



MesaWater
DISTRICT[©]

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2014

Mesa Water District, Costa Mesa, California



Dedicated to Satisfying our Community's Water Needs

MesaWater.org

Mesa Water District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014



1965 Placentia Avenue
Costa Mesa, CA 92627-3420

Prepared by:
Financial Services Department

< Page Intentionally Left Blank >

Mesa Water District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014

Table of Contents

	<u>Page No.</u>
Table of Contents	i
Introductory Section	
Letter of Transmittal	1-5
Government Finance Officers Association – Certificate of Achievement for Excellence in Financial Reporting	6
Organizational Chart	7
District Service Area Map	8
Financial Section	
Independent Auditors’ Report	9-11
Management’s Discussion and Analysis	12-19
Basic Financial Statements:	
Statement of Net Position	20
Statement of Revenues, Expenses and Changes in Net Position	21
Statement of Cash Flows	22-23
Notes to the Basic Financial Statements	24-43
Supplemental Information:	
Certificates of Participation – Revenue Coverage	44
Certificates of Participation – Reconciliation of Total Revenues and Total Expenses	45
Statistical Information Section	
Statistical Section – Table of Contents	46
Changes in Net Position by Component – Last Ten Fiscal Years	47
Operating Revenue by Source – Last Ten Fiscal Years	48
Operating Expenses by Activity – Last Ten Fiscal Years	49
Non-Operating Revenue and Expenses – Last Ten Fiscal Years	50
Operating Revenue Base – Last Ten Fiscal Years	51
Customers by Type – Last Ten Fiscal Years	52
Revenue Rates – Last Ten Fiscal Years	53
Ten Largest Water Users – Current Fiscal Year and Five Years Ago	54
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years	55
Pledged-Revenue Coverage – Last Ten Fiscal Years	56
Demographics and Economic Statistics – Last Ten Calendar Years	57
Principal Employers – Current Fiscal Year and Nine Years Ago	58
District Employees by Department – Last Ten Fiscal Years	59

Introductory Section



MesaWater DISTRICT®

*Dedicated to
Satisfying our Community's
Water Needs*

BOARD OF DIRECTORS

James R. Fisler
*President
Division II*

Shawn Dewane
*Vice President
Division V*

James F. Atkinson
*Director
Division IV*

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

Ethan Temianka
*Director
Division III*

Paul E. Shoenberger, P.E.
General Manager

Coleen L. Monteleone
District Secretary

Andrew N. Hamilton
District Treasurer

**Bowie, Arneson,
Wiles & Giannone**
Legal Counsel

1965 Placentia Avenue
Costa Mesa, CA 92627
tel 949.631.1200
fax 949.574.1036
info@MesaWater.org
MesaWater.org

September 29, 2014

Board of Directors
Mesa Water District

Introduction

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Mesa Water District (Mesa Water®) for the fiscal year ended June 30, 2014 (with comparative data for 2013), following guidelines set forth by the Governmental Accounting Standards Board (GASB). Mesa Water® is ultimately responsible for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures in this financial report. Mesa Water® staff prepared this financial report and believes that the data presented is accurate in all material respects. This report is designed in a manner that we believe beneficial to enhance the reader's understanding of Mesa Water's financial position and activities.

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

Mesa Water® Structure and Leadership

Mesa Water® is a county water district organized pursuant to Water Code Section 33200 and operates pursuant to Water Code Section 30000. Mesa Water® has been providing water service to its customers since 1960. Mesa Water® is governed by a five-member Board of Directors (Board), elected at-large by division within Mesa Water's service area. The General Manager administers the day-to-day operations of Mesa Water® in accordance with policies and procedures established by the Board. Mesa Water® employs approximately 50 employees, some of whom are part-time or temporary. Mesa Water's Board meets on the second Thursday of each month. Meetings are publicly noticed and citizens are encouraged to attend. Mesa Water® provides water service to approximately 108,000 residents in the City of Costa Mesa, parts of the City of Newport Beach, and some unincorporated areas of Orange County through over 24,000 service connections.

Mesa Water's Services

Residential customers comprise approximately 81% of Mesa Water's customer base and purchase approximately 58% of the water produced annually by Mesa Water®. In Fiscal Year 2014, Mesa Water's potable supply was comprised of 98% groundwater and related groundwater exchange programs and 2% from other sources.



*Dedicated to
Satisfying our Community's
Water Needs*

BOARD OF DIRECTORS

James R. Fisler
*President
Division II*

Shawn Dewane
*Vice President
Division V*

James F. Atkinson
*Director
Division IV*

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

Ethan Temianka
*Director
Division III*

Paul E. Shoenberger, P.E.
General Manager

Coleen L. Monteleone
District Secretary

Andrew N. Hamilton
District Treasurer

**Bowie, Arneson,
Wiles & Giannone**
Legal Counsel

1965 Placentia Avenue
Costa Mesa, CA 92627
tel 949.631.1200
fax 949.574.1036
info@MesaWater.org
MesaWater.org

Mesa Water Board of Directors
September 29, 2014
Page 2 of 5

Economic Condition, Outlook and Major Initiatives

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

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

Earlier this year, Governor Brown declared a drought State of Emergency for California. California's water supply condition is serious and already at a historic low. Some regions, mostly in Northern California and the Central Valley, are in mandatory conservation. It is important to note here that Mesa Water® is prepared.

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

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

The recently-completed Mesa Water Reliability Facility (MWRf) is the final step in eliminating the District's dependence on imported water as Mesa Water® is now able to meet 100 percent of its community's water needs with locally-sourced supplies. Furthermore, producing local water uses less electricity than is needed to import water from hundreds of miles away.

Mesa Water® has undertaken a major initiative to encourage water conservation and the wise use of water within its service area. In conjunction with Metropolitan Water District (MWD) and the Municipal Water District of Orange County (MWDOC), Mesa Water® distributes and provides financial incentives for high efficiency water use devices, and has developed education and technical assistance programs designed for residents, homeowners associations, businesses, and other public agencies. Mesa Water® also works with the City of Costa Mesa to promote the wise use of water through the City's development plan check process. These programmatic efforts have resulted in a cumulative water savings of approximately 12,120 acre feet of water to date.

As of July 1, 2014, Mesa Water® charges a uniform commodity rate of \$3.27 per unit and a bi-monthly fixed charge of \$21 for a 5/8 inch meter.



MesaWater DISTRICT®

*Dedicated to
Satisfying our Community's
Water Needs*

BOARD OF DIRECTORS

James R. Fisler
*President
Division II*

Shawn Dewane
*Vice President
Division V*

James F. Atkinson
*Director
Division IV*

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

Ethan Temianka
*Director
Division III*

Paul E. Shoenberger, P.E.
General Manager

Coleen L. Monteleone
District Secretary

Andrew N. Hamilton
District Treasurer

**Bowie, Arneson,
Wiles & Giannone**
Legal Counsel

1965 Placentia Avenue
Costa Mesa, CA 92627
tel 949.631.1200
fax 949.574.1036
info@MesaWater.org
MesaWater.org

Mesa Water Board of Directors
September 29, 2014
Page 3 of 5

One unit of water equals 748 gallons which means that the cost per gallon is 0.004 cents. At \$685 per year, the cost of water service for a typical single family home using 127,900 gallons of water annually remains a good value for Mesa Water's customers.

Water Supply

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

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

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

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

In Fiscal Year 2014, Mesa Water® produced approximately 69% of its potable water supply from clear groundwater and related groundwater exchange programs and 29% from amber groundwater.

Mesa Water® also sells recycled water for irrigation purposes. The water is purchased from OCWD and replaces potable water that would otherwise have been used for irrigation. Approximately 6.8% of total water supplied to consumers is recycled.

Internal Control Structure

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



*Dedicated to
Satisfying our Community's
Water Needs*

BOARD OF DIRECTORS

James R. Fisler
*President
Division II*

Shawn Dewane
*Vice President
Division V*

James F. Atkinson
*Director
Division IV*

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

Ethan Temianka
*Director
Division III*

Paul E. Shoenberger, P.E.
General Manager

Coleen L. Monteleone
District Secretary

Andrew N. Hamilton
District Treasurer

**Bowie, Arneson,
Wiles & Giannone**
Legal Counsel

1965 Placentia Avenue
Costa Mesa, CA 92627
tel 949.631.1200
fax 949.574.1036
info@MesaWater.org
MesaWater.org

Mesa Water Board of Directors
September 29, 2014
Page 4 of 5

Budgetary Control

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

Investment Policy

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

Water Rates and Revenues

Revenue from user charges generated from Mesa Water's customers support operations. Accordingly, water rates are reviewed every five (5) years when a Water Rate Schedule is prepared to achieve the Board's financial goals. Water rates are user charges imposed on customers for services and are the primary component of Mesa Water's revenue. Water rates are composed of a commodity (usage) charge and a fixed bi-monthly service charge. Mesa Water® raised rates by an average of 5.0% in fiscal year 2014.

Audit and Financial Reporting

State Law and bond covenants require Mesa Water® to obtain an annual audit of its financial statements by an independent Certified Public Accountant. The accounting firm of Mayer, Hoffman, McCann, P.C., CPAs conducted the audit of Mesa Water's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Risk Management

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

Awards and Acknowledgements

This is the 21st year that Mesa Water® is submitting its Comprehensive Annual Financial Report (CAFR) for the Government Finance Officers Association of the United States and Canada's (GFOA) Certificate of Achievement for Excellence in Financial Reporting. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this CAFR meets the Certificate of Achievement Program's



*Dedicated to
Satisfying our Community's
Water Needs*

BOARD OF DIRECTORS

James R. Fisler
*President
Division II*

Shawn Dewane
*Vice President
Division V*

James F. Atkinson
*Director
Division IV*

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

Ethan Temianka
*Director
Division III*

Paul E. Shoenberger, P.E.
General Manager

Coleen L. Monteleone
District Secretary

Andrew N. Hamilton
District Treasurer

**Bowie, Arneson,
Wiles & Giannone**
Legal Counsel

Mesa Water Board of Directors
September 29, 2014
Page 5 of 5

requirements and we are submitting it to the GFOA to determine its eligibility for 2014.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Paul E. Shoenberger", written over a horizontal line.

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

A handwritten signature in blue ink, appearing to read "Andrew N. Hamilton", written over a horizontal line.

Andrew N. Hamilton, C.P.A.
Mesa Water Chief Financial Officer



Government Finance Officers Association

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

Presented to

**Mesa Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

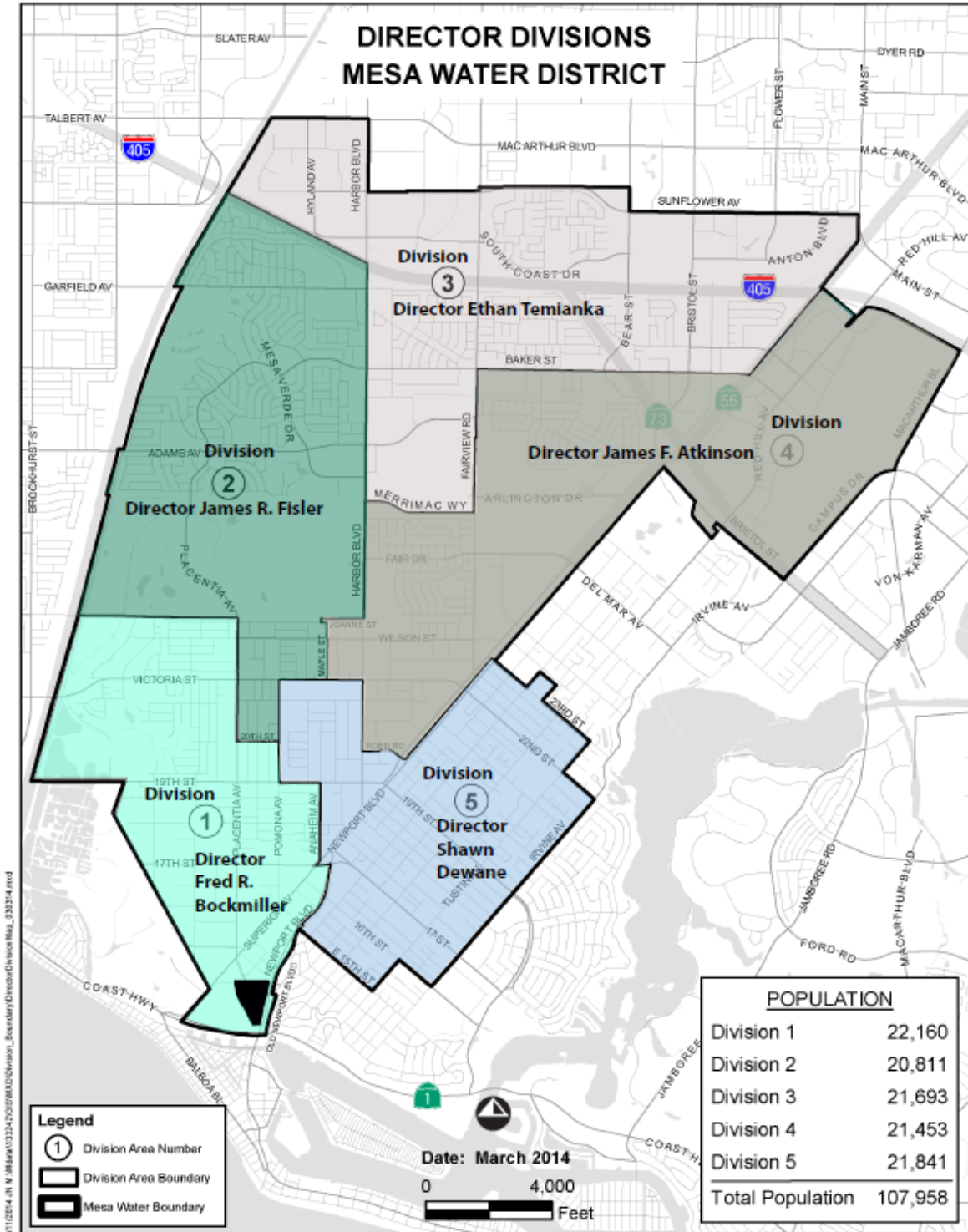


Organizational Chart



Mesa Water District

District Service Area Map



Financial Section



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Board of Directors
Mesa Water District
Costa Mesa, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Mesa Water District (District) as of and for the year ended June 30, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mesa Water District, as of June 30, 2014, 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.

