12) Commitments and Contingencies (Continued)

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

<Page Intentionally Left Blank>

Required Supplementary Information

<Page Intentionally Left Blank>

MESA WATER DISTRICT

Schedule of Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years*

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

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

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

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

There were no changes in assumptions.

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

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

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

There were no significant changes in assumptions.

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

There were no changes in assumptions.

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

MESA WATER DISTRICT

Schedule of Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years*

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

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

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

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

There were no changes in assumptions.

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

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

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

There were no significant changes in assumptions.

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

There were no changes in assumptions.

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

MESA WATER DISTRICT

Schedule of Plan Contributions - Pension

Last Ten Fiscal Years*

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

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

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

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

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

MESA WATER DISTRICT

Schedule of Plan Contributions - Pension

Last Ten Fiscal Years*

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

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

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

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

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

MESA WATER DISTRICT

OPEB Plan
Annual Money-Weighted Rate of Return on Investments

Last Ten Fiscal Years*

Retiree Health Plan

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

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

MESA WATER DISTRICT

Schedule of Changes in the Net OPEB Liability and Related Ratios

Last Ten Fiscal Years*

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

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

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

MESA WATER DISTRICT

Schedule of Plan Contributions - OPEB

Last Ten Fiscal Years*

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

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

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

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

<Page Intentionally Left Blank>

Supplementary Information

<Page Intentionally Left Blank>

MESA WATER DISTRICT

Certificates of Participation
Revenue Coverage

Years Ended June 30, 2020 and 2019

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

MESA WATER DISTRICT

Certificates of Participation
 Reconciliation of Total Revenues and Total Expenses

Years Ended June 30, 2020 and 2019

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

Statistical Information Section

<Page Intentionally Left Blank>

MESA WATER DISTRICT

Statistical Section

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

Table of Contents

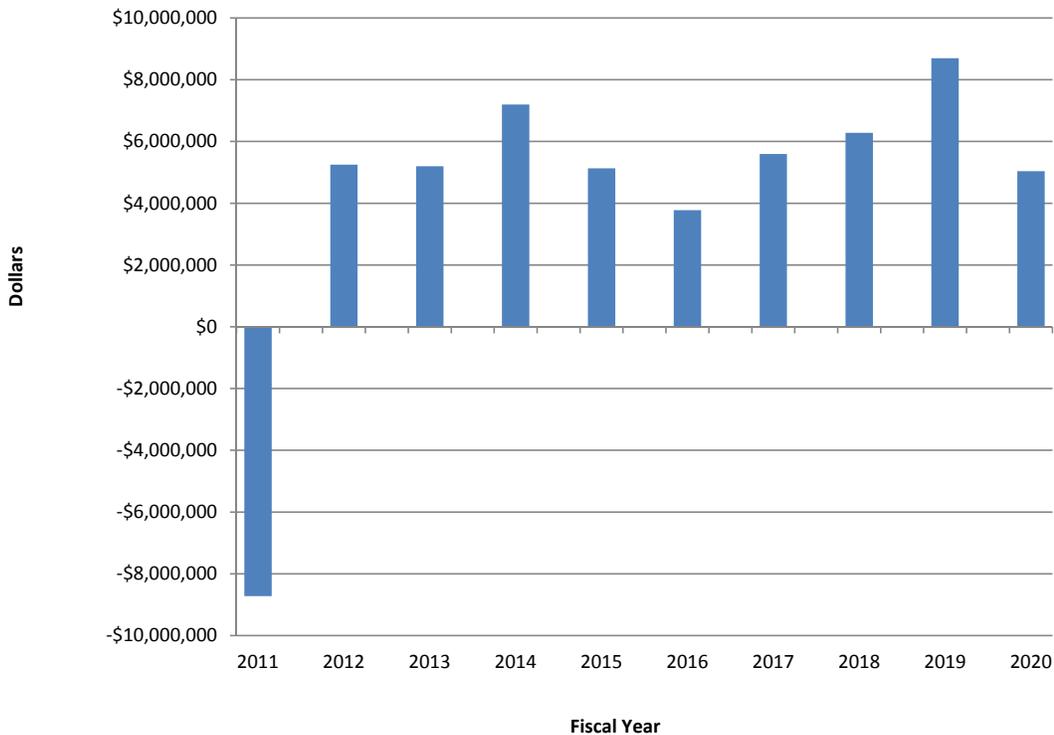
| | <u>Page No.</u> |
|--|-----------------|
| <u>Financial Trends</u> | 85-88 |
| <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p> | |
| <u>Revenue Capacity</u> | 89-95 |
| <p>These schedules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

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

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

* as restated.

