Costa Mesa Sanitary District

Costa Mesa, California

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2015

Costa Mesa Sanitary District

Comprehensive Annual Financial Report
For the Year Ended June 30, 2015

Costa Mesa Sanitary District
628 W. 19th Street
Costa Mesa, California 92627

Prepared by:
Scott Carroll, General Manager
Wendy Hooper Davis, Finance Manager

Costa Mesa Sanitary District
Annual Financial Report
For the Year Ended June 30, 2015

Table of Contents

December 29, 2015

To the Honorable President and Members of the Board of Directors and Customers of the Costa Mesa Sanitary District:

It is a pleasure to submit for your information the Comprehensive Annual Financial Report (CAFR) of the Costa Mesa Sanitary District ("District") for the year ended June 30, 2015.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The accounting firm of Rogers, Anderson, Malody & Scott, LLP has issued an unmodified ("clean") opinion on the District's financial statements for the year ended June 30, 2015. The independent auditor's report is located in the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this Letter of Transmittal and should be read in conjunction with it.

PROFILE OF THE DISTRICT

The District was formed in 1944 pursuant to the Sanitary Act of 1923. Established as an independent enterprise special district, the District is authorized to provide refuse and wastewater collection services and to levy rates and fees to support those services.

The District's headquarters is located in the City of Costa Mesa, California. The District provides solid waste and wastewater services to the City of Costa Mesa, sections of the City of Newport Beach and some unincorporated areas within the County of Orange. The District serves approximately 116,700 residents. Sewage from the District's service area is transported to the Orange County Sanitation District's facilities where it is treated to federally mandated standards to protect the public’s health. The District has an agreement with CR&R Incorporated for collection of all solid waste from single family dwellings and small multi-family residences utilizing cart collection. CR&R transports all of the solid waste to its subsidiary-owned recycling and transfer station located in Stanton, California.

628 W. 19th Street / Costa Mesa, CA 92627-2716 • (949) 645-8400 / fax: (949) 650-2253
Protecting our community’s health and the environment by providing solid waste and sewer collection services

PROFILE OF THE DISTRICT (CONTINUED)

The affairs of the District are directed by a five member Board of Directors elected at large by the registered voters residing in the District. The Board members are also residents and have the same concerns as their constituents. The Board members, who serve four-year staggered terms, are responsible for establishing policy and ordinances, adopting the biennial budget, and appointing the District's General Manager, District Counsel and District Treasurer. The General Manager is responsible for carrying out the policies and ordinances of the Board and for overseeing the day-to-day operations of the District. District Counsel provides legal advice to the Board of Directors while the District Treasurer is responsible for ensuring the safety of District funds by making prudent investments.

LOCAL ECONOMY

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates. The District continues to benefit from its unique geographical location. The local economy is primarily based on retail commercial business and light manufacturing of electronics, pharmaceuticals, and plastics. The District's service area includes several major regional facilities: John Wayne Airport, Orange Coast College, Whittier Law School, Vanguard University, State of California Fairview Developmental Center, Orange County Department of Education, Orange County Fairgrounds, Segerstrom Performing Arts Center, South Coast Repertory Theater, and the South Coast Plaza shopping complex. The volume of sales generated by South Coast Plaza, on the strength of over 250 stores, secures its place as the second highest sales-volume shopping center in California.

As an independent enterprise special district having the ability to adjust service rates as required, the District's operating revenues are somewhat insulated from the local economy. The District has a secure revenue stream in the form of an annual charge which is collected on the District's behalf by the County of Orange via the property tax bills.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

The Board of Directors is keenly aware of the need to ensure the District's financial stability. Through a coordinated strategic planning process, the Board has established a series of policies and plans to effectively meet the District's anticipated future needs. The cornerstone of these policies is the District's Strategic Plan, which serves as a framework for planning and decision making over the next five years. The Strategic Plan is a working document that is constantly being reviewed and updated to ensure the District's financial health is sound. When the Plan was last updated in May 2015, the Board of Directors adopted the following financial goals.

- Perform long-term solid and wastewater rate projections.
- Develop a long-term Capital Improvement Plan.
- Evaluate the District's investment policy.
- Produce a Comprehensive Annual Financial Report (CAFR).

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES (CONTINUED)

- Evaluate an appropriate reserve program for all District funds and develop an inclusive reserve policy.

- Monitor the asset management program.

- Create a popular report and upload the document on the District's website.

During the fiscal year, the District upgraded its financial software after eleven years. The District also went out to bid and selected a new audit firm, Rogers, Anderson, Malody & Scott, LLP, after ten years with the prior firm. The Board of Directors approved an additional contribution of $120,000 towards the District's Other Post-Employment Benefits (OPEB).

The District has twenty wastewater lift stations that operate on electricity. When sudden power outages occur, the District has a short timeframe to dispatch and mobilize backup power to lift stations before a sanitary sewer overflow occurs. To ensure lift stations have reliable backup power, the District procured and installed permanent emergency equipment at five critical stations. The equipment includes two generators and three by-pass pumps in which the District is projected to spend approximately $1,650,000 when this project is complete. The District also purchased seven portable generators to provide backup power for other lift stations as needed.

On April 10, 2013, the Board of Directors considered options for achieving Zero Waste goals. The Board established a goal of achieving 75% diversion by 2015 and 90% by 2020. In addition, the District's Zero Waste goals will help meet California's ambitious goal of recycling, composting and source reduction, reducing the State's waste stream by 75% by the year 2020. To achieve Zero Waste goals, the Board unanimously approved a cart Organics Recycling Program where residents can discard their green waste and food scraps in their organics containers. The material will be collected and transported to an anaerobic digestion facility in Perris, California, where it will eventually be converted into renewable natural gas (RNG). The RNG will be used to fuel trash trucks servicing the District. The District is the first agency in Southern California to implement a cart Organics Recycling Program. The initial cost to implement the program will be $600,000. Funding for the program will be derived from the District's reserves in its Solid Waste Fund, as there is adequate funding for this program for several years without initiating a rate increase. The program began on June 2015.

FINANCIAL POLICIES AND PROCEDURES

Management of the District is responsible for establishing and maintaining an adequate internal control structure. Internal accounting controls are designed to ensure that the assets of the District are protected from loss, theft or misuse, and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgment by management.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. This was the third consecutive year that the District achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement's Program's requirements and we are submitting it to the GFOA to determine it eligibility for another certificate.

The Special District Leadership Foundation (SDLF) awards the Gold Recognition in Special District Governance, which honors special district board of directors for their commitment and dedication to good governance. The District is one of only four special districts in California to receive gold recognition.

The District was reaccredited as a District of Distinction from SDLF. The District of Distinction demonstrates to constituents that districts have sound fiscal management policies and practices in place among other areas of importance in district operations. The accreditation is designed as a way for districts to highlight their prudent fiscal year practices along with other areas important to effectively operate and govern a special district. The District has been a District of Distinction since 2009.

The District received a Certificate of Excellence in Transparency from SDLF. The Certificate demonstrates a special district's commitment to being open and accessible to the public and creating greater awareness of district activities. This is the second time the District has received a Certificate of Excellence in Transparency from SDLF.

ACKNOWLEDGMENTS

The preparation and development of this report would not have been accomplished without the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. Appreciation is also expressed to the Board of Directors for their continued support in the planning and implementation of the Costa Mesa Sanitary District's fiscal policies; and finally to the District's auditing firm of Rogers, Anderson, Malody & Scott, LLP for their professional assistance.

Respectfully submitted,

Scott Carroll	Wendy Hooper Davis
General Manager	Finance Manager

Our Mission Statement

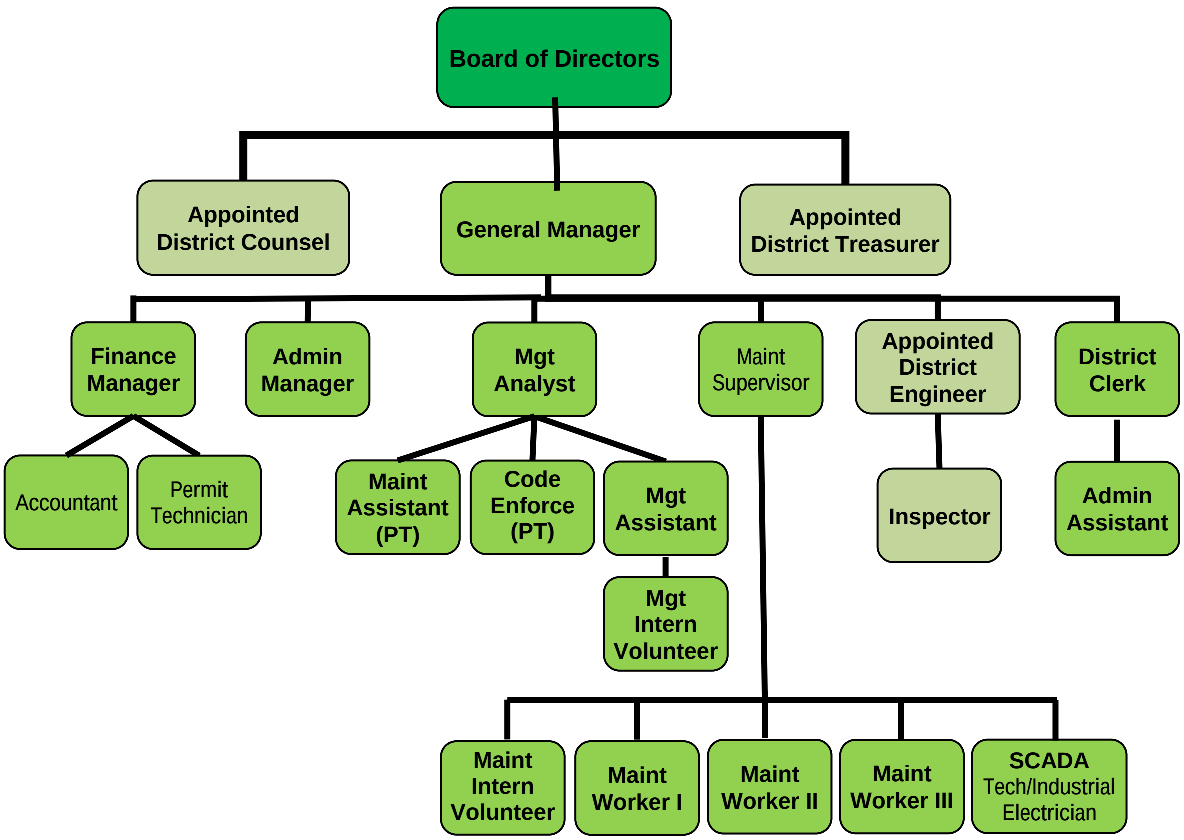
"Protecting our community's health and the environment by providing solid waste and wastewater collection services."