Report on Summarized Comparative Information

We have previously audited the Mesa Water District's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 7, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The *supplementary information, introductory section* and the *statistical section* identified in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *supplementary information* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *supplementary information* is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information in the

Board of Directors
Mesa Water District
Page Three

introductory section and the *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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014 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 Mesa Water District's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

Irvine, California
September 29, 2014

Mesa Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2014

The following discussion and analysis of the financial performance of the Mesa Water District (District/Mesa Water) provides an overview of the District's financial activities for the year ended June 30, 2014. This section should be read in conjunction with the basic financial statements and notes to the financial statements, which follows this analysis.

Financial Highlights

- Net position equaled \$115.9 million, increasing \$7.2 million or 6.6% from the prior year. \$85.1 million of Net Position was for net investment in capital assets and the remaining \$30.8 million was unrestricted.
- Total revenues increased \$3.8 million or 11.1%, mostly due primarily to the District participating in the Coastal Pumping Transfer Program and a scheduled 5% rate increase.
- Total expenses increased \$2.2 million or 7.1%, mostly due to increased amber water costs from the Mesa Water Reliability Facility (MWRf) which completed its first full year of operations, offset by lower costs from imported sources of supply. Depreciation expense increased \$0.9 million over the prior year due to a full year's depreciation of the MWRf and SCADA projects which were put into service in FY 2013.
- Capital Assets decreased by \$1.7 million or 1.4% due to \$4.7 million in depreciation expense offset by \$3.0 million in net asset additions.
- Total debt decreased by \$2.6 million due to principal repayments. Additionally, all Well loans were paid in full.

Overview of the Financial Statements

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

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

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

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

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

Other Information includes required supplementary information.

Mesa Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Financial Analysis of the District

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

Mesa Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Statement of Net Position

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

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%Change</u>
Assets and Deferred Charges:				
Current assets	\$ 39,497,339	32,150,994	7,346,345	22.8%
Non-current assets	1,480,954	1,482,433	(1,479)	-0.1%
Capital and intangible assets, net	112,852,304	114,500,442	(1,648,138)	-1.4%
Deferred charges on debt refundings	<u>751,071</u>	<u>953,607</u>	<u>(202,536)</u>	-21.2%
Total assets and Deferred charges	<u>\$ 154,581,668</u>	<u>149,087,476</u>	<u>5,494,192</u>	3.7%
Liabilities:				
Current liabilities	\$ 10,927,465	9,877,295	1,050,170	10.6%
Non-current liabilities	<u>27,723,396</u>	<u>30,469,258</u>	<u>(2,745,862)</u>	-9.0%
Total liabilities	<u>38,650,861</u>	<u>40,356,553</u>	<u>(1,695,692)</u>	-4.2%
Net position:				
Invested in capital assets, net of related debt	85,117,787	84,054,617	1,063,170	1.3%
Unrestricted	<u>30,813,020</u>	<u>24,676,306</u>	<u>6,136,714</u>	24.9%
Total net position	<u>115,930,807</u>	<u>108,730,923</u>	<u>7,199,884</u>	6.6%
Total liabilities and net position	<u>\$ 154,581,668</u>	<u>149,087,476</u>	<u>5,504,192</u>	3.7%

The District's total assets exceeded liabilities by \$115.9 million and \$108.7 million as of June 30, 2014 and 2013, respectively.

The largest single component of the District's Net Position (73% and 77% as of June 30, 2014 and 2013, respectively) reflect the District's net investment in capital assets. The District uses these capital assets to provide services to customers within the District's service area. Consequently, these assets are not available for future spending.

As of June 30, 2014 and 2013, the District showed a positive balance in its Unrestricted Net position of \$30.8 million and \$24.7 million, respectively.

Mesa Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Statement of Revenues, Expenses and Changes in Net Position

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

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Revenues:				
Operating revenues	\$ 37,675,088	34,080,443	3,594,645	10.5%
Non-operating revenues	<u>452,758</u>	<u>238,796</u>	<u>213,962</u>	89.6%
Total revenues	<u>38,127,846</u>	<u>34,319,239</u>	<u>3,808,607</u>	11.1%
Expenses:				
Operating expenses (not including deprec.)	26,416,235	25,296,261	1,119,974	4.4%
Depreciation and amortization	4,687,352	3,798,924	888,428	23.4%
Non-operating expenses	<u>1,595,545</u>	<u>1,435,442</u>	<u>160,103</u>	11.2%
Total expenses	<u>32,699,132</u>	<u>30,530,627</u>	<u>2,168,505</u>	7.1%
Net income(loss) before contributions	5,428,714	3,788,612	1,640,102	43.3%
Capital contributions	<u>1,771,170</u>	<u>1,409,655</u>	<u>361,515</u>	25.6%
Change in net position	7,199,884	5,198,267	2,001,617	38.5%
Net position, beginning of year	<u>108,730,923</u>	<u>103,532,656</u>	<u>5,198,267</u>	5.0%
Net position, end of year	<u>\$ 115,930,807</u>	<u>108,730,923</u>	<u>7,199,884</u>	6.6%

The District's Net Position increased by \$7.2 million for the year ended June 30, 2014, while for the year ended June 30, 2013, Net Position increased by \$5.2 million.

Mesa Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Total District Revenues

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Operating revenues:				
Water sales	\$ 24,949,297	23,205,333	1,743,964	7.5%
Meter service charges	5,145,300	4,865,284	280,016	5.8%
Pass-thru water sales to governmental agencies	4,035,580	3,948,733	86,847	2.2%
Recycled water sales	1,698,506	1,549,378	149,128	9.6%
Concessions from governmental agencies	1,238,000	-	1,238,000	100.0%
Other charges and services	<u>608,405</u>	<u>511,715</u>	<u>96,690</u>	18.9%
Total operating revenues	<u>37,675,088</u>	<u>34,080,443</u>	<u>3,594,645</u>	10.5%
Non-operating revenues:				
Investment earnings	238,672	43,234	195,438	452.0%
Gain on sale/disposal of assets	28,155	-	28,155	100.0%
Other non-operating, net	<u>185,931</u>	<u>195,562</u>	<u>(9,631)</u>	-4.9%
Total non-operating revenues	<u>452,758</u>	<u>238,796</u>	<u>213,962</u>	89.6%
Total revenues	<u>\$ 38,127,846</u>	<u>34,319,239</u>	<u>3,808,607</u>	11.1%

The District's operating revenues total \$37.7 million. This represents an increase of \$3.6 million or 10.5% from the prior year. \$1.7 million of this increase is attributable to water sales due primarily to a scheduled 5% rate increase and \$1.2 million is attributable to concessions from other governmental agencies related to the participation in the Coastal Pumping Transfer Program. Non-operating revenues reflect an increase in investment earnings.

Mesa Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Total District Expenses

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Operating expenses:				
Import source of supply	\$ 2,695,858	3,073,519	(377,661)	-12.3%
Clear well production	4,287,888	4,134,259	153,629	3.7%
Amber well production	3,353,823	2,472,987	880,836	35.6%
Pass-thru water purchases to governmental agencies	4,035,580	3,948,733	86,847	2.2%
Recycled water	<u>470,767</u>	<u>443,319</u>	<u>27,448</u>	6.2%
Total water supply	14,843,916	14,072,817	771,099	5.5%
Transmission and distribution	5,251,819	5,005,698	246,121	4.9%
General and administrative	6,320,500	6,217,746	102,754	1.7%
Depreciation and amortization	<u>4,687,352</u>	<u>3,798,924</u>	<u>888,428</u>	23.4%
Total operating expense	<u>31,103,587</u>	<u>29,095,185</u>	<u>2,008,402</u>	6.9%
Non-operating expenses:				
Interest expense - long-term debt	1,595,545	1,429,154	166,391	11.6%
Loss on sale/disposal of assets	<u>-</u>	<u>6,288</u>	<u>(6,288)</u>	-100.0%
Total non-operating expenses	<u>1,595,545</u>	<u>1,435,442</u>	<u>160,103</u>	11.2%
Total expenses	<u>\$ 32,699,132</u>	<u>30,530,627</u>	<u>2,168,505</u>	7.1%

The District's operating expenses increased by 7.0% or \$2.0 million. Amber water costs increased by \$0.9 million due to the first full year of operating the Mesa Water Reliability Facility (MWRF), partially offset by lower costs of \$0.4 million or 12.3% from imported sources of supply. Depreciation and amortization increased by \$0.9 million or 23.4%. This is due primarily to a full year's depreciation for the MWRF and SCADA projects completed in FY 2013. Interest expense increased \$0.2 million, or 11.6%.

Mesa Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Capital Assets

	Balance 2013	Additions	Transfers/ Deletions	Balance 2014
Capital assets:				
Non-depreciable assets	7,534,671	2,827,780	(1,594,253)	8,768,198
Depreciable assets	166,149,986	1,805,687		167,955,673
Accumulated depreciation	(59,184,215)	(4,687,352)		(63,871,567)
Total capital assets, net	<u>114,500,442</u>	<u>(53,885)</u>	<u>(1,594,253)</u>	<u>112,852,304</u>

As of June 30, 2014 and 2013, the District's investment in capital assets amounted to \$112.9 million and \$114.5 million, respectively, net of accumulated depreciation, resulting in a decrease of \$1.7 million or 1.4%. Capital additions were \$3.0 million. Depreciation was higher due to a full year's depreciation on the MWRf and SCADA projects which were completed in FY 2013.

Debt Administration

	Balance 2013	Additions	Payments/ Deletions	Balance 2014
2009 Series COPS	9,080,748	-	(1,671,663)	7,409,085
2010 Series COPS	22,238,775	-	(443,833)	21,794,942
OCWD loans	596,770	-	(596,770)	-
Total long-term debt	<u>\$ 31,916,293</u>	<u>-</u>	<u>(2,712,266)</u>	<u>29,204,027</u>

As of June 30, 2014, the District had total outstanding debt of \$29.2 million, which was a decrease of \$2.7 million or 8.5% from the prior fiscal year. The decrease was due to scheduled principal repayments of outstanding debt and the pay-off of the OCWD well loans.

Mesa Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Requests for Information

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

Basic Financial Statements

MESA WATER DISTRICT
Statement of Net Position
June 30, 2014
(With Comparative Data as of June 30, 2013)

	<u>2014</u>	<u>2013</u>
ASSETS:		
Current Assets:		
Cash and investments (note 2)	\$ 33,089,108	25,962,316
Accrued interest receivable	52,645	12,334
Accounts receivable, net	5,994,640	5,663,536
Materials and supplies inventory	273,646	431,690
Deposits and prepaid expenses	<u>87,300</u>	<u>81,118</u>
Total current assets	<u>39,497,339</u>	<u>32,150,994</u>
Noncurrent Assets:		
Restricted - cash and cash investments (note 2)	1,469,510	1,470,468
Other non-current assets	11,444	11,965
Capital assets, not being depreciated (note 3)	8,768,198	7,534,671
Depreciable capital assets, net (note 3)	<u>104,084,106</u>	<u>106,965,771</u>
Total non-current assets	<u>114,333,258</u>	<u>115,982,875</u>
TOTAL ASSETS	<u>153,830,597</u>	<u>148,133,869</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred charges on debt refundings	<u>751,071</u>	<u>953,607</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>751,071</u>	<u>953,607</u>
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued expenses	5,200,338	4,930,302
Accrued wages and related payables	226,587	222,722
Customer advances and deposits	2,759,795	1,910,484
Accrued interest payable	384,881	411,265
Long-term liabilities - due within one year:		
Current portion of compensated absences (note 4)	365,864	383,332
Current portion of well loans payable (note 6)	-	114,190
Current portion of certificates-of-participation payable (note 6)	<u>1,990,000</u>	<u>1,915,000</u>
Total current liabilities	<u>10,927,465</u>	<u>9,887,295</u>
Non-current liabilities:		
Long-term liabilities - due in more than one year:		
Compensated absences (note 4)	91,466	95,833
Other post employment benefits payable (note 5)	417,903	486,322
Well loans payable (note 6)	-	482,580
Certificates-of-participation payable (note 6)	<u>27,214,027</u>	<u>29,404,523</u>
Total non-current liabilities	<u>27,723,396</u>	<u>30,469,258</u>
TOTAL LIABILITIES	<u>38,650,861</u>	<u>40,356,553</u>
NET POSITION		
Net investment in capital assets (note 7)	85,117,787	84,054,617
Unrestricted	<u>30,813,020</u>	<u>24,676,306</u>
TOTAL NET POSITION	<u>\$ 115,930,807</u>	<u>\$ 108,730,923</u>

See accompanying notes to financial statements.