Changes in Net Position

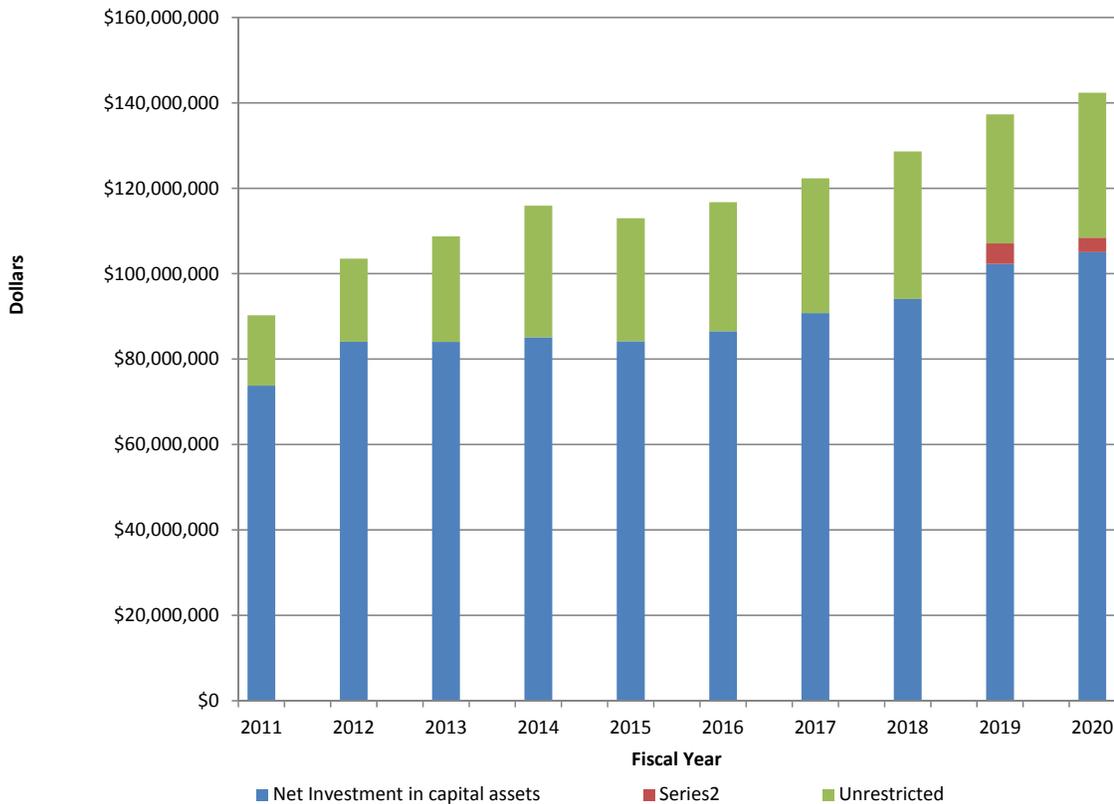


Source: Mesa Water District Audited Financial Statements.

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

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

Net Position by Component



Source: Mesa Water District Audited Financial Statements.

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

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

Source: Mesa Water District Audited Financial Statements.

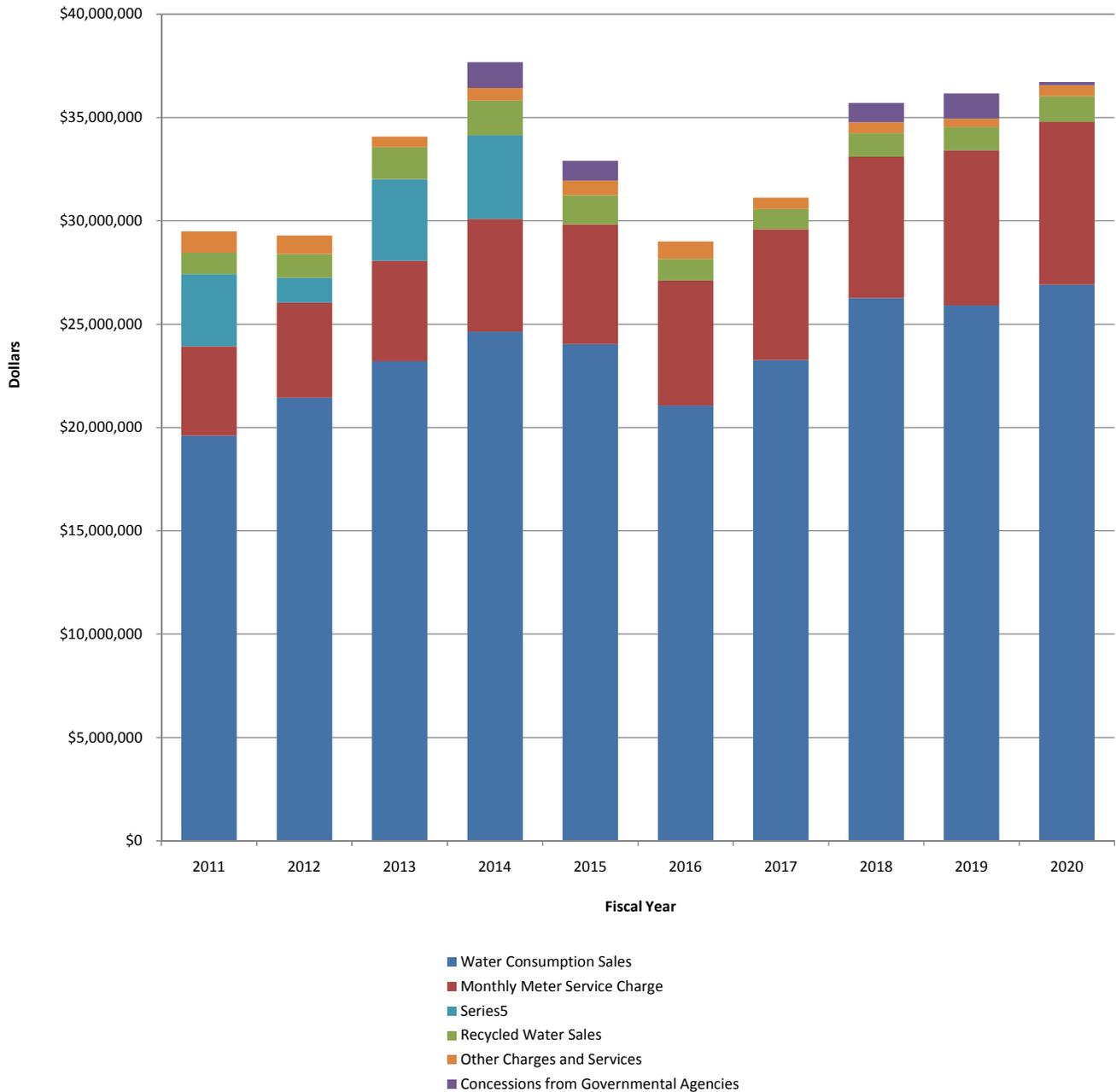
Mesa Water District
Historic Operating Results and Debt Service Coverage
Last Ten Fiscal Years
Schedule 1a, Continued

