

# COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2020



**COSTA MESA SANITARY DISTRICT  
COSTA MESA, CALIFORNIA**



*Protecting public health and the environment for current and future generations*



**THIS PAGE INTENTIONALLY LEFT BLANK**



# **Costa Mesa Sanitary District**

## **Comprehensive Annual Financial Report For the Year Ended June 30, 2020**

**Costa Mesa Sanitary District  
290 Paularino Ave.  
Costa Mesa, California 92626**

**Prepared by:  
Scott Carroll, General Manager  
Kaitlin Tran, Finance Manager**

**Costa Mesa Sanitary District  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020**

**Table of Contents**

	Page No.
<b>Introductory Section:</b>	
Letter of Transmittal	i
Board of Directors	vi
Organizational Chart	vii
GFOA Certificate of Achievement for Excellence in Financial Reporting	viii
 <b>Financial Section:</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
<i>Basic Financial Statements:</i>	
Statement of Net Position	12
Statement of Revenues, Expenses and Changes in Net Position	13
Statement of Cash Flows	14
Notes to Financial Statements	15
 <i>Required Supplementary Information:</i>	
Schedule of Proportionate Share of the Net Pension Liability	44
Schedule of Plan Contributions - Pension	45
Schedule of changes in Net OPEB Liabilities (Asset) and Related Ratios for Measurement Periods Ended June 30,	46
Schedule of Contributions – OPEB	47
 <b>Statistical Section:</b>	
Description of Statistical Section	48
Changes in Net Position and Net Position by Component - Last Ten Fiscal Years	49
Operating Revenues by Source - Last Ten Fiscal Years	51
Operating Expenses by Activity - Last Ten Fiscal Years	53
Non-Operating Revenue (Expenses), Net - Last Ten Fiscal Years	55
Solid Waste and Wastewater Revenue Rates - Last Ten Fiscal Years	57
Principal Wastewater Customers - Current Fiscal Year and Nine Years Ago	59
Ratio of Outstanding Debt – Last Ten Fiscal Years	60
Debt Coverage – Last Ten Fiscal Years	62
Demographics and Economic Statistics - Last Ten Calendar Years	64
Principal Employers - Current Fiscal Year and Nine Years Ago	65
Full-time and Part-time District Employees by Function - Last Ten Years	66
Operating Indicators by Function - Last Ten Fiscal Years	67
Capital Asset Statistics - Last Ten Fiscal Years	68



# Costa Mesa Sanitary District

...an Independent Special District

December 21, 2020

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

It is a pleasure to submit for your information the Comprehensive Annual Financial Report (CAFR) of the Costa Mesa Sanitary District (District) for the year ended June 30, 2020.

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

The accounting firm of Teaman, Ramirez & Smith, Inc. has issued an unmodified (clean) opinion on the District's financial statements for the year ended June 30, 2020. The independent auditor's report is located in the front of the financial section of this report.

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

## PROFILE OF THE DISTRICT

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

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

290 Paularino Ave / Costa Mesa, CA 92626 • (949) 645-8400 / fax: (714) 540-1392

To protect public health and the environment for current and future generations

### Board of Directors

James Ferryman  
Robert Ooten  
Arlene Schafer  
Michael Scheafer  
Arthur Perry

### Staff

Scott C. Carroll  
General Manager

Robin Hamers &  
Associates  
District Engineer

Harper & Burns, LLP  
District Counsel

Davis Farr, LLP  
Treasurer

Noelani Middenway  
District Clerk

Kaitlin Tran  
Finance Manager

[www.cmsdca.gov](http://www.cmsdca.gov)



## **PROFILE OF THE DISTRICT (CONTINUED)**

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

## **LOCAL ECONOMY**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates. The District continues to benefit from its unique geographical location. The local economy is primarily based on retail commercial business and light manufacturing of electronics, pharmaceuticals, and plastics. The District's service area includes several major regional facilities: John Wayne Airport, Orange Coast College, Vanguard University, State of California Fairview Developmental Center, Orange County Department of Education, Orange County Fairgrounds, Segerstrom Performing Arts Center, South Coast Repertory Theater, and the South Coast Plaza shopping complex. The volume of sales generated by South Coast Plaza, on the strength of 250 stores and 30 restaurants, secures its place as the second highest sales-volume shopping center in California.

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

## **LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES**

Combining financial forecasting with strategizing has allowed the District to successfully stabilize wastewater and solid waste rates for several consecutive years while still meeting service demand. Rate stabilization is important to the local economy because it gives people the opportunity to purchase more goods and it allows businesses to reinvest for continued growth and success. For fifteen consecutive years (2003-2018) the District's solid waste rate was stabilized. In addition, the Board of Directors approved two solid waste rate decreases (2013 & 2014). This was made possible because the District had excess funds in the Solid Waste Fund Balance. The District does not have capital expenditures in solid waste (e.g. refuse fleet and trash carts), so funds were returned to ratepayers by reducing their rates and maintaining those rates until the District's objective of maintaining a minimum fund balance was achieved. The solid waste rate stabilization plan allowed the District to implement the curbside Organics Recycling Program in 2015 and continued the service for four years without a rate adjustment. The District achieved its objective of obtaining a minimum solid waste fund balance and on May 23, 2019 the Board of Directors approved a five-year solid waste rate increase.

For three consecutive years (2017-2020) the District's wastewater rate was stabilized. During the three-year rate stabilization period, the District completed capital improvement projects worth over \$4.3 million. Those projects included:

## **LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES (CONTINUED)**

- 19<sup>th</sup> Street Pump Station Electrical Improvements
- Adams Pump Station Electrical Improvements
- President Pump Station Force Main Replacement
- Canyon Pump Station Rehabilitation & Force Main Replacement
- Indus Sewer Main Relocation
- Brick Manhole Rehabilitation
- District Yard Expansion

The District continues to forecast projecting revenues and expenditures over a long-term period to ensure there are adequate revenues to cover expenses and meet service demands.

The purpose of a wastewater master plan is to provide an assessment of the current situation and, in the light of known and assumed conditions, provide a framework for future actions. A master plan is a useful tool for evaluating complex systems such as the wastewater system of a large community. The primary goal of the District's Wastewater Master Plan is to determine whether the system has the capacity to handle flows from ultimate build-out of the service area. The Ultimate Flows are based on the Land Use Element of the latest City of Costa Mesa, City of Newport Beach General Plan, and the County of Orange General Plans. These plans are designed to guide future growth within the area for the next 15 years. Improvements to the District's sewer system will have to be made to provide capacity for the expected peak sewer flows. Additionally, recently passed ordinances by the Cities of Costa Mesa and Newport Beach allow for construction of Accessory Dwelling Units more than the General Plan densities.

The District's Wastewater Master Plan Update is complete and has included the following assessments:

- Sewer Main & Pump Station Capacity
- Impact of Accessory Dwelling Unit Related Density Increase
- Sewer Main Calcium Build-Up
- Ductile Iron Pipe Rehabilitation

A strategic plan is a document that describes where an organization is going over the next few years and describes how it is going to get there. It is a coordinated and systematic way to develop a course and direction for an organization. In the past ten years, CMSD has developed and implemented two strategic plans; FY 2010-15 titled, "Meeting and Exceeding the Public's Expectations" and FY 2015-20 titled, "Planning for a Better Tomorrow." The Board of Directors adopted the FY 2020-25 Strategic Plan called, "A Way to the Future," as it outlines a path or journey the District will take for the advancement of the community and for its citizens. The FY 2020-25 Strategic Plan is more robust, specific, and ambitious compared to the previous Strategic Plans. Plan implementation of the Plan began on July 1, 2020.

The District understands the importance of investing in technology to enhance public services and boost workforce productivity. For instance, the District will be implementing an online permitting program where sewer permits are generated and issued electronically after applicants submit their development plans. Applicants can visit the public access page on the District's website to schedule inspections.

The online sewer inspection process allows applicants to choose from open time slots for the upcoming days or weeks. Once the slot is taken, other applicants will only see the available dates that have not been selected. The online inspection system will make it easier for District staff to

## **LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES (CONTINUED)**

track inspection dates and times, and all images from inspections can be uploaded onto the electronic sewer permits for documenting. In addition, the District is becoming a leader in the wastewater industry for using artificial intelligence (AI) to improve maintenance procedures. With the cooperation from Google, an AI system is being developed to detect dilapidated sewer manhole covers. Cameras will be placed on District fleet vehicles and will be recording while the fleet is driving on public streets. The AI system will detect sewer manhole covers from the video recording and then give them a condition rating on a scale of 1 to 5 with 5 meaning the manhole cover needs immediate repair. The AI system will ensure manhole covers are repaired in a timely manner and will protect motorists from driving on dangerous street conditions. The AI system will also protect District employees by no longer requiring them to approach busy traffic conditions to visually inspect manhole covers.

The District is proactively replacing and/or enhancing its infrastructure to ensure its collection system is operating at optimum and efficient levels. The District recently awarded a contract for Project #318, President Pump Station Reconstruction Project. This project will construct a new submersible sewer pump station by replacing the existing dry well into a wet well pump station, converting the existing station structure into an emergency storage vault, and installing a permanently mounted emergency diesel generator. This is the most expensive and ambitious project performed by the District at a cost of \$1.6 million. The project is projected to be completed by June 2021.

For the past 38 years, engineering services were provided by a private firm in which the president of the firm, Robin Hamers, also served as the District Engineer. On January 9, 2020, Mr. Hamers unexpectedly passed away. Because of Mr. Hamers' contributions to CMSD and his dedication to protecting the community's health and environment, on January 27, 2020, the Board of Directors approved renaming the Corporate Yard the Robin Hamers Corporate Yard. One of his proudest achievements was designing and constructing CMSD's Corporate Yard. The Yard gave CMSD a location to safely secure its equipment and supplies, as well as giving CMSD a staging area for maintenance activities. In 2018, Mr. Hamers designed and constructed the expansion of the Yard that allowed CMSD to centralize its emergency equipment and enhance its response time to sanitary sewer overflows. Due to the loss of the contractual District Engineer, the Board of Directors decided to hire the District's first in-house District Engineer. The new District Engineer will serve on the General Manager's Leadership Team that meets weekly to discuss topics such as, policies and procedures, employee appreciation and recognition, staff development, operations, emergencies, and customer service, etc. The District Engineer will oversee all proposals for design, construction, and contract administration services to ensure the District's fiduciary responsibility of taxpayer money by receiving and accepting the lowest responsible proposals. The District will officially have an Engineering Department that is led by a full-time employee and supported by a combination of District staff, consultants, and contractors. The new District Engineer is expected to begin employment by the beginning of 2021.

