

Mission Springs Water District
Desert Hot Springs, California

Basic Financial Statements

For the fiscal year ended June 30, 2020

Prepared by:
Finance Department

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Basic Financial Statements
For the fiscal year ended June 30, 2020

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION:	
Independent Auditors Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13
Notes to Financial Statements	15
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date	41
Schedule of Pension Plan Contributions	42
SUPPLEMENTARY INFORMATION (UNAUDITED):	
Statement of Operating Expenses by Natural Classification	43
Schedules of Principal and Interest Repayments:	
Assessment District #4 Special Assessment Bonds, Series R-1	44
Assessment District #7 Special Assessment Bonds	45
Certificates of Participation – USDA	46
Installment Sale Agreement – Assessment District #12, Phase I and II – Refinance	47
Installment Sale Agreement – Mission Creek – 80 Acres	48
State Revolving Fund – Assessment District #12, Phase IV	49
Installment Sale Agreement – Assessment District #12, Phase V	51
Installment Sale Agreement – Assessment District #12, Phase VI	51

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Financial Section

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Independent Auditor's Report

Members of the Board of Directors
Mission Springs Water District
Desert Hot Springs, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Mission Springs Water District (District) as of and for the year ended June 30, 2020, 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2020, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the California State Controller's office and state regulations governing special districts.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **January xx, 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 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 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
January xx, 2021

Mission Springs Water District

Management's Discussion and Analysis For the fiscal year ended June 30, 2020

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance and activities of the Mission Springs Water District (District) for the fiscal years ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Overview of the Basic Financial Statements

The District is a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. The District's basic financial statements include the statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The statement of net position presents information on all the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are recognized on the accrual basis.

The statement of cash flows is related to the other financial statements by the way it links changes in assets and deferred outflows of resources and liabilities and deferred inflows of resources to the effect on cash and cash equivalents over the course of the fiscal year.

The notes to the financial statements provide useful information regarding the District's significant accounting policies, and they explain significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$154,381,901 (net position). Of this amount, \$35,229,305 represents unrestricted net position, which represents net position available for to be designated by the board.
- The District's total net position increased \$6,834,711 from the prior fiscal year mainly attributable to xxxxxxxxxxxxxxxx.

Mission Springs Water District

Management's Discussion and Analysis For the fiscal year ended June 30, 2020

Financial Analysis of the District

The statement of net position and the statement of revenues, expenses and changes in net position report provide an indication of the District's financial health. It provides a basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the District.

The following tables summarize the District's financial condition and the changes in its net position for the past two years.

Statements of Net Position

Consolidated Statements of Net Position

	June 30		Change	
	2020 (in thousands)	2019 (in thousands)	Dollars (in thousands)	Percentage
Assets				
Current and other noncurrent assets	\$ 48,055	\$ 47,679	\$ 376	1%
Restricted assets	303	303	-	0%
Capital assets, net	127,840	121,936	5,904	5%
Total assets	<u>176,198</u>	<u>169,918</u>	<u>6,280</u>	4%
Deferred outflows of resources	<u>2,494</u>	<u>2,238</u>	<u>256</u>	11%
Liabilities				
Current liabilities	7,831	8,221	(390)	-5%
Noncurrent liabilities	15,756	15,807	(51)	0%
Total liabilities	<u>23,587</u>	<u>24,028</u>	<u>(441)</u>	-2%
Deferred inflows of resources	<u>723</u>	<u>581</u>	<u>142</u>	24%
Net position				
Net investment in capital assets	118,850	109,194	9,656	9%
Restricted	303	303	-	0%
Unrestricted	35,229	38,050	(2,821)	-7%
Total net position	<u>\$ 154,382</u>	<u>\$ 147,547</u>	<u>\$ 6,835</u>	5%

As shown above, the District's total assets exceeded liabilities and deferred inflows of resources by \$154.3 million and \$147.5 million as of June 30, 2020 and 2019, respectively, an increase in net position of \$6.8 million between 2020 and 2019.

Mission Springs Water District

Management's Discussion and Analysis For the fiscal year ended June 30, 2020

Statements of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position provide information on the nature and sources of these changes. For the fiscal years ended June 30, 2020 and 2019, the District's net position increased by \$6.8 million and \$4.7 million, respectively, as shown by the table below.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	June 30		Change	
	2020 (in thousands)	2019 (in thousands)	Dollars (in thousands)	Percentage
Operating revenue				
Sales	\$ 7,559	\$ 9,301	\$ (1,742)	-19%
Services	9,549	5,963	3,586	60%
Other operating revenue	1,678	1,490	188	13%
Total operating revenue	18,786	16,754	2,032	12%
Total operating expenses	17,002	15,712	1,290	8%
Operating income	1,784	1,042	742	71%
Property taxes and special assessments	2,645	2,846	(201)	-7%
Investment earnings, other	1,258	1,062	196	18%
Grants	1,755	118	1,637	1387%
Net nonoperating revenues	5,658	4,026	1,632	41%
Interest expense	626	665	(39)	-6%
Other	59	17	42	247%
Net nonoperating expenses	685	682	3	0%
Income before contributions	6,757	4,386	2,371	54%
Capital contributions	78	293	(215)	-73%
Change in net position	6,835	4,679	\$ 2,156	46%
Net position, beginning of year	147,547	142,868		
Net position, end of year	\$ 154,382	\$ 147,547		

Operating Revenues

Fiscal year 2018/19 saw a significant increase in producers' pre-purchases of untreated water for cyclic storage, increasing the District's water sales by 17,100 acre feet or about \$14.34 million. Treated water sales also increased during this period by about 1,200 acre feet, providing \$1.49 million in additional revenues. However, during fiscal year 2019/20, producers significantly scaled back on their water purchases for cyclic storage, decreasing untreated water revenues by \$5.39 million.

Nonoperating Revenues/Expenses and Capital Contributions

Total Nonoperating revenues increased by \$2.13 million over the prior year. Total property taxes received decreased by \$.27 million. The assessed values within the District's service area experienced a 6.1% increase over the prior year and the Board voted to reduce the State Water Project Debt Service Tax rate by one cent to \$.1425/\$100 of Assessed Value. Successor Agency Pass through Payments increased by \$.17 million over the prior year. Interest income increased over the prior year by \$.82 million and Grant income.

Mission Springs Water District

Management's Discussion and Analysis For the fiscal year ended June 30, 2020

Operating Expenses

The District purchases imported water from MWD and sets its rates based on MWD's prevailing rates.

During fiscal year 2018/19, the producers ramped up their pre-purchases of untreated water for cyclic storage but subsequently scaled them back down during fiscal year 2019/20, decreasing untreated water purchases by 7,800 acre feet or \$3.75 million.

The safer-at-home restrictions in place resulted in the cancellation or postponement of various water conservation events and projects, decreasing programs costs for fiscal year 2019/20.

Capital Asset Administration

The District's investments in capital assets, net of accumulated depreciation, as of June 30, 2020 and June 30, 2019 were as follows.

	June 30		Change	
	2020 (in thousands)	2019 (in thousands)	Dollars (in thousands)	Percentage
Land and other land rights	\$ 1,376	\$ 1,376	\$ -	0%
Construction in progress	16,480	11,847	4,633	39%
Building and improvements	4,281	672	3,609	537%
Utility plant	103,826	106,483	(2,657)	-2%
Furniture and equipment	871	1,042	(171)	-16%
Other assets	1,006	517	489	95%
Net capital assets	<u>\$ 127,840</u>	<u>\$ 121,937</u>	<u>\$ 5,903</u>	5%

For more information regarding the District's capital assets, please refer to note 3 of the notes to financial statements.

Mission Springs Water District

**Management's Discussion and Analysis
For the fiscal year ended June 30, 2020**

Categories of Net Position

The District is required to present its net position in three categories: Net investment in Capital Assets, Restricted, and Unrestricted.

Net Investment in Capital Assets

At June 30, 2020, the amount the District had invested in capital assets, net of related debt was \$118.9 million. This balance was obtained by combining Construction in Progress of \$16.5 million with Capital Assets in Service, net of Accumulated Depreciation of \$111.4 million and minus long-term liabilities of \$9.0 million.