Costa Mesa Sanitary District
Board of Directors as of June 30, 2015

Name	Title	Elected/ Appointed	Current Term
Michael Scheafer	President	Elected	12/14 - 12/18
Arthur Perry	Vice President	Elected	12/12 - 12/16
Robert Ooten	Secretary	Elected	12/14 - 12/18
Arlene Schafer	Assistant Secretary	Elected	12/14 - 12/18
James Ferryman	Director	Elected	12/12 - 12/16

Costa Mesa Sanitary District
Scott Carroll, General Manager
628 W. 19th Street
Costa Mesa, California 92627
(949) 645-8400 www.cmsdca.gov

COSTA MESA SANITARY DISTRICT
ORGANIZATIONAL CHART
Fiscal Year 2014-2015



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Costa Mesa Sanitary District

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Costa Mesa Sanitary District
Costa Mesa, California

Report on Financial Statements

We have audited the accompanying financial statements of Costa Mesa Sanitary District (the District) as of and for the year ended June 30, 2015, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Costa Mesa Sanitary District as of June 30, 2015 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Emphasis of a Matter

Change in Accounting Principle

As discussed in Note 1 of the financial statements, the District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Other Matters

Summarized Comparative Information

The prior year summarized comparative information has been derived from the District's 2014 financial statements which were audited by another auditor and, in their report dated December 19, 2014, they expressed an unmodified opinion on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Funding Progress for Other Post-Employment Benefits Plan, Schedule of District's Proportionate Share of Plans' Net Pension Liability and Related Ratios and the Schedule of Plans' Contributions identified as required supplementary information in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 the 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, 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 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
December 29, 2015

THIS PAGE INTENTIONALLY LEFT BLANK

The following discussion and analysis of the financial performance of the Costa Mesa Sanitary District (the District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the financial statements identified in the accompanying table of contents.

Financial Highlights

Financial highlights during the fiscal year ended June 30, 2015 included:

- Total assets of the District exceeded its liabilities as of June 30, 2015 by $59,829,080. Of this amount, $20,726,351 is unrestricted and available to meet the District's ongoing obligations to its customers and creditors.
- Net position of the Solid Waste Fund decreased $47,131 during the year ended June 30, 2015, which was primarily attributable to a decrease of $39,073 in grant revenues due to the completion of grant funded projects in the prior fiscal year.
- Net position of the Wastewater Fund increased $905,982 during the year ended June 30, 2015. This was primarily attributable to an increase in operating revenue which resulted from a 2% wastewater assessment rate increase, and increased permit and inspection revenue due to increased development activity. Non-operating expenses decreased from the prior fiscal year by $350,000 as a result of the one-time accrued contingent liability for a potential sanitary sewer overflow fine.

Overview of the Financial Statements

This Management's Discussion and Analysis (MD&A) serves as an introduction to the District's financial statements. The District's basic financial statements are comprised of four components: (1) Statement of Net Position; (2) Statement of Revenues, Expenses, and Changes in Net Position; (3) Statement of Cash Flows; and (4) Notes to Financial Statements.

The financial statements accompanying this MD&A present the financial position, results of operations, and changes in cash flow during the fiscal year ended June 30, 2015. These financial statements have been prepared using accounting methods similar to those used by private sector companies.

Statement of Net Position - The Statement of Net Position presents information on the District's assets (investment in resources), deferred outflows of resources, liabilities (obligations to creditors) and deferred inflows of resources, with the difference between them reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other factors such as changes in economic conditions, population growth, zoning and new or changed legislation or regulations also need to be considered when establishing financial position.

Statement of Revenues, Expenses, and Changes in Net Position - The Statement of Revenues, Expenses and Changes in Net Position present information showing how the District's net position changed during the fiscal year. All of the fiscal year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the results of the District's operations for the fiscal year and can be used to determine whether the District has successfully recovered all of its costs through its rates and other charges.

Statement of Cash Flows - The Statement of Cash Flows present information regarding the District's use of cash during the year. It reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities. The Statement of Cash flows provides answers to such questions as; where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to Financial Statements - The financial statements also include Notes to Financial Statements that provide important narrative details about the information contained in the financial statements. Information contained in the Notes to Financial Statements is essential to a reader's full understanding of the data provided in the financial statements.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current fiscal year's revenues and expenses are taken into account regardless of when cash is received or paid.

Statement of Net Position

	Condensed Statement of Net Position		
	2015	2014	Change
Assets			
Current assets	$22,162,492	$21,098,320	$ 1,064,172
Non-current assets	39,200,177	39,605,233	(405,056)
Total assets	61,362,669	60,703,553	659,116
Deferred Outflows of Resources			
Pension related	158,197	-	158,197
Liabilities			
Current liabilities	1,260,847	1,642,929	(382,082)
Non-current liabilities	308,333	47,657	260,676
Total liabilities	1,569,180	1,690,586	(121,406)
Deferred Inflows of Resources			
Pension related	122,606	-	122,606
Net Position			
Net investment in capital assets	39,102,729	39,605,233	(502,504)
Unrestricted	20,726,351	19,407,734	1,318,617
Total net position	$ 59,829,080	$ 59,012,967	$ 816,113

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Net position of the District was $59,829,080 and $59,012,967 for the fiscal years ended June 30, 2015 and June 30, 2014, respectively.

One of the largest portions of the District's net position reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. Investments in capital assets represent $39,102,729, or 65%, of the total $59,829,080 net position. The District uses the capital assets to provide services to customers within the District's area; consequently, these assets are not available for future spending.

Unrestricted net position represents 35% of the District's net position, which comprises assets that may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fiscal policies. As of June 30, 2015, unrestricted net position increased to $20,726,351 from $19,407,734 in the prior fiscal year, or a $1,318,617 increase. The increase in net position is primarily attributable to capital improvement projects for which funding was received as part of the annual charge, but the projects themselves will not be constructed or completed until future years.

Statement of Revenues, Expenses and Changes in Net Position

	Condensed Statement of Revenues, Expenses and Changes in Net Position		
	2015	2014	Change
Revenues			
Operating revenues	$ 10,825,377	$ 10,327,835	$ 497,542
Non-operating revenues	589,791	610,229	(20,438)
Total revenues	11,415,168	10,938,064	477,104
Expenses			
Operating expenses	8,634,912	8,453,930	180,982
Depreciation	1,690,932	1,604,500	86,432
Non-operating expenses	-	350,000	(350,000)
Total operating expenses	10,325,844	10,408,430	(82,586)
Net Income, change in net position	1,089,324	529,634	559,690
Capital contributions	-	5,000	(5,000)
Net position, beginning of year	59,012,967	58,478,333	534,634
Implementation of new pronouncement	(273,211)	-	(273,211)
Net position, end of year	$ 59,829,080	$ 59,012,967	$ 816,113

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, net position increased by $1,089,324 and $534,634 for the fiscal years ended June 30, 2015 and 2014, respectively.

A closer examination of the sources of changes in net position reveals that:

- Solid Waste and Wastewater assessments increased $305,837 due to an increase in new customers and a 2% rate increase in the Wastewater assessment.
- Non-operating expenses decreased $350,000 as a result of the one-time accrued contingent liability for a potential sanitary sewer overflow fine.
- Net position increased $100,000 in the Wastewater Fund resulting from the recognition of a one-time deposit received in 2014 that was used for capital improvement projects.
- Pump station contractual services decreased by $178, 000 due to in-house staff maintaining the pump station equipment.

Total District Revenues

	2015	2014	Change
Operating revenues			
Trash assessments	$ 4,768,071	$ 4,681,766	$ 86,305
Sewer assessments	5,301,231	5,081,699	219,532
Permits and inspection fees	206,971	118,041	88,930
Connection fees	192,913	134,158	58,755
Other services	356,191	312,171	44,020
Total operating revenues	10,825,377	10,327,835	497,542
Non-operating revenues			
Investment income	205,472	291,073	(85,601)
Taxes	245,415	235,336	10,079
Other revenues	138,904	77,814	61,090
Gain on disposal of assets	-	6,006	(6,006)
Total non-operating revenues	589,791	610,229	(20,438)
Total revenues	$ 11,415,168	$ 10,938,064	$ 477,104

Some of the more significant changes consisted of the following:

- The annual Wastewater assessment increased $219,532 as a result of implementing year two of the five year Sewer Rate Study adopted by the Board in December 2012.