## **FINANCIAL POLICIES AND PROCEDURES**

Management of the District is responsible for establishing and maintaining an adequate internal control structure. Internal accounting controls are designed to ensure that the assets of the District are protected from loss, theft or misuse, and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

## FINANCIAL POLICIES AND PROCEDURES (CONTINUED)

(1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

### AWARDS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the District for its Comprehensive Annual Financial Report for the year ended June 30, 2019. This was the ninth consecutive year that the District achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

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

The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the District for its Popular Annual Financial Report for the year ended June 30, 2019. This was the fifth consecutive year that the District achieved this prestigious award. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

### ACKNOWLEDGMENTS

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

Respectfully submitted,

  
\_\_\_\_\_  
Scott Carroll  
General Manager

  
\_\_\_\_\_  
Kaitlin Tran  
Finance Manager

## **Our Mission Statement**

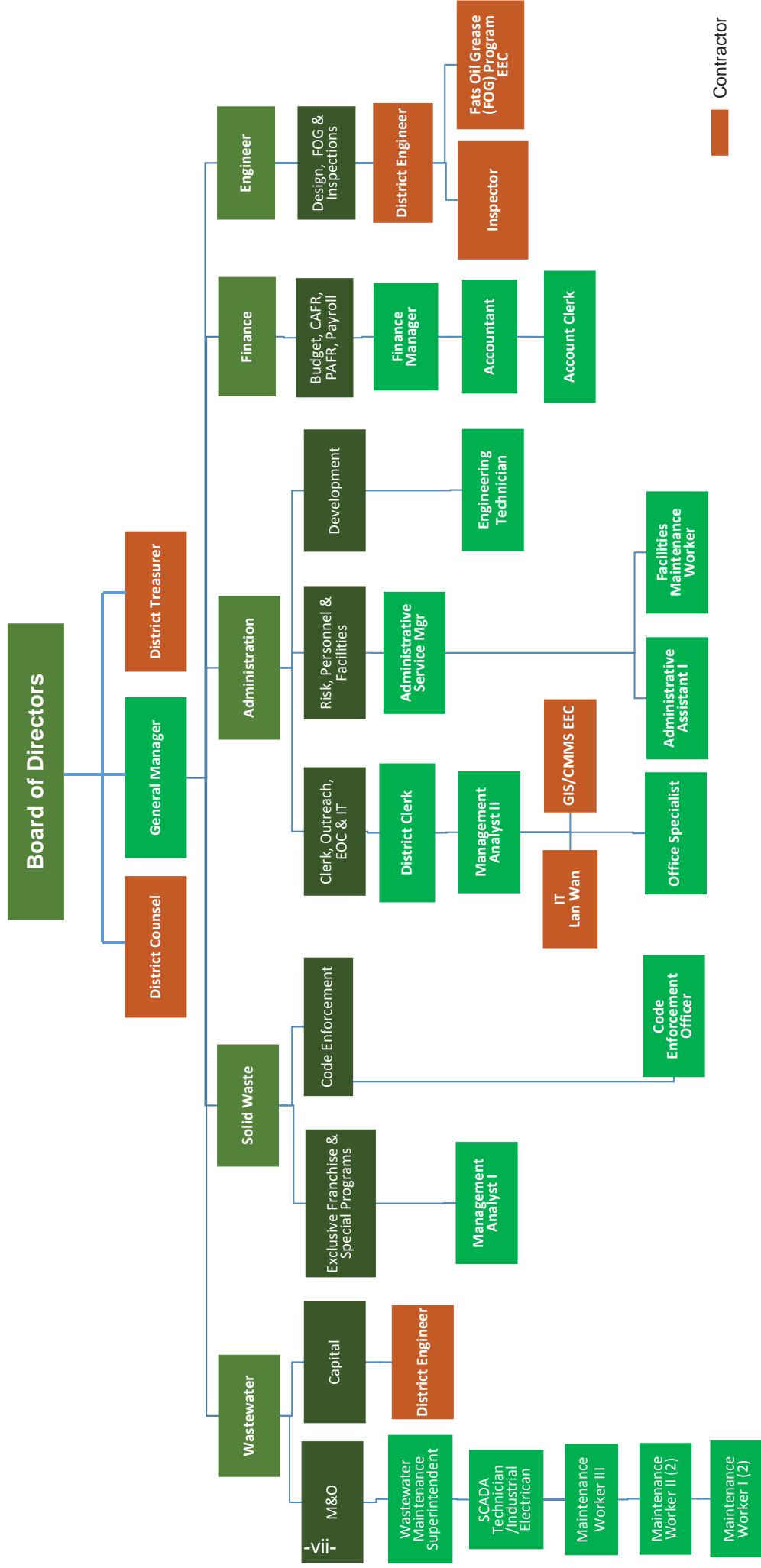
*“To protect public health and the environment for current and future generations.”*

### **Costa Mesa Sanitary District Board of Directors as of June 30, 2020**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Elected/ Appointed</u></b>	<b><u>Current Term</u></b>
James Ferryman	President	Elected	12/16 - 12/20
Robert Ooten	Vice President	Elected	12/18 - 12/22
Arlene Schafer	Secretary	Elected	12/18 - 12/22
Michael Scheafer	Director	Elected	12/18 - 12/22
Arthur Perry	Director	Elected	12/16 - 12/20

**Costa Mesa Sanitary District**  
Scott Carroll, General Manager  
290 Paularino Avenue  
Costa Mesa, California 92626  
(949) 645-8400 [www.cmsdca.gov](http://www.cmsdca.gov)

Costa Mesa Sanitary District  
 Adopted Budget FY 2019-20 and 2020-21  
 Organization Chart



Contractor



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Costa Mesa Sanitary District  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO

## **FINANCIAL SECTION**

**THIS PAGE INTENTIONALLY LEFT BLANK**

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Costa Mesa Sanitary District  
Costa Mesa, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Costa Mesa Sanitary District (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Costa Mesa Sanitary District, as of June 30, 2020, and the respective changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the California State Controller's Office and California regulations governing Special Districts.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Seaman Ramirez & Smith, Inc.*

Riverside, California  
December 2, 2020

**THIS PAGE INTENTIONALLY LEFT BLANK**

**Costa Mesa Sanitary District**

**Management’s Discussion and Analysis  
For the Year Ended June 30, 2020**

---

The following discussion and analysis of the financial performance of the Costa Mesa Sanitary District (the “District”) provides an overview of the District’s financial activities for the year ended June 30, 2020. It should be read in conjunction with the financial statements identified in the accompanying table of contents.

**Financial Highlights**

Financial highlights during the year ended June 30, 2020 included:

- Total assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$63,127,109. Of this amount, \$19,538,846 is unrestricted and available to meet the District’s ongoing obligations to its customers and creditors.
- Net position of the Solid Waste Fund decreased by \$629,138, which was attributable to the adoption of a deficit budget to decrease the fund’s reserves. Expenses were projected to exceed revenues by \$728,100; however, revenues came in higher than budgeted and expenses were lower than expected.
- Net position of the Wastewater Fund increased by \$1,155,991 during the year ended June 30, 2020. This increase was mostly attributable to Operating Revenues exceeded Operating Expenses by \$752,330. The remaining increase was the result of larger than expected Investment Earnings and a one-time transfer in from the Asset Replacement Fund for the purchase of two new utility trucks.

**Overview of the Financial Statements**

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

- **Statement of Net Position** – The Statement of Net Position presents information on the District’s assets (investment in resources), deferred outflows of resources, liabilities (obligations to creditors) and deferred inflows of resources, with the difference between them reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other factors such as changes in economic conditions, population growth, zoning and new or changed legislation or regulations also need to be considered when establishing financial position.
- **Statement of Revenues, Expenses and Changes in Net Position** – The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District’s net position changed during the fiscal year. All of the fiscal year’s revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the results of the District’s operations for the

## **Costa Mesa Sanitary District**

### **Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2020**

---

fiscal year and can be used to determine whether the District has successfully recovered all of its costs through its rates and other charges.

- **Statement of Cash Flows** – The Statement of Cash Flows presents information regarding the District's use of cash during the year. It reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities. The Statement of Cash flows provides answers to such questions as; "where did the cash come from?", "what was the cash used for?", and "what was the change in the cash balance during the reporting period?"
- **Notes to Financial Statements** – The financial statements also include Notes to Financial Statements that provide important narrative details about the information contained in the financial statements. Information contained in the Notes to Financial Statements is essential to a reader's full understanding of the data provided in the financial statements.

These financial statements have been prepared using accounting methods similar to those used by private sector companies.

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District's progress in funding its obligation to provide pension and OPEB benefits to its employees.

#### **Financial Analysis of the District**

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

## Costa Mesa Sanitary District

### Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2020

---

#### Condensed Statement of Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Assets:			
Current	\$20,571,373	\$19,908,689	\$662,684
Noncurrent	54,494	43,528	10,966
Capital Assets	<u>43,588,263</u>	<u>43,447,263</u>	<u>141,000</u>
Total assets	<u>64,214,130</u>	<u>\$63,399,480</u>	<u>814,650</u>
Deferred outflows of resources:			
Pension and OPEB related	<u>398,189</u>	<u>458,945</u>	<u>(60,756)</u>
Liabilities:			
Current	1,180,916	1,220,265	(39,349)
Noncurrent	<u>228,778</u>	<u>147,885</u>	<u>80,893</u>
Total liabilities	<u>1,409,694</u>	<u>1,368,150</u>	<u>41,544</u>
Deferred inflows of resources:			
Pension and OPEB related	<u>75,516</u>	<u>112,806</u>	<u>(37,290)</u>
Net position:			
Net investment in capital assets	43,588,263	43,447,263	141,000
Unrestricted	<u>19,538,846</u>	<u>18,930,206</u>	<u>608,640</u>
Total net position	<u>\$63,127,109</u>	<u>\$62,377,469</u>	<u>\$749,640</u>

As noted earlier, net position may gradually serve over time as a useful indicator of a government's financial position. Net position of the District was \$63,127,109 and \$62,377,469 for the years ended June 30, 2020 and June 30, 2019, respectively.

One of the largest portions of the District's net position reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. Investments in capital assets as of June 30, 2020 represent \$43,588,263, or 69%, of the total net position. The District uses the capital assets to provide services to customers within the District's area. Consequently, these assets are not available for future spending.

Unrestricted net position represents 31% of the District's net position, which comprises assets that may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fiscal policies. As of June 30, 2020, unrestricted net position increased from \$18,930,206 to \$19,538,846, or a \$608,640 increase. The increase in unrestricted net position is primarily attributable to the increase in the California Local Agency Investments Fund (LAIF) and Money Market for the fiscal year.

**Costa Mesa Sanitary District**

**Management’s Discussion and Analysis (Continued)  
For the Year Ended June 30, 2020**

---

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues:			
Operating	\$11,709,883	\$11,372,000	\$337,883
Non-operating	<u>853,020</u>	<u>1,147,748</u>	<u>(294,728)</u>
 Total revenues	 <u>12,562,903</u>	 <u>12,519,748</u>	 <u>43,155</u>
 Expenses:			
Operating	<u>11,813,263</u>	<u>11,979,426</u>	<u>(166,163)</u>
 Total expenses	 <u>11,813,263</u>	 <u>11,979,426</u>	 <u>(166,163)</u>
 Change in net position	 749,640	 540,322	 209,318
Capital contributions	-	10,000	(10,000)
Net position at beginning of year	<u>62,377,469</u>	<u>61,827,147</u>	<u>550,322</u>
 Net position at end of year	 <u>\$63,127,109</u>	 <u>\$62,377,469</u>	 <u>\$749,640</u>

The Statement of Revenues, Expenses and Changes in Net Position shows how the District’s net position changed during the years. In the case of the District, net position increased by \$749,640 and \$550,322 for the years ended June 30, 2020 and 2019, respectively. A closer examination of the sources of changes in net position reveals that:

- Solid waste and wastewater assessments increased by \$224,287 due to an increase in the new customers and a 4.1% rate increase in the Solid Waste assessment.
- Permit, inspection, and connection fees increased by \$103,044 due to additional home renovation and remodeling projects received during the year.
- Non-operating revenues decreased by \$294,728, in which \$215,787 is primarily attributable to the decrease in Investment Earnings for the fiscal year and \$160,215 is result of the loss on the sale of assets. Additional container charges, property taxes and the regional Waste Disposal Agreement (WDA) from OC Waste & Recycling revenues had increased during the fiscal year.