Restricted Net Position – Debt Reserve

The District has restricted net position of \$302.5 thousand, which consists of debt reserve fund required by a project finance agreement with the California State Water Resources Control Board.

Unrestricted Net Position

The District had unrestricted Net Position of \$35.2 million at June 30, 2020. The Board of Directors has designated \$28.4 million of unrestricted net position to capital reserve for the future replacement, and major repairs, of infrastructure of the District. The board has also designated \$150 thousand of unrestricted net position for the purpose of self-insuring the District against any claims made against the District.

Mission Springs Water District

Management's Discussion and Analysis For the fiscal year ended June 30, 2020

Long-term Liabilities

	June 30		Change	
	2020 (in thousands)	2019 (in thousands)	Dollars (in thousands)	Percentage
Special Assessment Bond - Assessment District #4	\$ 12	\$ 16	\$ (4)	-25%
Special Assessment Bond - Assessment District #7	70	81	(11)	-14%
COP - U.S. Department of Agriculture - 2001	253	261	(8)	-3%
Installment sale agreement - City National Bank - 2017	1,717	1,952	(235)	-12%
Installment sale agreement - Holman Capital Corporation	242	256	(14)	-5%
SWRCD - Assessment District #12, Phase IV	3,611	3,829	(218)	-6%
Installment sale agreement - City National Bank - 2013	945	996	(51)	-5%
Installment sale agreement - BBVA Compass Bank - 2014	2,139	2,247	(108)	-5%
Total long-term liabilities	<u>\$ 8,989</u>	<u>\$ 9,638</u>	<u>\$ (649)</u>	<u>-7%</u>

For more information regarding the District's long-term liabilities, please refer to note 5 of the notes to financial statements.

Water Rates and Other Charges

On June 5, 2019, the Board of Directors approved the water rates and charges for the different classes of water effective January 1, 2020. Please refer to page 51 of the statistical section for the District's water rates for the last ten fiscal years. The Board of Directors also approved the adoption of a water standby or availability of service charge at \$10 per acre of land or \$10 for each parcel of land less than an acre within the District's service area. This charge generated about \$2.07 million in revenues.

Conditions Affecting Current Financial Position

Signs of the COVID -19 pandemic first appeared in California in February 2020. Shortly after that, Governor Newsom issued a statewide safer-at-home order for all residents in response to the pandemic. While water utility services are considered essential and exempt from the Governor's order, the District, in an abundance of caution, immediately began transitioning staff to a teleworking schedule with minimal disruption in essential service delivery. However, the safer-at-home restrictions, still in effect through the end of the fiscal year, caused the cancellation of planned events and projects that involve face-to-face encounters.

Mission Springs Water District

**Management's Discussion and Analysis
For the fiscal year ended June 30, 2020**

Initial studies warned of significant revenue and cost impacts to water utilities across the country in terms of lost sales from non-residential customers, rise in delinquencies due to rising unemployment, as well as higher expenses related to operational actions taken in response to the pandemic. To date however, the District has not seen any significant impacts of the pandemic on its major revenue sources - water sales, standby charge, or taxes. But there has been a notable decrease in water conservation program costs due to cancellation of events and projects impacted by the COVID-19 restrictions in effect.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and overall 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's Director of Administrative Services at 66575 Second Street, Desert Hot Springs, CA 92240.

Basic Financial Statements

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Mission Springs Water District

Statement of Net Position
June 30, 2020

	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and investments (note 2)	\$ 18,658,586	\$ 15,857,994	\$ 34,516,580
Receivables:			
Accounts	2,238,660	485,921	2,724,581
Other	843,225	581,151	1,424,376
Taxes	43,041	22,414	65,455
Assessments	-	751,771	751,771
Prepaid expenses	114,528	44,774	159,302
Inventory	302,086	118,097	420,183
Note receivable, current portion	15,822	-	15,822
Total current assets	<u>22,215,948</u>	<u>17,862,122</u>	<u>40,078,070</u>
Restricted assets:			
Cash and investments (note 2)	-	302,510	302,510
Total restricted assets	<u>-</u>	<u>302,510</u>	<u>302,510</u>
Noncurrent assets:			
Capital assets, not being depreciated (note 3)	10,056,964	7,799,477	17,856,441
Capital assets, net of depreciation (note 3)	52,563,782	57,419,514	109,983,296
Note receivable, net of current portion	62,719	-	62,719
Assessments receivable, net of current portion	-	7,915,312	7,915,312
Total noncurrent assets	<u>62,683,465</u>	<u>73,134,303</u>	<u>135,817,768</u>
Total assets	<u>84,899,413</u>	<u>91,298,935</u>	<u>176,198,348</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related (note 6)	<u>1,792,993</u>	<u>700,954</u>	<u>2,493,947</u>
Total deferred outflows of resources	<u>1,792,993</u>	<u>700,954</u>	<u>2,493,947</u>

(continued)

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

Mission Springs Water District

Statement of Net Position, (Continued)
June 30, 2020

	Water	Sewer	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,099,466	\$ 810,597	\$ 2,910,063
Accrued liabilities	168,694	153,617	322,311
Customer deposits	372,592	-	372,592
Advance construction deposits	41,500	3,076,280	3,117,780
Compensated absences, current portion	316,419	123,701	440,120
Long-term liabilities, current portion (note 5)	21,871	646,483	668,354
Total current liabilities	<u>3,020,542</u>	<u>4,810,678</u>	<u>7,831,220</u>
Noncurrent liabilities:			
Compensated absences, net of current portion	316,419	123,701	440,120
Long-term liabilities, net of current portion (note 5)	473,633	7,847,664	8,321,297
Net pension liability (note 6)	5,028,876	1,965,991	6,994,867
Total noncurrent liabilities	<u>5,818,928</u>	<u>9,937,356</u>	<u>15,756,284</u>
Total liabilities	<u>8,839,470</u>	<u>14,748,034</u>	<u>23,587,504</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related (note 6)	519,713	203,177	722,890
Total deferred inflows of resources	<u>519,713</u>	<u>203,177</u>	<u>722,890</u>
NET POSITION			
Net investment in capital assets	62,125,242	56,724,844	118,850,086
Restricted	-	302,510	302,510
Unrestricted	15,207,981	20,021,324	35,229,305
Total net position (note 7)	<u>\$ 77,333,223</u>	<u>\$ 77,048,678</u>	<u>\$ 154,381,901</u>

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

**Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2020**

	Water	Sewer	Total
OPERATING REVENUES			
Sales	\$ 7,558,585	\$ -	\$ 7,558,585
Services	2,769,585	6,779,183	9,548,768
Standby and availability	227,902	12,465	240,367
Backup facilities and front footage fees	515,169	69,021	584,190
Meter installations	78,110	-	78,110
Other	772,322	3,650	775,972
Total operating revenues	11,921,673	6,864,319	18,785,992
OPERATING EXPENSES			
Pumping	2,202,807	-	2,202,807
Transmission and distribution	1,310,407	-	1,310,407
Customer accounts	984,293	130,435	1,114,728
Sewage collection	-	368,193	368,193
Sewage treatment	-	1,556,240	1,556,240
Standby wages	96,495	50,442	146,937
Groundwater management	13,423	5,247	18,670
Public affairs	250,258	97,017	347,275
General and administrative	4,260,867	1,646,542	5,907,409
Depreciation	2,410,136	1,619,489	4,029,625
Total operating expenses	11,528,686	5,473,605	17,002,291
Operating income	392,987	1,390,714	1,783,701
NONOPERATING REVENUES			
Property taxes - general purpose	1,249,861	666,010	1,915,871
Special assessments - debt service	-	729,490	729,490
Investment income, net	651,564	440,419	1,091,983
Grants	1,189,249	565,333	1,754,582
Other	153,289	12,449	165,738
Total nonoperating revenues	3,243,963	2,413,701	5,657,664
NONOPERATING EXPENSES			
Interest	30,882	594,812	625,694
Other	55,146	3,869	59,015
Total nonoperating expenses	86,028	598,681	684,709
Income before contributions	3,550,922	3,205,734	6,756,656
Capital contributions	78,055	-	78,055
Change in net position	3,628,977	3,205,734	6,834,711
Net position, beginning of year	73,704,246	73,842,944	147,547,190
Net position, end of year	\$ 77,333,223	\$ 77,048,678	\$ 154,381,901