MESA WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2014
(With Comparative Data for Year Ended June 30, 2013)

	2014	2013
OPERATING REVENUES:		
Water consumption sales	\$ 24,949,297	23,205,333
Monthly meter service charge	5,145,300	4,865,284
Pass-through water sales to governmental agencies	4,035,580	3,948,733
Recycled water sales	1,698,506	1,549,378
Concessions from governmental agencies	1,238,000	-
Other charges and services	608,405	511,715
TOTAL OPERATING REVENUES	37,675,088	34,080,443
OPERATING EXPENSES:		
Imported sources of supply	2,695,858	3,073,519
Clear water	4,287,888	4,134,259
Amber water	3,353,823	2,472,987
Pass-through water purchases to governmental agencies	4,035,580	3,948,733
Recycled water	470,767	443,319
Transmission and distribution	5,251,819	5,005,698
Depreciation and amortization	4,687,352	3,798,924
General and administrative	6,320,500	6,217,746
TOTAL OPERATING EXPENSES	31,103,587	29,095,185
OPERATING INCOME	6,571,501	4,985,258
NONOPERATING REVENUES (EXPENSES):		
Investment earnings	238,672	43,234
Interest expense - long-term debt	(1,595,545)	(1,429,154)
Gain (Loss) on sale/disposition of capital assets, net	28,155	(6,288)
Other non-operating, net	185,931	195,562
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,142,787)	(1,196,646)
INCOME BEFORE CAPITAL CONTRIBUTIONS	5,428,714	3,788,612
CAPITAL CONTRIBUTIONS:		
Capacity and installation charges	452,678	434,763
Capital grant	839,084	548,032
Developers and others	479,408	426,860
TOTAL CAPITAL CONTRIBUTIONS	1,771,170	1,409,655
CHANGE IN NET POSITION	7,199,884	5,198,267
TOTAL NET POSITION - beginning of the year	108,730,923	103,532,656
TOTAL NET POSITION - end of the year	\$ 115,930,807	108,730,923

See accompanying notes to financial statements.

MESA WATER DISTRICT
Statement of Cash Flows
Year Ended June 30, 2014
(With Comparative Data for Year Ended June 30, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers for water sales and services	\$ 38,193,295	33,524,347
Cash paid to employees for salaries and wages	(7,257,546)	(7,812,150)
Cash paid to vendors and suppliers for materials and services	(18,608,573)	(17,957,547)
Net cash provided by operating activities	12,327,176	7,754,650
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(2,559,806)	(4,892,210)
Proceeds from capacity and installation charges	452,678	434,763
Proceeds from capital grant	839,084	548,032
Principal paid on long-term debt	(2,509,730)	(1,993,917)
Interest paid on long-term debt	(1,621,929)	(2,266,121)
Net cash (used for) capital and related financing activities	(5,399,703)	(8,169,453)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment earnings	198,361	59,399
Proceeds from sale of investments	4,247,329	31,273,721
Purchase of investments	(21,202,879)	(20,694,169)
Net cash provided by investing activities	(16,757,189)	10,638,951
NET INCREASE IN CASH AND CASH EQUIVALENTS	(9,829,716)	10,224,148
CASH AND CASH EQUIVALENTS - beginning of year	20,900,867	10,676,719
CASH AND CASH EQUIVALENTS - end of year	\$ 11,071,151	\$ 20,900,867

(Continued)

MESA WATER DISTRICT
Statement of Cash Flows
(Continued)

	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating income	\$ 6,571,501	4,985,258
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,687,352	3,798,924
Other nonoperating revenue (expense)	185,931	195,562
Gain (Loss) on sale/disposition of capital assets, net	28,155	(6,288)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(331,104)	(1,633,298)
(Increase) decrease in materials and supplies inventory	158,044	(70,170)
(Increase) decrease in deposits and prepaid expenses	(6,182)	17,222
(Increase) decrease in other non-current assets	521	520
Increase (decrease) in accounts payable and accrued expenses	270,036	(124,058)
Increase (decrease) in customer deposits and deferred revenue	849,311	529,170
Increase (decrease) in compensated absences	(21,835)	24,526
Increase (decrease) in accrued wages and related payables	3,865	(17,796)
Increase (decrease) in other post employment benefits	(68,419)	55,078
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 12,327,176	7,754,650
 SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES:		
Developer constructed facilities	\$ 479,408	426,860
 Reconciliation of Cash and Cash Equivalents		
Cash and investments	\$ 34,558,618	27,432,784
Less: noncash equivalents	(23,487,467)	(6,531,917)
Cash and cash equivalents	\$ 11,071,151	20,900,867

See accompanying notes to financial statements.

MESA WATER DISTRICT
Notes to the Financial Statements
Year ended June 30, 2014

(1) Summary of significant Accounting Policies

Organization and Description of the District

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

The District is located in Orange County, California and provides water to the City of Costa Mesa, parts of the City of Newport Beach, and unincorporated parts of Orange County, including the John Wayne Airport. Mesa Water sells water at a “pass-through” cost to the City of Huntington Beach through a jointly owned pipeline.

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

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

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

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of No. 14). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable.

Mesa Water District Improvement Corporation (Corporation) was incorporated in March 1988. The Corporation is a California non-profit public benefit corporation formed to assist in the financing of certain improvements to the District’s water system and as such has no employees or other operations. Although the Corporation is a legally separate entity, it is included as a blended component unit of the District as it is, in substance, part of its operations and separate financial statements are not issued.

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(1) Summary of significant Accounting Policies, (Continued)

Measurement Focus and Basis of Accounting

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

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with water and sewer operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include cost of sales and services, generally and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Capital contributions consist of contributed capital assets, connection fees, grants and other charges that are legally restricted for capital expenditures by state law or by Board action that established those charges.

In the Statement of Net Position, Net Position is classified into the following categories:

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

Unrestricted Net Position - This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted Net Position”.

The District’s Board of Directors has designated certain reserves to ensure that the District continues to have sufficient funding available to meet its operating, non-operating, capital and debt obligations. These balances are detailed as of June 30, 2014 and 2013:

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(1) Summary of significant Accounting Policies, (Continued)

	Balance 2014	Balance 2013
Capital Replacement	\$ 10,000,000	10,625,801
Administrative & General	1,161,675	1,135,018
Catastrophe	8,712,563	2,075,849
Operating	6,970,050	6,810,109
Rate Statbilization	3,485,025	3,405,055
Customer & Developer Deposits	2,759,795	1,910,484
	\$ 33,089,108	25,962,316

The Capital Replacement fund is used for the replacement of capitalized assets when they reach the end of their useful lives. The Administrative and General fund is used to fund (or partially fund) certain major general, administration and overhead projects such as offices, fixtures, furnishings, vehicles and equipment on a pay-as-you-go basis. The Catastrophe fund is used to begin repair of the water system after a catastrophic event, such as a severe earthquake or fire, while long-term financing is being arranged or insurance claims are being processed. The Operating fund is used for unanticipated operating expenses and to maintain working capital for current operations and to meet routine cash flow needs. The Rate Stabilization fund is established to provide flexibility to the Board when setting rates to allow for absorbing temporary rate fluctuations or for one-time expenditures. The Customer and Development Deposits fund are for monies that are held on behalf of customers as required for their utility account or as cash bonds for development projects.

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the period.

Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments that were purchased with a maturity of three months or less to be cash equivalents.

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(1) Summary of significant Accounting Policies, (Continued)

Investments and Investment Policy

The District has adopted an investment policy directing the District's Treasurer to deposit funds in financial institutions. Changes in market value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in market value, and any gains or losses realized upon the liquidation or sale of investments.

Accounts Receivable

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

Restricted Assets

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

Prepaid Expenses

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

Material and Supplies Inventory

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

Capital and Intangible Assets

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

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(1) Summary of significant Accounting Policies, (Continued)

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

Compensated Absences

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

Customer Advances and Deposits

Customer advances represent deposits received in aid of construction, which are partially refundable if the applicable construction does not take place. Construction advances are transferred to contributed capital when the applicable construction project is completed. Customer deposits may be collected at the time water service is initiated. Deposits may be applied to customer accounts or refunded at the time an account is closed.

Water Sales

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

Capital Contributions

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

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(1) Summary of significant Accounting Policies, (Continued)

Budgetary Policies

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

Reclassifications

Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of Net Position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category: the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – Net Position and unrestricted – Net Position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – Net Position to have been depleted before unrestricted – Net Position is applied.

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.

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2014 are classified in the financial statements as follows:

Cash and investments	\$ 33,089,108
Restricted cash and investments	<u>1,469,510</u>
	<u>\$ 34,558,618</u>

Cash and investments as of June 30, 2014 consist of the following:

Cash:

Petty cash	\$ 2,100
Deposits with financial institutions	<u>11,027,309</u>
Total cash	<u>11,029,409</u>

Investments:

Federal agency securities	13,011,696
Local agency investment fund	11,731
Orange County investment pool	30,011
Certificates of deposit	9,006,261
Held by bond trustee:	
Federal agency securities	534,587
Money market funds	<u>934,923</u>
Total investments	<u>23,529,209</u>
Total cash and investments	<u>\$ 34,558,618</u>

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

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

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by the California Government Code and the District's Investment policy, (Continued)

California Government Code or the District's Investment Policy:

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

* Subject to FDIC limits

** Of Base

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

Investments Authorized by Debt Agreements

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

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Custodial Credit Risk

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

The California Government Code and the District's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit), and, the District's investment policy that requires no more than two-thirds of the District's deposits in a depository shall be collateralized by mortgage-backed securities, with the remainder to be secured by non-mortgage-backed securities. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Bank balances, up to \$250,000 at June 30, 2014, are federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in State Investment Pool and County Investment Pool

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

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. In accordance with its Investment Policy, the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity as of June 30, 2014.

Investment Type	Total	12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Local agency investment pool	\$ 11,731	11,731	-	-	-
Orange County investment pool	30,011	30,011	-	-	-
Federal agency securities	13,011,696	-	-	13,011,696	-
Certificates of deposit	9,006,261	1,643,133	2,365,130	4,997,998	-
Held by fiscal agent:					-
Federal agency securities	534,587	-	-	534,587	-
Money market mutual funds	934,923	934,923	-	-	-
Total	\$ 23,529,209	2,619,798	2,365,130	18,544,281	-

Disclosures Relating to Credit Risk

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

Investment Type	AAA	AA+	Not Rated	Total
Local agency investment pool	\$ -	-	11,731	11,731
Orange County investment pool	30,011	-	-	30,011
Federal agency securities	-	13,011,696	-	13,011,696
Certificates of deposit	-	-	9,006,261	9,006,261
Held by fiscal agent:				
Federal agency securities	-	534,587	-	534,587
Money market mutual funds	934,923	-	-	934,923
	\$ 964,934	13,546,283	9,017,992	23,529,209

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(3) Capital Assets

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

	Balance 2013	Additions/ Transfers	Deletions/ Transfers	Balance 2014
Non-depreciable assets:				
Land	\$ 6,750,215	-	-	6,750,215
Construction-in-progress	784,456	2,827,780	(1,594,253)	2,017,983
Total non-depreciable assets	7,534,671	2,827,780	(1,594,253)	8,768,198
Depreciable assets:				
Land improvements	933,872	-	-	933,872
Buildings and improvements	4,292,966	27,449	-	4,320,415
Machinery and equipment	3,109,873	269,464	-	3,379,337
Transmission and distribution system	85,526,869	1,352,987	-	86,879,856
Reservoirs	28,087,819	-	-	28,087,819
Wells and pumping plant	6,917,736	54,694	-	6,972,430
Metering stations	645,905	-	-	645,905
Intangible assets	2,282,195	74,728	-	2,356,923
Control systems	5,306,721	-	-	5,306,721
Mesa water reliability facility	29,046,030	26,365	-	29,072,395
Total depreciable assets	166,149,986	1,805,687	-	167,955,673
Accumulated depreciation:				
Land improvements	(579,895)	(32,079)	-	(611,974)
Buildings and improvements	(1,698,415)	(109,623)	-	(1,808,038)
Machinery and equipment	(2,460,699)	(166,235)	-	(2,626,934)
Transmission and distribution system	(35,223,115)	(1,470,099)	-	(36,693,214)
Reservoirs	(8,975,019)	(383,608)	-	(9,358,627)
Wells and pumping plant	(3,392,585)	(166,972)	-	(3,559,557)
Metering stations	(266,122)	(12,694)	-	(278,816)
Intangible assets	(2,004,687)	(63,977)	-	(2,068,664)
Control systems	(820,636)	(371,809)	-	(1,192,445)
Mesa water reliability facility	(3,763,042)	(1,910,256)	-	(5,673,298)
Total accumulated depreciation	(59,184,215)	(4,687,352)	-	(63,871,567)
Total depreciable asset:	106,965,771	(2,881,665)	-	104,084,106
Total capital assets, \$	114,500,442	(53,885)	(1,594,253)	112,852,304

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(3) Capital Assets, (Continued)

Depreciation and amortization expense during the fiscal year ended June 30, 2014 is as follows:

Capital assets - depreciation expense	\$	4,623,375
Intangible assets - amortization expense		<u>63,977</u>
	\$	<u><u>4,687,352</u></u>

(4) Compensated Absences

Compensated absences comprise of unpaid vacation which is accrued as earned. The changes in compensated absences balances during the fiscal year ended June 30, 2014, were as follows:

	<u>Balance</u> <u>June 30 2013</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Current</u> <u>Portion</u>	<u>Long term</u> <u>Portion</u>
\$	<u>479,165</u>	<u>265,956</u>	<u>(287,791)</u>	<u>457,330</u>	<u>365,864</u>	<u>91,466</u>

(5) Post Employment Benefits Payable

Plan Description - Eligibility

The District contracts with the California Public Employees Retirement System (CalPERS) to receive health benefits through the Public Employees' Medical and Hospital Care Act (PEMHCA) and is required to pay the PEMCHA minimum (\$119/month in 2014) for each CalPERS retiree who is enrolled in CalPERS medical insurance for whom the District was their employer.