## Costa Mesa Sanitary District

### Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2020

---

#### Total District Revenues

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Operating revenues:			
Solid Waste assessments	\$5,151,672	\$4,907,485	\$244,187
Wastewater assessments	5,624,274	5,644,174	(19,900)
Permits and inspection fees	237,572	215,070	22,502
Connections fees	242,026	161,484	80,542
Other services	<u>454,339</u>	<u>443,787</u>	<u>10,552</u>
Total operating revenues	<u>11,709,883</u>	<u>11,372,000</u>	<u>337,883</u>
Non-operating revenues:			
Investment earnings	445,719	661,506	(215,787)
Taxes	364,570	328,943	35,627
Gain on disposal of assets	(160,215)	(5,280)	(154,935)
Rental income	6,095	2,800	3,295
Other revenues	<u>196,851</u>	<u>159,779</u>	<u>37,072</u>
Total non-operating revenues	<u>853,020</u>	<u>1,147,748</u>	<u>(294,728)</u>
Total revenues	<u>\$12,562,903</u>	<u>\$12,519,748</u>	<u>\$43,155</u>

Some of the more significant changes consisted of the following:

- The annual solid waste assessment increased \$244,187 as a result of implementing the first year of the five-year Solid Waste Rate Study adopted by the Board in June 2019 and increase in accounts.
- Wastewater assessments submitted to the County were higher than the prior year; however, the actual revenues collected by the County were lower creating a receivable. Revenues decreased by \$19,900.
- Permits and inspection fees increased by \$22,502 due to an increase in development and building within the District's service area.
- Connection fees increased by \$80,542 due to an increase in the number of fixtures as a result of customer home renovations and remodeling.
- Investment earnings decreased by \$215,787 primarily as a result of unrealized losses associated with the change in fair market value of the District's investments.
- The loss on sale of assets increased by \$154,935 as a result of the disposal of the Port Generator and the Vacall Sewer Truck.

## Costa Mesa Sanitary District

### Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2020

---

#### Total District Expenses

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Operating expenses:			
Solid waste disposal	\$2,869,168	\$2,688,765	\$180,403
Wastewater disposal	1,514,716	2,044,275	(529,559)
Recycling and disposal charges	2,675,229	2,402,171	273,058
Administration and other	2,628,364	2,825,154	(196,790)
Repairs and maintenance	333,200	333,411	(211)
Depreciation	<u>1,792,586</u>	<u>1,685,650</u>	<u>106,936</u>
Total operating expenses	<u>11,813,263</u>	<u>11,979,426</u>	<u>(166,163)</u>
Total expenses	<u>\$11,813,263</u>	<u>\$11,979,426</u>	<u>\$(166,163)</u>

Some of the more significant changes consisted of the following:

- Solid waste disposal expenses increased by \$180,403 as a result of the hauler receiving a 5.8% Consumer Price Index (CPI) rate increase.
- Wastewater disposal expenses decreased by \$529,559 as a result of prior year one-time recorded maintenance expense for the Grade 5 Pipe Rehab #314 and the Force Main Evaluation #323 projects. Expenses did not meet the Capitalization Policy.
- Recycling and disposal charges expenses increased by \$273,058 as a result of the Coronavirus Disease 2019 (Covid-19) pandemic. Solid waste tonnages have been increasing since the Stay-At-Home Order was issued in March 2020.
- Administration and other expenses decreased by \$196,790 as compared to the prior year. The District did not pay settlements and fees as of June 30, 2020. There was no election held during the year. Professional Development and Training expenses decrease due to the Covid-19 pandemic. Many scheduled conferences and training sessions were cancelled. Electricity costs have decreased since the District installed the photovoltaic solar panels at headquarters.

#### Capital Asset Administration

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

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Transfers/</u> <u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Non-depreciable assets	\$4,718,910	\$1,527,006	\$(1,403,913)	\$4,842,003
Depreciable assets	100,657,663	2,084,653	(513,400)	102,228,916
Accumulated depreciation	<u>(61,929,310)</u>	<u>(1,792,586)</u>	<u>239,240</u>	<u>(63,482,656)</u>
Total capital assets, net	<u>\$43,447,263</u>	<u>\$(1,819,073)</u>	<u>\$(1,678,073)</u>	<u>\$43,588,263</u>

**Costa Mesa Sanitary District**

**Management’s Discussion and Analysis (Continued)  
For the Year Ended June 30, 2020**

---

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

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Non-depreciable assets	\$5,019,824	\$219,181	\$(520,095)	\$4,718,910
Depreciable assets	99,819,455	881,236	(43,029)	100,657,663
Accumulated depreciation	<u>(60,274,318)</u>	<u>(1,685,650)</u>	<u>30,658</u>	<u>(61,929,310)</u>
 Total capital assets, net	 <u>\$44,564,961</u>	 <u>\$(585,233)</u>	 <u>\$(532,466)</u>	 <u>\$43,447,263</u>

At the end of fiscal year 2020 and 2019, the District’s investment in capital assets were \$43,588,263 and \$43,447,263 (net of accumulated depreciation), respectively, an increase of \$141,000. The investment in capital assets includes land, property rights, subsurface wastewater lines, pump stations, buildings and structures, equipment, vehicles, and construction in progress, etc. During the year ended June 30, 2020, the District purchased a 2019 Vactor Sewer Truck and two new utility trucks. To offset the cost of the new vehicles the District disposed of the 2016 Vacall Sewer Truck and the Generac Port Generator. Additional information on the District’s capital assets can be found in Note 3 of the Notes to Financial Statements.

**Long-Term Debt**

As of June 30, 2020, the District had no long-term debt.

**Economic Factors and Next Year’s Budgets**

The Covid-19 pandemic is unprecedented and many local government agencies have been impacted with major revenue reductions. Local governments are likely to see drops in sales tax revenues, lodging taxes, motor vehicle fuel tax (MVFT) distributions, admissions taxes, and other related revenue sources. However, the accounts of the District are presented as enterprise funds. An enterprise fund is a proprietary fund type used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered mainly through user charges. The District is financially well insulated from the Covid-19 financial impacts. The District’s revenues are primarily derived from solid waste and wastewater fees placed on the property tax rolls through the County of Orange. The County appropriates revenues to the District throughout the year. With the possible downturn of the economy there may be a chance of delay in receiving the annual charges due to residents not paying their property tax bill on time. Nevertheless, the District will eventually receive the annual charges revenue plus delinquent revenues which includes penalty and interest on the outstanding amount. The Covid-19 crisis is causing an economic impact across the globe which may decrease District investment earnings over the next few years. The District also projects a

## **Costa Mesa Sanitary District**

### **Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2020**

---

decrease in permit, inspection, and connection revenues due to delay or cancellation of new developments and home renovation projects.

Due to the District's healthy position in its Solid Waste Fund, the Board of Directors lowered the annual rate from \$239.41 to \$228 in FY 2012-13 and \$216 in fiscal year 2013-14. In addition to lowering the annual rate, the Board of Directors voted to implement the Organics Program effective July 1, 2015 without increasing rates to further reduce reserves. After five years of rate stabilization, the District conducted a solid waste rate study in FY 2019-20. Based on the rate study, the Board of Directors recommended a five-year rate structure that will maintain the healthy position of the District's reserves. Fiscal year 2020-21 will be the second of the five-year rate increase of 7%. The wastewater annual rate has been steady for the last three fiscal years. The District will undergo a wastewater rate study in FY 2020-21 to ensure continued long-term health of the fund.

As of June 30, 2020, the District is 94.8% funded for its pension liability, while its other post-employment benefits are fully funded. The Board of Directors plans to continue this practice of ensuring that both liabilities are fully funded with existing resources.

The District continues to focus on replacing wastewater force mains because of the dangers these pipelines have on public safety if they fail. As a result, the District successfully completed replacing the Canyon Pump Station force main and rehabilitating the pump station. In addition, the District successfully relocated the Indus mainline before the pipeline was crushed by an apartment building that was pushing down on the sewer main and compromising the structural integrity of the line. The District also repaired sixty-seven manhole covers and surface areas around the manholes to ensure the safety of motorists and the District rehabilitated ten brick manholes by installing cured-in-place-pipe liners. The District purchased a new wastewater combination cleaning truck to ensure the entire wastewater system is cleaned within eighteen months.

In 2021, the District will continue focusing on replacing its infrastructure to ensure the collection system is operating at its optimum level by completing the following projects:

1. Headquarter Improvements – The improvements will include the replacement of the existing landscaping with a drought tolerant vegetation and a drip irrigation system that will reduce water consumption and costs. In addition, a backup battery for the solar photovoltaic system will be installed to ensure the Emergency Operations Center and information technology server room has power during an outage.
2. Sewer Siphon Improvements - In 2020, an assessment of ten sewer siphons was conducted to determine their current condition. The assessment revealed seven out of the ten siphons need rehabilitating. Cured-in-place-pipe liner will be installed ensuring the siphons will last for another fifty years.
3. Iowa, 19<sup>th</sup> Street and Avimore Pump Station Force Main Replacements – The Iowa pump station force main is 220 feet long and made of asbestos cement pipe (ACP). The pipeline is 44 years old and the ACP is brittle and vulnerable to seismic activity. The 19<sup>th</sup> Street pump station force main is 818 linear feet of 4- inch asbestos cement pipe constructed in 1971. Asbestos protection and removal regulations will apply to these projects. Avimore pump station force main serve the smallest tributary area of a CMSD

## **Costa Mesa Sanitary District**

### **Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2020**

---

pump station, only 26 residences. Nevertheless, the force main is 130 linear feet of 4-inch cast iron pipe built in 1959 and has reached its life expectancy. These pump station force mains will be replaced with polyvinyl chloride.

4. Ductile Iron Pipe Rehabilitation Phase 2 - In yesteryear, engineers believed the use of ductile iron pipe (DIP) was the answer to protect shallow sewers because of the inherent strength in the pipe walls. However, air in the line reacts with the dissolved sulfides in wastewater causing the formation of sulfuric acid. The iron, subjected to air, causes corrosion thereby degrading the inside walls of the ductile iron pipe. Additionally, acidic soils corrode the exterior of DIP. The rehabilitation method consists of chain flailing the interior then installing a liner.
5. Calcium Removal Phase 1 - The District is fortunate not to have sustained any calcium-caused sanitary sewer overflows (SSOs) from calcium build-up in the sewer mains. Calcium buildup is an emerging concern across the United States and there are limited tools available for calcium removal. Calcium removal techniques and tools are expensive. Most of the District's calcium buildup occurs in the Santa Rosa Avenue – San Marino Circle area, in north of Costa Mesa where high groundwater laden with minerals creates calcium in the mains. Designs are complete and construction will begin in 2021.
6. Westbluff Pump Station Rehabilitation - The Westbluff force main was replaced and realigned in 2006 by a private residential land developer so the force main is relatively young. The proposed work is normal replacement of pumps, valves, and piping that have reached their life expectancy.

#### **Request for Information**

The financial report is designed to provide our Board of Directors, citizens, customers, ratepayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If you have questions about the report or need additional financial information, contact the District's Finance Department at 290 Paularino Ave. Costa Mesa, California 92626.