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

Mission Springs Water District

Statement of Cash Flows **For the Fiscal Year Ended June 30, 2020**

	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 11,441,617	\$ 6,117,889	\$ 17,559,506
Cash payments to suppliers for goods and services	(4,942,134)	(2,227,970)	(7,170,104)
Cash payments for employees for services	(4,068,216)	(1,577,333)	(5,645,549)
Net cash provided by operating activities	2,431,267	2,312,586	4,743,853
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Cash received from property taxes - general purpose	1,254,265	667,710	1,921,975
Cash received from grants	1,189,249	565,333	1,754,582
Net cash provided by noncapital financing activities	2,443,514	1,233,043	3,676,557
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received from special assessments - debt service	-	1,455,967	1,455,967
Cash received from note receivable	18,117	-	18,117
Acquisition and construction of capital assets	(7,734,966)	(2,119,901)	(9,854,867)
Principal retirement of long-term debt	(20,987)	(627,392)	(648,379)
Interest paid on long-term debt	(30,882)	(594,812)	(625,694)
Net cash used for capital and related financing activities	(7,768,718)	(1,886,138)	(9,654,856)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	651,564	440,419	1,091,983
Net cash provided by investing activities	651,564	440,419	1,091,983
Net change in cash and investments	(2,242,373)	2,099,910	(142,463)
Cash and investments, beginning of year	20,900,959	14,060,594	34,961,553
Cash and investments, end of year	\$ 18,658,586	\$ 16,160,504	\$ 34,819,090
RECONCILIATION TO STATEMENT OF NET POSITION			
Cash and investments	\$ 18,658,586	\$ 15,857,994	\$ 34,516,580
Restricted cash and investments	-	302,510	302,510
Total cash and investments	\$ 18,658,586	\$ 16,160,504	\$ 34,819,090

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

Mission Springs Water District

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020, (Continued)

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$	392,987	\$	1,390,714	\$	1,783,701
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization		2,410,136		1,619,489		4,029,625
Other nonoperating income		153,289		12,449		165,738
Other nonoperating expense		(55,146)		(3,869)		(59,015)
(Increase) decrease in assets and deferred outflows of resources:						
Receivables:						
Accounts		(385,752)		(105,133)		(490,885)
Other		(97,133)		(579,971)		(677,104)
Prepaid expenses		(13,594)		(8,061)		(21,655)
Inventory		(57,582)		(22,511)		(80,093)
Deferred outflows of resources		(184,067)		(71,959)		(256,026)
Increase (decrease) in liabilities and deferred inflows of resources:						
Accounts payable		194,447		62,918		257,365
Accrued liabilities		(110,228)		(38,423)		(148,651)
Compensated absences		104,721		40,940		145,661
Customer deposits		38,437		-		38,437
Advance construction deposits		(188,897)		(73,775)		(262,672)
Net pension liability		127,947		50,019		177,966
Deferred inflows of resources		101,702		39,759		141,461
Net cash provided by operating activities	\$	2,431,267	\$	2,312,586	\$	4,743,853

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

Mission Springs Water District

Notes to Financial Statements For the Fiscal Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the entity

Mission Springs Water District (District), formerly called Desert Hot Springs Water District, was formed in 1953. The District operates under the authority of the California Water Code. Mission Springs Water District is located in the Coachella Valley of Southern California, ten miles north of the City of Palm Springs. The boundaries encompass an area of 135 square miles, within which the District maintains and operates pipelines, 14 water wells, 24 reservoirs, and 2 wastewater treatment plants. The primary service area is the City of Desert Hot Springs.

Blended component unit

The Mission Springs Water District Improvement Corporation (Corporation) was created in April of 1985 by a joint exercise of powers agreement for the purpose of acquiring, constructing, rehabilitating, financing and refinancing, or providing for the sale or leasing of public capital improvements. The Corporation is governed by a board composed of the District's board of directors. The corporation has issued debt which is secured solely from installment payments payable under and installment purchase agreement entered into by the District and the Corporation. All accounts and funds created and established pursuant any instrument or agreement to which the Corporation is a party, and any interest earned and accrued thereon, shall incur to the benefit of the District. Separate financial statements are not prepared for the Corporation. It is reported as a blended component unit.

Fund classifications

Mission Springs Water District is comprised of the following major enterprise funds:

Water Fund – Used to account for activities associated with serving 13,219 water accounts, of which 95% are residential customers.

Sewer Fund – Used to account for activities associated with providing sewage collection, treatment and disposal services to 9,165 customer accounts, of which 97% are residential customers.

Measurement focus, basis of accounting and financial statement presentation

The District operates as a utility enterprise fund and its financial statements have been prepared using the economic measurement focus and the accrual basis of accounting, in conformity with generally accepted accounting principles (GAAP) and the Uniform Systems of Accounts for Utility Districts as prescribed by the Controller of the State of California. Under this basis of accounting and measurement focus, revenues are recognized when they are earned and expenses are recognized when they are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met. The District has elected to follow all pronouncements of the Governmental Accounting Standard's Board (GASB).

Mission Springs Water District

Notes to Financial Statements For the Fiscal Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents have been defined as deposits and highly liquid investments with an original maturity of 90 days or less at the date of purchase.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at amortized cost. Investments with a maturity of greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at a given point in time.

The State Treasurer's Investment Pool (Pool) is managed by the State, Office of the Treasurer, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in the Pool are valued at the Pool's share price, the price at which the investments could be sold.

Allowance for doubtful accounts

The District recognizes bad debt expense relating to receivables when it is probable that the accounts will be uncollectible. As of June 30, 2020, all receivables were deemed collectible.

Prepaid expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

Inventory

Inventories are valued at cost which approximates market, using the first in/first-out method. The costs of the inventories are recorded as expenses when used (consumption method). Inventory of material and supplies consisted of meters, valves, pipes, repair parts, gasoline, and supplies.

Mission Springs Water District

Notes to Financial Statements For the Fiscal Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Restricted assets

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Unspent developer deposits are classified as restricted assets on the statement of net position.

Assessments receivable

The District has issued long-term debt to finance capital improvement projects and has secured these debts by placing a lien on the assessed properties. The aggregate of the property liens has been recorded as an assessment receivable on the statement of net position. As of June 30, 2020, the assessment receivable for these liens was \$8,667,083 and the balance of special assessments that was delinquent was \$109,012. As of June 30, 2020, all assessment receivables were deemed collectible.

Capital assets and depreciation

Capital assets are recorded at cost. If applicable, donated assets are stated at acquisition value on the date donated. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. The District uses differing capitalization thresholds for the classes of assets based on materiality. The District's policy is to review for capitalization those expenditures greater than \$10,000 that have a useful life of more than one year. Estimated service lives for District's classes of assets are as follows:

Building and improvements	5 - 40 years
Utility plant	5 - 75 years
Furniture and equipment	5 - 25 years
Other assets	5 - 10 years
Intangible utility plant	5 - 25 years

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has one item, deferred outflows related to pension, which qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The District has one item, deferred inflows related to pension, which qualifies for reporting in this category.

Mission Springs Water District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Net position

Net position is categorized as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding debt or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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

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

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Mission Springs Water District

Notes to Financial Statements For the Fiscal Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Compensated absences

The District's policy is to permit employees to accumulate a limited amount of earned vacation and sick leave. Accumulated vacation time is accrued at year-end to account for the District's obligation to the employees for the amount owed. It is management's belief that the majority of the obligation will be utilized during the course of the next fiscal year. Vacation pay is payable to employees at the time a vacation is taken, cashed out, or upon termination of employment. Normally, an employee cannot accrue more vacation than the total hours accrued in the prior twenty-four-month period each year. Sick leave is payable when an employee is unable to work because of illness of an employee or employee's family member. An employee may not accumulate more than six hundred ninety-six hours of sick leave.