- Permits and inspection fees increased $88,930 due to a substantial increase in development and building within the District's service area.

- Investment income decreased $85,601 as a result of decreases in the fair value of the District's investments.

Total District Expenses

	2015	2014	Change
Operating expenses			
Solid waste disposal	$ 2,329,438	$ 2,356,405	$ (26,967)
Wastewater disposal	1,665,480	1,591,051	74,429
Recycling and disposal charges	2,170,978	2,121,407	49,571
Administation and other	2,238,016	2,160,950	77,066
Repairs and maintennace	231,000	224,117	6,883
Depreciation	1,690,932	1,604,500	86,432
Total operating expenses	10,325,844	10,058,430	267,414
Non-operating expenses:			
Other expenses	-	350,000	(350,000)
Total expenses	$ 10,325,844	$ 10,408,430	$ (82,586)

Some of the more significant changes consisted of the following:

- Solid waste disposal expenses decreased by $26,967 as the result of a negotiated rate reduction with the trash hauler to implement the District's new Organics Recycling Program.

- Wastewater disposal expenses increased by $74,429 as a result of hiring a new SCADA Technician/Industrial Electrical employee to preform pump station maintenance.

- Recycling and disposal charges increased $49,571 due to an increase of 1,173 tons of solid waste over the prior fiscal year.

- Legal Services increased by $50,642 due to ligation resulting from a sanitary sewer overflow.

- Depreciation increased by $86,432 due to the addition of completed Capital Improvement Projects during the fiscal year.

Capital Asset Administration

Changes in capital assets for the year ended June 30, 2015 were as follows:

	Balance June 30, 2014	Additions	Transfers/ Deletions	Balance June 30, 2015
Non-depreciable assets	$ 2,067,293	$ 772,417	$ 1,218,128	$ 1,621,582
Depreciable assets	91,370,696	1,634,139	-	93,004,835
Accumulated depreciation	(53,832,756)	(1,690,932)	-	(55,523,688)
Total capital assets, net	39,605,233	715,624	1,218,128	39,102,729

Changes in capital assets for the year ended June 30, 2014 were as follows:

	Balance June 30, 2013	Additions	Transfers/ Deletions	Balance June 30, 2014
Non-depreciable assets	$ 1,311,573	$ 1,337,170	$ 581,450	$ 2,067,293
Depreciable assets	90,790,977	670,130	(90,411)	91,370,696
Accumulated depreciation	(52,308,960)	(1,604,500)	80,704	(53,832,756)
Total capital assets, net	$39,793,590	$ 402,800	$ 571,743	$39,605,233

At the end of fiscal year 2015 and 2014, the District's investment in capital assets were $39,102,729 and $39,605,233 (net of accumulated depreciation), respectively, a decrease of $502,504. The investment in capital assets includes land, property rights, subsurface wastewater lines, pump stations, buildings and structures, equipment, vehicles and construction in progress, etc. Additional information on the District's capital assets can be found in Note 3 of the Notes to Financial Statements.

Long-Term Debt

As of June 30, 2015, the District had no long-term debt.

Economic Factors and Next Year's Budgets

Due to the District's healthy position in its Solid Waste Fund, the Board of Directors adopted an Organics Recycling Program without increasing the Solid Waste assessment. The Wastewater assessment rate increased 2%. This was year two of the five year Sewer Rate Study increasing rates 2% per year. The District is anticipating a slight increase in property tax revenue in the coming year due to improved economic conditions.

The Wastewater Fund budget for the fiscal year ending June 30, 2016 includes the purchase of a new combination jetter and vacuum truck, as well as funding for two new Wastewater Maintenance employees. With the additional truck and staff, the wastewater lines will be cleaned entirely in-house every year. New capital improvement projects to be funded during the upcoming year include the continued rehabilitation of the District's manholes to ensure that their structural integrity is meeting industry standards, Indus sewer and manhole relining, and rehabilitation of the Aviemore pump station.

In the Solid Waste Fund, the District began the implementation of the Organics Recycling Program requiring residents to separate organic waste. Just after the beginning of the fiscal year, special organics carts were distributed to residents and by the end of the fiscal year, the trash hauler's Anaerobic Digestion Facility will be online.

Request for Information

The financial report is designed to provide our Board of Directors, citizens, customers, ratepayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If you have questions about the report or need additional financial information, contact the District's Finance Department at 628 W. 19th Street, Costa Mesa, California 92627.

BASIC FINANCIAL STATEMENTS

Costa Mesa Sanitary District

Statement of Net Position
June 30, 2015
(with prior year data for comparison only)

	Solid Waste	Wastewater
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 2,261,605	$ 6,016,849
Investments (Note 2)	3,481,632	9,262,649
Accounts receivable	37,970	37,990
Interest receivable	5,417	25,543
Assessments receivable	100,073	66,341
Inventory	-	73,625
Prepaid expenses	-	-
Due from other governments	-	784
TOTAL CURRENT ASSETS	5,886,697	15,483,781
NONCURRENT ASSETS:		
Capital assets (Note 3):		
Non-depreciable	-	1,621,582
Depreciable, net of accumulated depreciation	16,159	37,464,988
Net OPEB asset (Note 7)	32,158	65,290
TOTAL NONCURRENT ASSETS	48,317	39,151,860
TOTAL ASSETS	5,935,014	54,635,641
DEFERRED OUTFLOWS OF RESOURCES:		
Pension related (Note 6)	47,459	110,738
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	419,594	397,159
Accrued liabilities	6,350	57,226
Contingent liability	-	350,000
Deposits payable	-	-
Compensated absences	14,361	16,157
TOTAL CURRENT LIABILITIES	440,305	820,542
NON-CURRENT LIABILITIES:		
Compensated absences	8,471	29,182
Other post-employment benefits (Note 7)	-	-
Net pension liability (Note 6)	81,204	189,476
TOTAL NON-CURRENT LIABILITIES	89,675	218,658
TOTAL LIABILITIES	529,980	1,039,200
DEFERRED INFLOWS OF RESOURCES:		
Pension related (Note 6)	36,782	85,824
NET POSITION:		
Net investment in capital assets	16,159	39,086,570
Unrestricted	5,399,552	14,534,785
TOTAL NET POSITION	$ 5,415,711	$ 53,621,355

The accompanying notes are an integral part of these financial statements

Continued

Other Enterprise Fund	Totals 2015	Totals 2014
$ 311,410	$ 8,589,864	8,707,325
479,400	13,223,681	12,029,940
-	75,960	28,385
1,204	32,164	29,833
-	166,414	227,710
-	73,625	73,625
-	-	200
-	784	1,302
792,014	22,162,492	21,098,320
-	1,621,582	2,067,293
-	37,481,147	37,537,940
-	97,448	-
-	39,200,177	39,605,233
792,014	61,362,669	60,703,553
-	158,197	-
-	816,753	1,435,510
-	63,576	77,419
-	350,000	-
-	-	100,000
-	30,518	30,000
-	1,260,847	1,642,929
-	37,653	34,423
-	-	13,234
-	270,680	-
-	308,333	47,657
-	1,569,180	1,690,586
-	122,606	-
-	39,102,729	39,605,233
792,014	20,726,351	19,407,734
$ 792,014	$ 59,829,080	$ 59,012,967

Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2015
(with prior year data for comparison only)

	Solid Waste	Wastewater
OPERATING REVENUES:		
Trash assessments	$ 4,768,071	$ -
Sewer assessments	-	5,301,231
Permits and inspection fees	-	206,971
Connection fees	-	192,913
Other services	105,704	19,487
TOTAL OPERATING REVENUES	4,873,775	5,720,602
OPERATING EXPENSES:		
Solid waste disposal	2,329,438	-
Liquid waste disposal	-	1,665,480
Recycling and disposal charges	2,170,978	-
Administration and other	727,712	1,510,304
Repairs and maintenance	30,000	201,000
Depreciation	9,157	1,681,775
TOTAL OPERATING EXPENSES	5,267,285	5,058,559
OPERATING INCOME (LOSS)	(393,510)	662,043
NONOPERATING REVENUES (EXPENSES):		
Investment income	62,636	136,613
Taxes	245,415	-
Other revenues	37,658	101,246
Other expenses	-	-
Gain on disposal of assets	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	345,709	237,859
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(47,801)	899,902
CAPITAL CONTRIBUTIONS AND TRANSFERS:		
Capital contributions	-	-
Transfers in	670	6,080
Transfers out	-	-
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	670	6,080
CHANGES IN NET POSITION	(47,131)	905,982
NET POSITION - BEGINNING OF YEAR, AS RESTATED (Note 9)	5,462,842	52,715,373
NET POSITION - END OF YEAR	$ 5,415,711	$ 53,621,355

Other Enterprise Fund	Totals 2015	Totals 2014
$ -	$ 4,768,071	$ 4,681,766
-	5,301,231	5,081,699
-	206,971	118,041
-	192,913	134,158
231,000	356,191	312,171
231,000	10,825,377	10,327,835
-	2,329,438	2,356,405
-	1,665,480	1,591,051
-	2,170,978	2,121,407
-	2,238,016	2,160,950
-	231,000	224,117
-	1,690,932	1,604,500
-	10,325,844	10,058,430
231,000	499,533	269,405
6,223	205,472	291,073
-	245,415	235,336
-	138,904	77,814
-	-	(350,000)
-	-	6,006
6,223	589,791	260,229
237,223	1,089,324	529,634
-	-	5,000
-	6,750	-
(6,750)	(6,750)	-
(6,750)	-	5,000
230,473	1,089,324	534,634
561,541	58,739,756	58,478,333
$ 792,014	$ 59,829,080	$ 59,012,967