## **BASIC FINANCIAL STATEMENTS**

**Costa Mesa Sanitary District**  
**Statement of Net Position**  
June 30, 2020

	Solid Waste Fund	Wastewater Fund	Other Enterprise Fund	Total
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents (Note 2)	\$ 1,197,690	\$ 4,942,383	\$ 496,433	\$ 6,636,506
Investments (Note 2)	2,429,095	10,002,711	1,010,891	13,442,697
Accounts Receivable	33,699	1,938	-	35,637
Interest Receivable	12,193	44,427	4,719	61,339
Assessments Receivable	112,898	103,934	-	216,832
Inventory	-	172,154	-	172,154
Prepaid Items	6,208	-	-	6,208
Total Current Assets	<u>3,791,783</u>	<u>15,267,547</u>	<u>1,512,043</u>	<u>20,571,373</u>
Noncurrent Assets:				
Capital Assets (Note 3)				
Non-depreciable	-	4,842,003	-	4,842,003
Depreciable, Net of Accumulated Depreciation	8,143	38,738,117	-	38,746,260
Net OPEB Asset (Note 6)	17,983	36,511	-	54,494
Total Noncurrent Assets	<u>26,126</u>	<u>43,616,631</u>	<u>-</u>	<u>43,642,757</u>
Total Assets	<u>3,817,909</u>	<u>58,884,178</u>	<u>1,512,043</u>	<u>64,214,130</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related (Note 5)	101,183	236,090	-	337,273
OPEB Related (Note 6)	20,102	40,814	-	60,916
Total Deferred Outflows of Resources	<u>121,285</u>	<u>276,904</u>	<u>-</u>	<u>398,189</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	535,551	477,351	-	1,012,902
Accrued Liabilities	17,052	62,597	-	79,649
Deposits Payable	-	45,150	-	45,150
Compensated Absences	15,250	27,965	-	43,215
Total Current Liabilities	<u>567,853</u>	<u>613,063</u>	<u>-</u>	<u>1,180,916</u>
Noncurrent Liabilities:				
Compensated Absences	14,281	56,179	-	70,460
Net Pension Liability (Note 5)	47,496	110,822	-	158,318
Total Noncurrent Liabilities	<u>61,777</u>	<u>167,001</u>	<u>-</u>	<u>228,778</u>
Total Liabilities	<u>629,630</u>	<u>780,064</u>	<u>-</u>	<u>1,409,694</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related (Note 5)	16,088	37,537	-	53,625
OPEB Related (Note 6)	7,223	14,668	-	21,891
Total Deferred Inflows of Resources	<u>23,311</u>	<u>52,205</u>	<u>-</u>	<u>75,516</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	8,143	43,580,120	-	43,588,263
Unrestricted	3,278,110	14,748,693	1,512,043	19,538,846
Total Net Position	<u>\$ 3,286,253</u>	<u>\$ 58,328,813</u>	<u>\$ 1,512,043</u>	<u>\$ 63,127,109</u>

**Costa Mesa Sanitary District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
For the Year Ended June 30, 2020

	Solid Waste Fund	Wastewater Fund	Other Enterprise Fund	Total
<b>OPERATING REVENUES</b>				
Trash Assessments	\$ 5,151,672	\$ -	\$ -	\$ 5,151,672
Wastewater Assessments	-	5,624,274	-	5,624,274
Permits and Inspection Fees	-	237,572	-	237,572
Connections Fees	-	242,026	-	242,026
Other Services	110,684	13,655	330,000	454,339
<b>Total Operating Revenues</b>	<b>5,262,356</b>	<b>6,117,527</b>	<b>330,000</b>	<b>11,709,883</b>
<b>OPERATING EXPENSES</b>				
Solid Waste Disposal	2,869,168	-	-	2,869,168
Wastewater Disposal	-	1,514,716	-	1,514,716
Recycling and Disposal Charges	2,675,229	-	-	2,675,229
Administration and Other	866,265	1,762,099	-	2,628,364
Repairs and Maintenance	33,320	299,880	-	333,200
Depreciation	4,084	1,788,502	-	1,792,586
<b>Total Operating Expenses</b>	<b>6,448,066</b>	<b>5,365,197</b>	<b>-</b>	<b>11,813,263</b>
<b>Operating Income (Loss)</b>	<b>(1,185,710)</b>	<b>752,330</b>	<b>330,000</b>	<b>(103,380)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment Earnings	105,198	307,734	32,787	445,719
Taxes	364,570	-	-	364,570
Gain (Loss) on Sale of Assets	-	(160,215)	-	(160,215)
Rental Income	-	6,095	-	6,095
Other Revenues	191,796	5,055	-	196,851
<b>Total Non-operating Revenues (Expenses)</b>	<b>661,564</b>	<b>158,669</b>	<b>32,787</b>	<b>853,020</b>
<b>Income (Loss) Before Transfers</b>	<b>(524,146)</b>	<b>910,999</b>	<b>362,787</b>	<b>749,640</b>
<b>TRANSFERS</b>				
Transfers In	270,000	244,992	-	514,992
Transfers Out	(374,992)	-	(140,000)	(514,992)
<b>Total Transfers</b>	<b>(104,992)</b>	<b>244,992</b>	<b>(140,000)</b>	<b>-</b>
<b>Changes in Net Position</b>	<b>(629,138)</b>	<b>1,155,991</b>	<b>222,787</b>	<b>749,640</b>
Net Position - Beginning of Year	3,915,391	57,172,822	1,289,256	62,377,469
Net Position - End of Year	<u>\$ 3,286,253</u>	<u>\$ 58,328,813</u>	<u>\$ 1,512,043</u>	<u>\$ 63,127,109</u>

The accompanying notes are an integral part of these statements.

**Costa Mesa Sanitary District**  
**Statement of Cash Flows**  
For the Year Ended June 30, 2020

	Solid Waste Fund	Wastewater Fund	Other Enterprise Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 5,460,736	\$ 6,118,435	\$ 330,000	\$ 11,909,171
Payments to Suppliers	(5,819,109)	(3,198,307)	-	(9,017,416)
Payments to Employees	(525,853)	(588,415)	-	(1,114,268)
Net Cash Provided (Used) by Operating Activities	<u>(884,226)</u>	<u>2,331,713</u>	<u>330,000</u>	<u>1,777,487</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Taxes Received	364,570	-	-	364,570
Other Income Received	-	6,095	-	6,095
Cash Received from Other Funds	270,000	244,992	-	514,992
Cash Paid to Other Funds	(374,992)	-	(140,000)	(514,992)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>259,578</u>	<u>251,087</u>	<u>(140,000)</u>	<u>370,665</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and Construction of Capital Assets	(6,243)	(1,927,343)	-	(1,933,586)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(6,243)</u>	<u>(1,927,343)</u>	<u>-</u>	<u>(1,933,586)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on Cash and Investments	118,203	339,011	35,894	493,108
(Increase) Decrease in Investments	912,461	(778,000)	50,721	185,182
Net Cash Provided (Used) By Investing Activities	<u>1,030,664</u>	<u>(438,989)</u>	<u>86,615</u>	<u>678,290</u>
Net Increase (Decrease) in Cash and Cash Equivalents	399,773	216,468	276,615	892,856
Cash and Cash Equivalents - Beginning of Year	797,917	4,725,915	219,818	5,743,650
Cash and Cash Equivalents - End of Year	<u>\$ 1,197,690</u>	<u>\$ 4,942,383</u>	<u>\$ 496,433</u>	<u>\$ 6,636,506</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (1,185,710)	\$ 752,330	\$ 330,000	\$ (103,380)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	4,084	1,788,502	-	1,792,586
Gain (Loss) on Disposal of Assets	-	(160,215)	-	(160,215)
Other Revenues (Expenses)	191,796	5,055	-	196,851
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	27,798	7,276	-	35,074
(Increase) Decrease in Assessments Receivable	(21,214)	(24,573)	-	(45,787)
(Increase) Decrease in Prepaid Expenses	7,338	976	-	8,314
(Increase) Decrease in Net OPEB Liability	(3,619)	(7,347)	-	(10,966)
(Increase) Decrease in Deferred Outflows-Pension	26,246	61,236	-	87,482
(Increase) Decrease in Deferred Outflows-OPEB	(8,819)	(17,907)	-	(26,726)
Increase (Decrease) in Accounts Payable	53,482	(143,387)	-	(89,905)
Increase (Decrease) in Accrued Liabilities	6,163	21,792	-	27,955
Increase (Decrease) in Deposits	-	13,150	-	13,150
Increase (Decrease) in Compensated Absences	8,240	13,053	-	21,293
Increase (Decrease) in Net Pension Liability	20,716	48,335	-	69,051
Increase (Decrease) in Deferred Inflows-Pension	(15,796)	(36,857)	-	(52,653)
Increase (Decrease) in Deferred Inflows-OPEB	5,069	10,294	-	15,363
Total Adjustments	<u>301,484</u>	<u>1,579,383</u>	<u>-</u>	<u>1,880,867</u>
Net Cash Provided By (Used) For Operating Activities	<u>\$ (884,226)</u>	<u>\$ 2,331,713</u>	<u>\$ 330,000</u>	<u>\$ 1,777,487</u>

The accompanying notes are an integral part of these statements.

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A) Reporting Entity**

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

**B) Fund Accounting**

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

**C) Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**C) Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued**

The District reports the following major enterprise funds:

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

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

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

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

**D) Use of Estimates**

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

**E) Pending Accounting Standards**

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

- GASB 84, *Fiduciary Activities*, effective for periods beginning after December 15, 2019.
- GASB 87, *Leases*, effective for periods beginning after June 15, 2021.
- GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2020.
- GASB 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2019
- GASB 91, *Conduct Debt Obligations*, effective for periods beginning December 15, 2020.
- GASB 92 – *Omnibus*, effective for periods beginning after January 15, 2020.
- GASB 93 – *Replacement of Interbank Offered Rates* – effective for periods beginning June 15, 2020.

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**E) Pending Accounting Standards – Continued**

- GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – effective for fiscal years beginning after June 15, 2022.
- GASB 96 – *Subscription-Based Information Technology Arrangements* – effective for fiscal years beginning after June 15, 2022.
- GASB 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – effective for fiscal years beginning after June 15, 2021.

**F) Current Year Standards**

- GASB 88, *Certain Disclosures Related to Debt, included Direct Borrowings and Direct Placement*, effective for periods beginning after June 15, 2019. Currently, this Statement has no effect on the District's financial statements.
- GASB 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance* – effective immediately.

**G) Cash and Cash Equivalents**

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

**H) Investments**

Investments are stated at fair value (the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date). Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment earnings included interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

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

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**I) Accounts Receivable**

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

**J) Inventory**

Inventory items consist primarily of equipment parts retained for use in District equipment and are valued at cost which approximates market using the first in, first out method.

**K) Capital Assets**

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

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

Buildings	20 - 50 years
Improvements	20 years
Subsurface Wastewater Lines	60 years
Equipment	5 - 20 years
Vehicles	5 - 10 years
Other	5 - 20 years

**L) Compensated Absences**

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

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**M) Pension Plan**

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

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

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Employer Financial Reporting Date	June 30, 2020
Measurement Period (MP)	July 1, 2018 to June 30 2019

**N) Other Postemployment Benefits (OPEB)**

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

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

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

**O) Deferred Outflows and Deferred Inflows of Resources**

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

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

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**P) Net Position**

Net position is categorized as follows:

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, net of accumulate depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- *Restricted Net Position* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments of constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* - This component of net position consists of net position that does not meet the definition of restricted net position or *net investment in capital assets*.