Unearned revenue

Unearned revenue in accrual-based statements arises when resources are received by the District before it has a legal claim to them (i.e. when grant monies are received prior to the incurrence of qualifying expenses).

Operating and nonoperating activities

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund and sewer fund are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Contributions for capital acquisitions/construction

Contributions for capital acquisitions/construction represent cash and capital asset additions contributed to the District by federal, state, and local granting agencies or by developers.

Property taxes

The County bills and collects property taxes on behalf of the District and numerous assessment districts. The District's current year tax collection is received through periodic apportionments from the County. The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on the property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

Mission Springs Water District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 2: CASH AND INVESTMENTS

Cash and investments are presented in the accompanying financial statements as follows:

Cash and investments	\$ 34,516,580
Restricted cash and investments	<u>302,510</u>
Total cash and investments	<u><u>34,819,090</u></u>

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

Petty cash	\$ 1,100
Demand deposits	3,890,387
Investments	<u>30,927,603</u>
Total cash and investments	<u><u>\$ 34,819,090</u></u>

Investment policy

The District's investment policy outlines the guidelines required to be used in effectively managing the District's available cash in accordance with the California Government Code. To address interest rate risk, the District's existing policy limits the maturity of investments to five years. To mitigate credit risks associated with its investments, the District's investment policy limits investments to large institutions and requires diversification to ensure that failure of one issuer will not significantly affect the District's cash flow.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the maximum maturity length of investments to five years.

Maturities of investments at June 30, 2020, were as follows:

Investment type	Total	Remaining maturing (in months)			
		12 Months or Less	13 to 36 Months	37 to 60 Months	More than 60 Months
Investment Trust of California (CalTRUST)	\$ 30,927,603	\$ 30,927,603	\$ -	\$ -	\$ -
Total	<u><u>\$ 30,927,603</u></u>	<u><u>\$ 30,927,603</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Mission Springs Water District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 2: CASH AND INVESTMENTS, (CONTINUED)

Concentration of credit risk

A concentration of credit risk is the risk of loss attributable to the magnitude of the District's investment in a single issuer. The District's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2020, there were no investments in any one issuer (other than U.S. Treasury securities, agency funds, corporate funds, and external investment pools) that represent 5% or more of total District investments.

Custodial credit risk

Custodial credit risk is the risk that the District will not be able to (a) recover deposits if the depositor financial institution fails, or (b) recover the value of investments or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails.

Deposits

The California Government Code requires California banks and savings and loan associations to secure a local governmental agency's (agency) deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits. The agency may waive collateral requirements for deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

Deposits are exposed to custodial credit risk if they are uninsured and are either:

- a. Uncollateralized;
- b. Collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the depositor-government's name.

At June 30, 2020, District's deposits (bank balances) exceeded the maximum deposit insurance amount by \$3,965,508, which is collateralized as described above.

Mission Springs Water District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 2: CASH AND INVESTMENTS, (CONTINUED)

Custodial credit risk, (continued)

Investments

The California Government Code authorizes the District to invest in obligations of the United States Treasury, agencies, and instrumentalities, prime commercial paper, bankers' acceptances, repurchase and reverse repurchase agreements, financial futures or financial option contracts, negotiable certificates of deposit, obligations of the State of California, and, obligations of local agencies within California.

Investments are exposed to custodial credit risk if they are uninsured, unregistered and held by either:

- a. Counterparty;
- b. The counterparty's trust department or agent but not in the government's name.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits eligible investments to large institutions. As of June 30, 2020, District had its investments in CalTrust.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in CalTrust are not subject to minimum legal ratings and credit risk disclosures.

Mission Springs Water District

Notes to Financial Statements For the Fiscal Year Ended June 30, 2020

NOTE 2: CASH AND INVESTMENTS, (CONTINUED)

Fair Value Measurements

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. District categorizes its fair value measurements 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 asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; while Level 3 inputs are significant unobservable inputs.

- Level 1 inputs are quoted prices for identical assets or liabilities in active markets that the government can access at the measurement date.
- Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 inputs are unobservable inputs for an asset or liability.

Deposits and withdrawals in governmental investment pools, such as CalTrust, are made on the basis of \$1 and not fair value. Accordingly, the District's investments in CalTrust are not subject to the fair value hierarchy.

Participation in External Investment Pools

The District is a voluntary participant in the Investment Trust of California (CalTrust), which is a Joint Powers Authority governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTrust and selects and supervises the activities of the Investment Manager and other agents. As of June 30, 2020, the District's investment in CalTrust is \$30,927,603, of which \$2,546,325 was invested in the Liquidity funds pool, \$6,419,832 in the Short-term pool, and \$21,961,446 in the Medium-term pool. Amounts that may be withdrawn from the Money Market Fund are based upon the fund's assets valued using the amortized cost method. Amounts that may be withdrawn from the Short-term and Medium-term pools are based on the net asset value per share and the number of shares held by participants in each pool.

Mission Springs Water District

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 3: CAPITAL ASSETS

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

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not being depreciated				
Land and other land rights	\$ 1,376,497	\$ -	\$ -	\$ 1,376,497
Construction in progress	11,846,949	9,620,050	(4,987,055)	16,479,944
Total capital assets, not being depreciated	13,223,446	9,620,050	(4,987,055)	17,856,441
Capital assets, being depreciated:				
Buildings and improvements	1,944,013	3,674,449	-	5,618,462
Utility plant	168,159,316	944,658	-	169,103,974
Furniture and equipment	4,374,690	92,012	-	4,466,702
Other assets	965,342	588,808	-	1,554,150
Total capital assets, being depreciated	175,443,361	5,299,927	-	180,743,288
Less accumulated depreciation for:				
Buildings and improvements	(1,271,949)	(65,688)	-	(1,337,637)
Utility plant	(61,676,665)	(3,600,957)	-	(65,277,622)
Furniture and equipment	(3,332,946)	(263,055)	-	(3,596,001)
Other assets	(448,807)	(99,925)	-	(548,732)
Total accumulated depreciation	(66,730,367)	(4,029,625)	-	(70,759,992)
Total capital assets being depreciated, net	108,712,994	1,270,302	-	109,983,296
Total capital assets, net	<u>\$ 121,936,440</u>	<u>\$ 10,890,352</u>	<u>\$ (4,987,055)</u>	<u>\$ 127,839,737</u>

Depreciation expense for the year ended June 30, 2020 was as follows:

Water	\$ 2,410,136
Sewer	<u>1,619,489</u>
Total depreciation expense	<u>\$ 4,029,625</u>

Mission Springs Water District

Notes to Financial Statements For the Fiscal Year Ended June 30, 2020

NOTE 4: COMPENSATED ABSENCES

Changes in compensated absences for the year ended June 30, 2020 were as follows:

Balance at beginning of year	\$ 734,579
Earned by employees	423,085
Paid to employees	<u>(277,424)</u>
Balance at end of year	880,240
Less current portion	<u>440,120</u>
Long-term portion	<u><u>\$ 440,120</u></u>

NOTE 5: LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings:					
Notes payable:					
Special Assessment Bond - Assessment District #4	\$ 16,000	\$ -	\$ (4,000)	\$ 12,000	\$ 4,000
Special Assessment Bond - Assessment District #7	81,000	-	(11,000)	70,000	12,000
COP - U.S. Department of Agriculture - 2001	260,601	-	(7,200)	253,401	7,500
Installment sale agreement - City National Bank - 2017	1,951,607	-	(235,096)	1,716,511	241,963
Installment sale agreement - Holman Capital Corporation	255,890	-	(13,787)	242,103	14,371
SWRCB - Assessment District #12, Phase IV	3,829,495	-	(218,261)	3,611,234	223,063
Installment sale agreement - City National Bank - 2013	996,487	-	(51,511)	944,976	53,646
Installment sale agreement - BBVA Compass Bank - 2014	<u>2,246,949</u>	<u>-</u>	<u>(107,523)</u>	<u>2,139,426</u>	<u>111,811</u>
Total long-term liabilities	<u><u>\$ 9,638,029</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (648,378)</u></u>	<u><u>\$ 8,989,651</u></u>	<u><u>\$ 668,354</u></u>

Assessment District #4 Special Assessment Bonds, Series R-1 (direct borrowing)

On February 15, 1983, the District issued special assessment bonds for \$88,200 for the construction of District improvements. The interest rate on the bonds is 11.375% per annum. Interest on the bonds is payable semi-annually on January 2 and July 2. Principal matures July 2 of each year through 2022.