Statement of Cash Flows
For the year ended June 30, 2015
(with prior year data for comparison only)

	Solid Waste	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 4,899,762	$ 5,746,512
Payments to suppliers	(4,840,229)	(2,549,053)
Payments to employees	(493,455)	(1,179,622)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(433,922)	2,017,837
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Taxes received	245,415	-
Other revenue	-	1,247
Cash received from other funds	670	6,080
Cash paid to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	246,085	7,327
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(3,634)	(1,184,805)
Proceeds from sale of assets	-	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,634)	(1,184,805)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash and investments	65,874	131,566
(Increase) decrease in investments	(77,050)	(962,652)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(11,176)	(831,086)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(202,647)	9,273
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,464,252	6,007,576
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,261,605	$ 6,016,849

The accompanying notes are an integral part of these financial statements

Continued

Other Enterprise Fund	Totals 2015	Totals 2014
$ 231,000	$ 10,877,274	$ 10,529,373
-	(7,389,282)	(7,195,955)
-	(1,673,077)	(1,070,296)
231,000	1,814,915	2,263,122
-	245,415	235,336
-	1,247	-
-	6,750	-
(6,750)	(6,750)	-
(6,750)	246,662	235,336
-	(1,188,439)	(1,420,518)
-	-	15,381
-	(1,188,439)	(1,405,137)
5,702	203,142	126,584
(154,039)	(1,193,741)	(98,981)
(148,337)	(990,599)	27,603
75,913	(117,461)	1,120,924
235,497	8,707,325	7,586,401
$ 311,410	$ 8,589,864	$ 8,707,325

Costa Mesa Sanitary District

Statement of Cash Flows
For the year ended June 30, 2015
(with prior year data for comparison only)

	Solid Waste	Wastewater
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$ (393,510)	$ 662,043
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	9,157	1,681,775
Actuarial pension expense	9,783	22,825
Pension contributions subsequent to measurement date	(21,219)	(49,511)
Other revenues (expenses)	37,658	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(12,890)	(34,685)
(Increase) decrease in assessments receivable	1,219	60,077
(Increase) decrease in inventory	-	-
(Increase) decrease in prepaid expenses	70	130
(Increase) decrease in due from other governments	-	518
(Increase) decrease in OPEB assets	(32,158)	(65,290)
Increase (decrease) in accounts payable	(16,460)	(252,297)
Increase (decrease) in accrued liabilities	(12,819)	(1,015)
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in compensated absences	1,647	2,101
Increase (decrease) in OPEB liabilities	(4,400)	(8,834)
Total adjustments	(40,412)	1,355,794
NET CASH PROVIDED BY (USED) FOR OPERATING ACTIVITIES	$ (433,922)	$ 2,017,837

Other Enterprise Fund	Totals 2015	Totals 2014
$ 231,000	$ 499,533	$ 269,405
-	1,690,932	1,604,500
-	(70,730)	-
-	37,658	(272,186)
-	(47,575)	20,848
-	61,296	135,633
-	-	(6,351)
-	200	(200)
-	518	(1,302)
-	(97,448)	-
-	(268,757)	503,395
-	(13,834)	28,258
-	-	(31,455)
-	3,748	18,814
-	(13,234)	(6,237)
-	1,315,382	1,993,717
$ 231,000	$ 1,814,915	$ 2,263,122

Note 1. Nature of Activities and Significant Accounting Policies

Reporting entity

The Costa Mesa Sanitary District (the District) was incorporated in February 1944 pursuant to Division VI, Part 1 of the Health and Safety Code of the State of California (sometimes referred to as the Sanitary District Act of 1923). At the present time, the boundaries of the District extend into the Cities of Costa Mesa and Newport Beach as well as unincorporated areas within the County of Orange.

Fund accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. This system permits separate accounting for each established fund, for purposes of complying with: (a) applicable legal provisions, (b) Board of Director's ordinances and resolutions and (c) other requirements. Also, the accounts have been maintained in accordance with the California State Controller's uniform system of accounts.

Measurement focus, basis of accounting and financial statement presentation

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the economic resources measurement focus all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Measurement focus, basis of accounting and financial statement presentation (continued)

The accounts of the District are presented as enterprise funds. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District reports the following major enterprise funds:

Solid Waste - This fund is used to account for the collection of trash charges, the cost of managing the refuse collection and recycling processes, and the cost of contract services provided to the District.

Wastewater - This fund is used to account for the collection of sewer charges, the cost of construction, maintaining sewer lines and pump stations, and the cost of contract services provided to the District. This fund also accounts for the collection of charges paid by or on behalf of the property owner for the construction of wastewater lines in the streets, and cost of acquisition, construction, and reconstruction of wastewater facilities within the District.

The District also reports a non-major other enterprise fund:

The other enterprise fund accounts for the accumulation of reserves for the purchase of new or replacement vehicles, equipment and computers. Revenues are recorded as charges for rental of assets to the Solid and Wastewater Funds.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

New Accounting Pronouncements

The District follows all pronouncement of the Government Accounting Standards Board (GASB).

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

These pronouncements have been implemented for purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense/expenditures. Information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Pending Accounting Standards

GASB has issued the following statements which may impact the District's financial reporting requirements in the future:

- GASB 72 - "*Fair Value Measurement and Application,"* effective for the fiscal years beginning after June 15, 2015.
- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,*" effective for periods beginning after June 15, 2016.
- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,*" effective for periods beginning after June 15, 2016.
- GASB 75 – "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,*" effective for periods beginning after June 15, 2017.
- GASB 77 - "*Tax Abatement Disclosures,*" effective for periods beginning after December 15, 2015.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined to include an investment in the District's cash and investment pool, as well as any direct investment in short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less. Investments in United States Government Sponsored Agency Securities are not considered to be cash equivalents as defined above and, therefore, are excluded from the statement of cash flows.

Investments

Investments are stated at fair value (quoted market price or the best available estimates thereof). Net increase (decrease) in the fair value of investments, which consists of realized gains (losses) and the unrealized gains (losses), is shown as investment income (loss) in the combined statement of revenues, expenses and changes in net position.

All District investments are held in marketable securities that have a readily available market and are considered highly liquid. As a result, changes in investments are reported net on the statement of cash flows.

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Accounts Receivable

Management has evaluated the accounts receivable and believes they are all collectible. Management evaluates all accounts receivable and if it is determined that they are uncollectible they are written off as a bad debt expense.

Inventory

Inventories consist primarily of equipment parts retained for use in District equipment and are valued at cost which approximates market.

Capital Assets

Capital assets purchased by the District are capitalized at cost. Data reflected in the District's capital asset records include estimates of original cost as determined by knowledgeable District personnel. Contributed capital assets, consisting primarily of donated subsurface lines dedicated to the District by contractors or other governmental agencies are recorded as contributed capital assets, which increases the net position of the District. Such contributed capital assets are recorded at their fair value at the time of donation.

Any single item purchased by the District with a cost greater than or equal to $5,000 and an estimated useful life of greater than one year is capitalized and depreciated. Depreciation is charged to operations using the straight-line method based on the estimated useful life of the asset. The estimated useful lives are as follows:

Buildings	20 - 50 years
Improvements	20 years
Subsurface wastewater lines	60 years
Equipment	5 - 20 years
Vehicles	5 - 10 years
Other	5 - 20 years

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Compensated Absences

Compensated absences are comprised of unpaid vacation leave which is accrued when benefits are fully vested. The District's liability for compensated absences is determined annually.

Pension Plan

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

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

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources are transactions that result in the consumption of net position in one period that are applicable to future periods and are not considered assets as described by the statement. Deferred outflows of resources are required to be presented separately after assets on the statement of net position.

Deferred inflows of resources are transactions that result in the acquisition of net position in one period that are applicable to future periods and are not considered to be liabilities as described by the statement. Deferred inflows of resources are required to be presented separately after liabilities on the statement of net position.

Note 1. Nature of Activities and 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, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.

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

- *Unrestricted Net Position* – This component of net position consists of net position that does not meet the definition of *restricted* net position or *net investment in capital assets*.

Operating Revenues and Expenses

Operating revenues, such as charges for services (solid waste and wastewater), result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as property taxes and assessments, and investment income, result from non-exchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

Operating expenses include the cost of services, administrative expenses and depreciation on capital assets.

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Property Taxes

The Orange County Assessor's Office assesses all real and personal property within the County each year. The Orange County Tax Collector's Office bills and collects the District's share of property taxes and assessments. The Orange County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property taxes in California are levied in accordance with Article XIIIA of the State Constitution at 1% of countywide assessed valuations. This levy is allocated pursuant to state law to the appropriate units of local governments.

Property taxes receivable at year-end are related to property taxes collected by the Orange County Tax Collector which have not been credited to the District's cash balance as of June 30.

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Dates:	First Installment - November 1
	Second Installment - March 1
Collection Dates:	First Installment - December 10
	Second Installment - April 10

Capital Contributions

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

Maintenance Costs

All expenses for maintenance and repairs of property, including renewals of minor items, are charged to the appropriate maintenance expense accounts. A betterment or replacement of a unit of property is accounted for as an addition and retirement of capital assets.