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

Member in the OPEB plan consisted of the following as of June 30, 2014:

Active plan members		50
Retirees and beneficiaries receiving benefits		<u>29</u>
		<u>79</u>

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(5) Post Employment Benefits Payable, (Continued)

Plan Description – Benefits

The District has established a single employer defined benefit postemployment benefit plan that provides post employment medical, dental and vision benefits to retired employees who satisfy the eligibility rules. Spouses at the time of the employee’s retirement and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the District’s medical and dental programs. The ability to participate in the vision program is linked to participation in the medical program. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Funding Policy

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 liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 0.02 % of the annual covered payroll. The District will pay 100% of the cost of the post-employment benefit plan. The District made contributions greater than the amount calculated on a pay-as-you-go-basis and reduced the OPEB liability by the amount of contributions exceeding the OPEB annual cost.

Annual Cost

For the fiscal year ended June 30, 2014, the District’s annual OPEB cost was \$124,043. The District’s net OPEB payable obligation amounted to \$417,903 at the year ended June 30, 2014. The District contributed \$192,462 in age adjusted contributions for current retiree OPEB premiums during the fiscal year ended June 30, 2014.

Annual OPEB expense:	
Annual required contribution (ARC)	\$ 132,714
Interest on net OPEB obligation	19,453
Adjustment to annual required contribution	<u>(28,124)</u>
Annual OPEB cost	124,043
Contributions made	<u>(192,462)</u>
Total change in net OPEB payable obligation	(68,419)
OPEB payable – beginning of year	<u>486,322</u>
OPEB payable – end of year	<u>\$ 417,903</u>

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(5) Post Employment Benefits Payable, (Continued)

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years were as follows:

Three Year History of Net OPEB Obligation					
Fiscal Year Ended	Annual OPEB Cost	Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	
2014	\$ 124,043	192,462	155.16%	\$	417,903
2013	94,526	39,448	41.73%		486,322
2012	95,405	37,032	38.82%		431,244

Funding Status and Funding Progress of the Plan

Required Supplemental Information – Schedule of Funding Program						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	\$ -	1,264,467	1,264,467	0%	8,086,963	15.64%
7/1/2010	-	859,267	859,267	0%	8,094,286	10.62%
6/30/2009	-	2,377,499	2,377,499	0%	7,584,511	31.35%

The most recent valuation (dated July 1, 2013) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$1,264,467. As of June 30, 2014 there are plan assets of approximately \$150,000 in an OPEB Trust administered by California PARS (Public Employees Retirement System). These assets held by the Trust are subject to normal market fluctuations. Changes in market value along with income and recognized gains or losses will be accounted for in the Net OPEB Obligation.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(5) Post Employment Benefits Payable, (Continued)

The following is a summary of the actuarial assumptions and methods:

Valuation date	July, 1, 2013
Actuarial cost method	Projected unit credit
Amortization method	30-year level dollar, open period
Remaining amortization period	30 years as of the valuation date
Asset valuation method	15 year smoothed market
Actuarial Assumptions:	
Investment rate of return	4.00%
Projected salary increases	3.25%
Inflation – discount rate	4.00%
Individual salary growth	District annual COLA

(6) Long-Term Debt

The following amounts of debt were outstanding June 30, 2014:

	Balance at June 30, 2013	Additions	Repayments	Balance at June 30, 2014	Amount Due in One Year
2009 Series COPs	\$ 8,555,000	-	(1,560,000)	6,995,000	1,620,000
Plus: Unamortized premium	525,748	-	(111,663)	414,085	-
Total 2009 Series COPs	<u>9,080,748</u>	<u>-</u>	<u>(1,671,663)</u>	<u>7,409,085</u>	<u>1,620,000</u>
2010 Series COPs	\$ 21,195,000	-	(355,000)	20,840,000	370,000
Plus: Unamortized premium	1,043,775	-	(88,833)	954,942	-
Total 2010 Series COPs	<u>22,238,775</u>	<u>-</u>	<u>(443,833)</u>	<u>21,794,942</u>	<u>370,000</u>
Total COPs	<u>31,319,523</u>	<u>-</u>	<u>(2,115,496)</u>	<u>29,204,027</u>	<u>1,990,000</u>
OCWD well loans:					
Well 9 loan	97,324	-	(97,324)	-	-
Well 1B and 10 loan	147,207	-	(147,207)	-	-
Well 11 loan	352,239	-	(352,239)	-	-
Total well loans	<u>596,770</u>	<u>-</u>	<u>(596,770)</u>	<u>-</u>	<u>-</u>
Total long-term debt \$	<u>31,916,293</u>	<u>-</u>	<u>(2,712,266)</u>	<u>29,204,027</u>	<u>1,990,000</u>

2009 Certificates of Participation

On August 11, 2009 the Mesa Water District Improvement Corporation (Corporation) issued \$14,700,000 of 2009 Certificates of Participation. The proceeds of the sale of the Certificates of Participation were used to refinance the District's 1998 Refunding Certificates of Participation. As a result, the 1998 Refunding Certificates of Participation are considered defeased and the liability for those obligations has been removed from the financial statements.

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(6) Long-Term Debt, (Continued)

The above Certificates are secured by a pledge of net revenues from the operation of the enterprise. The District has covenanted that it will set charges which will be sufficient to provide net revenues equal to at least 115% of the aggregate amount of annual debt service of the District. For the year ended June 30, 2014, the District reported net revenues of \$11,874,171 and debt service of \$3,309,588.

The 2009 Certificates of Participation were issued at an original issue premium of \$953,791, which will be amortized by \$9,305 per month over the life of the debt service. Also, the refunding of the 1998 Certificates of Participation incurred a deferred loss of \$1,518,158, which will be amortized by \$14,811 per month over the life of the debt service. Due to the implementation of GASB No. 65 the unamortized balance is now reported as a deferred outflow of resources on the Statement of Net Position. The certificates are scheduled to mature on March 15, 2018. Principal and interest are payable semi-annually on March 15th and September 15th of each year with interest rates ranging from 2.0% to 5.0%.

Future annual debt service requirements on the 2009 COPs are as follows:

Year Ending June 30	Principal	Interest
2015	\$ 1,620,000	349,750
2016	1,705,000	268,750
2017	1,790,000	183,500
2018	1,880,000	94,000
Total Payments	\$ 6,995,000	896,000

2010 Revenue Certificates of Participation

On December 8, 2010, the Mesa Water District Improvement Corporation (Corporation) issued \$21,535,000 of 2010 Revenue Certificates of Participation (COPs). The proceeds from the sale of the COPs were used to finance the expansion and technology upgrade of the Mesa Water Reliability Facility. The COPs were issued at a premium of \$1,273,262 which will be amortized over the life of the debt service. Principal is payable on March 15th of each year and interest payments are payable on March 15th and September 15th each year, commencing March 15, 2013 with interest rates ranging from 3.0% to 5.0%. The certificates are scheduled to mature on March 15, 2025.

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(6) Long-Term Debt, (Continued)

Future annual debt service requirements on the 2010 COPs are as follows:

Year Ending June 30	Principal	Interest
2015	370,000	969,838
2016	385,000	955,038
2017	400,000	939,638
2018	415,000	923,638
2019	2,405,000	907,038
2020-2024	13,710,000	2,853,610
2025	3,155,000	157,750
Total Payments	\$ 20,840,000	7,706,550

Loans Payable – Wells 9, 1B, and 10

On November 13, 1991, the District entered into two agreements with the Orange County Water District (OCWD) to assist in the construction of three well facilities to improve water supply facilities. The agreement was funded on November 15, 1994. Under the terms of the agreements, OCWD agreed to loan the District up to \$2,250,000 at the rate of 3.50%. The District used one loan to drill and construct Well 9. The second loan was used to refurbish an existing Well 1B and to drill a test hole in what would have been designated Well 10. These loans were repaid during the year ended June 30, 2014.

Loans Payable – Well 11

On January 21, 1998, the District entered into a loan agreement with OCWD in the amount of \$750,000 to fund the construction of the Well 11 facility. The loan was funded on February 5, 2001. Terms of the agreement call for annual installments of principal and interest at the rate of 3.50% maturing in 20 years. This loan was repaid during the year ended June 30, 2014.

(7) Net Position

Calculation of net investment in capital assets as of June 30, 2014, is as follows:

Capital assets, net	\$ 112,852,304
Certificates of participation payable, current	(1,990,000)
Certificates of participation payable, non-current	(27,214,027)
Bond reserves	1,469,510
Total net investment in capital assets	\$ 85,117,787

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(8) Deferred Compensation Program

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Fair value of the plan assets held in trust at June 30, 2014, was \$5,811,647.

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

(9) Defined Benefit Pension Plan

Plan Description

The District contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the Authority. Copies of CALPERS annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA 95814.

Funding Policy

As of June 30, 2014, the District pays 6% of the 7% required employee contribution of their annual covered salary for employees hired before January 1, 2013. The employee pays the remaining 1%. Employees hired on or after January 1, 2013 are subject to PEPRA (Public Employees' Pension Reform Act of 2013 and Related Changes to the Public Employees' Retirement Law) guidelines. For these employees, Mesa Water may not fund the employee pension contribution on the employee's behalf, and the employee is statutorily required to fully fund the employee portion from their wages or salaries. Mesa Water has several employees who are subject to PEPRA. During calendar 2014, employees subject to PEPRA contributed 6.5% from their salaries and wages toward the employee portion of the pension contribution while the District pays 6.5% of their salaries and wages toward the employer portion.

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(9) Defined Benefit Pension Plan, (Continued)

The District's required contribution is calculated at an actuarially determined rate. The rate for the year ended June 30, 2014 is 11.60% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the Board of Directors in conjunction with applicable labor contracts.

The District's contributions to the plan for the year ending June 30, 2012, 2013 and 2014, were \$1,027,065, \$959,440 and \$886,652, respectively, and were equal to the required contributions for each year.

(10) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. On June 30, 2014 the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$1 million. The District purchased additional excess coverage layers: \$59 million for general, auto, and public official's liability which increases the limits on the insurance coverage noted above.

In addition to the above, the District has the following insurance coverage:

- Employee dishonesty coverage up to \$500,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss. Otherwise it is paid on an actual cash value basis to a combined total of \$100 million per occurrence, subject to a \$10,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers' Compensation Insurance up to California statutory limits for all work related injuries/illnesses covered by California law. Coverage is through the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA).

MESA WATER DISTRICT
Notes to the Financial Statements
(Continued)

(10) Risk Management, (Continued)

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the year ending June 30, 2014. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR).

(11) Commitments and Contingencies

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

Supplemental Information

Mesa Water District
Revenue Coverage
Certificates of Participation – Schedule 1
For the Year Ended June 30, 2014

Total revenues and capacity and installation charges	\$ 38,580,524
Total maintenance and operating expense	<u>26,706,353</u>
Net Revenues	<u><u>11,874,171</u></u>

Certificates of participation annual debt service and all other parity debt constituting obligations payable from net revenues.	\$ <u><u>3,309,588</u></u>
---	----------------------------

Ratio of net revenues to annual debt service and all other parity debt payable from net revenues.	3.59
--	------

See Schedule 2 for a reconciliation of total revenue and total expense to Statements of Revenues, Expenses and Changes in Net Position.