Mission Springs Water District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 5: LONG-TERM DEBT, (CONTINUED)

Assessment District #7 Special Assessment Bonds (direct borrowing)

On February 28, 1985, the District issued special assessment bonds for \$222,200 to aid in financing a sewage collection system for Assessment District #7. The interest rate on the bonds is 7.25% per annum. Interest on the bonds is payable semi-annually on January 2 and July 2. Principal matures July 2 of each year through 2022.

Certificates of Participation – United States Department of Agriculture (direct borrowing)

On July 3, 2001, the District entered into a loan agreement with the U.S.D.A. and a Certificate of Participation (COP) was issued for \$348,000 to improve waterlines in Improvement District “E”. The interest rate on the COP is 4.50% per annum. Interest on the COP is payable semi-annually on February 1 and August 1. Principal matures February 1 of each year through 2041.

Assessment District #12, Phase I and Phase II – Refinance (direct borrowing)

On June 26, 2006, the District entered into an installment sale agreement with La Salle National Bank in the amount of \$2,200,000. The proceeds from this contract were used to purchase Assessment Districts #12 bonds totaling \$1,630,024. The bond proceeds were used for Assessment District #12, phase I costs.

On September 21, 2007, the District entered into an installment sale agreement with La Salle National Bank in the amount of \$1,600,000. The proceeds from this contract were used to purchase Assessment Districts #12 bonds totaling \$1,329,530. The bond proceeds were used for Assessment District #12, phase II costs.

On December 22, 2017, the District entered into a loan agreement with City National Bank in the amount of \$2,395,013. The proceeds from this contract were used to pay off the Phase I and II La Salle National Bank loans in the amount of \$1,309,488 and \$1,019,315, respectively. The interest rate on the loan agreement is 2.90% per annum. Principal and interest on the bonds is payable semi-annually on March 21 and September 21. Principal matures through September 21, 2027.

Mission Springs Water District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 5: LONG-TERM DEBT, (CONTINUED)

Assessment District #12, Phase I and Phase II – Refinance (direct borrowing), (continued)

The outstanding loan agreement with City National Bank contains (a) a provision that if an event of default occurs and continues, the timing of repayment of outstanding amounts become immediately due if the pledged revenues during each fiscal year are less than 115 percent of debt service coverage due in the following fiscal year and (b) a provision that if an event of default occurs and continues, the timing of repayment of outstanding amounts become immediately due if (1) the District is unable to make a payment; (2) the District fails to perform any of the agreements, covenants, or conditions required, and such default shall have continued for a period of thirty (30) days after the District has been given notice in writing of such default; (3) if the District files a petition in bankruptcy, or failure by the District to promptly lift any execution, garnishment or attachment, or adjudication of the District as bankrupt, or assignment by the District for the benefit of creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

Mission Creek – 80 Acres (direct borrowing)

On June 21, 2013, the District entered into an installment sales agreement with Holman Capital Corporation in the amount of \$328,000. The proceeds were used to purchase 80 acres of land for future water system improvements. The interest rate on the installment sales agreement is 4.19% per annum. Interest on the bonds is payable semi- annually on June 7 and December 7. Principal matures on June 7 and December 7 of each year through June 7, 2033.

The outstanding installment sales agreement with Holman Capital Corporation contains (a) a provision that if an event of default occurs and continues, the timing of repayment of outstanding amounts become immediately due if (1) the District is unable to make a payment; (2) the District fails to perform any of the agreements, covenants, or conditions required, and such default shall have continued for a period of thirty (30) days after the District has been given notice in writing of such default; (3) if the District violates any applicable rule, regulation, law, statute or ordinance applicable to the District or the Water System or the Parity Debt that could lead to a breach under the subsections (a) and/or (b) and that are not cured.

Mission Springs Water District

Notes to Financial Statements For the Fiscal Year Ended June 30, 2020

NOTE 5: LONG-TERM DEBT, (CONTINUED)

State Water Resources Control Board – State Revolving Fund Assessment District #12, Phase IV (direct borrowing),

In August 2012 (and later amended in January 2013), the District entered into a financing agreement with the California State Water Resources Control Board (CSWRCB) for a total amount of \$9,957,921 for the purpose of financing Assessment District #12, Phase 3 costs. This program is a loan from the Clean State Revolving Fund (SRF) of which 50% of the principal amount was forgiven. This was made possible through Federal Environmental Protection Agency funds granted to SRF. The interest rate on the loan is 2.2% with principal and interest payments due annually on January 31 beginning in 2015, final payment is due January 31, 2034.

In the event of a termination, the District has agreed, upon demand, to immediately repay to the State Water Board an amount equal to installment payments due hereunder, including accrued interest, and all penalty assessments due. In the event of termination, interest shall accrue on all amounts due at the highest legal rate of interest from the date that notice of termination is mailed to the District to the date of full repayment by the District.

Assessment District #12, Phase V (direct borrowing)

On December 19, 2013, the District entered into an installment sales agreement with City National Bank in the amount of \$1,215,000. The proceeds were used to purchase Assessment District #12 bonds totaling \$1,096,329 for phase V costs. The interest rate on the installment sales agreement is 4.10% per annum. Interest on the bonds is payable semi-annually on March 2 and September 2. Principal matures on March 2 and September 2 of each year through 2033.

The outstanding installment sales agreement with City National Bank contains (a) a provision that if an event of default occurs and continues, the timing of repayment of outstanding amounts become immediately due if (1) the District is unable to make a payment; (2) the District fails to perform any of the agreements, covenants, or conditions required, and such default shall have continued for a period of thirty (30) days after the District has been given notice in writing of such default; (3) If the District files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or the approval by a court of competent jurisdiction of a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property, (4) if an event of default shall have occurred and be continuing with respect to any Parity Debt or Subordinate Debt which requires or permits the immediate acceleration thereof.

Mission Springs Water District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 5: LONG-TERM DEBT, (CONTINUED)

Assessment District #12, Phase VI (direct borrowing)

On November 1, 2014, the District entered into an installment sales agreement with BBVA Compass Bank in the amount of \$2,700,000. The proceeds were used to purchase Assessment District #12 bonds totaling \$2,582,000 for phase VI costs. The interest rate on the installment sales agreement is 3.95% per annum. Interest on the bonds is payable semi-annually on March 2 and September 2. Principal matures on March 2 and September 2 of each year through 2029.

The outstanding installment sales agreement with BBVA Compass Bank contains (a) a provision that if an event of default occurs and continues, the timing of repayment of outstanding amounts become immediately due if (1) the District is unable to make a payment; (2) the District fails to perform any of the agreements, covenants, or conditions required, and such default shall have continued for a period of thirty (30) days after the District has been given notice in writing of such default; (3) If the District files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or the approval by a court of competent jurisdiction of a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property, (4) if an event of default shall have occurred and be continuing with respect to any Parity Debt or Subordinate Debt which requires or permits the immediate acceleration thereof.

