



COSTA MESA SANITARY DISTRICT

Costa Mesa, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For Fiscal Year Ended June 30, 2021



Protecting public health and the
environment for current and future
generations



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Costa Mesa Sanitary District

Annual Comprehensive Financial Report For the Year Ended June 30, 2021

**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
Annual Comprehensive Financial Report
For the Year Ended June 30, 2021**

Table of Contents

	Page No.
Introductory Section:	
Letter of Transmittal	i
Board of Directors	vii
Organizational Chart	viii
GFOA Certificate of Achievement for Excellence in Financial Reporting	ix
 Financial Section:	
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	43
Schedule of Plan Contributions - Pension	44
Schedule of changes in Net OPEB Liabilities (Asset) and Related Ratios for Measurement Periods Ended June 30,	45
Schedule of Contributions – OPEB	47
 Statistical Section:	
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

December 20, 2021

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 Annual Comprehensive Financial Report (ACFR) of the Costa Mesa Sanitary District (District) for the year ended June 30, 2021.

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, 2021. 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.

Board of Directors

Robert Ooten
Michael Scheafer
Arlene Schafer
Arthur Perry
Brett Eckles

Staff

Scott C. Carroll
General Manager

Harper & Burns, LLP
District Counsel

Davis Farr, LLP
District Treasurer

Mark Esquer
District Engineer

Noelani Middenway
*District Clerk & Public
Information Officer*

Kaitlin Tran
Finance Manager

Dyana Bojarski
*Administrative Services
Manager*

Steve Cano
*Wastewater Maintenance
Superintendent*

PROFILE OF THE DISTRICT (CONTINUED)

The affairs of the District are directed by a five-member Board of Directors (the Board) elected by-division 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

The District has a history of practicing long term financial planning and strategizing that has helped navigate the organization through unique challenges while at the same time ensuring the public is receiving solid waste and wastewater collection services at the highest level. In 2019, the District implemented solid waste adjustments for the first time in fifteen years. The adjustments were necessary because the District successfully reduced excess funds in the Solid Waste Fund Balance, and the need to fund one of the biggest changes in public behavior in the solid waste industry since the implementation 32 years ago of Assembly Bill 939, the California Integrated Waste Management Act.

Senate Bill 1383, Short-Lived Climate Pollutant Reduction, goes into effect on January 1, 2022. The new law requires District residents to source separate their organic waste (green waste and food scraps) for recycling. No longer can organic waste be disposed of at landfills because decomposing organics create methane gas, a significant source of greenhouse gas emissions contributing to global climate change. While the District has been a pioneer in reducing greenhouse gas emissions dating back to 2015, when the District became the first public agency in Southern California to convert organic waste into Renewable Natural Gas (RNG) using anaerobic digestion technology, the challenge that lays ahead is convincing the public to recycle their food scraps. According to a 2021 citizen survey conducted by the District, 41% of the nearly 1,200 residents surveyed indicated they place less than 10% of their food waste in organics

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES (CONTINUED)

recycling carts. Another challenge the District is facing is organics contamination when trash is mixed with organics. When organics are contaminated/comingled with trash, it is deemed unrecyclable and cannot be converted into RNG. In September 2021, staff conducted a cart-to-cart assessment by visiting 180 homes to look inside their organics carts when placed on the curb for collection. Over 31% of the 180 homes had contaminated organic carts.

For the next two years (2022-23), the District will be focusing on educating the public about SB 1383 and how to properly recycle organic waste. Outreach methods will include the District newsletter, public service announcements, videos, social media, utility bill inserts, in-person events, and other methods.

This past year, the District implemented a Communication Support and Strategy Plan to expand program awareness and enhance effective outreach methods to maximize resident engagement. As a result, the District experienced a notable increase in visibility, especially through its social media outreach. According to the 2021 Citizen Survey, 87% of the residents surveyed indicated they were aware of the District prior to taking the survey and 70% were aware of the District's Organics Recycling Program. However, the vast majority of residents were not aware of District special programs such as our door-to-door Household Hazardous Waste collection program, sharps container disposal, the American flag retirement program, or the sewer inspection rebate program. The District will utilize its Communication Support and Strategy Plan to increase public awareness of special programs and encourage more participation that can help protect the community's health and the environment.