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

Source: Mesa Water District Audited Financial Statements.

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

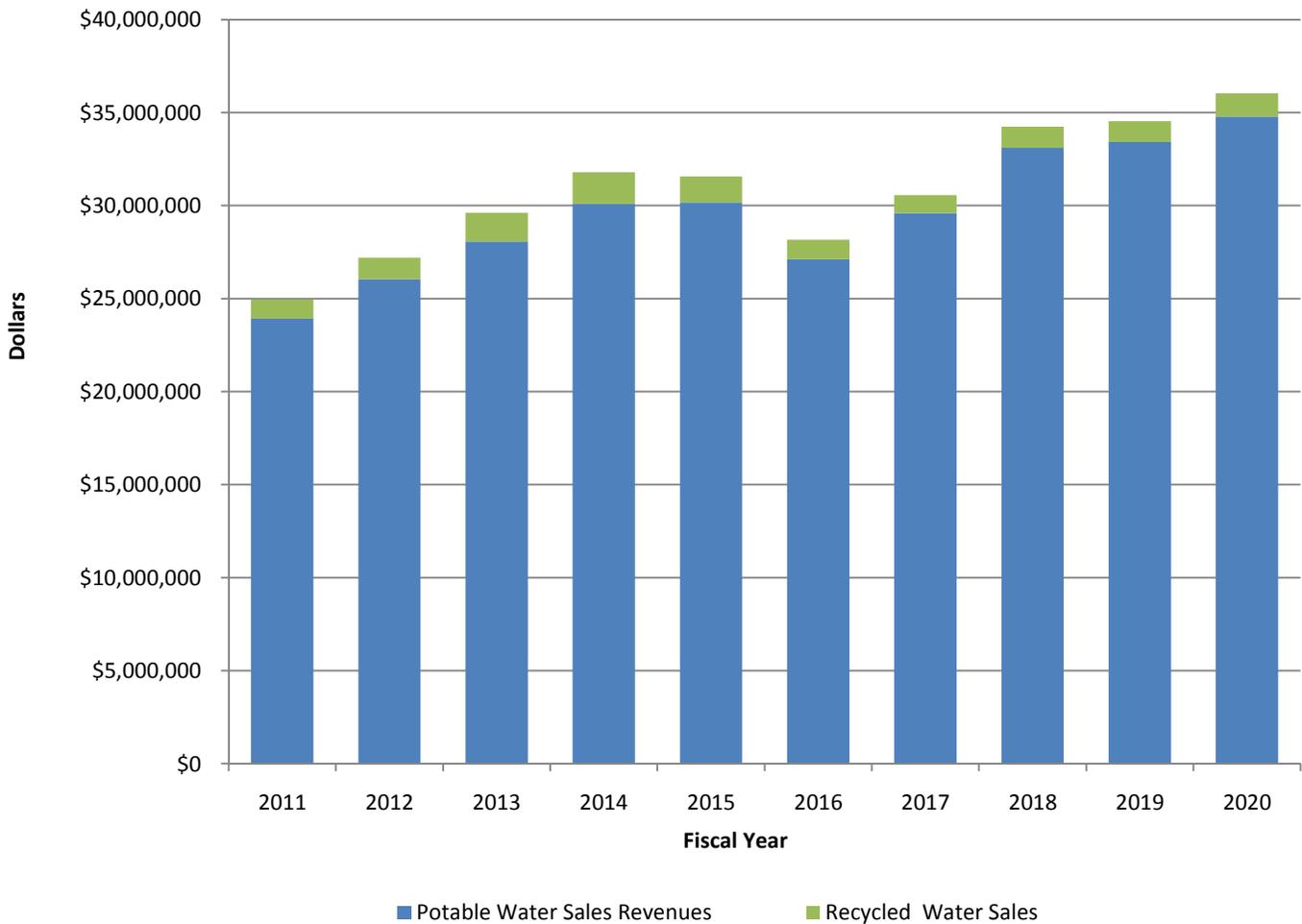
| Fiscal Year | Water Consumption Sales | Monthly Meter Service Charge | Pass-thru Water Sales to Governmental Agencies | Recycled Water Sales | Other Charges and Services | Concessions from Governmental Agencies | Total Operating Revenues |
|--------------------|--------------------------------|-------------------------------------|---|-------------------------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



Source: Mesa Water District Audited Financial Statements.