The debt service requirements for the District's notes are as follows:

Year ended June 30,	Principal	Interest	Total
2021	\$ 668,354	\$ 196,842	\$ 865,196
2022	689,018	181,892	870,910
2023	710,195	165,114	875,309
2024	728,102	148,157	876,259
2025	750,560	130,800	881,360
2026 - 2030	3,771,691	408,926	4,180,617
2031 - 2035	1,574,331	60,667	1,634,998
2036 - 2040	79,300	15,089	94,389
2041	18,100	815	18,915
Total	<u>\$ 8,989,651</u>	<u>\$ 1,308,302</u>	<u>\$ 10,297,953</u>

Mission Springs Water District

Notes to Financial Statements For the Fiscal Year Ended June 30, 2020

NOTE 6: DEFINED BENEFIT PENSION PLAN

A. General information about the pension plan

Plan description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

Benefits provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 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.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

Mission Springs Water District

Notes to Financial Statements For the Fiscal Year Ended June 30, 2020

NOTE 6: DEFINED BENEFIT PENSION PLAN, (CONTINUED)

Benefits provided, (continued)

The Plan's provisions and benefits in effect at June 30, 2020 are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 67	52 - 67
Monthly benefits, as a % of eligible compensations	2.0% to 2.7%	1.0% to 2.5%
Required employer contribution rates	12.514%	6.985%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer 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 contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2020 were \$1,167,827. The actual employer payments of \$1,027,933 made to CalPERS by the District during the measurement period ended June 30, 2019 differed from the District's proportionate share of the employer's contributions of \$723,325 by \$304,608, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net pension liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Mission Springs Water District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 6: DEFINED BENEFIT PENSION PLAN, (CONTINUED)

Actuarial methods and assumptions used to determine total pension liability

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method:	Market Value of Assets
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

⁽¹⁾ 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 include 15 years or projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on the 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.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

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.

Mission Springs Water District

Notes to Financial Statements For the Fiscal Year Ended June 30, 2020

NOTE 6: 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 are as follows:

Asset Class¹	Current Strategic Allocation	Real Return Years 1 - 10²	Real Return Year 11+³
Global Equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)
Total	100.0%		

¹ In the System's 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.

² An expected inflation of 2.0% used for this period

³ An expected inflation of 2.92% used for this period

Change of assumptions

There were no changes in assumptions.

Mission Springs Water District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 6: DEFINED BENEFIT PENSION PLAN, (CONTINUED)

Discount rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. 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 plan fiduciary net position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

C. Proportionate share of net pension liability

The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

		Increase (Decrease)	
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2018 (VD)	\$ 23,107,098	\$ 16,290,197	\$ 6,816,901
Balance at: 6/30/2019 (MD)	24,451,302	17,456,435	6,994,867
Net change during 2018-19	1,344,204	1,166,238	177,966

Valuation Date (VD), Measurement Date (MD)

Mission Springs Water District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 6: DEFINED BENEFIT PENSION PLAN, (CONTINUED)

C. Proportionate share of the net pension liability, (continued)

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Miscellaneous Plan is measured as of June 30, 2019, and the total pension liability for the Miscellaneous 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. The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov.

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

Proportion share - MD June 30, 2018	0.18088%
Proportion share - MD June 30, 2019	0.17468%
Change - Increase (Decrease)	(0.00620%)

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 of the Miscellaneous Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Plan's Net Pension Liability	\$ 10,283,642	\$ 6,994,867	\$ 4,280,216

Subsequent events

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

Mission Springs Water District

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 6: DEFINED BENEFIT PENSION PLAN, (CONTINUED)

Amortization of deferred outflows and deferred inflows of resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining services lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2019 is 3.8 years, which was obtained by dividing the total service years of 530,470 (the sum of remaining service lifetimes of the active employees) by 140,593 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

D. Pension expense and deferred outflows and deferred inflows of resources related to pensions

As of the start of the measurement period (July 1, 2018), the District's net pension liability was \$6,816,901. For the measurement period ending June 30, 2019 (the measurement date), the District incurred a pension expense of \$1,487,621.

Mission Springs Water District

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 6: DEFINED BENEFIT PENSION PLAN, (CONTINUED)

D. Pension expense and deferred outflows and deferred inflows of resources related to pensions (continued)

As of June 30, 2020, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 485,823	\$ 37,641
Changes in assumptions	333,547	118,241
Difference between projected and actual investment earnings	-	122,292
Difference between employer's contribution and proportionate share of contributions	448,808	-
Change in employer's proportion	57,942	444,716
Pension contributions made subsequent to measurement date	1,167,827	-
Totals	<u>\$ 2,493,947</u>	<u>\$ 722,890</u>

These amounts above are net of outflows and inflows recognized in the 2018-19 measurement period expense. Contributions subsequent to the measurement date of \$1,167,827 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal year ended June 30,	Deferred outflows/(inflows) of resources, net
2021	\$ 590,830
2022	(90,045)
2023	77,734
2024	24,711
2025	-
Thereafter	-

E. Payable to the pension plan

At June 30, 2020, the District reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year then ended.

Mission Springs Water District

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 7: NET POSITION CLASSIFICATIONS

Net position in the statement of net position is classified as (1) net investment in capital assets, (2) restricted, or (3) unrestricted. The details of net position as of June 30, 2020 are presented below:

	<u>Water</u>	<u>Sewer</u>	<u>Balance</u>
Net investment in capital assets:			
Capital assets, net of accumulated depreciation	\$ 62,620,746	\$ 65,218,991	\$ 127,839,737
Less capital related debt balances	<u>(495,504)</u>	<u>(8,494,147)</u>	<u>(8,989,651)</u>
Total net investment in capital assets	<u>62,125,242</u>	<u>56,724,844</u>	<u>118,850,086</u>
Restricted for:			
Debt reserve	<u>-</u>	<u>302,510</u>	<u>302,510</u>
Total restricted	<u>-</u>	<u>302,510</u>	<u>302,510</u>
Unrestricted:			
Designated for:			
Capital reserve	15,100,140 *	13,317,791	28,417,931
Self-insurance	107,841	42,159	150,000
Undesignated	<u>-</u>	<u>6,661,374</u>	<u>6,661,374</u>
Total unrestricted	<u>15,207,981</u>	<u>20,021,324</u>	<u>35,229,305</u>
Total net position	<u><u>\$ 77,333,223</u></u>	<u><u>\$ 77,048,678</u></u>	<u><u>\$ 154,381,901</u></u>

*Targeted capital reserve designated by the board was \$24,167,795 as of June 30, 2020. However, only \$15,100,140 was available to be designated.

NOTE 8: DEFERRED COMPENSATION AGREEMENT

The District offers its employees a deferred compensation plan (DC Plan) created in accordance with Internal Revenue Code Section 457. The DC Plan, available to all of the District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

All amounts of compensation deferred under the DC Plan are held in trust and are not subject to the creditors of the District. Accordingly, the assets and liabilities of the DC Plan are not reflected on these financial statements.

Mission Springs Water District

Notes to Financial Statements For the Fiscal Year Ended June 30, 2020

NOTE 9: COMMITMENTS AND CONTINGENCIES

Grant awards

The District has received funds for specific purposes that are subject to review and audit by the grantors. Although such audits could generate expenditure disallowances under terms of the grants or contracts, management believes that any required reimbursements will not be material.

Litigation

Legal claims and lawsuits arise from time to time in the normal course of business, which, in the opinion of management, will have no material effect on the District's financial position.

Refunding agreements

Refunding agreements are amounts due to developers for water and sewer systems donated to the District. Refunds are based on new connections to each system. The District is not liable for amounts not refunded at the expiration of an agreement.

The District has entered into agreements to partially reimburse developers for payments made to construct water and/or sewer lines donated to the District. Reimbursements are made from the front footage charges collected by the District when new connections are made to the lines.

COVID 19 considerations

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. **As a result, the outbreak has caused uncertainty in the financial markets. However, even though the District's office remains closed to the public, the District continues to provide essential services to its customers. Its operations and revenue sources have not been significantly impacted by the pandemic.** No adjustments have been made to these financial statements as a result of this uncertainty.

Mission Springs Water District

Notes to Financial Statements For the Fiscal Year Ended June 30, 2020

NOTE 10: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters. It is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling, self-insurance authority, created under the provisions of California Government Code Sections 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

On June 30, 2020, the District participated in the self-insurance program of the Insurance Authority as follows:

Property Loss – The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$500,000,000 (total insurable value of \$7,386,985), with deductibles ranging from \$2,500 to \$100,000.

General, Auto and Public Officials Errors and Omissions Liability – The Insurance Authority has pooled self-insurance up to \$5,000,000 and has purchased excess insurance coverage up to \$55,000,000.