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Claims and Judgments

When it is probable that a claim liability has been incurred at year-end, and the amount of the loss can be reasonably estimated, the District records the estimated loss, net of any insurance coverage under its participation in the Joint Power Insurance Authority program. At June 30, 2015, the District recorded a loss provision for a disputed Order from Regional Water Quality Control Board, for additional details see Note 5. Small dollar claims and judgments are recorded as expenses when paid.

Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived.

Note 2. Cash and Investments

Cash and investments as of June 30, 2015 are reported in the accompanying combined statement of net position as follows:

Cash and cash equivalents	$	8,589,864
Investments		13,223,681
Total	$	21,813,545

Note 2. Cash and Investments (Continued)

Cash and investments as of June 30, 2015 consisted of the following:

Cash and cash equivalents:	
Demand deposits	$ 81,948
California Local Agency Investments Fund (LAIF)	6,092,583
Money Marked Mutual Funds	2,414,583
Petty cash	750
Total cash and cash equivalents	8,589,864
Investments:	
United States Government Sponsored Agency Securities	11,847,252
Negotiable Certificates of Deposit	1,376,429
Total investments	13,223,681
Total cash and investments	$ 21,813,545

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

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Obligations	5 Years	None	None
Federal Agencies (United Stated Government Sponsored Agency Securities)	5 Years	None	None
Commercial Paper	270 days	25%	10%
Certificates of Deposit	1 Year	25%	None
Negotiable Certificates of Deposit	5 Years	25%	10%
Bankers' acceptances	180 Days	25%	15%
Medium-Term Corporate Notes	5 Years	20%	None
Mutual Funds	5 Years	20%	10%
Local Agency Investment Fund (LAIF)	N/A	50%	$50,000,000

Note 2. Cash and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's cash equivalents and investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2015.

	Remaining Maturities in Months			
Cash Equivalent and Investment Type	12 Months or Less	13-24 Months	25-60 Months	Total
United States Government Sponsored Agency Securities	$ -	$ 998,060	$10,849,192	$11,847,252
Local Agency Investment Fund	6,092,583	-	-	6,092,583
Negotiable Certificates of Deposit	650,499	425,521	300,409	1,376,429
Money Market Mutual Funds	2,414,583	-	-	2,414,583
	$ 9,157,665	$ 1,423,581	$11,149,601	$21,730,847

Credit Risk

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

Note 2. Cash and Investments (Continued)

Credit Risk (Continued)

Presented below is the California Government Code, the District's investment policy and the actual rating by Standards and Poor as of yearend for each cash equivalent and investment type:

Cash Equivalent and Investment Type	Total	Minimum Legal Rating	AAA	AA+	Unrated
United States Government					
Sponsored Agency Securities	$ 11,847,252	N/A	$ -	$ 11,847,252	$ -
Local Agency Investment Fund	6,092,583	N/A	-	-	6,092,583
Negotiable Certificates of Deposit	1,376,429	N/A	-	-	1,376,429
Money Market Mutual Funds	2,414,583	N/A	2,414,583	-	-
	$ 21,730,847		$ 2,414,583	$ 11,847,252	$ 7,469,012

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represents 5% or more of total District's investments are as follows:

Issuer	Investment Type	Reported Amount	Percent of Investment
Federal Home Loan Bank	United States Government Sponsored Agency Securities	$ 6,351,038	29%
Federal National Mortgage Association	United States Government Sponsored Agency Securities	2,998,070	14%
Federal Farm Credit Bank	United States Government Sponsored Agency Securities	1,497,295	7%
Federal Home loan Mortgage Corporation	United States Government Sponsored Agency Securities	1,000,850	5%

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Note 2. Cash and Investments (Continued)

Custodial Credit Risk (Continued)

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2015, the District's deposits were collateralized as required by California Law.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance and State Controller. The District may invest up to $50 million in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at www.treasurer.ca.gov.

The District's investment in this pool is reported in the accompanying financial statements at cost which approximates fair value at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling $1,448 million, which represents 2.08% of the total LAIF portfolio of $69.6 billion as of June 30, 2015. LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

Note 3. Capital Assets

Changes in capital assets for the year ended June 30, 2015 are as follows:

	Balance June 30, 2014	Additions and Transfers	Retirements and Transfers	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	$ 979,655	$ -	$ -	$ 979,655
Property rights	4,025	-	-	4,025
Construction in progress	1,083,613	772,417	(1,218,128)	637,902
Total capital assets, not being depreciated	2,067,293	772,417	(1,218,128)	1,621,582
Capital assets, being depreciated:				
Subsurface sewer lines	86,094,306	1,323,716	-	87,418,022
Building and improvements	3,916,504	-	-	3,916,504
Equipment	777,358	276,718	-	1,054,076
Vehicle	582,528	33,705	-	616,233
Total capital assets, being depreciated	91,370,696	1,634,139	-	93,004,835
Less accumulated depreciation				
Subsurface sewer line	(52,971,932)	(1,445,454)	-	(54,417,386)
Building and improvements	(405,591)	(78,488)	-	(484,079)
Equipment	(336,497)	(102,417)	-	(438,914)
Vehicle	(118,736)	(64,573)	-	(183,309)
Total accumulated depreciation	(53,832,756)	(1,690,932)	-	(55,523,688)
Total capital assets being depreciated	37,537,940	(56,793)	-	37,481,147
Total capital assets, net	$ 39,605,233	$ 715,624	$ (1,218,128)	$ 39,102,729

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the District as follows:

Solid waste	$	9,157
Wastewater		1,681,775
	$	1,690,932

Note 4. Compensated Absences

Accumulated unpaid vacation and other employee benefit amounts are accrued when vested. At June 30, 2015, compensated absences payable amounted to $68,171, of which $30,518 is considered a current liability.

Changes to compensated absences for 2015, were as follows:

	Balance June 30, 2014	Earned	Taken	Balance June 30, 2015	Current Portion	Long-Term Portion
Compensated absences	$ 64,423	$ 55,169	$ (51,421)	$ 68,171	$ 30,518	$ 37,653

Note 5. Contingent Liability

The Regional Water Quality Control Board ordered the District to pay a fine in relation to two sanitary sewer overflows that occurred in the District's operating system on August 31, 2013. The District is disputing the amount of the related fines and has accrued $350,000 as a contingent liability for possible future payments of these fines. At December 29, 2015, the amount of the fines is in dispute with the Regional Water Quality Control Board.

Note 6. Pension Plan

General Information about the Pension Plan

Plan Descriptions

The Plans are cost-sharing, multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plans regarding number of employees covered, benefit provisions, assumptions (for funding, but not account purposes), and membership information is listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. The actuarial valuation report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications, 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 10 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 Plans operate 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.

Note 6. Pension Plan (Continued)

Benefits Provided (Continued)

The Miscellaneous Tier I, Miscellaneous Tier II and Miscellaneous PEPRA pension plans (miscellaneous plans) provisions and benefits in effect at June 30, 2014 are summarized as follows:

	Miscellaneous Tier I	Miscellaneous Tier II	Miscellaneous PEPRA
Hire date	Prior to January 1, 2011	From July 1, 2011 to December 31, 2012	On of after January 1, 2013
Benefit formula	2 % @ 55	2 % @ 60	2 % @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-63+	50-65+	52-67+
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1.092% to 2.418%
Required employee contribution rates	7%	7%	7%
Required employer contribution rates	11.664%	9.250%	9.250%

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 the Miscellaneous 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. For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate for the respective First Tier is 7.0 percent, and for the Second Tier is 7.0 percent of annual pay, and the average employer's contribution rate is 11.664 percent, and 9.250 percent of annual payroll.

Note 6. Pension Plan (Continued)

Contributions (Continued)

Employer contribution rates may change if plan contracts are amended. Employer Contributions for the measurement period ended June 30, 2014 for the Plans are $86,136. Employer Paid Member Contributions for the measurement period ended June 30, 2014 for the Plans are $25,369, or an average rate of 9.289 percent of annual payroll. The actual employer payments of $86,136 made to CalPERS by the District during the measurement period ended June 30, 2014 differed from the District's proportionate share of the employer's contributions of $51,303 by $34,833, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

Net Pension Liability

The District's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Note 6. Pension Plan (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

	Miscellaneous Plans
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases (1)	3.3% - 14.2%
Investment Rate of Return (2)	7.50%
Mortality Rate Table (3)	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) Annual increases vary by category, entry age, and duration of service
(2) Net of pension plan investment and administrative expenses; includes inflation
(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS' website under the GASB 68 section.

Note 6. Pension Plan (Continued)

Discount Rate (Continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. Refer to the *sensitivity of the net pension liability to changes in the discount rate* section of this note, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Note 6. Pension Plan (Continued)

Discount Rate (Continued)

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	47.0%	5.25%	5.71%
Global Fixed Incom	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)
Total	100%		

[1] An expected inflation of 2.5% used for this period

[2] An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

Information about the pension plans' 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 under Forms and Publications, at www.calpers.ca.gov. The plans' fiduciary net position and additions to/deductions from the plans' 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 each plan. Investments are reported at fair value.

Note 6. Pension Plan (Continued)

Pension Plan Fiduciary Net Position (Continued)

The plans' fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plans' 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.

Proportionate Share of Net Pension Liability

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

	Increase (Decrease)		
Miscellaneous Plans	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD)	$ 1,505,345	$ 1,135,500	$ 369,845
Balance at: 6/30/2014 (MD)	1,594,928	1,324,248	270,680
Net changes during 2013-14	$ 89,583	$ 188,748	$ (99,165)

Valuation Date (VD), Measurement Date (MD).