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

| Fiscal Year | Potable Water Sales Revenues² | Recycled Water Sales | Total | Increase (Decrease) |
|--------------------|---|-----------------------------|--------------|----------------------------|
| 2011 | 23,927,976 | 1,042,340 | 24,970,316 | 2.3% |
| 2012 | 26,043,818 | 1,158,856 | 27,202,674 | 8.9% |
| 2013 | 28,070,617 | 1,549,378 | 29,619,995 | 8.9% |
| 2014 | 30,094,598 | 1,698,506 | 31,793,104 | 7.3% |
| 2015 | 30,174,271 | 1,397,919 | 31,572,190 | -0.7% |
| 2016 | 27,111,070 | 1,056,481 | 28,167,551 | -10.8% |
| 2017 | 29,592,450 | 971,796 | 30,564,246 | 8.5% |
| 2018 | 33,111,551 | 1,137,748 | 34,249,299 | 12.1% |
| 2019 | 33,422,029 | 1,119,273 | 34,541,302 | 0.9% |
| 2020 | 34,783,817 | 1,250,605 | 36,034,422 | 4.3% |



Notes:

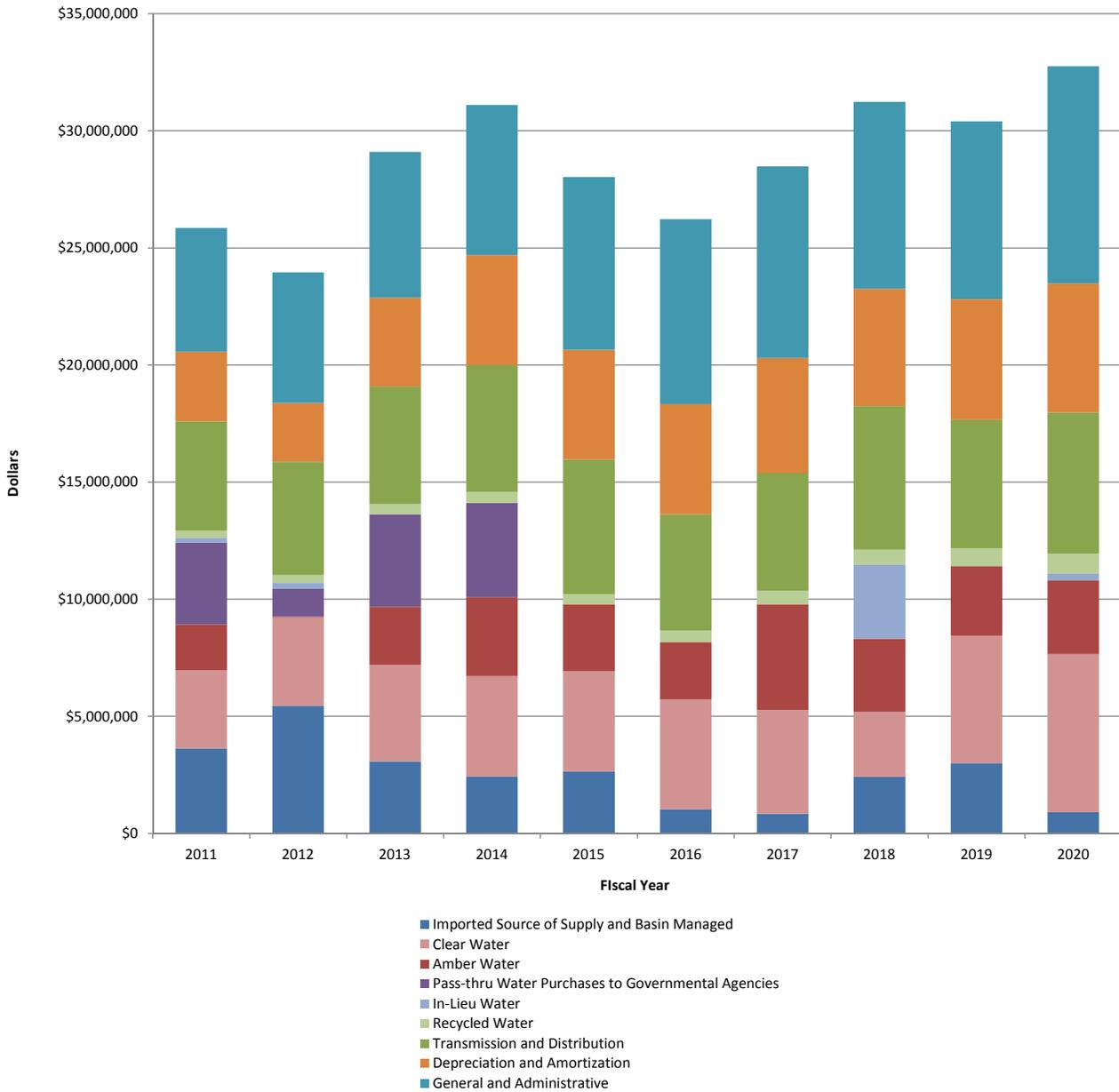
⁽¹⁾ Excludes revenues from sales at cost to the City of Huntington Beach.