Cyber Liability – The Insurance Authority has pooled self-insurance up to \$3,000,000 per occurrence subject to a \$5,000,000 aggregate limit.

Fidelity: Public Employee Dishonesty, Forgery or Alteration, Computer Fraud & ERISA – The Insurance Authority has pooled self-insurance up to \$1,000,000 per occurrence, with \$1,000 deductible.

Workers' Compensation – The Insurance Authority has pooled self-insurance up to \$2,000,000 each for workers' compensation and employers' liability. The employers' liability is insured up to \$2,000,000, in excess of \$2,000,000 Self-Insured Retention. Workers' compensation is insured up to the statutory limit.

There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

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Required Supplementary Information

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Mission Springs Water District

**Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date
Last 10 Years***

Measurement date	Employer's proportion of the collective net pension liability ¹	Employer's proportionate share of the collective net pension liability	Covered payroll	Employer's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll	Pension plan's fiduciary net position as a percentage of the total pension liability
June 30, 2014	0.077930%	\$ 4,849,312	\$ 2,652,027	182.85%	73.82%
June 30, 2015	0.085197%	5,847,823	2,604,796	224.50%	69.65%
June 30, 2016	0.076692%	6,636,212	2,583,022	256.92%	67.04%
June 30, 2017	0.072935%	7,233,188	2,828,491	255.73%	67.25%
June 30, 2018	0.070742%	6,816,900	3,130,723	217.74%	70.50%
June 30, 2019	0.068262%	6,994,867	3,321,379	210.60%	71.39%

¹ Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

* Historical information is required only for measurement periods for which it is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Mission Springs Water District

**Schedule of Pension Plan Contributions
Last 10 Years***

Fiscal year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	\$ 693,665	\$ (693,665)	\$ -	\$ 2,604,796	26.63%
June 30, 2016	810,210	(810,210)	-	2,583,022	31.37%
June 30, 2017	879,168	(879,168)	-	2,828,491	31.08%
June 30, 2018	953,145	(953,145)	-	3,130,723	30.44%
June 30, 2019	1,027,933	(1,027,933)	-	3,321,379	30.95%
June 30, 2020	1,167,827	(1,167,827)	-	3,803,501	30.70%

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Historical information is required only for measurement periods for which it is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Supplementary Information

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Schedule of Operating Expenses by Natural Classification
For the Year Ended June 30, 2020

	Water	Sewer	Total
OPERATING EXPENSES			
Salaries and wages	\$ 2,848,219	\$ 1,219,906	\$ 4,068,125
Employee benefits	1,875,134	803,849	2,678,983
Bank and administrative charges	111,190	43,469	154,659
Materials and supplies	600,591	144,424	745,015
Equipment rental	6,785	2,652	9,437
Outside services	1,388,261	1,015,523	2,403,784
Ground water replenishment fees	207,620	-	207,620
Utilities	1,070,500	193,292	1,263,792
Directors' fees	21,677	8,474	30,151
Engineering	46,474	-	46,474
Insurance	171,157	66,912	238,069
Penalties	843	329	1,172
Professional services	554,285	216,692	770,977
Office expense	59,369	23,214	82,583
Repairs and maintenance	11,460	4,480	15,940
Standby reports	11,216	3,350	14,566
Dues and subscriptions	1,196	1,811	3,007
Permits	40,335	67,684	108,019
Training and conferences	78,815	32,808	111,623
Ground water management	13,423	5,247	18,670
Depreciation	2,410,136	1,619,489	4,029,625
Total operating expenses	<u>\$ 11,528,686</u>	<u>\$ 5,473,605</u>	<u>\$ 17,002,291</u>

Mission Springs Water District

Schedule of Principal and Interest Repayments
Note Payable - Assessment District #4 Special Assessment Bonds, Series R-1
(Unaudited)

<u>Date</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/20					\$ 12,000
7/2/20	11.375	\$ 683	\$ 4,000	\$ 4,683	8,000
1/2/21	11.375	455	-	455	8,000
7/2/21	11.375	455	4,000	4,455	4,000
1/2/22	11.375	228	-	228	4,000
7/2/22	11.375	228	4,000	4,228	-
		<u>\$ 2,049</u>	<u>\$ 12,000</u>	<u>\$ 14,049</u>	

Mission Springs Water District

Schedule of Principal and Interest Repayments
Note Payable - Assessment District #7 Special Assessment Bonds
(Unaudited)

<u>Date</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/20					\$ 70,000
7/2/20	7.250	\$ 2,537	\$ 12,000	\$ 14,537	58,000
1/2/21	7.250	2,102	-	2,102	58,000
7/2/21	7.250	2,102	13,000	15,102	45,000
1/2/22	7.250	1,631	-	1,631	45,000
7/2/22	7.250	1,631	14,000	15,631	31,000
1/2/23	7.250	1,123	-	1,123	31,000
7/2/23	7.250	1,123	15,000	16,123	16,000
1/2/24	7.250	580	-	580	16,000
7/2/24	7.250	580	16,000	16,580	-
		<u>\$ 13,409</u>	<u>\$ 70,000</u>	<u>\$ 83,409</u>	

Mission Springs Water District

Schedule of Principal and Interest Repayments

**Note Payable – Certificated of Participation – United States Department of Agriculture
(Unaudited)**

Date	Interest Rate	Interest Due	Principal Payment	Total Debt Service	Balance Principal Unpaid
6/30/20					\$ 253,401
8/1/20	4.500	\$ 5,702	\$ -	\$ 5,702	253,401
2/1/21	4.500	5,702	7,500	13,202	245,901
8/1/21	4.500	5,533	-	5,533	245,901
2/1/22	4.500	5,533	7,900	13,433	238,001
8/1/22	4.500	5,355	-	5,355	238,001
2/1/23	4.500	5,355	8,200	13,555	229,801
8/1/23	4.500	5,171	-	5,171	229,801
2/1/24	4.500	5,171	8,600	13,771	221,201
8/1/24	4.500	4,977	-	4,977	221,201
2/1/25	4.500	4,977	8,900	13,877	212,301
8/1/25	4.500	4,777	-	4,777	212,301
2/1/26	4.500	4,777	9,400	14,177	202,901
8/1/26	4.500	4,565	-	4,565	202,901
2/1/27	4.500	4,565	9,800	14,365	193,101
8/1/27	4.500	4,345	-	4,345	193,101
2/1/28	4.500	4,345	10,200	14,545	182,901
8/1/28	4.500	4,115	-	4,115	182,901
2/1/29	4.500	4,115	10,700	14,815	172,201
8/1/29	4.500	3,875	-	3,875	172,201
2/1/30	4.500	3,875	11,100	14,975	161,101
8/1/30	4.500	3,625	-	3,625	161,101
2/1/31	4.500	3,625	11,600	15,225	149,501
8/1/31	4.500	3,364	-	3,364	149,501
2/1/32	4.500	3,364	12,200	15,564	137,301
8/1/32	4.500	3,089	-	3,089	137,301
2/1/33	4.500	3,089	12,700	15,789	124,601
8/1/33	4.500	2,804	-	2,804	124,601
2/1/34	4.500	2,804	13,300	16,104	111,301
8/1/34	4.500	2,504	-	2,504	111,301
2/1/35	4.500	2,504	13,900	16,404	97,401
8/1/35	4.500	2,192	-	2,192	97,401
2/1/36	4.500	2,192	14,500	16,692	82,901
8/1/36	4.500	1,865	-	1,865	82,901
2/1/37	4.500	1,865	15,200	17,065	67,701
8/1/37	4.500	1,523	-	1,523	67,701
2/1/38	4.500	1,523	15,800	17,323	51,901
8/1/38	4.500	1,168	-	1,168	51,901
2/1/39	4.500	1,168	16,500	17,668	35,401
8/1/39	4.500	797	-	797	35,401
2/1/40	4.500	797	17,300	18,097	18,101
8/1/40	4.500	407	-	407	18,101
2/1/41	4.500	407	18,101	18,508	-
		<u>\$ 143,506</u>	<u>\$ 253,401</u>	<u>\$ 396,907</u>	