Mesa Water District
Reconciliation of
Total Revenues and Total Expenses for
Certificates of Participation Revenue Coverage – Schedule 2
For the Fiscal Year Ended June 30, 2014

Revenues:	
Operating revenues	\$ 37,675,088
Non-operating revenues	452,758
Capacity and installation charges	<u>452,678</u>
Total revenues	<u>\$ 38,580,524</u>
Maintenance and operating expenses:	
Operating expenses before depreciation and amortization	\$ 26,416,235
Plus: Other post employment benefits non-cash activity	<u>68,419</u>
Subtotal	<u>26,484,654</u>
Non-operating expenses:	
Interest expense on long term debt	1,595,545
Less: Certificates of participation interest expense	<u>(1,373,846)</u>
Subtotal	<u>221,699</u>
Total maintenance and operating expense	<u>\$ 26,706,353</u>

Statistical Information Section

**Mesa Water District
Statistical Section**

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

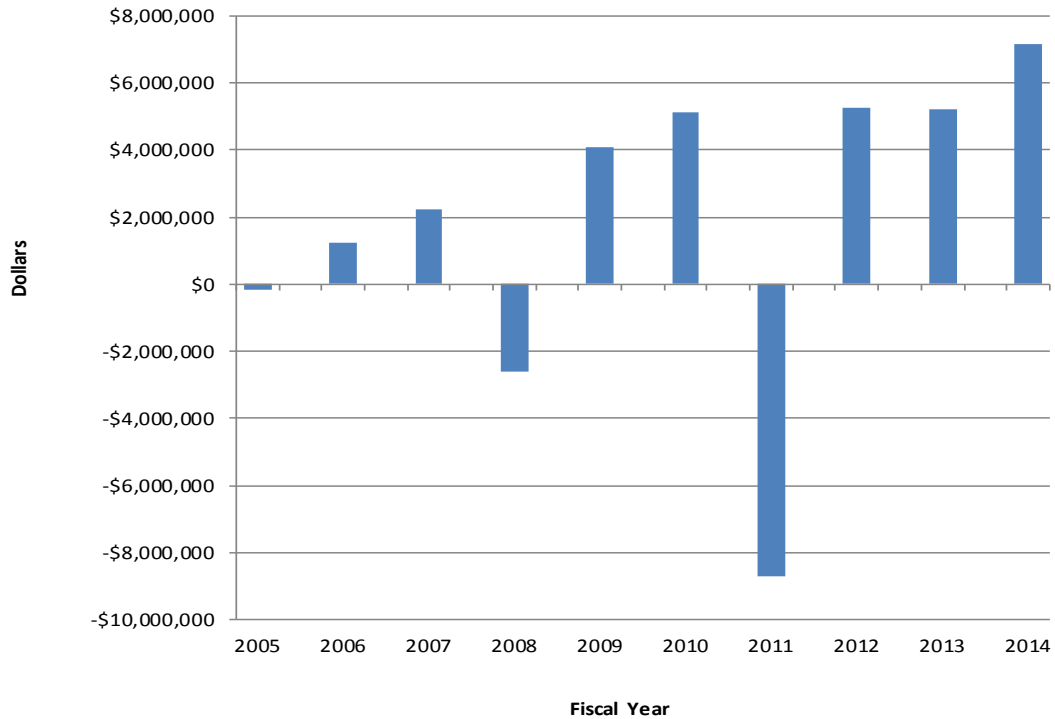
Table of Contents

	<u>Page No.</u>
<u>Financial Trends</u>	47a-47b
These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	
<u>Revenue Capacity</u>	48-54
These schedules contain information to help the reader assess the District’s most significant own-source revenue, water sales and related expenses.	
<u>Debt Capacity</u>	55-56
These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.	
<u>Demographic Information</u>	57-58
These schedules offer demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	
<u>Operating Information</u>	59
This schedule contains service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the service the District provides.	

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

		<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Changes in net position:					
Operating revenues (see schedule 2)	\$	21,481,305	22,647,284	27,130,688	25,275,132
Operating expenses (see schedule 3)		<u>(19,942,628)</u>	<u>(21,871,930)</u>	<u>(23,675,604)</u>	<u>(22,314,434)</u>
Operating income(loss)		1,538,677	775,354	3,455,084	2,960,698
Net non-operating revenue(expense) (see schedule 4)		<u>(1,849,226)</u>	<u>(793,973)</u>	<u>(1,613,532)</u>	<u>(7,114,887)</u>
Net income(loss) before capital contributions		(310,549)	(18,619)	1,841,552	(4,154,189)
Capital contributions		<u>155,261</u>	<u>1,243,635</u>	<u>395,470</u>	<u>1,570,586</u>
Extraordinary Loss on Capital Assets Abandonment					
Changes in net position	\$	<u><u>(155,288)</u></u>	<u><u>1,225,016</u></u>	<u><u>2,237,022</u></u>	<u><u>(2,583,603)</u></u>
Net position:					
Net Investment in capital assets	\$	75,490,249	76,477,207	77,383,180	79,666,689
Restricted		3,535,502	3,025,987	2,744,556	2,129,366
Unrestricted		<u>8,393,261</u>	<u>9,670,610</u>	<u>11,949,893</u>	<u>7,989,723</u>
Total net position	\$	<u><u>87,419,012</u></u>	<u><u>89,173,804</u></u>	<u><u>92,077,629</u></u>	<u><u>89,785,778</u></u>

Changes in Net Position

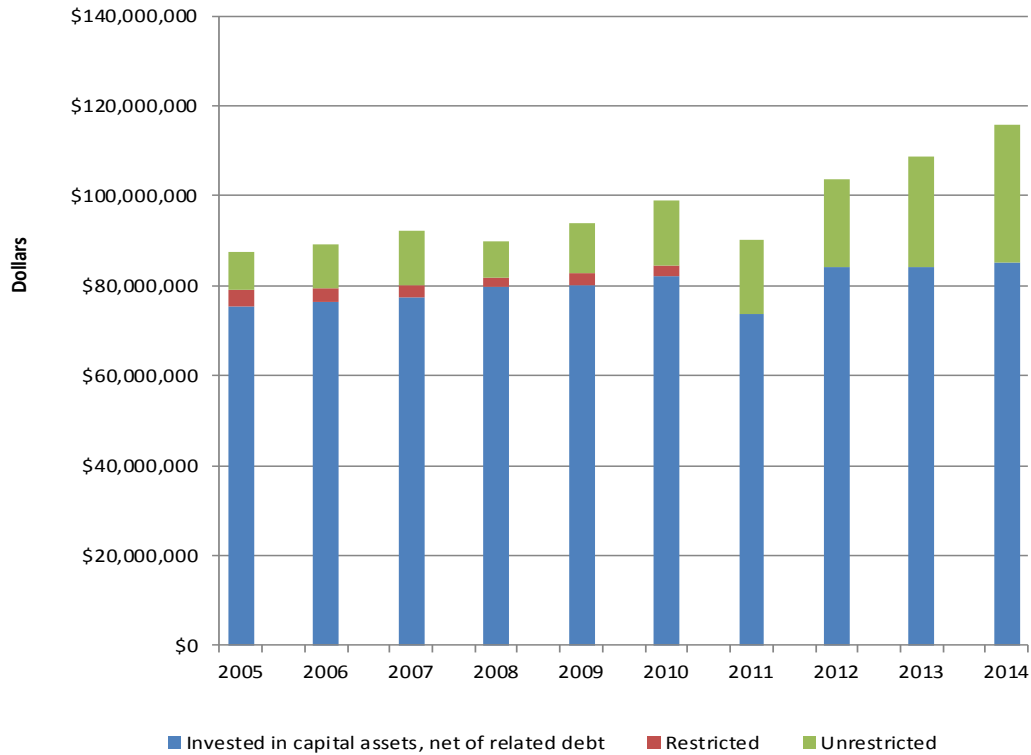


Source: Mesa Water District Audited Financial Statements.

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

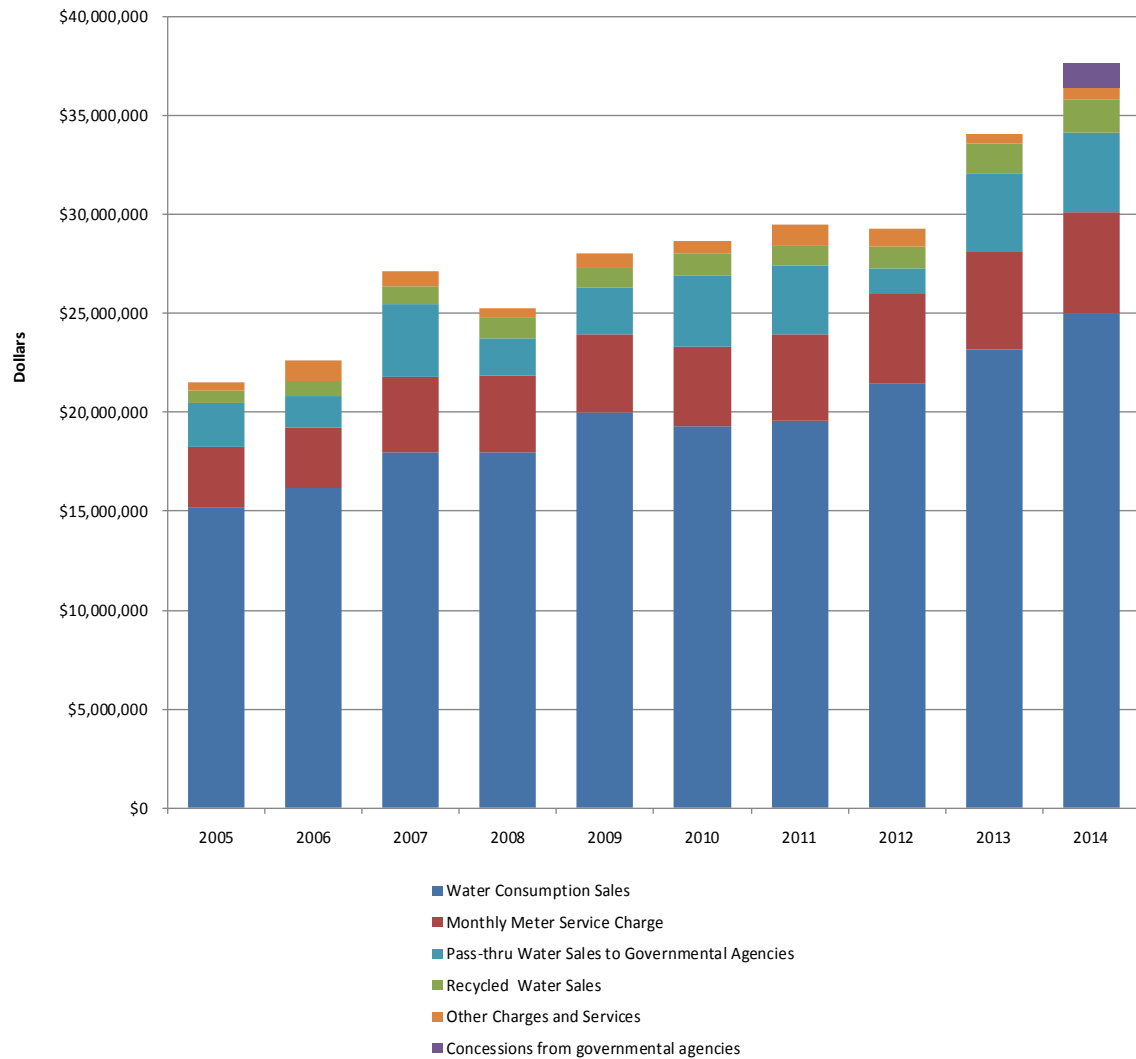
Fiscal Year					
2009	2010	2011	2012	2013	2014
28,040,492	28,659,798	29,495,485	29,296,353	34,080,443	37,675,088
<u>(23,977,957)</u>	<u>(25,477,025)</u>	<u>(25,848,828)</u>	<u>(23,953,040)</u>	<u>(29,095,185)</u>	<u>(31,103,587)</u>
4,062,535	3,182,773	3,646,657	5,343,313	4,985,258	6,571,501
<u>(760,720)</u>	<u>(497,795)</u>	<u>(790,937)</u>	<u>(321,690)</u>	<u>(1,196,646)</u>	<u>(1,142,787)</u>
3,301,815	2,684,978	2,855,720	5,021,623	3,788,612	5,428,714
<u>338,678</u>	<u>1,858,947</u>	<u>1,779,584</u>	<u>228,413</u>	<u>1,409,655</u>	<u>1,771,170</u>
		(13,357,434)	-		
<u>3,640,493</u>	<u>4,543,925</u>	<u>(8,722,130)</u>	<u>5,250,036</u>	<u>5,198,267</u>	<u>7,199,884</u>
80,253,802	82,182,580	73,793,234	84,080,083	84,054,617	85,117,787
2,560,453	2,395,355	-	-	-	-
<u>11,067,191</u>	<u>14,412,050</u>	<u>16,474,621</u>	<u>19,452,573</u>	<u>24,676,306</u>	<u>30,813,020</u>
<u>93,881,446</u>	<u>98,989,985</u>	<u>90,267,855</u>	<u>103,532,656</u>	<u>108,730,923</u>	<u>115,930,807</u>