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2014, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 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 under Forms and Publications, at www.calpers.ca.gov.

Note 6. Pension Plan (Continued)

Proportionate Share of Net Pension Liability (Continued)

The District's proportionate share of the net pension liability for the Plans as of June 30, 2013 and 2014 was as follows:

Proportionate Share - June 30, 2013	0.01130%
Proportionate Share - June 30, 2014	0.01095%
Change - Increase (Decrease)	(0.00035%)

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

The following presents the District's proportionate share of the net pension liability for the Plans as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

Miscellaneous Plans	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Net Pension Liability	$482,267	$270,680	$ 95,082

Subsequent Events

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

Note 6. Pension Plan (Continued)

Recognition of Gains and Losses

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:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives 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 the Plans for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (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.

Note 6. Pension Plan (Continued)

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

As of the start of the measurement period (July 1, 2013), the net pension liability for the Plans is $369,845, (the net pension liability of the aggregate plans as of June 30, 2013 is $3,276,668,431).

For the measurement period ending June 30, 2014 (the measurement date), the District's Plans incurred a pension expense of $94,409, (the pension expense for the aggregate plans for the measurement period is $239,824,465). A complete breakdown of the pension expense is as follows:

	Miscellaneous Plans		
Description	**Risk Pool Amounts**	**Employer's Share**	**Percentage of Employer's Share**
Service Cost	$338,829,351	$ 124,952	0.10057%
Interest on the Total Pension Liability	921,162,366	112,058	0.11392%
Recognized Differences between Expected and Actual Experience	-	-	N/A
Recognized Changes of Assumptions	-	-	N/A
Employee Contributions	(159,834,203)	(59,081)	0.07737%
Employer Paid Member Contributions	-	25,991	N/A
Projected Earnings on Pension Plan Investments	(678,133,636)	(84,637)	0.10921%
Recognized Differences between Projected and Actual Earnings on Plan Investments	(182,199,413)	(22,740)	0.10921%
Other Changes in Fiduciary Net Position	-	-	N/A
Recognized Portion of Adjustment due to Differences in Proportions	-	(11,301)	N/A
Recognized Differences Between Contributions and Proprotionate Share of Contributions	-	9,167	N/A
Subtotal: Employer's Share of Expense Components	**$239,824,465**	94,409	0.03937%
Changes of Benefit Terms		-	
Employer's Proportionate Share of Pension Expense		**$ 94,409**	

Note 6. Pension Plan (Continued)

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

As of June 30, 2015, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

Miscellaneous Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ -	$ -
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(90,962)
Adjustment due to Differences in Proportions	-	(31,644)
Net Differences between the Employer's Contributions and the Employer's Proportionate Share of Contributions	25,666	-
Pension Contributions Subsequent to Measurement Date	132,531	-
Total	**$ 158,197**	**$ (122,606)**

These amounts above are net of outflows and inflow recognized in the 2013-14 measurement period expense. $132,531 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Miscellaneous Plans	Deferred Outflows/(Inflows) of Resources
Measurement Period Ended June 30:	
2015	$ (24,874)
2016	(24,874)
2017	(24,450)
2018	(22,742)
2019	-
Thereafter	-

Note 6. Pension Plan (Continued)

Payable to the Pension Plan

At June 30, 2015, the District has no payable or the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Note 7. Other Post-Employment Benefits (OPEB) Plan

Plan Description

Eligibility

The District, through an agent multiple-employer plan, provides post-employment health care benefits. The plan is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. The following requirements must be satisfied in order to be eligible for lifetime post-employment medical benefits: (1) Attainment of age 50, and 5 years of CalPERS service (or disability), and (2) Retirement from CalPERS and from the District (the District must be the last employer prior to retirement). Currently, there are five retired employees who have met these eligibility requirements and three of which have elected to receive the benefits. The total payments made for these benefits for retired employees for the year ended June 30, 2015 were $120,000.

Membership in the OPEB plan consisted of the following members as of June 30, 2015:

Active plan members	10
Retirees and beneficiaries receiving benefits	3
Separated plan members entitled to but not yet receiving benefits	2
Total plan membership	15

Note 7. Other Post-Employment Benefits (OPEB) Plan (Continued)

Benefits

The District offers post-employment medical benefits to retired employees who satisfy the eligibility rules. Retirees may enroll in any plan available through the District's CalPERS medical plan. The contribution requirement of the Plan members and the District are established and may be amended by the Board of Directors. As a member of the CalPERS medical plan the District is required to participate in its post-employment medical benefit plan. The District currently pays the CalPERS minimum required employer contribution on an "Unequal" basis ($60 per month in 2014, Equal being $119, and indexed to medical CPI plus amortized factor, becoming equal in 2024). The District currently has one retiree with a special agreement receiving $350 per month. The special agreement was a Board approved policy issued to maintain the benefits offered to former City of Costa Mesa employees accepting to become District employees.

<u>Funding Policy</u>

The District is required to contribute the Annual Required Contribution of the Employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed twenty-five years with a remaining period of twenty-four years at June 30, 2015. The current ARC rate is 1.8% of the annual covered payroll.

The District will pay 100% of the cost of the post-employment benefit plan. The District is currently funding the plan on a pay-as-you-go basis, through fiscal year 2015 and records an asset for the difference between pay-as-you-go and the actuarially determined ARC cost.

<u>Annual OPEB Cost and Net OPEB Asset</u>

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed twenty-five years.

Note 7. Other Post-Employment Benefits (OPEB) Plan (Continued)

Annual OPEB Cost and Net OPEB Asset (Continued)

The following table shows the component of the District's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation/asset.

Annual required contribution (ARC)	$ 17,000
Interest on Net OPEB obligation	230
Adjustment to ARC	(1,264)
Annual OPEB cost	15,966
Contribution made, net of adjustment	126,648
Decrease in Net OPEB obligation	110,682
Net OPEB obligation at June 30, 2014	(13,234)
Net OPEB asset at June 30, 2015	$ 97,448

Trend Information

The District's annual OPEB cost, the actual contribution, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation the year ended June 30, 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actuarial Contribution (Net of Adjustments)	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation (Asset)
06/30/15	$ 15,966	$ 126,648	793.24%	$ (97,448)
06/30/14	17,099	23,336	136.48%	13,234
06/30/13	16,686	17,000	101.88%	19,471

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was $154,000, and the actuarial value of assets (AVA) was $23,000, resulting in an unfunded actuarial accrued liability (UAAL) of $131,000 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 7.41%. The covered payroll (annual payroll of active employees covered by the plan) was $728,000 and the ratio of the UAAL to the covered payroll was 17.17%.

Note 7. Other Post-Employment Benefits (OPEB) Plan (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In the June 30, 2013 actuarial investment valuation, the entry age normal cost method was used. The actuarial assumptions included an inflation rate of 3.0% per annum, an investment return of 7% per annum, a projected salary increase of 3.25% per annum and a health inflation rate of 7.5% per annum graded down in approximately one-half percent increments to an ultimate rate of 5% after the sixth year. The District is using the level percentage of payroll method to allocate amortization cost by year over a closed 23 year period.

Note 8. Joint Powers Insurance Authority

The District is a member of the Special District Risk Management Authority.

Description of the Authority

The Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Section 6500 et. seq. The Authority’s purpose is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

Note 8. Joint Powers Insurance Authority (Continued)

Self-Insurance Programs of the Authority

At June 30, 2015, the District participated in the Authority's self-insurance programs as follows:

Property Loss - Insured up to insurable value with a $2,000 deductible for buildings and personal property and a $500 deductible for licensed vehicles.

General Liability - Insured up to $10,000,000 per occurrence with no annual aggregate limits and a $0 deductible, except $500 on property damage per occurrence.

Auto Liability - Insured up to $10,000,000 per occurrence with no annual aggregate limits and a $0 deductible, except $1,000 on property damage per occurrence.

Workers' Compensation - Insured up to statutory limits.

Public Officials' Errors and Omissions - Insured up to $10,000,000 per occurrence with an annual aggregate limit of $10,000,000.

In addition to the above, the Authority has purchased insurance coverage as follows:

Employee Dishonesty Coverage - Insured up to $400,000 per occurrence.

The District pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims expended. The nature and amount of these adjustments cannot be estimated and are charged to expenses as invoiced. There were no instances in the past three years where a settlement exceeded the District's coverage.

Note 9. Change in Accounting Principle

As discussed in Note 1, the District implemented GASB Statements No. 68 and 71 effective July 1, 2014. GASB Statements No. 68 and 71, among other provisions, amended prior guidance with respect to the reporting of pensions, and established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense. For defined benefit pensions, the District's net pension liability was not previously recorded on the statement of net position. GASB 68 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements. The cumulative effects of applying the provisions of GASB Statements No. 68 and 71 have been reported as a restatement of beginning net position for the year ended June 30, 2015 in accordance with the Statements.