**Q) Operating Revenues and Expenses**

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

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

**R) Property Taxes**

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

Property taxes receivable at year-end are related to property taxes collected by the Orange County Tax Collector which have not been credited to the District's cash balance as of June 30, 2020.

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**R) Property Taxes - Continued**

The Property tax calendar is as follows:

Lien Date	January 1	
Levy Year	July 1	
Due Dates	November 1	1 <sup>st</sup> Installment
	March 1	2 <sup>nd</sup> Installment
Delinquent Dates	December 10	1 <sup>st</sup> Installment
	April 10	2 <sup>nd</sup> Installment

**S) Capital Contributions**

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

**T) Maintenance Costs**

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

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**2) CASH AND INVESTMENTS**

Cash and investments as of June 30, 2020 are reported in the accompanying Statement of Net Position as follows:

Cash and Cash Equivalents	\$	6,636,506
Investments		<u>13,442,697</u>
Total	\$	<u><u>20,079,203</u></u>

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

Cash and Cash Equivalents:		
Demand Deposits	\$	-
California Local Agency Investments Fund (LAIF)		6,009,514
Money Market		616,292
Petty Cash		<u>10,700</u>
Total Cash and Cash Equivalents	\$	<u><u>6,636,506</u></u>
Investments:		
United States Government Sponsored Agency Securities	\$	8,442,561
Negotiable Certificates of Deposit		4,800,683
Corporate Bonds		<u>199,453</u>
Total Investments		<u><u>13,442,697</u></u>
Total Cash and Investments	\$	<u><u>20,079,203</u></u>

**Investments Authorized by the District’s Investment Policy**

The District’s investment policy authorizes investments selected on the basis of credit worthiness, financial strength, experience, and minimal capitalization. The District shall select only licensed brokers and dealers in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers, or other applicable self-regulatory organizations. The District is prohibited from investing in any funds in inverse floaters, range notes, interest-only strips derived from mortgage pools, or any investment which may result in a zero interest accrual if held to maturity. It is the District policy to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

The primary objectives of the District’s investment activities in priority order are: safety, liquidity, and return on investments. Investments shall be chosen with judgement and care, considering the probable safety of their capital as well as the probable income to be derived. Although the District has pre-authorized investment categories per Resolution No. R-43, the only investments in practice are those in the local government investment pool administered by the State of California (LAIF) and the Santa Barbara County Investment Pool.

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**2) CASH AND INVESTMENTS - Continued**

**Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustees, are governed by the provisions of the debt agreements, The table below identifies the investment types that are authorized for the District by the California Government Code (or the District’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s Investment policy, were more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
United States Treasury Obligations Federal Agencies (United States Government Sponsored Agency Securities)	5 years	None	None
Commercial Paper	270 days	25%	10%
Certificates of Deposit	1 year	25%	None
Negotiable Certificates of Deposit	5 years	25%	10%
Bankers’ Acceptances	180 days	25%	10%
Medium-Term Corporate Notes	5 years	20%	10%
Mutual Funds	5 years	20%	10%
Local Agency Investment Fund (LAIF)	N/A	50%	\$75,000,000
Shares of Beneficial Interest	5 years	20%	10%

**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 rates. One of the ways that the District’s manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**2) CASH AND INVESTMENTS - Continued**

**Interest Rate Risk - Continued**

Information about the sensitivity of the fair values of the District's cash equivalents and investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2020.

Cash Equivalent and Investment Type	Remaining Maturities in Months			Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	
United States Government Sponsored				
Agency Securities	\$ -	\$ -	\$ 8,442,561	\$ 8,442,561
Local Agency Investment Fund	6,009,514	-	-	6,009,514
Negotiable Certificates of Deposit	1,640,559	1,305,362	1,854,762	4,800,683
Corporate Bonds	-	-	199,453	199,453
Money Market	616,292	-	-	616,292
<b>Total</b>	<b>\$ 8,266,365</b>	<b>\$ 1,305,362</b>	<b>\$ 10,496,776</b>	<b>\$ 20,068,503</b>

**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 California Government Code, the District's investment policy and the actual rating by Standards and Poor as of year-end for each cash equivalent and investment type:

Cash Equivalent and Investment Type	Total	Minimum Legal Rating	California Government Code			Not Rated
			AAA	AA	A	
U.S. Government Sponsored Agency Securities	\$ 8,442,561	N/A	\$ 7,942,491	\$ 500,070	\$ -	\$ -
Local Agency Investment Fund	6,009,514	N/A	-	-	-	6,009,514
Negotiable Certificates of Deposit	4,800,683	N/A	-	-	-	4,800,683
Corporate Bonds	199,453	N/A	-	-	199,453	-
Money Market	616,292	N/A	-	-	-	616,292
<b>Total</b>	<b>\$ 20,068,503</b>		<b>\$ 7,942,491</b>	<b>\$ 500,070</b>	<b>\$ 199,453</b>	<b>\$ 11,426,489</b>

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**2) CASH AND INVESTMENTS - Continued**

**Concentration of Credit Risk**

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

Issuer	Investment Type	Report Amount	Percent of Investment
Federal Farm Credit Bank	United States Government Sponsored Agency Securities	\$ 2,606,660	31%
Federal National Mortgage Association	United States Government Sponsored Agency Securities	\$ 500,070	6%
Federal Home Loan Mortgage Corporation	United States Government Sponsored Agency Securities	\$ 3,946,734	47%
Federal Home Loan Bank	United States Government Sponsored Agency Securities	\$ 1,389,097	16%

**Custodial Credit Risk**

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2020, the District's deposits were collateralized as required by California Law.

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**2) CASH AND INVESTMENTS - Continued**

**Investment in State Investment Pool**

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance and State Controller. The District may invest up to \$75 million in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The fair value of the District's investment in this pool is reported in the accompanying financial statements at the amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

**Fair Value Measurements**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2020:

Investments by Fair Value Level	<u>June 30, 2020</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Debt Securities:				
United States Government Sponsored				
Agency Securities	\$ 8,442,561	\$ -	\$ 8,442,561	\$ -
Corporate Bonds	199,453	-	199,453	-
Negotiable Certificates of Deposit	4,800,683	-	4,800,683	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Investments by Fair Value Level	13,442,697	\$ -	\$ 13,442,697	\$ -
Investments Measured at Net Asset Value (NAV) (Approximate Fair Value):				
Money Market	616,292			
Local Agency Investment Fund	6,009,514			
	<hr/>			
Total Investments at Fair Value	<u>\$ 20,068,503</u>			

The United States Government Sponsored Agency Securities and negotiable certificates of deposit are classified in Level 2 of the fair value hierarchy and valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**3) CAPITAL ASSETS**

Changes in capital asset for the year ended June 30, 2020 are as follows:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u> <u>and Transfers</u>	<u>Retirements</u> <u>and Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 4,327,279	\$ -	\$ -	\$ 4,327,279
Property Rights	4,025	-	-	4,025
Construction in Progress	<u>387,606</u>	<u>1,527,006</u>	<u>(1,403,913)</u>	<u>510,699</u>
Total Capital Assets, Not Being Depreciated	<u>4,718,910</u>	<u>1,527,006</u>	<u>(1,403,913)</u>	<u>4,842,003</u>
Capital Assets, Being Depreciated:				
Subsurface Sewer Lines	92,044,522	1,443,340	(103,144)	93,384,718
Building and Improvements	6,382,824	21,915	-	6,404,739
Equipment	1,270,512	69,950	(76,307)	1,264,155
Vehicles	<u>959,805</u>	<u>549,448</u>	<u>(333,949)</u>	<u>1,175,304</u>
Total Capital Assets, Being Depreciated	<u>100,657,663</u>	<u>2,084,653</u>	<u>(513,400)</u>	<u>102,228,916</u>
Less Accumulated Depreciation:				
Subsurface Sewer Lines	(60,041,378)	(1,389,514)	77,360	(61,353,532)
Building and Improvements	(687,073)	(138,133)	-	(825,206)
Equipment	(674,620)	(105,476)	17,169	(762,927)
Vehicles	<u>(526,239)</u>	<u>(159,463)</u>	<u>144,711</u>	<u>(540,991)</u>
Total Accumulated Depreciation	<u>(61,929,310)</u>	<u>(1,792,586)</u>	<u>239,240</u>	<u>(63,482,656)</u>
Total Capital Assets Being Depreciated, Net	<u>38,728,353</u>	<u>292,067</u>	<u>(274,160)</u>	<u>38,746,260</u>
Total Capital Assets, Net	<u>\$ 43,447,263</u>	<u>\$ 1,819,073</u>	<u>\$ (1,678,073)</u>	<u>\$ 43,588,263</u>

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

Solid Waste	\$ 4,084
Wastewater	<u>1,788,502</u>
Total	<u>\$ 1,792,586</u>

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**4) COMPENSATED ABSENCES**

Accumulated unpaid vacation and other employee benefit amounts are accrued when vested. At June 30, 2020, compensated absences payable amounted to \$113,676, of which \$43,215 is considered a current liability.

Changes to compensated absences for 2020, were as follows:

	Balance June 30, 2019	Earned	Taken	Balance June 30, 2020	Current Portion	Long-Term Portion
Compensated Absences	\$ 92,382	\$ 55,057	\$ (33,764)	\$ 113,675	\$ 43,215	\$ 70,460

**5) PENSION PLAN**

**A) General Information about the Pension Plan**

*Plan Descriptions*

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

*Benefits Provided*

CalPERS, provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**5) PENSION PLAN - Continued**

**A) General Information about the Pension Plan - Continued**

***Benefits Provided - Continued***

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

	<b>Miscellaneous Tier I</b>	<b>Miscellaneous Tier II</b>	<b>Miscellaneous PEPRA</b>
Hire Date	Prior to January 1, 2013	From July 2, 2011 to December 31, 2012	On or After January 1, 2013
Benefit Formula	2% @ 55	2% @ 62	2% @ 62
Benefit Vesting Schedule	5 years of service	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50 - 63+	50 - 65+	52 - 67+
Monthly Benefits, as a % of Eligible Compensation	1.426% to 2.418%	1.092% to 2.418%	1.000% to 2.500%
Required Employee Contribution Rates	7.00%	7.00%	6.50%
Required Employer Contribution Rates	10.868%	8.668%	7.072%

***Contributions***

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by Miscellaneous or Safety Risk Pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended.

Employer contributions to the Plan for the fiscal year ended June 30, 2020 were \$131,461.

***Net Pension Liability***

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

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**5) PENSION PLAN - Continued**

**A) General Information about the Pension Plan - Continued**

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

	Miscellaneous Plan
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	3.3% - 14.2% <sup>(1)</sup>
Investment Rate of Return	7.15% <sup>(2)</sup>
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds <sup>(3)</sup>
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

<sup>(1)</sup> Depending on age, service and type of employment

<sup>(2)</sup> Net of pension plan investment expenses, including inflation

<sup>(3)</sup> The Mortality Table used was developed based on CalPER's specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016. For more details on this table refer to 2017 experience study report on the CalPERS website.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS website under Forms and Publications.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**5) PENSION PLAN - Continued**

**A) General Information about the Pension Plan - Continued**

***Discount Rate - Continued***

both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov).

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the PERF asset classes, (which includes the agent plan and two cost-sharing plans or PERF A, B and C funds) expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above the rounded down to the nearest one quarter of one percent.