Net Position by Component



Mesa Water District Operating Revenue by Source Last Ten Fiscal Years Schedule 2

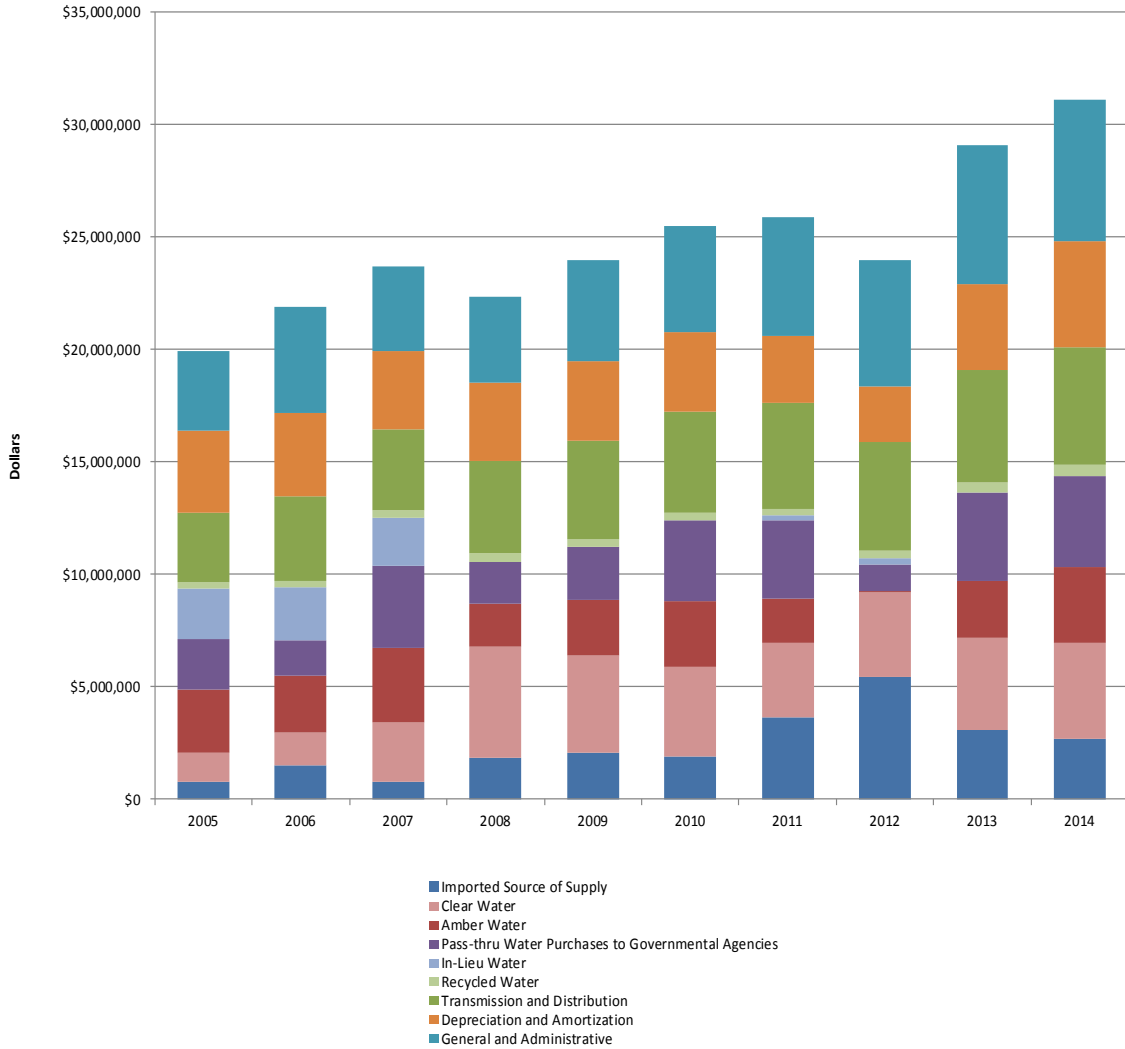
Fiscal Year	Water Consumption Sales	Monthly Meter Service Charge	Pass-thru Water Sales to Governmental Agencies	Recycled Water Sales	Other Charges and Services	Concessions from governmental agencies	Total Operating Revenues
2005	15,194,447	3,069,375	2,227,888	612,484	377,111	-	21,481,305
2006	16,168,013	3,075,359	1,595,527	776,360	1,032,025	-	22,647,284
2007	17,945,830	3,868,656	3,646,283	927,781	742,138	-	27,130,688
2008	17,973,986	3,899,409	1,883,331	983,502	534,904	-	25,275,132
2009	20,016,831	3,932,115	2,328,144	1,061,400	702,002	-	28,040,492
2010	19,315,363	3,998,580	3,623,321	1,100,038	622,496	-	28,659,798
2011	19,598,777	4,329,199	3,494,841	1,042,340	1,030,328	-	29,495,485
2012	21,446,306	4,597,512	1,200,178	1,158,856	893,501	-	29,296,353
2013	23,205,333	4,865,284	3,948,733	1,549,378	511,715	-	34,080,443
2014	24,949,297	5,145,300	4,035,580	1,698,506	608,405	1,238,000	37,675,088



Source: Mesa Water District Audited Financial Statements.

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

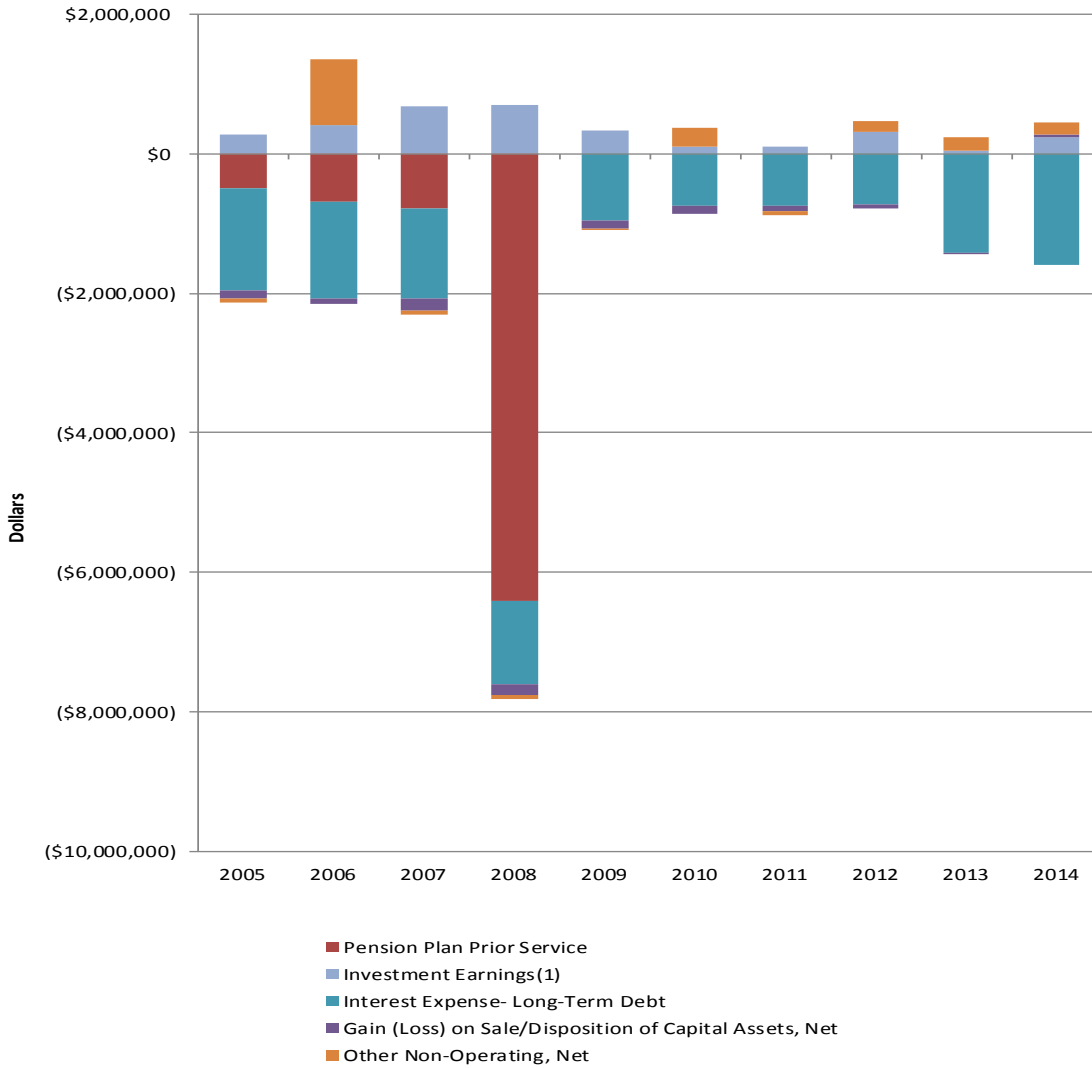
Fiscal Year	Imported Source of Supply	Clear Water	Amber Water	Pass-thru Water Purchases to Governmental Agencies			Recycled Water	Transmission and Distribution	Depreciation and Amortization	General and Administrative	Total Operating Expenses
				In-Lieu Water	In-Lieu Water	In-Lieu Water					
2005	805,079	1,277,244	2,812,817	2,227,888	2,260,508	257,613	3,082,654	3,657,160	3,561,665	19,942,628	
2006	1,525,155	1,460,494	2,495,201	1,595,527	2,339,069	306,569	3,726,944	3,723,357	4,699,614	21,871,930	
2007	793,521	2,641,180	3,322,247	3,646,283	2,101,378	341,953	3,622,632	3,442,188	3,764,222	23,675,604	
2008	1,827,324	4,969,970	1,886,228	1,883,331	-	361,854	4,096,822	3,482,048	3,806,857	22,314,434	
2009	2,047,418	4,352,458	2,469,328	2,328,144	-	361,556	4,381,860	3,511,025	4,526,168	23,977,957	
2010	1,897,896	3,975,004	2,924,926	3,623,321	-	337,400	4,461,625	3,539,223	4,717,630	25,477,025	
2011	3,629,226	3,343,162	1,943,963	3,494,841	209,053	300,364	4,680,458	2,967,260	5,280,501	25,848,828	
2012	5,449,257	3,767,638	38,178	1,200,178	249,703	325,349	4,838,681	2,507,029	5,577,027	23,953,040	
2013	3,073,519	4,134,259	2,472,987	3,948,733	-	443,319	5,005,698	3,798,924	6,217,746	29,095,185	
2014	2,695,858	4,287,888	3,353,823	4,035,580	-	470,767	5,251,819	4,687,352	6,320,500	31,103,587	



Source: Mesa Water District Audited Financial Statements

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

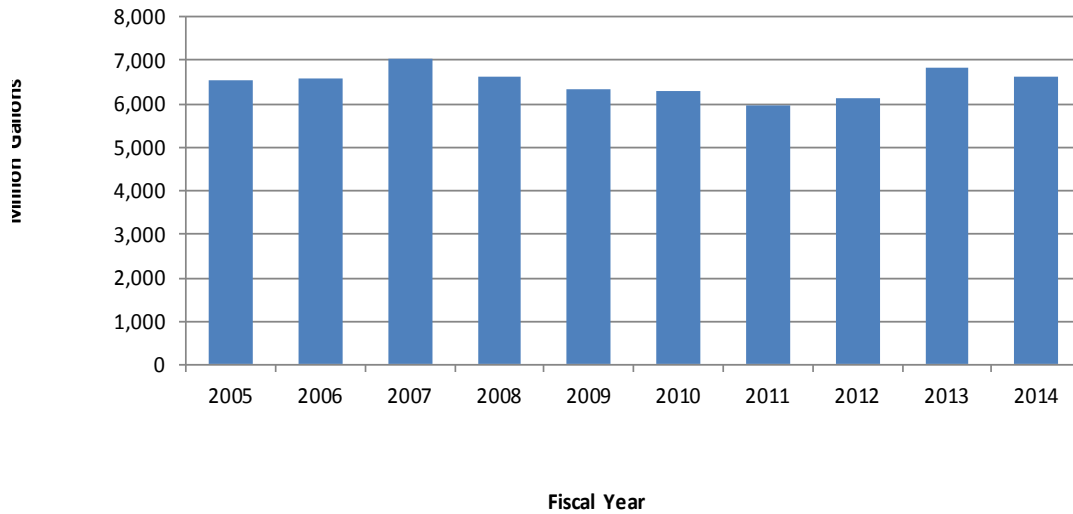
Fiscal Year	Investment Earnings⁽¹⁾	Interest Expense-Long-Term Debt	Gain (Loss) on Sale/Disposition of Capital Assets, Net	Other Non-Operating, Net	Pension Plan Prior Service	Nonoperating Revenues/(Expenses)
2005	282,799	(1,468,358)	(111,117)	(59,378)	(493,172)	(1,849,226)
2006	416,090	(1,381,722)	(76,384)	940,068	(692,025)	(793,973)
2007	688,588	(1,292,290)	(175,858)	(58,474)	(775,498)	(1,613,532)
2008	696,673	(1,192,813)	(160,554)	(44,533)	(6,413,660)	(7,114,887)
2009	338,335	(966,598)	(106,544)	(25,913)	-	(760,720)
2010	103,864	(749,969)	(115,994)	264,304	-	(497,795)
2011	94,758	(748,517)	(82,164)	(55,014)	-	(790,937)
2012	313,494	(720,536)	(68,158)	153,510	-	(321,690)
2013	43,234	(1,429,154)	(6,288)	195,562	-	(1,196,646)
2014	238,672	(1,595,545)	28,155	185,931	-	(1,142,787)