Accordingly, beginning net position on the Statement of Revenues, Expenses and Changes in Net Position has been restated for changes related to GASB 68 as follows:

	Solid Waste	Wastewater	Other Enterprise	Total
Beginning net position, as previously reported	$ 5,544,805	$52,906,621	$ 561,541	$ 59,012,967
Restatement due to change in accounting principle	(81,963)	(191,248)	-	(273,211)
Beginning net position, as restated	$ 5,462,842	$52,715,373	$ 561,541	$ 58,739,756

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Plans' Net Pension Liability and Related Ratios as of the Measurement Date

Schedule of Plan Contributions

Schedule of Funding Progress Other Post-employment Benefit Plan

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

	Measurement Date 6/30/2014	
	Miscelaneous Plans	
Plan's Proportion of the Net Pension Liability[1]		0.0047%
Plan's Proportionate Share of the Net Pension Liability	$	270,680
Plan's Covered-Employee Payroll[2]	$	927,345
Plan's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll		29.19%
Plan's Proportion of the Fiduciary Net Position[3]		0.0114%
Plan's Share of Risk Pool Fiduciary Net Position[3]	$	1,324,248
Plan's Additional Payments to Side Fund During Measurement Period	$	-
Plan's Proportionate Share of the Fiduciary Net Position (*sum of the two preceding lines*)	$	1,324,248
Plan's Proportionate Share of the Fiduciary Net Position as a percentage of the Plan's Total Pension Liability		83.03%
Plan's Proportionate Share of Aggregate Employer Contributions[4]	$	35,810

[1] Proportion of the 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.

[2] Covered-Employee Payroll represented above is based on the total payroll of employees that are provided pensions through the pension plan in accordance with GASB 68.

[3] The term Fiduciary Net Position (FNP) as used in this line denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all employers' additional side fund contributions made during the measurement period.

[4] The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the Measurement Period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of Fiduciary Net Position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation, therefore, only one year is shown.

Schedule of Plan Contributions - Last 10 Years*

	Measurement Period 2013-14 Miscellaneous Plans
Actuarially Determined Contribution	$ 86,136
Contributions in Relation to the Actuarially Determined Contribution	(86,136)
Contribution Deficiency (Excess)	$ -
Covered-Employee Payroll[1]	$ 927,345
Contributions as a Percentage of Covered-Employee Payroll	9.29%

[1] Covered-Employee Payroll represented above is based on the total payroll of employees that are provided pensions through the pension plan in accordance with GASB 68.

* Fiscal year 2015 (for measurement period 2013-14) was the 1st year of implementation, therefore, only one year is shown.

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: None

Schedule of Funding Progress Other Post-employment Benefit Plan

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b) / (a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(a)-(b)]/(c)
6/30/2014	$ 154,000	$ 23,000	$ 131,000	14.94%	$ 785,000	16.69%
6/30/2013	135,000	10,000	125,000	7.41%	728,000	17.17%
6/30/2012	131,000	-	131,000	0.00%	897,000	14.60%

STATISTICAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

Description of Statistical Section Contents

For the year ended June 30, 2015

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and the note disclosures say about the government's overall financial health.

Contents:

Costa Mesa Sanitary District

Changes in Net Position and Net Position by Component
Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
Changes in net position:				
Operating revenues	$ 7,532,247	$ 8,209,035	$ 9,606,545	$ 10,144,512
Operating expenses	(7,112,655)	(7,371,732)	(7,762,619)	(7,945,850)
Depreciation and amortization	(681,562)	(344,790)	(478,763)	(573,004)
Operating income (loss)	(261,970)	492,513	1,365,163	1,625,658
Non-operating revenue(expenses), net	189,116	769,752	751,660	659,472
Net income (loss) before capital contributions	(72,854)	1,262,265	2,116,823	2,285,130
Capital contributions	128,822	2,377,046	-	14,000
Changes in net position	$ 55,968	$ 3,639,311	$ 2,116,823	$ 2,299,130
Net position:				
Net investment in capital assets	$ 11,965,261	$ 14,363,225	$ 17,040,959	$ 17,350,061
Restricted for capital outlay	2,732,231	8,157,794	6,028,258	6,285,042
Unrestricted	7,109,280	2,925,064	4,493,689	6,226,933
Total net position	$ 21,806,772	$ 25,446,083	$ 27,562,906	$ 29,862,036

Source: Costa Mesa Sanitary District

Fiscal Year					
2010 (As Restated)	2011	2012	2013	2014	2015
$ 10,460,180	$ 10,731,490	$ 10,759,564	$ 10,636,733	$ 10,327,835	$ 10,825,377
(7,487,385)	(8,160,177)	(8,303,399)	(7,953,569)	(8,453,930)	(8,634,912)
(622,319)	(1,540,281)	(1,607,841)	(1,715,991)	(1,604,500)	(1,690,932)
2,350,476	1,031,032	848,324	967,173	269,405	499,533
1,245,767	434,597	740,072	138,767	260,229	589,791
3,596,243	1,465,629	1,588,396	1,105,940	529,634	1,089,324
4,243,681	-	-	5,000	5,000	-
$ 7,839,924	$ 1,465,629	$ 1,588,396	$ 1,110,940	$ 534,634	$ 1,089,324
$ 40,022,038	$ 39,122,787	$ 39,792,929	$ 39,793,590	$ 39,605,233	$ 39,102,729
7,719,551	381,368	8,116	-	-	-
6,769,215	16,472,278	17,763,784	18,684,743	19,407,734	20,726,351
$ 54,510,804	$ 55,976,433	$ 57,564,829	$ 58,478,333	$ 59,012,967	$ 59,829,080

Operating Revenues by Source
Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
Trash assessments	$ 5,101,835	$ 5,101,054	$ 5,136,643	$ 5,168,413
Wastewater assessments	2,279,091	2,747,778	4,254,608	4,632,923
Permits and inspection fees	71,560	190,412	22,552	28,183
Connection fees	42,133	137,522	13,687	24,270
Other services and charges	37,628	32,269	179,055	290,723
Total Operating Revenues	$ 7,532,247	$ 8,209,035	$ 9,606,545	$ 10,144,512

Source: Costa Mesa Sanitary District

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 5,176,122	$ 5,185,184	$ 5,180,748	$ 4,921,705	$ 4,681,766	$ 4,768,071
5,124,283	5,116,190	5,117,377	5,133,674	5,081,699	5,301,231
22,870	46,222	83,237	140,536	118,041	206,971
11,468	28,865	78,230	189,262	134,158	192,913
125,437	355,029	299,972	251,556	312,171	356,191
$ 10,460,180	$ 10,731,490	$ 10,759,564	$ 10,636,733	$ 10,327,835	$ 10,825,377

Operating Expenses by Activity
Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
Solid waste disposal	$ 4,568,661	$ 4,584,097	$ 4,499,524	$ 4,469,887
Wastewater disposal	1,384,802	1,540,711	1,516,374	1,047,977
General and administrative	1,418,269	1,637,811	1,929,952	1,969,521
Total Operating Expenses	$ 7,371,732	$ 7,762,619	$ 7,945,850	$ 7,487,385

Source: Costa Mesa Sanitary District

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 4,510,918	$ 4,450,943	$ 4,483,980	$ 4,477,812	$ 4,477,812	$ 4,500,416
1,619,781	1,912,341	1,438,604	1,591,051	1,591,051	1,665,480
2,029,478	1,940,115	2,030,985	2,385,067	2,385,067	2,469,016
$ 8,160,177	$ 8,303,399	$ 7,953,569	$ 8,453,930	$ 8,453,930	$ 8,634,912

Costa Mesa Sanitary District

Non-operating Revenue (Expense), net
Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
Investment income (loss)	$ 165,387	$ 571,489	$ 469,376	$ 297,158
Investment expense	(50,826)	(43,941)	-	-
Taxes	64,965	217,796	226,046	223,789
Other revenues	32,280	50,264	66,265	151,007
Other expenses	(22,690)	-	(10,027)	-
Loss on disposal of assets	-	(25,856)	-	(12,482)
Total non-operating revenues, net	$ 189,116	$ 769,752	$ 751,660	$ 659,472

Source: Costa Mesa Sanitary District

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 188,045	$ 154,279	$ 188,000	$ (144,970)	$ 291,073	$ 205,472
-	-	-	-	-	-
220,329	212,004	214,579	301,046	235,336	245,415
838,628	69,856	424,291	97,383	77,814	138,904
-	-	-	-	(350,000)	-
(1,235)	(1,542)	(86,798)	(114,692)	6,006	-
$ 1,245,767	$ 434,597	$ 740,072	$ 138,767	$ 260,229	$ 589,791

Solid Waste and Wastewater Revenue Rates
Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
Solid Waste				
Customer Type				
Single family residential	$ 239.41	$ 239.41	$ 239.41	$ 239.41
Wastewater				
Customer Type				
Single family residential	$ 31.37	$ 37.64	$ 56.47	$ 60.71
Multi-family residential	24.16	28.99	43.49	46.75
Commercial-Average Strength (per 1000 sf)	18.25	21.90	32.85	35.31
Commercial-High Strength (per 1000 sf)	-	-	-	-
Industrial (per 1000 sf)	53.76	64.51	96.77	104.03
Other (per 1000 sf)	16.17	19.40	29.11	31.29

Source: Costa Mesa Sanitary District Board of Directors approved rate ordinances and resolutions

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 239.41	$ 239.41	$ 239.41	$ 228.00	$ 216.00	$ 216.00
$ 66.23	$ 66.23	$ 66.23	$ 66.23	$ 85.34	$ 87.05
51.00	51.00	51.00	51.00	50.09	51.09
38.52	38.52	38.52	38.52	37.96	38.72
-	-	-	-	41.40	42.23
113.50	113.50	113.50	113.50	97.44	99.39
34.14	34.14	34.14	34.14	N/A	N/A