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

Asset Class <sup>1</sup>	New Strategic Allocation	Real Return Years 1 - 10 <sup>2</sup>	Real Return Years 11+ <sup>3</sup>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92)%
Total	<u>100%</u>		

<sup>1</sup> In the System’s CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

<sup>2</sup> An expected inflation of 2.00% used for this period

<sup>3</sup> An expected inflation of 2.92% used for this period

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**5) PENSION PLAN - Continued**

**A) General Information about the Pension Plan - Continued**

***Pension Plan Fiduciary Net Pension***

Information about the pension plans' deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website.

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

***Proportionate Share of the Net Pension Liability***

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

<u>Miscellaneous Plans</u>	<u>Increase (Decrease)</u>		
	<u>Plan Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Plan Net Pension Liability (c) = (a) - (b)</u>
Balance at: 6/30/2018 (VD)	\$ 2,635,020	\$ 2,545,753	\$ 89,267
Balance at: 6/30/2019 (MD)	3,046,521	2,888,203	158,318
Net Changes During 2018-19	<u>\$ 411,501</u>	<u>\$ 342,450</u>	<u>\$ 69,051</u>

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

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website.

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**5) PENSION PLAN - Continued**

**A) General Information about the Pension Plan - Continued**

***Proportionate Share of the Net Pension Liability - Continued***

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

Proportionate Share - June 30, 2018	0.00237%
Proportionate Share - June 30, 2019	<u>0.00395%</u>
Change - Increase (Decrease)	<u>0.00158%</u>

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

The following presents the District's proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Plans			
Net Pension Liability (Asset)	<u>\$ 568,085</u>	<u>\$ 158,318</u>	<u>\$ (179,915)</u>

***Subsequent Events***

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

***Recognition of Gains and Losses***

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

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

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**5) PENSION PLAN - Continued**

**A) General Information about the Pension Plan - Continued**

***Recognition of Gains and Losses - Continued***

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

Difference between projected and actual earnings	5-year straight-line amortization
All other amounts	Straight-line amortization over the average expensed remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

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

As of the start of the measurement period (July 1, 2018), the net pension liability for the Plan is \$89,267.

For the measurement period ending June 30, 2019 (the measurement date), the District Plan incurred a pension expense/ (income) of \$235,342.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Changes in Assumptions	\$ 7,549	\$ 2,676
Differences between Expected and Actual Experience	10,996	852
Differences between Projected and Actual Investment Earnings	-	2,768
Differences between Employer's Contributions and Proportionate Share of Contributions	83,498	1,721
Change in Employer's Proportion	103,769	45,608
Pension Contributions Made Subsequent to Measurement Date	131,461	-
	<hr/>	<hr/>
Total	<u>\$ 337,273</u>	<u>\$ 53,625</u>

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**5) PENSION PLAN - Continued**

**A) General Information about the Pension Plan - Continued**

***Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions - Continued***

These amounts above are net of outflows and inflow recognized in the 2018-19 measurement period expense. \$131,461 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Miscellaneous Plan	
Measurement Period Ended June 30,	Deferred Outflows/Inflows of Resources
2021	\$ 95,902
2022	43,527
2023	12,198
2024	559
2025	-
Thereafter	-
	\$ 152,186

***Payable to the Pension Plan***

At June 30, 2020, the District had \$4,796 payable for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**6) OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

*Plan Description*

The District, through a single-employer plan, provides post-employment health care benefits. The plans assets are held in trust with the Public Agency portion of the California Employers’ Retiree Benefit Trust Fund (CERBT), an agent multiple-employer Section 115 trust fund plan administered by California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. The following requirements must be satisfied in order to be eligible for lifetime post-employment medical benefits: (1) Attainment of age 50, and 5 years of CalPERS service (or disability), and (2) Retirement from CalPERS and from the District (the District must be the last employer prior to retirement). Currently, there are six retired employees who have met these eligibility requirements and three of which have elected to receive the benefits and three are not. The CERBT is included in the CalPERS annual financial report available on the CalPERS website. The District’s plan does not issue financial statements.

*Benefits*

The District offers post-employment medical benefits to retired employees who satisfy the eligibility rules. Retirees may enroll in any plan available through the District’s CalPERS medical plan. The contribution requirement of the Plan members and the District are established and may be amended by the Board of Directors. As a member of the CalPERS medical plan the District is required to participate in its post-employment medical benefit plan. The District currently pays the CalPERS minimum required employer contribution on an “Unequal” basis (\$111 per month), Equal being \$139, and indexed to medical CPI plus amortized factor, becoming equal in 2024).

*Employees Covered*

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

Active employees	15
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to, but not yet receiving benefits	1
<b>Total</b>	19

*Contributions*

The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2020, the District’s cash contributions were \$16,809 in payments to the trust, \$7,012 cash benefits and the estimated implied subsidy was \$10,369 resulting in total payments of \$34,190.

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**6) OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued**

*Net OPEB Liability (Asset)*

The District's net OPEB liability (asset) was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation dated June 30, 2018 based on the following actuarial methods and assumptions:

**Actuarial Assumptions**

Discount Rate	6.90%
Inflation	2.75%
Salary Increases	3.00% plus merit
Investment Rate of Return	7.00%
Mortality Rate <sup>(1)</sup>	Derived using CalPERS Membership Data for all funds
Pre-Retirement Turnover <sup>(2)</sup>	Derived using CalPERS Membership Data for all funds
Healthcare Trend Rate	7.5% (Non-Medicare) decreasing to 5.3%
	6.5% (Medicare) decreasing to 5.0%

Notes:

<sup>(1)</sup> Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be access on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

<sup>(2)</sup> The pre-retirement turnover information was developed based on CalPERS specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	59.0%	5.98%
Fixed Income	25.0%	2.62%
TIPS	5.0%	1.46%
Commodities	3.0%	2.87%
REITs	8.0%	5.00%
<b>Total</b>	<b>100%</b>	

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**6) OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued**

***Discount Rate***

The discount rate used to measure the total OPEB liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projects benefit payments to determine the total OPEB liability.

***Changes in the OPEB Liability/(Asset)***

The changes in the net OPEB liability (asset) for the Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
<b>Balance at June 30, 2019</b> <i>(Valuation Date June 30, 2018)</i>	\$ 284,902	\$ 328,430	\$ (43,528)
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	18,341	-	18,341
Interest	19,882	-	19,882
Actual and Expected Experience Difference	26,513	-	26,513
Changes of Assumptions	(20,482)	-	(20,482)
Contribution – Employer	-	34,190	(34,190)
Net Investment Income	-	21,104	(21,104)
Benefit Payments	(17,381)	(17,381)	-
Administrative Expense	-	(74)	74
Net Changes	26,873	37,839	(10,966)
<b>Balance at June 30, 2020</b> <i>(Measurement Date June 30, 2019)</i>	\$ 311,775	\$ 366,269	\$ (54,494)

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**6) OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued**

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

The following presents the net OPEB liability (asset) of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Net OPEB Liability (Asset)	\$ (16,505)	\$ (54,494)	\$ (88,334)

*Sensitivity of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rates*

The following presents the net OPEB liability (asset) of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability (Asset)	\$ (94,645)	\$ (54,494)	\$ (4,259)

***OPEB Plan Fiduciary Net Position***

CERBT issues a publicly available financial report that may be obtained from the California Public Employees Retirement System Executive Office, 400 P Street, Sacramento, California 95814.

***Recognition of Deferred Outflows and Deferred Inflows of Resources***

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

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

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**6) OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued**

***Recognition of Deferred Outflows and Deferred Inflows of Resources - Continued***

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

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL)

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

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$24,676. As of fiscal year ended June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following services:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 24,071	\$ -
Changes in assumptions	-	18,595
Deferred Contributions	36,845	-
Net differences between projected and actual earnings on OPEB plan investments	-	3,296
 Total	 \$ 60,916	 \$ 21,891

The \$36,845 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date as the valuation was for the same reporting period and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Year Ended June 30,	Deferred Outflow/(Inflows) of Resources
2021	\$ (1,047)
2022	(1,046)
2023	136
2024	881
2025	555
Thereafter	2,701

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**7) JOINT POWERS INSURANCE AUTHORITY**

The District is exposed to various general liability risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees and natural disasters. To help mitigate these risks, the District is a member of the Special District Risk Management Authority (the Authority).

*Description of the Authority*

The Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Section 6500 et. seq. The Authority's purpose is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The District is self-insured to \$50,000 for Public Officials Errors and Omissions and up to \$250,000 for General Liability and Property Loss which are paid through the Authority's pool. The self-insurance amount for Workers Compensation is \$750,000.

Self-Insurance Programs of the Authority

At June 30, 2020, the District participated in the Authority's self-insurance programs as follows:

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

*General Liability* - Insured up to \$10,000,000 per occurrence with no annual aggregate limits and a \$0 deductible, except \$500 deductible for licensed vehicles.

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

*Workers' Compensation* - Insured up to statutory limits.

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

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

*Employee Dishonesty Coverage* - Insured up to \$1,000,000 per occurrence.

**Costa Mesa Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2020

**8) CONTINGENCIES**

***COVID-19***

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The pandemic continued subsequent to year end with certain restrictions required by the Governor of California, as well as local governments, which may affect revenue sources and also caused subsequent stock market volatility. The duration of the pandemic and the impact of COVID-19 on the District's operational and financial performance is uncertain at this time.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Plan Contributions – Pension

Schedule of changes in Net OPEB Liabilities (Asset) and Related Ratios for  
Measurement Periods Ended June 30,

Schedule of Contributions – OPEB

**Costa Mesa Sanitary District**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Last Ten Years\***  
For the Year Ended June 30, 2020

Fiscal Year	Proportion of the Net Pension Liability <sup>1</sup>	Proportionate Share of the Net Pension Liability	Covered Payroll <sup>2</sup>	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.00470%	\$ 270,680	\$ 785,130	34.48%	83.03%
2016	0.01001%	\$ 274,712	\$ 927,345	29.62%	83.99%
2017	0.01105%	\$ 384,681	\$ 1,003,922	37.14%	80.02%
2018	0.00267%	\$ 105,177	\$ 1,182,000	8.89%	95.45%
2019	0.00237%	\$ 89,267	\$ 1,376,416	6.49%	96.61%
2020	0.00395%	\$ 158,318	\$ 1,631,291	9.71%	83.22%

**Notes to Schedule:**

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

<sup>2</sup> Covered payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

\*This is the sixth year of implementation, therefore only six years are presented.

**Costa Mesa Sanitary District**  
**Schedule of Contributions - Pension**  
**Last Ten Years\***  
For the Year Ended June 30, 2020

Fiscal Year	Contractually Required Contribution (Actuarially Determined)	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll <sup>1</sup>	Contributions as a Percentage of Covered Payroll
2015	\$ 103,072	\$ (103,072)	\$ 0	\$ 972,345	11.11%
2016	\$ 108,023	\$ (108,023)	\$ 0	\$ 1,033,922	10.45%
2017	\$ 450,487	\$ (450,487)	\$ 0	\$ 1,182,000	38.11%
2018	\$ 110,124	\$ (110,124)	\$ 0	\$ 1,376,416	8.00%
2019	\$ 117,340	\$ (117,340)	\$ 0	\$ 1,631,291	7.19%
2020	\$ 131,461	\$ (131,461)	\$ 0	\$ 2,257,055	5.82%

<sup>1</sup> Cover payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

\*This is the sixth year of implementation, therefore only six years are presented.