Note: (1) Includes Interest Income Realized and Unrealized Gains and Losses On Investments.
Source: Mesa Water District Audited Financial Statements

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

Fiscal Year	Water Consumption (Gallons)	AF	Sales AF	Production AF
2005	6,560,724,302	20,134	20,134	20,776
2006	6,594,613,014	20,283	20,283	21,437
2007	7,048,852,096	21,526	21,527	22,701
2008	6,632,737,815	20,278	20,278	20,998
2009	6,338,694,880	19,453	19,753	20,040
2010	6,276,476,792	18,234	18,234	19,262
2011	5,964,539,630	17,359	17,359	18,305
2012	6,119,286,269	17,874	17,874	18,779
2013	6,836,777,586	18,701	18,701	20,981
2014	6,646,513,187	19,011	19,011	20,397

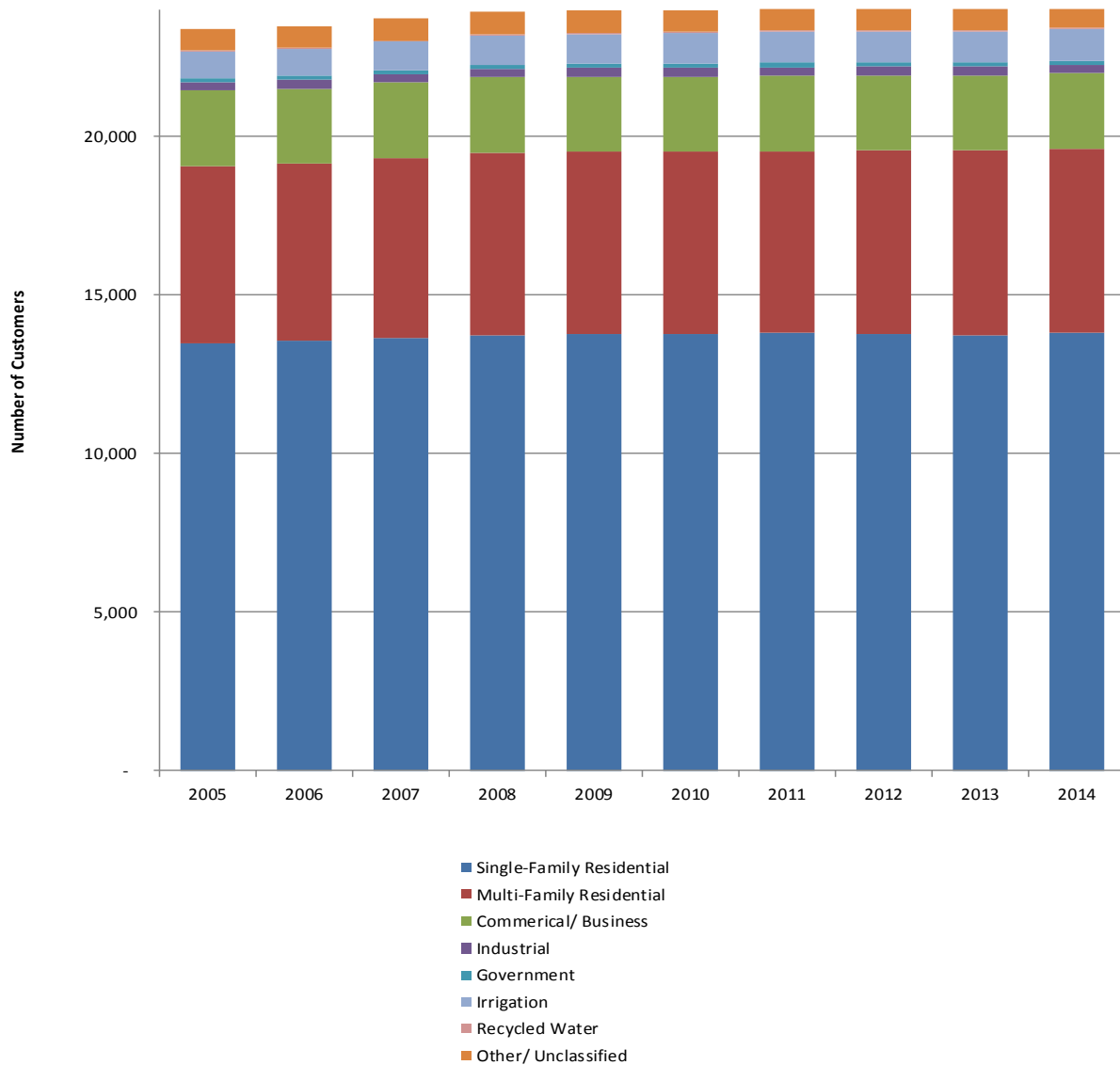


Note: For Information Regarding Water Sales See Schedule 2 'Operating Revenue by Source'.
Source: Mesa Water District Billing System

Mesa Water District
Customers by Type at Fiscal Year-End
Last Ten Fiscal Years
Schedule 6

Customer Type

Fiscal Year	Single-Family Residential	Multi-Family Residential	Commerical/ Business	Industrial	Government	Irrigation	Recycled Water	Other/ Unclassified
2005	13,483	5,572	2,368	254	127	855	38	676
2006	13,532	5,581	2,372	272	127	860	38	676
2007	13,647	5,645	2,384	279	128	891	40	698
2008	13,722	5,750	2,377	278	131	903	42	710
2009	13,754	5,741	2,371	276	131	913	42	714
2010	13,761	5,740	2,372	277	133	959	42	684
2011	13,783	5,742	2,369	277	133	966	42	683
2012	13,778	5,763	2,370	274	135	977	42	786
2013	13,732	5,808	2,371	269	138	984	42	801
2014	13,798	5,806	2,374	267	138	996	32	794



Source: Mesa Water District-Customer Services Department

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

Minimum Bimonthly Service Charge - Potable Water Service

Meter Size	6/30/05	6/30/06	6/30/07	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14
5/8"	\$ 12.00	12.00	15.00	15.00	15.00	16.00	17.00	18.00	19.00	20.00
3/4"	18.00	18.00	22.50	22.50	22.50	24.00	25.50	27.00	28.50	30.00
1"	30.00	30.00	37.50	37.50	37.50	40.00	42.50	45.00	47.50	50.00
1 1/2"	60.00	60.00	75.00	75.00	75.00	80.00	85.00	90.00	95.00	100.00
2"	96.00	96.00	120.00	120.00	120.00	128.00	136.00	144.00	152.00	160.00
3"	210.00	210.00	262.50	262.50	262.50	280.00	297.50	315.00	332.50	350.00
4"	600.00	600.00	750.00	750.00	750.00	504.00	535.50	567.00	598.50	630.00
6"	1,190.00	1,190.00	1,490.00	1,490.00	1,125.00	1,120.00	1,190.00	1,260.00	1,330.00	1,400.00
8"	1,490.00	1,490.00	1,860.00	1,860.00	1,687.50	1,920.00	2,040.00	2,160.00	2,280.00	2,400.00
10"	N/A	N/A	N/A	N/A	N/A	3,040.00	3,230.00	3,420.00	3,610.00	3,800.00

Minimum Bimonthly Service Charge - Fireline Water Service - Class I

Meter Size	6/30/05	6/30/06	6/30/07	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14
2"	\$ 11.00	11.00	14.00	14.00	14.00	15.00	16.00	17.00	18.00	19.00
3"	17.00	17.00	21.00	21.00	21.00	22.50	24.00	25.50	27.00	28.50
4"	22.00	22.00	28.00	28.00	28.00	30.00	32.00	34.00	36.00	38.00
6"	33.00	33.00	42.00	42.00	42.00	45.00	48.00	51.00	54.00	57.00
8"	44.00	44.00	56.00	56.00	56.00	60.00	64.00	68.00	72.00	76.00
10"	55.00	55.00	70.00	70.00	70.00	90.00	96.00	102.00	108.00	114.00
12"	66.00	66.00	84.00	84.00	84.00	N/A	N/A	N/A	N/A	N/A

Minimum Bimonthly Service Charge - Fireline Water Service - Class II

Meter Size	6/30/05	6/30/06	6/30/07	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14
2"	\$ 22.00	22.00	28.00	28.00	28.00	30.00	32.00	34.00	36.00	38.00
3"	34.00	34.00	42.00	42.00	42.00	45.00	48.00	51.00	54.00	57.00
4"	44.00	44.00	56.00	56.00	56.00	60.00	64.00	68.00	72.00	76.00
6"	66.00	66.00	84.00	84.00	84.00	90.00	96.00	102.00	108.00	114.00
8"	88.00	88.00	112.00	112.00	112.00	120.00	128.00	136.00	144.00	152.00
10"	110.00	110.00	140.00	140.00	140.00	180.00	192.00	204.00	216.00	228.00
12"	132.00	132.00	168.00	168.00	168.00	N/A	N/A	N/A	N/A	N/A

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

User Type	6/30/05	6/30/06	6/30/07	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14
<u>Residential</u>										
Potable Commodity Rate	\$ 1.77	1.81	1.99	2.17	2.50	2.60	2.70	2.85	3.00	3.15
<u>Non-Residential</u>										
Construction Commodity Rate	\$ N/A	N/A	N/A	N/A	3.75	3.90	4.05	4.28	4.50	4.73
Fireline Commodity Rate	\$ 3.54	3.62	3.98	4.34	5.00	5.20	5.40	5.70	6.00	6.30
Recycled Commodity Rate	1.59	1.70	1.79	1.95	2.25	2.34	2.43	2.57	2.70	2.84

- Notes:** (1) Bi-Monthly Service Charge for 12" Fireline Class I/II Eliminated (Resolution 1384, 12/22/09).
(2) Bi-Monthly Service Charge for 10" Service Line Established (Resolution 1384, 12/22/09).
(3) Construction Commodity Rate Information Not Available Prior To 06/30/09.

Source: Mesa Water District, Rates & Ordinances (Resolution 1384, 12/22/09).

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

	FY 2013/14	Consumption	Acre Feet	% of Total	FY 2008/09	Consumption	Acre Feet	% of Total
1	Mesa Verde (Costa Mesa Golf Course)	255,536	587	3.1%	Mesa Verde (Costa Mesa Golf Course)	191,738	440	2.3%
2	City of Costa Mesa	241,672	555	2.9%	Fairview Development Center	75,838	174	0.9%
3	Newport-Mesa Unified School District	203,180	466	2.5%	Monticello Community Assoc	71,366	164	0.8%
4	County of Orange	121,736	279	1.5%	Newport-Mesa Unified School District	60,792	140	0.7%
5	CalTrans	115,382	265	1.4%	Fairview Development Center	48,510	111	0.6%
6	Fairview State Hospital	99,961	229	1.2%	Fairview Development Center	42,410	97	0.5%
7	The Irvine Company, LLC	95,672	220	1.2%	Vanguard University	41,412	95	0.5%
8	South Coast Plaza	88,500	203	1.1%	Coast Community College	41,369	95	0.5%
9	Coast Community College	83,733	192	1.0%	John Wayne Airport	40,960	94	0.5%
10	United Dominion Realty	73,978	170	0.9%	Hilton Costa Mesa	35,925	82	0.4%
			<u>3,166</u>	<u>16.7%</u>			<u>1,492</u>	<u>7.7%</u>