THIS PAGE INTENTIONALLY LEFT BLANK

Costa Mesa Sanitary District

Principal Wastewater Customers
Current Fiscal Year and Nine Years Ago

	2015		2006	
Industrial Customer Type	Square Feet Assessed	Percentage of Total	Square Feet Assessed	Percentage of Total
Commonwealth Ave Apts	329,350	3.45%	72,970	0.84%
CJ Sergerstrom & Sons	276,720	2.90%	274,160	3.17%
CLA Val Co	252,480	2.65%	390,170	4.51%
MS Airways LLC	158,070	1.66%	149,020	1.72%
Alsenz, Evert C TR	131,120	1.37%	168,960	1.95%
Van Ausdeln, Sandra Ann TR	124,410	1.30%	124,410	1.44%
SCIF Redhill LLC	118,510	1.24%	1,000	0.01%
1650 Sunflower 40 LLC	114,950	1.20%	-	0.00%
Orange Grove Properties LLC	109,870	1.15%	109,870	1.27%
Seventeenth Street Realty LLC	98,580	1.03%	-	0.00%
Griswold Industries	91,090	0.95%	103,780	1.20%
Total square feet: Industrial Principal Customers	1,805,150	18.90%	1,394,340	16.10%
Total square feet : Industrial Customers	9,545,357	100.00%	8,659,106	100.00%
Commercial Customer Type				
South Coast Plaza	110,650	0.38%	334,240	1.41%
RREF America REIT II	835,680	2.86%	-	0.00%
The Irvine Company	834,370	2.86%	130,340	0.55%
Interinsurance Exchange of the Auto Club of Ca	750,910	2.57%	37,290	0.16%
Coast Community College District	674,060	2.31%	86,620	0.37%
Vanguard University of Southern California	570,250	1.95%	486,330	2.05%
Sears Roebuck & Co.	536,980	1.84%	446,150	1.88%
600 Anton Boulevard Associates	490,350	1.68%	459,090	1.94%
J Ray Sanderson/Cardinal Development Bristol	419,440	1.44%	419,440	1.77%
Center Tower Associates	451,550	1.55%	-	0.00%
One Town Center Drive Associates	362,700	1.24%	319,390	1.35%
JKS-CMFV LLC	357,440	1.22%	308,760	1.30%
Total square feet: Commercial Principal Customers	6,394,380	21.90%	3,027,650	12.78%
Total square feet: Commercial Customers	29,219,322	100.00%	23,684,480	100.00%
Multi-family Residential Customer Type	Household Units	Percentage of Total	Household Units	Percentage of Total
MarJack LLC	890	3.74%	-	0.00%
Casden Lakes LP	770	3.24%	770	3.07%
Costa Mesa Partners	764	3.21%	764	3.05%
United Dominion Realty LP	764	3.21%	764	3.05%
Pincreek Investment Co.	620	2.60%	620	2.47%
ZMV Partnership	508	2.13%	508	2.03%
UDR Harbor Greens LP	384	1.61%	384	1.53%
Bay Apartment Communities, Inc.	333	1.40%	273	1.09%
Riverville Family Associates LLC	296	1.24%	-	0.00%
Park Mesa Village	276	1.16%	276	1.10%
Parkwood Village Ltd	276	1.16%	276	1.10%
Total household units: Multi-family Principal Customers	5,881	24.71%	4,635	18.49%
Total household units assessed: Multi-family Customers	23,802	100.00%	25,053	100.00%

Source: Costa Mesa Sanitary District

Costa Mesa Sanitary District

Ratio of Outstanding Debt
Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
Capital leases	$ 1,354,945	$ -	$ -	$ -
Total debt	$ 1,354,945	$ -	$ -	$ -
Total debt per capita	$ 13	$ -	$ -	$ -
Total debt as a percent of personal income	0.02%	0.00%	0.00%	0.00%

Source: Costa Mesa Sanitary District Accounting Department

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Debt Coverage
Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
Revenues	$ 7,772,189	$ 9,022,728	$ 10,358,205	$ 10,803,984
Operating Expenses	7,112,655	7,371,732	7,762,619	7,945,850
Net revenues	$ 659,534	$ 1,650,996	$ 2,595,586	$ 2,858,134
Debt Service:				
Principal	$ 218,682	$ 1,354,945	$ -	$ -
Interest	50,826	43,941	-	-
Total debt service	$ 269,508	$ 1,398,886	$ -	$ -
Debt coverage ratio	2.45	1.18	N/A	N/A

Source: Costa Mesa Sanitary District

Continued

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 11,705,947	$ 11,166,087	$ 11,499,636	$ 10,775,500	$ 10,938,064	$ 11,415,168
7,487,385	8,160,177	8,303,399	7,953,569	8,453,930	8,634,912
$ 4,218,562	$ 3,005,910	$ 3,196,237	$ 2,821,931	$ 2,484,134	$ 2,780,256
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
N/A	N/A	N/A	N/A	N/A	N/A

Demographics and Economic Statistics
Last Ten Calendar Years

	City of Costa Mesa (a)		County of Orange (b)		
Calendar Year	District Service Popuation	Unemployment Rate	Population	Personal Income* (in thousands)	Personal Income per Capita
2005	$ 109,030	3.40%	2,957,263	$139,408,948	$ 47,141
2006	108,096	3.00%	2,953,062	150,598,354	50,997
2007	107,641	3.50%	2,957,902	153,446,641	51,877
2008	107,514	4.70%	2,989,141	155,068,367	51,877
2009	109,808	8.00%	3,026,786	148,372,628	49,020
2010	109,960	8.50%	3,010,232	150,467,328	49,863
2011	110,008	7.80%	3,055,745	154,131,535	50,440
2012	111,675	6.80%	3,090,132	161,743,827	52,342
2013	112,174	5.60%	3,114,363	169,792,810	54,518
2014	112,784	5.60%	3,145,515	173,305,650	55,096

* Total personal income estimates are in thousands of dollars, not adjusted for inflation.

Notes:

(a) Approximate population of Costa Mesa Sanitary District is the same as the population of the City of Costa Mesa.

(b) The District has chosen to use County data since the District believes that the County data is representative of the conditions and experience of the District.

Sources:
(a) United States Census Bureau
(a) California LaborMarketInfo
(b) U.S. Department of Commerce, Bureau of Economic Analysis
(b) United States Census Bureau

Principal Employers
Current Fiscal Year and Nine Year Ago

Employer	2015 Number of Employers	2015 Percentage of Total City Employment	2006 * Number of Employers	2006 * Percentage of Total City Employment
Epl Intermediate, Inc.	3,998	6.19%		
Experian Information Solution	3,700	5.73%		
Coast Community College District Foundation	2,900	4.49%		
Orange Coast Community College	1,900	2.94%		
Automobile Club of Southern California	1,200	1.86%		
Dynamic Cooking Systems, Inc	700	1.08%		
Filenet Corporation	600	0.93%		
SURE HAVEN	550	0.85%		
TTM Technologies, Inc.	500	0.77%		
SHURFLO, LLC	430	0.67%		
Total ten employers	16,478	25.52%	-	0.00%

* Data not available for the fiscal year 2005-2006

Sources: City of Costa Mesa, Dunn & Bradstreet, State of California Employment Development Department

Costa Mesa Sanitary District

Full-time and Part-time District Employees
By Function
Last Ten Fiscal Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Solid Waste	0.95	1.10	1.60	1.65	1.31	3.42	3.27	4.60	4.60	3.80
Wastewater	5.55	6.90	9.40	9.85	9.94	9.60	8.28	9.40	10.40	9.20
Total Full-time equivalent	6.50	8.00	11.00	11.50	11.25	13.02	11.55	14.00	15.00	13.00

Sources: Costa Mesa Sanitary District Accounting Department

Operating Indicators
By Function
Last Ten Fiscal Years

	Fiscal Year				
	2006*	2007*	2008	2009	2010
Solid Waste:					
Household units serviced	-	-	21,471	21,482	21,501
Recycled/landfill tonnage	-	-	42,269	40,908	40,374
Recycled %	-	-	50.45%	50.44%	50.44%
Wastewater:					
Linear feet (LF) of sewer line cleaned	-	-	350,000	411,150	4,125
Average of wastewater discharged	-	-	10.6 MGD	10.3 MGD	10.1 MGD
Sewer lateral financial assistance grants	-	-	90	120	128

	Fiscal Year				
	2011	2012	2013	2014	2015
Solid Waste:					
Household units serviced	21,531	21,559	21,490	21,606	21,824
Recycled/landfill tonnage	40,865	39,841	39,851	40,650	41,823
Recycled %	51.92%	57.53%	57.54%	57.39%	56.81%
Liquid Waste:					
Linear feet (LF) of sewer line cleaned	890,006	650,551	708,092	716,938	115,6095
Average of wastewater discharged	10.3 MGD	10.4 MGD	10.5 MGD	10.6 MGD	8.75 MGD
Sewer lateral financial assistance grants	146	144	169	184	237

MGD - Millions of gallons per day
* Data not available for the fiscal years

Sources: Costa Mesa Sanitary District

Capital Asset Statistics
Last Ten Fiscal Years

Wastewater

Fiscal Year	Miles of Sanitary Sewers	Number of Pump Stations	Number of Manholes
2006	220	20	4,600
2007	221	20	4,646
2008	221	20	4,646
2009	221	20	4,649
2010	224	20	4,703
2011	224	20	4,703
2012	224	20	4,703
2013	224	20	4,704
2014	224	20	4,705
2015	224	20	4,705

Sources: Costa Mesa Sanitary District