**Notes to Schedule:**

Change in Benefit Terms: None

Change in Assumptions: None

**Costa Mesa Sanitary District**  
**Schedule of Changes in Net OPEB Liabilities (Asset) and Related Ratios for**  
**Measurement Periods Ended June 30,**

Measurement Period	2020	2019	2018
<b>Total OPEB Liability</b>			
Service Cost	\$ 18,341	\$ 17,807	\$ 17,288
Interest on the Total OPEB Liability	19,882	18,641	17,915
Actual and Expected Experience Difference	26,513	-	-
Changes in Assumptions	(20,482)	-	-
Changes in Benefit Terms	-	-	-
Benefit Payments	(17,381)	(19,816)	(30,123)
	<hr/>	<hr/>	<hr/>
<b>Net Change in Total OPEB Liability</b>	<b>26,873</b>	<b>16,632</b>	<b>5,080</b>
<b>Total OPEB Liability - Beginning</b>	<b>284,902</b>	<b>268,270</b>	<b>263,190</b>
	<hr/>	<hr/>	<hr/>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 311,775</b>	<b>\$ 284,902</b>	<b>\$ 268,270</b>
	<hr/>	<hr/>	<hr/>
<b>Plan Fiduciary Net Position</b>			
Contribution - Employer	\$ 34,190	\$ 19,816	\$ 156,123
Net Investment Income	21,104	24,267	24,822
Benefit Payments	(17,381)	(19,816)	(30,123)
Administrative Expense	(74)	(566)	(141)
	<hr/>	<hr/>	<hr/>
<b>Net Change in Plan Fiduciary Net Position</b>	<b>37,839</b>	<b>23,701</b>	<b>150,681</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>328,430</b>	<b>304,729</b>	<b>154,048</b>
	<hr/>	<hr/>	<hr/>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 366,269</b>	<b>\$ 328,430</b>	<b>\$ 304,729</b>
	<hr/>	<hr/>	<hr/>
<b>Net OPEB Liability (Asset) - Ending (a)-(b)</b>	<b>\$ (54,494)</b>	<b>\$ (43,528)</b>	<b>\$ (36,459)</b>
	<hr/>	<hr/>	<hr/>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	117%	115.3%	113.6%
Covered Payroll	1,322,576	1,354,463	1,182,000
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(4.12)%	(3.21)%	(3.08)%

**Notes to Schedule:**

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

**Costa Mesa Sanitary District  
Schedule of Contributions - OPEB  
Last Ten Fiscal Years'**

Fiscal Year Ended June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$ 16,456	\$ 16,809	\$ 19,904
Contributions in Relation to the ADC	(36,845)	(34,190)	(19,816)
Contribution Deficiency (Excess)	<u>\$ (20,389)</u>	<u>\$ (17,381)</u>	<u>\$ 88</u>
Covered Payroll	\$ 1,601,979	\$ 1,322,576	\$ 1,354,463
Contributions as a percentage of covered payroll	2.3%	-2.6%	1.5%

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020 were from the June 30, 2019 actuarial valuation.

**Methods and assumptions used to determine contributions:**

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll over a closed rolling 15-year period
Asset Valuation Method	Market value
Inflation	2.75%
Salary Increases	3.00% plus merit
Investment Rate of Return	7.00% per annum
Healthcare Cost-trend Rates	7.50% (Non-Medicare) decreasing to 5.3% 6.50% (Medicare) decreasing to 5.0%
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Pre-retirement mortality probability based on 2014 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information become available.

**THIS PAGE INTENTIONALLY LEFT BLANK**

## **STATISTICAL SECTION**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**Costa Mesa Sanitary District**

**Description of Statistical Section Contents**

---

For the year ended June 30, 2020

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

Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.	49 - 50
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the District’s most significant own source revenues, solid waste and wastewater revenues.	51 - 59
<u>Debt Capacity</u> 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.	60 - 63
<u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place.	64 - 65
<u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the services the District provides and the activities it performs.	66 - 68

**Costa Mesa Sanitary District**

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

	Fiscal Year			
	2011	2012	2013	2014
Changes in net position:				
Operating revenues	\$ 10,731,490	\$ 10,759,564	\$ 10,636,733	\$ 10,327,835
Operating expenses	(8,160,177)	(8,303,399)	(7,953,569)	(8,453,930)
Depreciation and amortization	(1,540,281)	(1,607,841)	(1,715,991)	(1,604,500)
Operating income (loss)	1,031,032	848,324	967,173	269,405
Non-operating revenue (expenses), net	434,597	740,072	138,767	260,229
Net income (loss) before capital contributions	1,465,629	1,588,396	1,105,940	529,634
Capital contributions	-	-	5,000	5,000
<b>Changes in net position</b>	<b>\$ 1,465,629</b>	<b>\$ 1,588,396</b>	<b>\$ 1,110,940</b>	<b>\$ 534,634</b>
Net position:				
Net investment in capital assets	\$ 39,122,787	\$ 39,792,929	\$ 39,793,590	\$ 29,605,233
Restricted for capital outlay	381,368	8,116	-	-
Unrestricted	16,472,278	17,763,784	18,684,743	19,407,734
<b>Total net position</b>	<b>\$ 55,976,433</b>	<b>\$ 57,564,829</b>	<b>\$ 58,478,333</b>	<b>\$ 49,012,967</b>

Source: Costa Mesa Sanitary District

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 10,825,377	\$ 11,077,758	\$ 11,246,522	\$ 11,419,014	\$ 11,372,000	\$ 11,709,883
(8,634,912)	(9,323,731)	(9,483,656)	(9,409,708)	(10,293,776)	(10,020,677)
<u>(1,690,932)</u>	<u>(1,754,124)</u>	<u>(1,749,622)</u>	<u>(1,738,975)</u>	<u>(1,685,650)</u>	<u>(1,792,586)</u>
499,533	(97)	13,244	270,331	(607,426)	(103,380)
<u>589,791</u>	<u>574,652</u>	<u>761,793</u>	<u>416,994</u>	<u>1,147,748</u>	<u>853,020</u>
1,089,324	574,555	775,037	687,325	540,322	749,640
	89,400	49,253	-	10,000	-
<u>\$ 1,089,324</u>	<u>\$ 663,955</u>	<u>\$ 824,290</u>	<u>\$ 687,325</u>	<u>\$ 550,322</u>	<u>\$ 749,640</u>
\$ 39,102,729	\$ 42,348,941	\$ 43,096,961	\$ 44,564,961	\$ 43,447,263	\$ 43,588,263
-	-	-	-	-	-
<u>20,726,351</u>	<u>18,144,094</u>	<u>18,220,364</u>	<u>17,262,186</u>	<u>18,930,206</u>	<u>19,538,846</u>
<u>\$ 59,829,080</u>	<u>\$ 60,493,035</u>	<u>\$ 61,317,325</u>	<u>\$ 61,827,147</u>	<u>\$ 62,377,469</u>	<u>\$ 63,127,109</u>

**Costa Mesa Sanitary District**

**Operating Revenues by Source  
Last Ten Fiscal Years**

---

	Fiscal Year			
	2011	2012	2013	2014
Operating revenues				
Trash assessments	\$ 5,185,184	\$ 5,180,748	\$ 4,921,705	\$ 4,681,766
Wastewater assessments	5,116,190	5,117,377	5,133,674	5,081,699
Permits and inspection fees	46,222	83,237	140,536	118,041
Connection fees	28,865	78,230	189,262	134,158
Other services and charges	355,029	299,972	251,556	312,171
<b>Total Operating Revenues</b>	<b>\$ 10,731,490</b>	<b>\$ 10,759,564</b>	<b>\$ 10,636,733</b>	<b>\$ 10,327,835</b>

Source: Costa Mesa Sanitary District

Continued

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 4,768,071	\$ 4,787,459	\$ 4,882,785	\$ 4,965,640	\$ 4,907,485	\$ 5,151,672
5,301,231	5,430,408	5,552,190	5,662,878	5,644,174	5,624,274
206,971	231,850	265,340	229,124	215,070	237,572
192,913	257,323	183,352	146,575	161,484	242,026
356,191	370,718	362,855	414,797	443,787	454,339
<u>\$ 10,825,377</u>	<u>\$ 11,077,758</u>	<u>\$ 11,246,522</u>	<u>\$ 11,419,014</u>	<u>\$ 11,372,000</u>	<u>\$ 11,709,883</u>

**Costa Mesa Sanitary District**

**Operating Expenses by Activity  
Last Ten Fiscal Years**

---

	Fiscal Year			
	2011	2012	2013	2014
Operating expenses				
Solid waste disposal	\$ 4,510,918	\$ 4,450,943	\$ 4,483,980	\$ 4,477,812
Wastewater disposal	1,619,781	1,912,341	1,438,604	1,591,051
General and administrative	2,029,478	1,940,115	2,030,985	2,385,067
<b>Total Operating Expenses</b>	<u>\$ 8,160,177</u>	<u>\$ 8,303,399</u>	<u>\$ 7,953,569</u>	<u>\$ 8,453,930</u>

Continued

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 4,500,416	\$ 4,770,212	\$ 4,992,220	\$ 5,030,898	\$ 5,090,936	\$ 5,544,397
1,665,480	1,641,085	1,800,679	1,407,130	2,044,275	1,514,716
2,469,016	2,912,434	2,690,757	2,971,680	3,158,565	2,961,564
<u>\$ 8,634,912</u>	<u>\$ 9,323,731</u>	<u>\$ 9,483,656</u>	<u>\$ 9,409,708</u>	<u>\$ 10,293,776</u>	<u>\$ 10,020,677</u>

**Costa Mesa Sanitary District**

**Non-Operating Revenue (Expense)  
Last Ten Fiscal Years**

---

	Fiscal Year			
	2011	2012	2013	2014
Non-operating revenues (expenses)				
Investment Earnings	\$ 154,279	\$ 188,000	\$ (144,970)	\$ 291,073
Taxes	212,004	214,579	301,046	235,336
Other revenues	69,856	424,291	97,383	77,814
Other expenses	-	-	-	(350,000)
Loss on disposal of assets	(1,542)	(86,798)	(114,692)	6,006
<b>Total non-operating revenues</b>	<b>\$ 434,597</b>	<b>\$ 740,072</b>	<b>\$ 138,767</b>	<b>\$ 260,229</b>

Source: Costa Mesa Sanitary District

Continued

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 205,472	\$ 292,524	\$ 26,140	\$ 50,834	\$ 661,506	\$ 445,719
245,415	270,876	287,705	313,456	328,943	364,570
138,904	44,760	385,530	52,704	162,579	202,946
-	-	-	-	-	-
-	(33,508)	62,418	-	(5,280)	(160,215)
<u>\$ 589,791</u>	<u>\$ 574,652</u>	<u>\$ 761,793</u>	<u>\$ 416,994</u>	<u>\$ 1,147,748</u>	<u>\$ 853,020</u>

**Costa Mesa Sanitary District**

**Solid Waste and Wastewater Revenue Rates  
Last Ten Fiscal Years**

---

	Fiscal Year			
	2011	2012	2013	2014
<b>Solid Waste</b>				
<u>Customer Type</u>				
Single family residential	\$ 239.41	\$ 239.41	\$ 228.00	\$ 216.00
<b>Wastewater</b>				
<u>Customer Type</u>				
Single family residential	\$ 66.23	\$ 66.23	\$ 66.23	\$ 85.34
Multi-family residential	51.00	51.00	51.00	50.09
Commercial-Average Strength (per 1000 sf)	38.52	38.52	38.52	37.96
Commercial-High Strength (per 1000 sf)	-	-	-	41.40
Industrial (per 1000 sf)	113.50	113.50	113.50	97.44
Other (per 1000 sf)	34.14	34.14	34.14	N/A