Sales in Acre Feet

Potable	17,709
Recycled	<u>1,302</u>
Total Sales Acre Feet	<u>19,011</u>

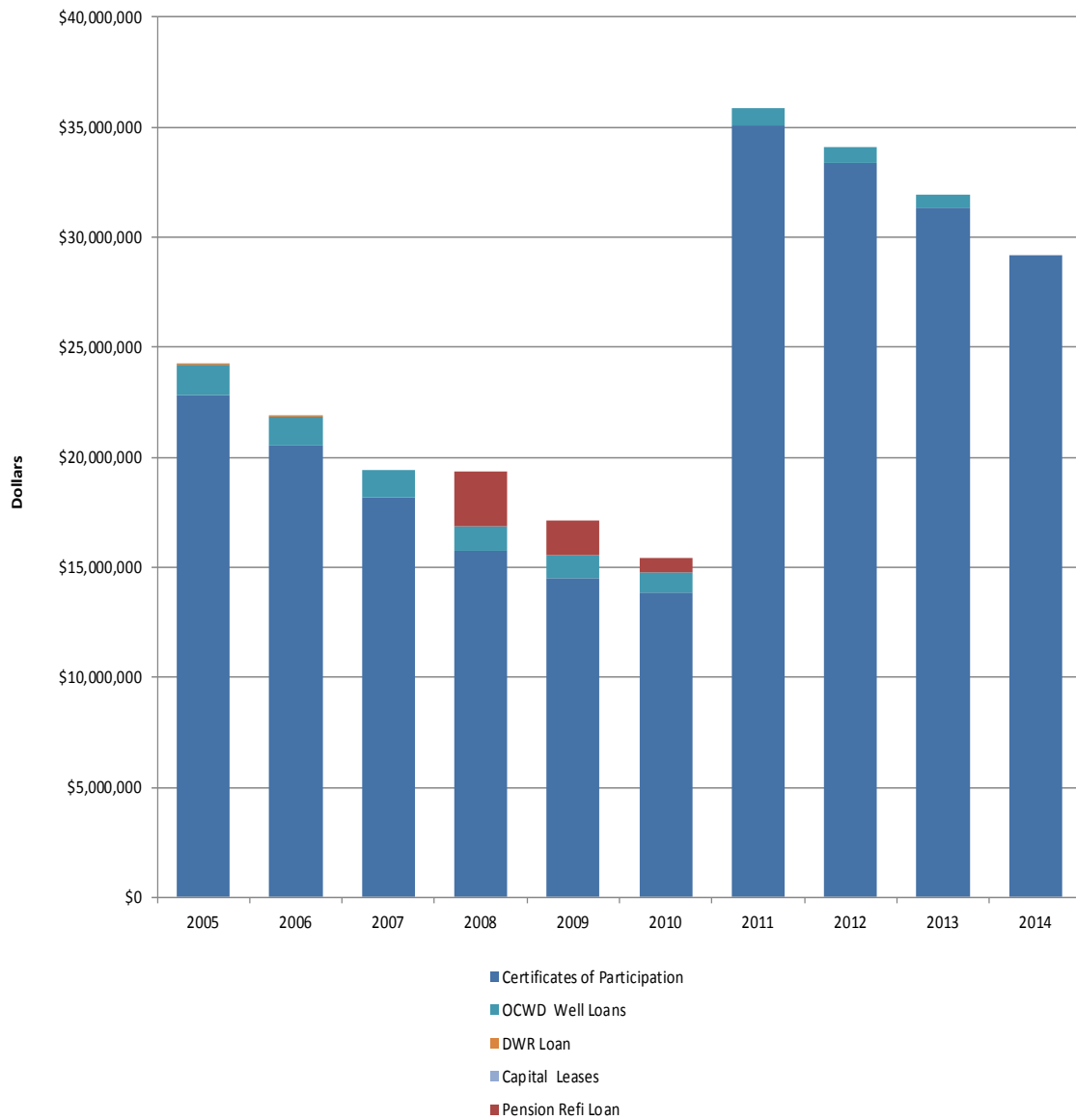
Sales in Acre Feet

Potable	18,389
Recycled	<u>1,063</u>
Total Sales Acre Feet	<u>19,452</u>

Source: Mesa Water District Billing System

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

Fiscal Year	Certificates of Participation	OCWD Well Loans	DWR Loan	Capital Leases	Pension Refi Loan	Total		
						Debt	Per Capita	As a Share of Personal Income
2005	22,812,810	1,401,849	56,110	-	-	24,270,769	214.71	0.48%
2006	20,549,999	1,315,836	19,093	-	-	21,884,928	193.43	0.40%
2007	18,202,188	1,226,813	-	-	-	19,429,001	170.72	0.34%
2008	15,735,780	1,134,675	-	-	2,504,362	19,374,817	170.02	0.34%
2009	14,490,700	1,039,311	-	-	1,595,174	17,125,185	147.02	0.31%
2010	13,845,738	940,612	-	-	650,474	15,436,824	131.74	0.27%
2011	35,050,518	838,455	-	-	-	35,888,973	326.24	0.62%
2012	33,380,023	732,724	-	-	-	34,112,747	308.00	0.57%
2013	31,319,523	596,770	-	-	-	31,916,293	286.61	0.53%
2014	29,204,031	-	-	-	-	29,204,031	261.11	N/A (1)



Notes: (1) Personal Income for 2014 has not yet been published by the County of Orange

Source: Mesa Water District Audited Financial Statements

Mesa Water District
Pledged Revenue Coverage
Last Ten Fiscal Years
Schedule 10

Fiscal Year	Total Revenues	Operating Expenses	Net Available Revenues	Debt Service			Coverage Ratio
				Principal⁽²⁾	Interest	Total	
2005	22,449,000	(16,910,000)	5,539,000	2,430,000	1,142,650	3,572,650	1.55
2006	24,156,000	(18,967,000)	5,189,000	2,515,000	1,061,308	3,576,308	1.45
2007	28,709,000	(21,131,000)	7,578,000	2,600,000	976,375	3,576,375	2.12
2008	26,706,000	(19,591,000)	7,115,000	1,375,000	808,270	2,183,270	3.26
2009	29,014,000	(20,308,000)	8,706,000	1,365,000	810,993	2,175,993	4.00
2010	31,286,000	(21,808,000)	9,478,000	1,440,000	574,455	2,014,455	4.70
2011	31,369,828	(21,954,603)	9,415,224	1,470,000	580,069	2,050,069	4.59
2012	29,748,638	(21,389,136)	8,359,502	1,470,000	580,069	2,050,069	4.08
2013	34,754,002	(25,467,504)	9,286,498	2,029,190	1,418,002	3,447,192	2.69
2014	38,580,524	(26,706,353)	11,874,171	1,990,000	1,319,588	3,309,588	3.59

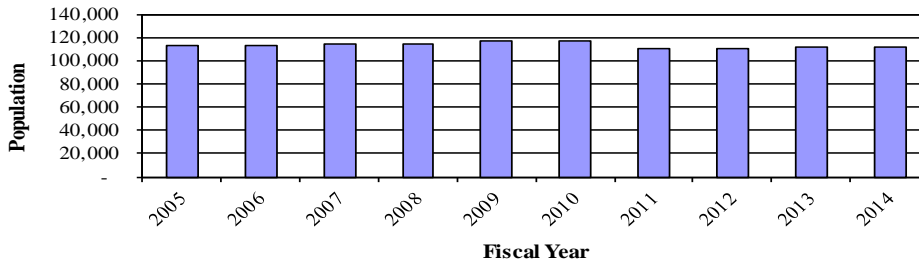
Notes: (1) Operating Expenses Exclude Depreciation Expense and OPEB accrual
(2) Includes Only Normal Principal Payments (payments as a result of debt refinancing not included).

Source: Mesa Water District Audited Financial Statements.

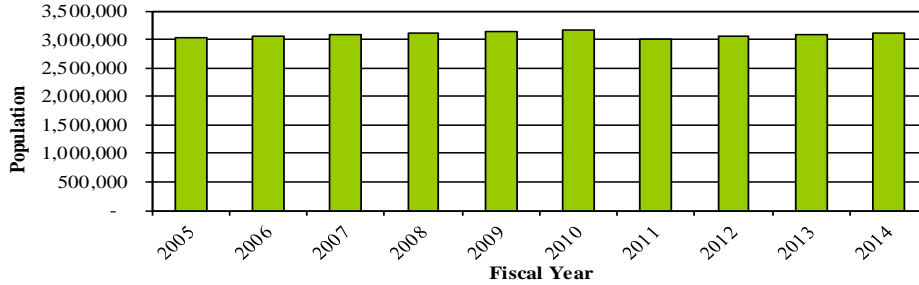
Mesa Water District
Schedule of Demographics and Economic Statistics
Last Ten Calendar Years
Schedule 11

Year	Costa Mesa		County of Orange		
	Population	Unemployment Rate	Population	Personal Income (Thousands of Dollars)	Personal Income per Capita
2005	113,042	4.0%	3,047,054	133,031,819	44,453
2006	113,143	4.6%	3,072,336	143,949,044	48,209
2007	113,805	4.4%	3,098,121	153,446,600	49,529
2008	113,955	5.5%	3,121,251	155,068,400	49,681
2009	116,479	8.4%	3,139,017	148,372,600	47,267
2010	117,178	8.5%	3,166,461	153,098,600	48,350
2011	110,008	7.8%	3,010,232	159,007,100	52,822
2012	110,757	7.1%	3,055,792	166,345,500	54,436
2013	111,358	5.0%	3,081,804	168,966,400	54,827
2014	111,846	4.6%	3,113,991	N/A	N/A (1)

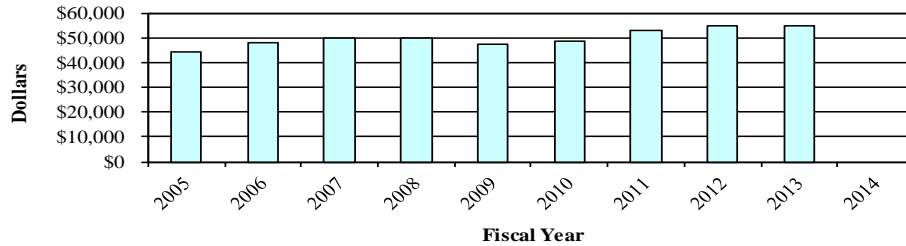
Population - Costa Mesa



Population - Orange County



Personal Income per Capita - Orange County



Notes: (1) Personal Income for 2014 has not yet been published by the County of Orange

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

Mesa Water District
City of Costa Mesa Principal Employers
Current Fiscal Year and Nine Years Ago
Schedule 12

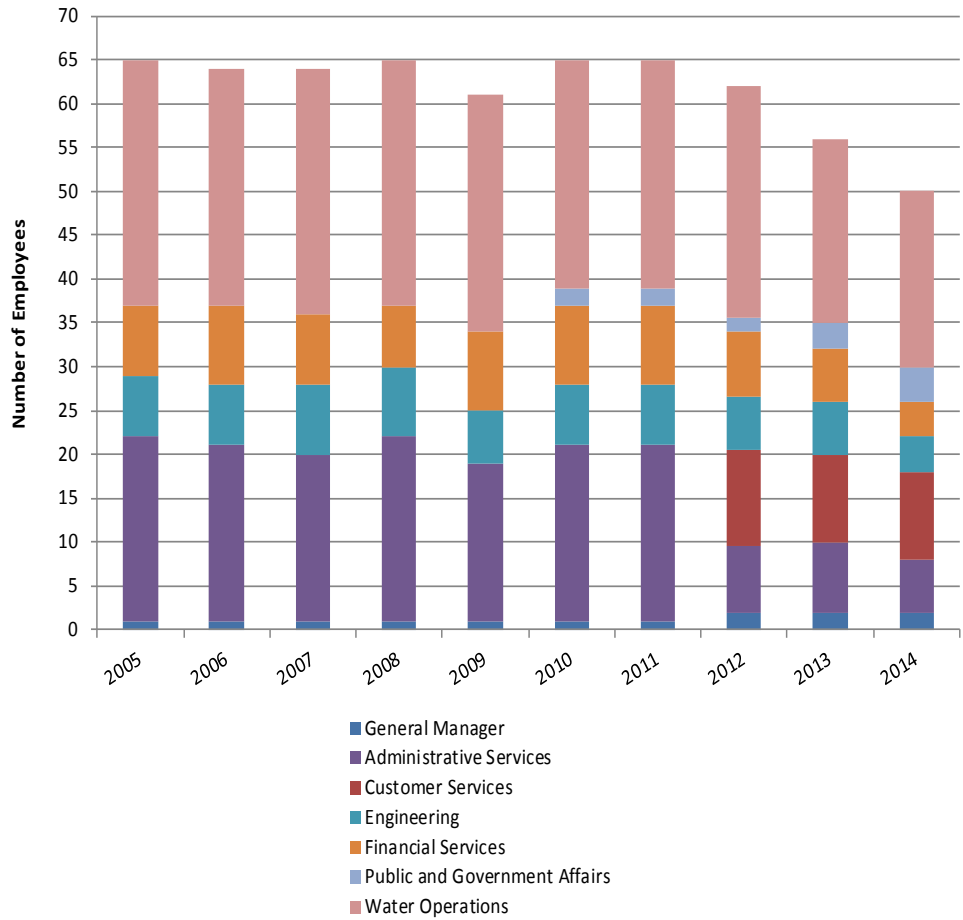
2013-2014			2004-2005⁽¹⁾		
Name of Company	Number of Employees	% of Total	Name of Company	Number of Employees	% of Total
Experian Information Solution	3,700	5.73%			
Coast Community College District Foundation	2,900	4.49%			
Orange Coast Community College	1,900	2.94%			
Fairview Development Center	1,500	2.32%			
A Clark/McCarthy Joint Venture	1,250	1.94%			
Interinsurance Exchange of the Auto Club	1,200	1.86%			
Pacific Building Care, Inc.	850	1.32%			
Filenet Corporation	600	0.93%			
TTM Technologies, Inc.	500	0.77%			
Nordstrom, Inc.	500	0.77%			

(1) Data not available for fiscal year 2004-2005

Source: City of Costa Mesa Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2013)

Mesa Water District
District Employees by Department
Last Ten Fiscal Years
Schedule 13

Department	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Manager	1	1	1	1	1	1	1	2	2	2
Administrative Services	21	20	19	21	18	20	20	7.5	8	6
Customer Services	0	0	0	0	0	0	0	11	10	10
Engineering	7	7	8	8	6	7	7	6	6	4
Financial Services	8	9	8	7	9	9	9	7.5	6	4
Public and Government Affairs	0	0	0	0	0	2	2	1.5	3	4
Water Operations	28	27	28	28	27	26	26	26.5	21	20
	65	64	64	65	61	65	65	62	56	50



Source: Mesa Water District