⁽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**

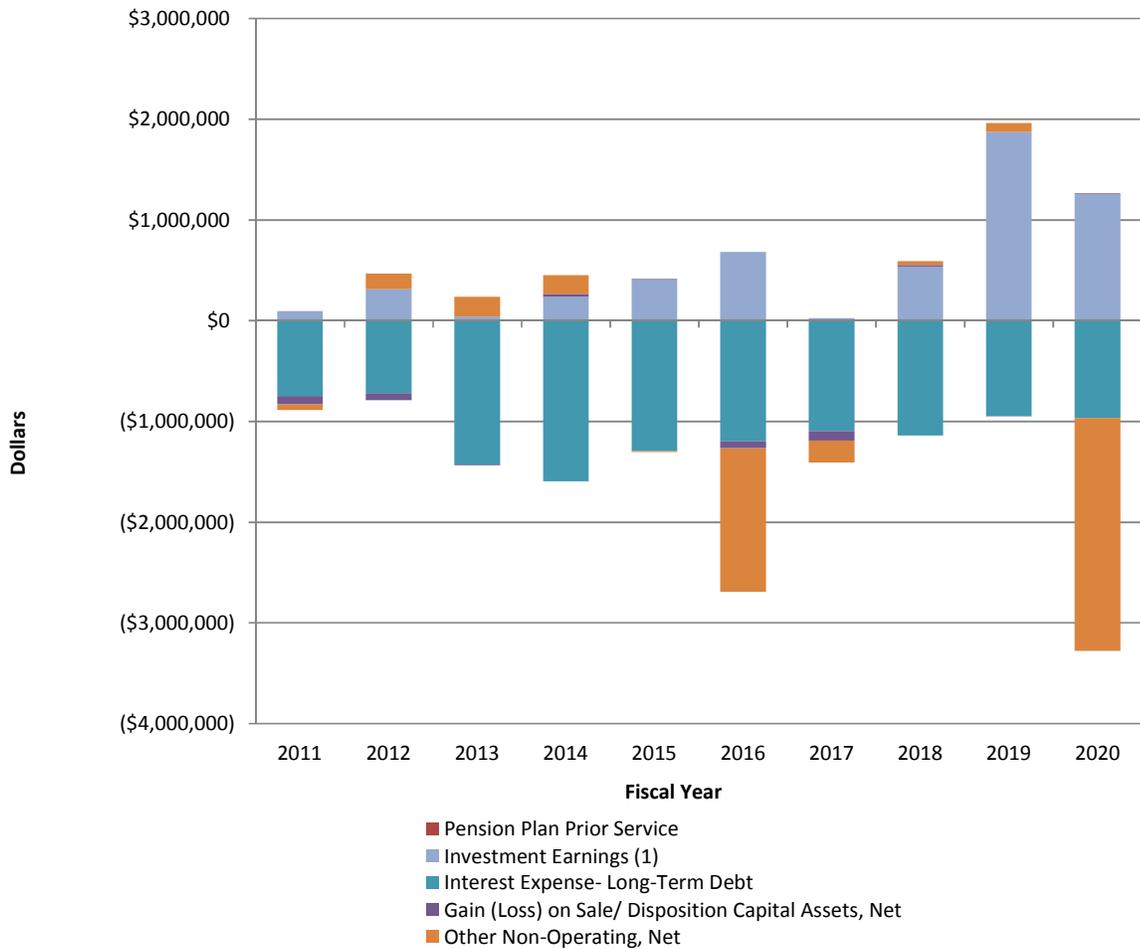
| Fiscal Year | Imported Source of Supply and Basin Managed | Clear Water | Amber Water | Pass-thru Water Purchases to Governmental Agencies | In-Lieu Water | Recycled Water | Transmission and Distribution | Depreciation and Amortization | General and Administrative | Total Operating Expenses |
|-------------|---|-------------|-------------|--|---------------|--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



Source: Mesa Water District Audited Financial Statements.

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

| 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) |
|--------------------|---|--|--|---------------------------------|-----------------------------------|---|
| 2011 | 94,758 | (748,517) | (82,164) | (55,014) | - | (790,937) |
| 2012 | 313,494 | (720,536) | (68,158) | 153,510 | - | (321,690) |
| 2013 | 43,234 | (1,429,154) | (6,288) | 195,562 | - | (1,196,646) |
| 2014 | 238,672 | (1,595,546) | 28,155 | 185,931 | - | (1,142,788) |
| 2015 | 404,763 | (1,293,727) | 9,639 | (10,611) | - | (889,936) |
| 2016 | 681,378 | (1,196,589) | (69,130) | (1,424,659) | - | (2,009,000) |
| 2017 | 25,518 | (1,094,610) | (94,086) | (218,972) | - | (1,382,150) |
| 2018 | 535,930 | (1,140,774) | 17,397 | 38,350 | - | (549,097) |
| 2019 | 1,872,020 | (945,513) | (2,904) | 91,145 | - | 1,014,748 |
| 2020 | 1,255,743 | (964,979) | 8,123 | (2,312,902) | - | (2,014,015) |



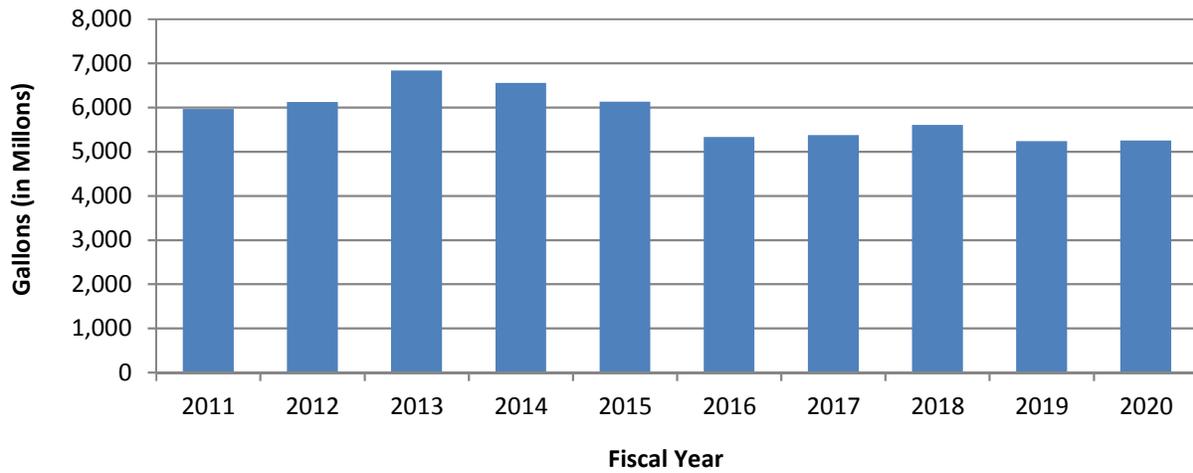
Note:

⁽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**

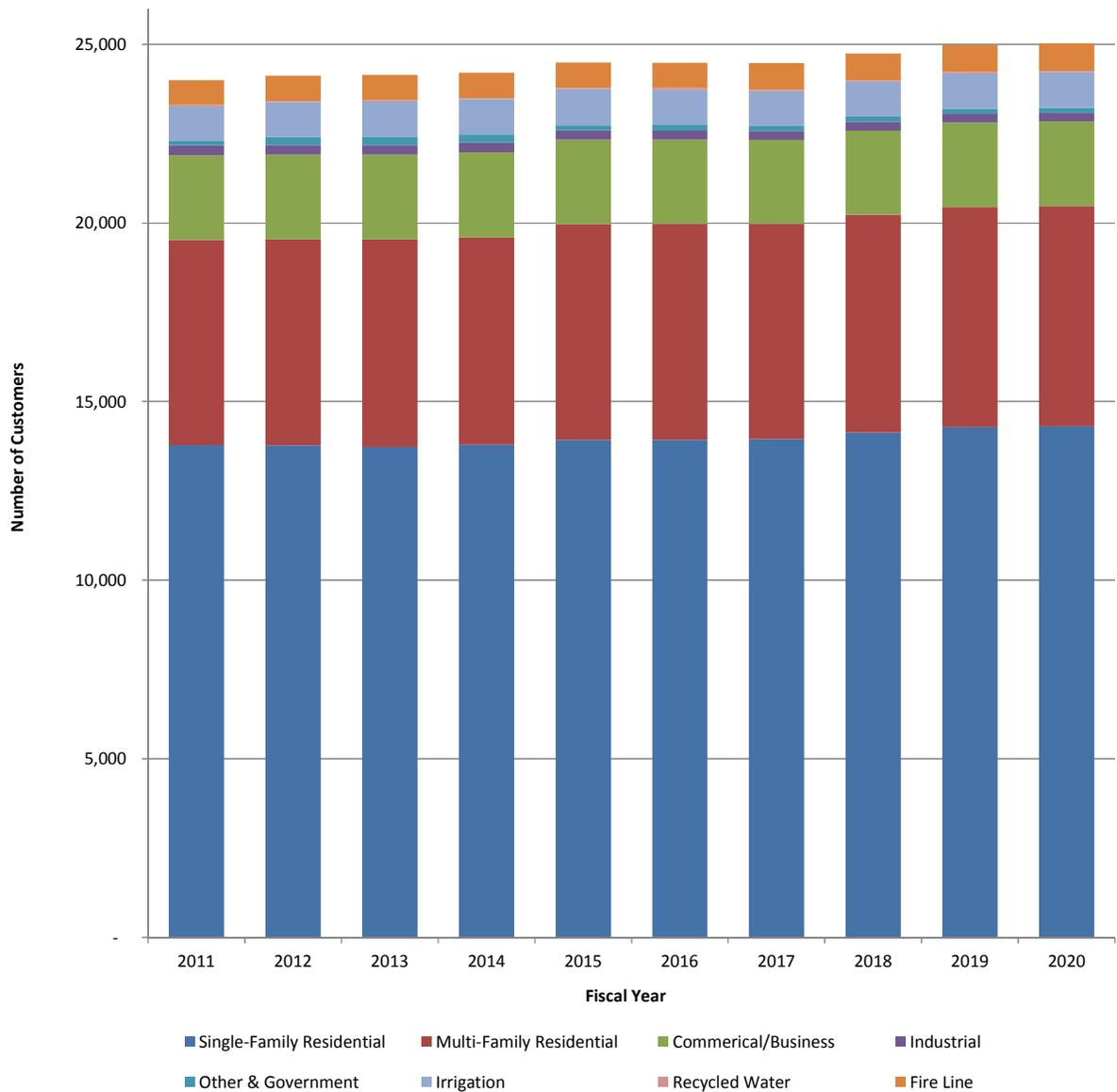
| Fiscal Year | Production (Gallons) | AF | Sales AF | Production AF |
|--------------------|-----------------------------|--------|----------|---------------|
| 2011 | 5,964,539,630 | 17,359 | 17,359 | 18,305 |
| 2012 | 6,119,286,269 | 17,874 | 17,874 | 18,779 |
| 2013 | 6,836,777,586 | 18,701 | 18,701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



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

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

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



Source: Mesa Water District Billing System.