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

---

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 216.00	\$ 216.00	\$ 216.00	\$ 216.00	\$ 216.00	\$ 224.88
\$ 87.05	\$ 88.79	\$ 90.57	\$ 92.38	\$ 92.38	\$ 92.38
51.09	52.11	53.15	54.21	54.21	54.21
38.72	39.49	40.28	41.09	41.09	41.09
42.23	43.07	43.93	44.81	44.81	44.81
99.39	101.38	103.41	105.48	105.48	105.48
N/A	N/A	N/A	N/A	N/A	N/A

**THIS PAGE INTENTIONALLY LEFT BLANK**

## Costa Mesa Sanitary District

### Principal Wastewater Customers Current Fiscal Year and Nine Years Ago

	2020		2011	
	Square Feet Assessed	Percentage of Total	Square Feet Assessed	Percentage of Total
<b>Industrial Customer Type</b>				
International Asset Management Group	329,349	3.51%	-	0.00%
CJ Segerstrom & Sons	276,718	2.95%	276,720	2.84%
CLA VAL Company	252,484	2.69%	252,480	2.59%
TRICO Costa Mesa/Rents/TCH LTD	175,278	1.87%	-	0.00%
OLEN Properties Corp.	141,588	1.51%	-	0.00%
CPF Airway Associates LLC	131,115	1.40%	-	0.00%
Van Ausdeln, Sandra Ann Trust	124,407	1.32%	124,410	1.28%
Life Storage LP	118,514	1.26%	-	0.00%
Napa Vista Tologcay LLC	114,588	1.22%	-	0.00%
Griswold Industries	114,583	1.22%	114,580	1.18%
Orange Grove Properties	109,870	1.17%	109,870	1.13%
Total square feet: Industrial Principal Customers	<u>1,888,494</u>	<u>18.94%</u>	<u>878,060</u>	<u>0.08</u>
Total square feet : Industrial Customers	<u>9,392,668</u>	<u>100.00%</u>	<u>9,745,720</u>	<u>100.00%</u>
<b>Commercial Customer Type</b>				
Newport Mesa Unified School District	1,438,431	4.57%	-	0.00%
CJ Segerstrom & Sons	1,321,779	4.20%	-	0.00%
South Coast Plaza	1,108,642	3.52%	1,108,630	3.48%
The Irvine Company LLC	862,568	2.74%	-	0.00%
PR II/MCC South Coast	835,672	2.66%	-	0.00%
Interinsurance Exchange of the Auto Club of CA	750,914	2.39%	750,910	2.36%
Coast Community College District	674,061	2.14%	674,060	2.12%
BRE/OC/Newton Hotels/LQ	619,107	1.97%	-	0.00%
Pacific Mesa Properties	617,671	1.96%	-	0.00%
Riverville Family Properties LLC	590,313	1.88%	-	0.00%
Vanguard University of Southern California	570,245	1.81%	528,170	1.66%
Segerstrom Center for the Arts	561,752	1.79%	-	0.00%
S-Tract LLC	536,975	1.71%	-	0.00%
Total square feet: Commercial Principal Customers	<u>10,488,130</u>	<u>28.76%</u>	<u>3,061,770</u>	<u>0.10</u>
Total square feet: Commercial Customers	<u>31,466,828</u>	<u>100.00%</u>	<u>31,838,010</u>	<u>100.00%</u>
<b>Multi-family Residential Customer Type</b>				
	Household Units	Percentage of Total	Household Units	Percentage of Total
Costa Mesa Partners	902	3.66%	764	3.02%
MarJack LLC	890	3.61%	-	0.00%
Casden Lakes LP	770	3.12%	770	3.04%
United Dominion Realty LP	764	3.10%	764	3.02%
Katella Investment Co.	684	2.77%	-	0.00%
Pinecreek Investment Co.	620	2.51%	620	2.45%
UDR Harbor Greens LP	584	2.37%	384	1.52%
ZMV Partnership	508	2.06%	508	2.01%
Parkwood Village LTD/Palm Mesa LTD	423	1.72%	-	0.00%
Village Investments	422	1.71%	-	0.00%
Total household units: Multi-family Principal Customers	<u>6,567</u>	<u>26.63%</u>	<u>3,810</u>	<u>15.05%</u>
Total household units assessed: Multi-family Customers	<u>24,658</u>	<u>100.00%</u>	<u>25,317</u>	<u>100.00%</u>

Source: Costa Mesa Sanitary District

**Costa Mesa Sanitary District**

**Ratio of Outstanding Debt  
Last Ten Fiscal Years**

---

	Fiscal Year			
	2011	2012	2013	2014
Capital leases	\$ -	\$ -	\$ -	\$ -
<b>Total debt</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Total debt per capita	\$ -	\$ -	\$ -	\$ -
Total debt as a percent of personal income	0.00%	0.00%	0.00%	0.00%

Source: Costa Mesa Sanitary District

Continued

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Costa Mesa Sanitary District**

**Debt Coverage  
Last Ten Fiscal Years**

---

	Fiscal Year			
	2011	2012	2013	2014
Revenues	\$ 11,166,087	\$ 11,499,636	\$ 10,775,500	\$ 10,938,064
Operating expenses	8,160,177	8,303,399	7,953,569	8,453,930
Net revenues	<u>\$ 3,005,910</u>	<u>\$ 3,196,237</u>	<u>\$ 2,821,931</u>	<u>\$ 2,484,134</u>
Debt service:				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt coverage ratio	N/A	N/A	N/A	N/A

Source: Costa Mesa Sanitary District

Continued

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 11,415,168	\$ 11,652,410	\$ 12,008,315	\$ 11,836,008	\$ 12,525,028	\$ 12,366,052
8,634,912	9,323,731	9,483,656	9,409,708	10,299,056	9,823,826
<u>\$ 2,780,256</u>	<u>\$ 2,328,679</u>	<u>\$ 2,524,659</u>	<u>\$ 2,426,300</u>	<u>\$ 2,225,972</u>	<u>\$ 2,542,226</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
N/A	N/A	N/A	N/A	N/A	N/A

## Costa Mesa Sanitary District

### Demographics and Economic Statistics Last Ten Calendar Years

Calendar Year	City of Costa Mesa (a)		County of Orange (b)		
	District Service Population	Unemployment Rate	Population	Personal Income* (in thousands)	Personal Income per Capita
2010	109,960	8.50%	3,010,232	150,467,328	49,985
2011	110,008	7.80%	3,055,745	154,131,535	50,440
2012	111,675	6.80%	3,090,132	161,743,827	52,342
2013	112,174	5.60%	3,114,363	169,792,810	54,519
2014	112,784	5.60%	3,145,515	173,305,650	55,096
2015	113,204	4.50%	3,169,776	183,052,341	57,749
2016	112,822	3.70%	3,172,532	196,920,661	62,071
2017	113,825	2.70%	3,190,400	208,653,019	65,400
2018	113,615	2.30%	3,185,968	220,684,684	69,268
2019	113,003	6.50%	3,175,692	227,732,561	71,711
2020	c	c	c	c	c

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

- Notes:
- (a) Approximate population of Costa Mesa Sanitary District is the same as the population of the
  - (b) The District has chosen to use County data since the District believes that the County data
  - (c) Data not currently available

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

**Costa Mesa Sanitary District**

**Principal Employers  
Current Fiscal Year and Nine Year Ago**

Employer	2020*			2011		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Experian Information Solution	-	1	0%	3,700	1	5.61%
Coast Community College District Foundation	-	2	0%	2,900	2	4.39%
Orange Coast Community College	-	3	0%	2,500	3	3.79%
Coast Community College	-	4	0%	2,500	4	3.79%
Fairview Developmental Center	-	5	0%	1,500	5	2.27%
Interinsurance Exchange	-	6	0%	1,200	6	1.82%
First Team Real Estate Inc	-	7	0%	1,025	7	1.55%
Pacific Building Care Inc	-	8	0%	850	8	1.29%
International Business Machines Corporation	-	9	0%	750	9	1.14%
FileNet Corporation	-	10	0%	600	10	0.91%
<b>Total Top Ten Employers</b>	<b>0</b>		<b>0%</b>	<b>17,525</b>		<b>27%</b>
<b>Total City Labor Force</b>			<b>65,700</b>			

\* Data Not readily available.

**Costa Mesa Sanitary District**

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

---

	Fiscal Year									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Solid Waste	3.42	3.27	4.60	4.60	3.80	4.70	4.70	4.30	4.00	5.30
Wastewater	9.60	8.28	9.40	10.40	9.20	13.30	13.30	13.70	14.00	12.70
Total Full-time equivalent	<u>13.02</u>	<u>11.55</u>	<u>14.00</u>	<u>15.00</u>	<u>13.00</u>	<u>18.00</u>	<u>18.00</u>	<u>18.00</u>	<u>18.00</u>	<u>18.00</u>

Source: Costa Mesa Sanitary District Accounting Department

**Costa Mesa Sanitary District**

**Operating Indicators by Function  
Last Ten Fiscal Years**

	Fiscal Year				
	2011	2012	2013	2014	2015
<b>Solid Waste:</b>					
Household units serviced	21,531	21,559	21,490.00	21,606	21,824
Recycled/landfill tonnage	40,879	39,841	40,255	40,674	41,774
Organics	*	*	*	*	*
Recycled %	51.92%	57.53%	57.54%	57.39%	56.81%
<b>Wastewater:</b>					
Linear feet (LF) of sewer line cleaned	890,006	650,551	708,092	716,938	910,000
Average of wastewater discharged	10.3 MGD	10.4 MGD	10.6 MGD	10.8 MGD	11 MGD
Sewer lateral financial assistance grant	146	144	169	184	237
CCTV sewer lateral program grants	*	*	*	*	*
Sewer Inspection Rebate Program	*	*	*	*	*

	Fiscal Year				
	2016	2017	2018	2019	2020
<b>Solid Waste:</b>					
Household units serviced	22,398	22,518	22,602	22,848	22,972
Recycled/landfill tonnage	34,363	32,865	33,190	32,781	33,587
Organics	7,284	9,451	9,010	9,772	10,608
Recycled %	57.01%	59.44%	58.99%	60.51%	50.00%
<b>Liquid Waste:</b>					
Linear feet (LF) of sewer line cleaned	1,096,701	878,095	883,900	593,701	730,826
Average of wastewater discharged	11MGD	11MGD	8.7MGD	10MGD	8.9MGD
Sewer lateral financial assistance grant	240	271	19	*	*
CCTV sewer lateral program grants	*	*	114	10	*
Sewer Inspection Rebate Program	*	*	*	34	38

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

Source: Costa Mesa Sanitary District

**Costa Mesa Sanitary District**

**Capital Asset Statistics  
Last Ten Fiscal Years**

---

**Wastewater**

<u>Fiscal Year</u>	<u>Miles of Sanitary Sewers</u>	<u>Number of Pump Stations</u>	<u>Number of Manholes</u>
2011	224	20	4,703
2012	224	20	4,703
2013	224	20	4,704
2014	224	20	4,705
2015	224	20	4,707
2016	224	20	4,716
2017	224	20	4,718
2018	224	20	4,720
2019	224	20	4,721
2020	327	20	4,722

Source: Costa Mesa Sanitary District