Mission Springs Water District

Schedule of Principal and Interest Repayments
Note Payable – Installment Sale Agreement
Assessment District #12, Phase I and Phase II - Refinance
(Unaudited)

<u>Date</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/20					\$ 1,716,511
9/21/20	2.90	\$ 24,889	\$ 120,111	\$ 145,000	1,596,400
3/21/21	2.90	23,148	121,852	145,000	1,474,548
9/21/21	2.90	21,381	123,619	145,000	1,350,929
3/21/22	2.90	19,588	125,412	145,000	1,225,517
9/21/22	2.90	17,770	127,230	145,000	1,098,287
3/21/23	2.90	15,925	129,075	145,000	969,212
9/21/23	2.90	14,054	130,946	145,000	838,266
3/21/24	2.90	12,155	132,845	145,000	705,421
9/21/24	2.90	10,229	134,771	145,000	570,650
3/21/25	2.90	8,274	136,726	145,000	433,924
9/21/25	2.90	6,292	138,708	145,000	295,216
3/21/26	2.90	4,281	140,719	145,000	154,497
9/21/26	2.90	2,240	50,760	53,000	103,737
3/21/27	2.90	1,504	51,496	53,000	52,241
9/21/27	2.90	759	52,241	53,000	-
		<u>\$ 182,489</u>	<u>\$ 1,716,511</u>	<u>\$ 1,899,000</u>	

Mission Springs Water District

Schedule of Principal and Interest Repayments
Note Payable – Installment Sale Agreement
Mission Creek – 80 Acres
(Unaudited)

Date	Interest Rate	Interest Due	Principal Payment	Total Debt Service	Balance Principal Unpaid
6/30/20					\$ 242,103
12/7/20	4.190	\$ 5,080	\$ 7,111	\$ 12,191	234,992
6/7/21	4.190	4,931	7,260	12,191	227,732
12/7/21	4.190	4,779	7,412	12,191	220,320
6/7/22	4.190	4,624	7,567	12,191	212,753
12/7/22	4.190	4,465	7,726	12,191	205,027
6/7/23	4.190	4,303	7,888	12,191	197,139
12/7/23	4.190	4,138	8,053	12,191	189,086
6/7/24	4.190	3,969	8,222	12,191	180,864
12/7/24	4.190	3,797	8,394	12,191	172,470
6/7/25	4.190	3,621	8,570	12,191	163,900
12/7/25	4.190	3,442	8,749	12,191	155,151
6/7/26	4.190	3,259	8,932	12,191	146,219
12/7/26	4.190	3,071	9,120	12,191	137,099
6/7/27	4.190	2,880	9,311	12,191	127,788
12/7/27	4.190	2,685	9,506	12,191	118,282
6/7/28	4.190	2,486	9,705	12,191	108,577
12/7/28	4.190	2,283	9,908	12,191	98,669
6/7/29	4.190	2,075	10,116	12,191	88,553
12/7/29	4.190	1,863	10,328	12,191	78,225
6/7/30	4.190	1,647	10,544	12,191	67,681
12/7/30	4.190	1,426	10,765	12,191	56,916
6/7/31	4.190	1,201	10,990	12,191	45,926
12/7/31	4.190	1,078	11,113	12,191	34,813
6/7/32	4.190	710	11,481	12,191	23,332
12/7/32	4.190	568	11,623	12,191	11,709
6/7/33	4.190	482	11,709	12,191	-
		<u>\$ 74,863</u>	<u>\$ 242,103</u>	<u>\$ 316,966</u>	

Mission Springs Water District

**Schedule of Principal and Interest Repayments
State Revolving Fund Assessment District #12, Phase IV
(Unaudited)**

Date	Interest Rate	Interest Due	Principal Payment	Total Debt Service	Balance Principal Unpaid
6/30/20					\$ 3,388,171
1/31/22	2.200	\$ 74,540	\$ 227,970	\$ 302,510	3,160,201
1/31/23	2.200	69,525	232,985	302,510	2,927,216
1/31/24	2.200	64,399	238,111	302,510	2,689,105
1/31/25	2.200	59,160	243,350	302,510	2,445,755
1/31/26	2.200	53,807	248,703	302,510	2,197,052
1/31/27	2.200	48,335	254,175	302,510	1,942,877
1/31/28	2.200	42,743	259,767	302,510	1,683,110
1/31/29	2.200	37,029	265,481	302,510	1,417,629
1/31/30	2.200	31,188	271,322	302,510	1,146,307
1/31/31	2.200	25,219	277,291	302,510	869,016
1/31/32	2.200	19,118	283,392	302,510	585,624
1/31/33	2.200	12,884	289,626	302,510	295,998
1/31/34	2.200	6,512	295,998	302,510	-
		<u>\$ 544,459</u>	<u>\$ 3,388,171</u>	<u>\$ 3,932,630</u>	

Mission Springs Water District

Schedule of Principal and Interest Repayments
Note Payable – Installment Sale Agreement
Assessment District #12, Phase V
(Unaudited)

<u>Date</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/20					\$ 2,139,426
9/2/20	3.950	\$ 42,254	\$ 55,359	\$ 97,613	2,084,067
3/2/21	3.950	41,161	56,452	97,613	2,027,615
9/2/21	3.950	40,046	57,567	97,613	1,970,048
3/2/22	3.950	38,909	58,704	97,613	1,911,344
9/2/22	3.950	37,749	59,864	97,613	1,851,480
3/2/23	3.950	36,567	61,046	97,613	1,790,434
9/2/23	3.950	35,361	62,252	97,613	1,728,182
3/2/24	3.950	34,132	63,481	97,613	1,664,701
9/2/24	3.950	32,878	64,735	97,613	1,599,966
3/2/25	3.950	31,600	66,013	97,613	1,533,953
9/2/25	3.950	30,296	67,317	97,613	1,466,636
3/2/26	3.950	28,966	68,647	97,613	1,397,989
9/2/26	3.950	27,610	70,003	97,613	1,327,986
3/2/27	3.950	26,228	71,385	97,613	1,256,601
9/2/27	3.950	24,818	72,795	97,613	1,183,806
3/2/28	3.950	23,380	74,233	97,613	1,109,573
9/2/28	3.950	21,914	75,699	97,613	1,033,874
3/2/29	3.950	20,419	77,194	97,613	956,680
9/2/29	3.950	18,894	956,680	975,574	-
		<u>\$ 593,182</u>	<u>\$ 2,139,426</u>	<u>\$ 2,732,608</u>	

Mission Springs Water District

Schedule of Principal and Interest Repayments
Note Payable – Installment Sale Agreement
Assessment District #12, Phase VI
(Unaudited)

<u>Date</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/20					\$ 2,139,426
9/2/20	3.950	\$ 42,254	\$ 55,359	\$ 97,613	2,084,067
3/2/21	3.950	41,161	56,452	97,613	2,027,615
9/2/21	3.950	40,046	57,567	97,613	1,970,048
3/2/22	3.950	38,909	58,704	97,613	1,911,344
9/2/22	3.950	37,749	59,864	97,613	1,851,480
3/2/23	3.950	36,567	61,046	97,613	1,790,434
9/2/23	3.950	35,361	62,252	97,613	1,728,182
3/2/24	3.950	34,132	63,481	97,613	1,664,701
9/2/24	3.950	32,878	64,735	97,613	1,599,966
3/2/25	3.950	31,600	66,013	97,613	1,533,953
9/2/25	3.950	30,296	67,317	97,613	1,466,636
3/2/26	3.950	28,966	68,647	97,613	1,397,989
9/2/26	3.950	27,610	70,003	97,613	1,327,986
3/2/27	3.950	26,228	71,385	97,613	1,256,601
9/2/27	3.950	24,818	72,795	97,613	1,183,806
3/2/28	3.950	23,380	74,233	97,613	1,109,573
9/2/28	3.950	21,914	75,699	97,613	1,033,874
3/2/29	3.950	20,419	77,194	97,613	956,680
9/2/29	3.950	18,894	956,680	975,574	-
		<u>\$ 593,182</u>	<u>\$ 2,139,426</u>	<u>\$ 2,732,608</u>	