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

Minimum Bimonthly Service Charge - Potable Water Service

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

Minimum Bimonthly Service Charge - Fireline Water Service - Class I

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

Minimum Bimonthly Service Charge - Fireline Water Service - Class II

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

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

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

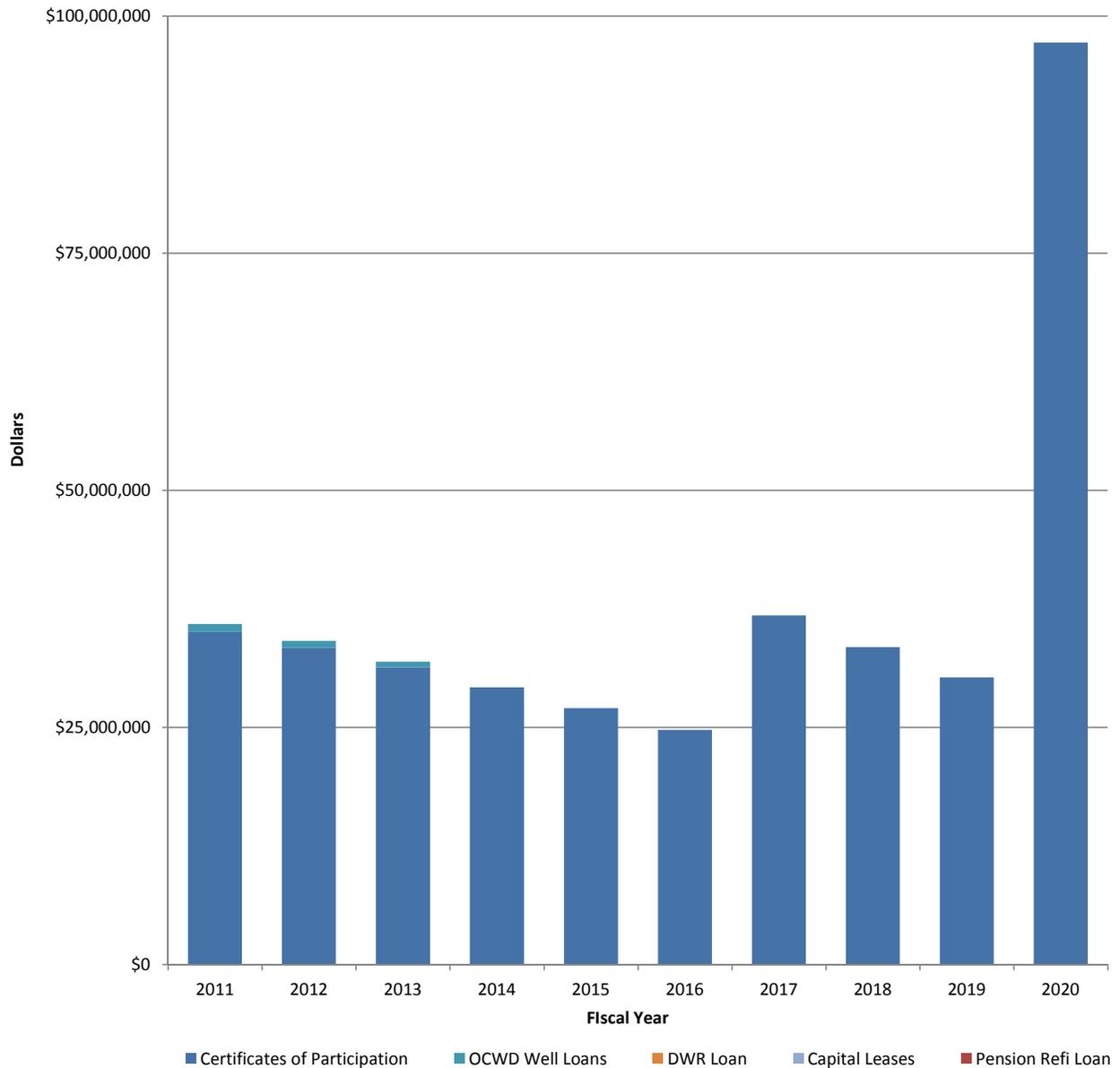
**Mesa Water District
 Ten Largest Water Users by Revenue
 Current Fiscal Year and Five Years Ago
 Schedule 8**

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

Source: Mesa Water District Billing System.

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

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

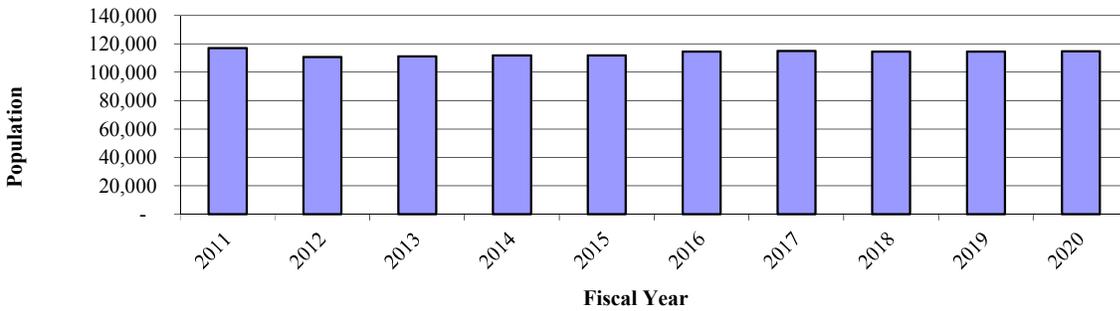


Source: Mesa Water District Audited Financial Statements.

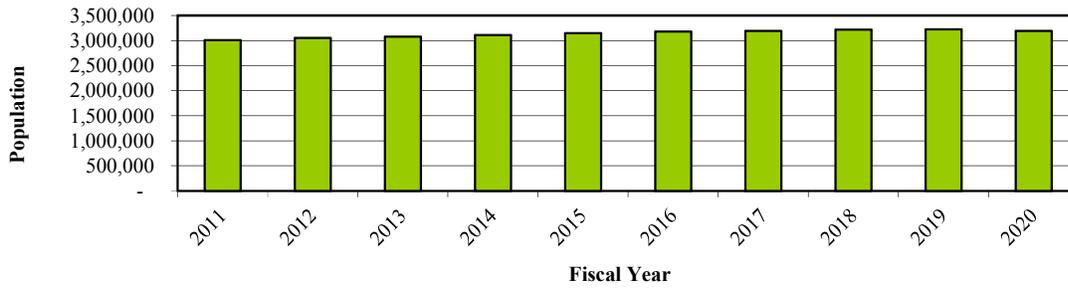
Mesa Water District
Schedule of Demographics and Economic Statistics
Last Ten Calendar Years
Schedule 10

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

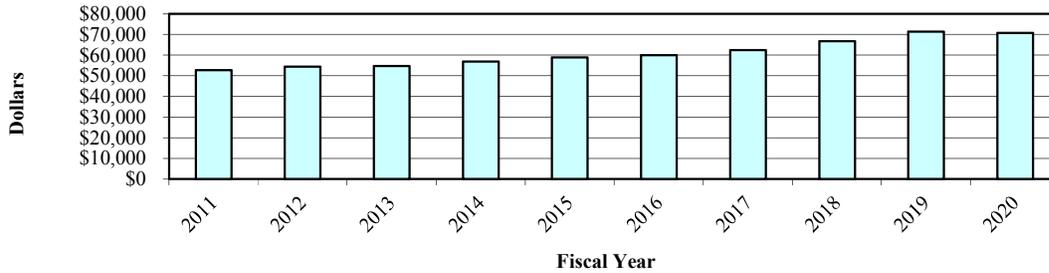
Population - Costa Mesa



Population - Orange County



Personal Income per Capita - Orange County



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

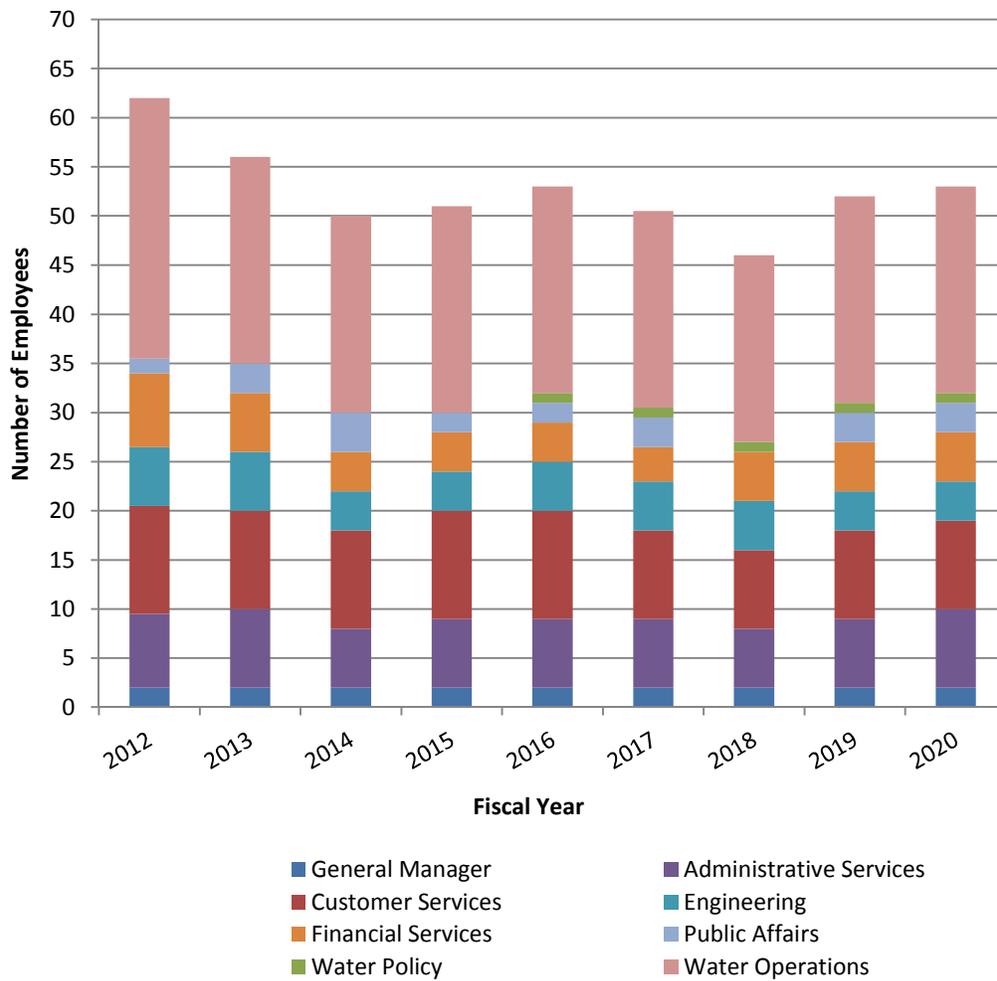
Mesa Water District
City of Costa Mesa Principal Employers
Current Year and Nine Years Ago
Schedule 11

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

Source: City of Costa Mesa CAFR.

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

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



Source: Mesa Water District Records.

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

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

Source: Mesa Water District Records.

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

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

Source: Mesa Water District Records.