The District has one of the lowest wastewater rates in Orange County and the rates have been stabilized for nearly five straight years. Still, the District is able to achieve extraordinary accomplishments to providing exceptional services for protecting the community's health and the environment. The hiring of a District Engineer has enabled the District to double its capacity on capital improvement projects. In less than one year, the District will have completed or begun (design and/or construction) the following capital projects totaling over \$3 million:

1. #311 Manhole Cover Repairs
2. #318 President Pump Station Reconstruction
3. #322 Iowa Pump Station Force Main Replacement
4. #324 Brick Manhole Rehabilitation
5. #326 19th Street Pump Station Force Main Replacement
6. #327 Calcium Removal Phase 1
7. #328 Ductile Iron Pipe Rehabilitation Phase 1
8. #328 Ductile Iron Pipe Rehabilitation Phase 2
9. #329 Avimore Force Main Replacement
10. #330 Westbluff Pump Station Rehabilitation
11. #333 Elden Force Main Air Release Valve Removal
12. #334 Gisler Force Main Replacement
13. #335 Sewer Siphon Lining
14. #336 Grade 4 Sewer Segment Rehabilitation
15. #337 Air Vac Rehabilitation and Removal

The most notable completed projects include Project #322, the Iowa Pump Station Force Main Replacement and Project #326, the 19th Street Pump Station Force Main Replacement, which involved both pump stations now having dual force mains that will enable staff to transfer wastewater flow from one pipe to the other if a sanitary sewer overflow (SSO) occurs. In addition,

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES (CONTINUED)

the District's proactive maintenance activities, such as cleaning approximately 800,000 linear feet of pipeline and performing preventive maintenance on twenty pump stations, have put the District on pace to achieving zero SSOs in 2021. Due to the District's commitment to protecting the community's health and the environment, the District successfully defended itself in a federal lawsuit filed by a group that accused the District of violating the Clean Water Act. The District successfully defended itself by providing extensive documentation that discredited the group's claim alleging that the District's sewer system was leaking and harming the environment.

The wastewater achievements mentioned above demonstrates how the District is practicing strategic thinking to accomplish its objectives while revenues are stabilized for many years, but with robust long-term financial planning the District has determined rate adjustments are needed to continue our mission *"To protect public health and the environment for current and future generations."* Due to inflation and increased operational expenditures such as fuel, insurance, labor, and technology, the District will need to adjust wastewater rates for the first time in five years.

The rate adjustments will allow the District to continue its exacting standards of providing excellent public service by ensuring the wastewater system is operating at its optimal level and avoiding SSOs. The adjustments will allow the District to expand its cleaning activities, enhance engineering support services and provide necessary information technology (IT) security maintenance and monitoring activities to thwart cyberattack attempts. Unlike most utility agencies in the United States that have deferred infrastructure improvements, the District will continue to be a proactive leader at replacing/rehabilitating infrastructure before failure or when the infrastructure has reached the end of its useful life. The rate adjustments will fund nearly \$12 million of capital improvement projects over a five-year period that will include replacing/rehabilitating force main pipes, manholes, pump stations, and sewer siphons and repairing pipe segments. In addition, the District will focus on removing calcium affixed inside pipes, procuring emergency standby equipment, and addressing odor issues at pump stations.

Technology is changing all facets of local government, from improving efficiencies and operations to improving staff morale by allowing employees to work remotely from home. The District understands the importance of technology to its operations which is why the organization is investing in technology, increasing expenditures 54% from \$79,000 in 2018 to over \$123,000 in 2021. The following technology improvements were implemented by the District:

- Storefront - Warehouse supplies are tracked electronically, and management is notified when supply levels are low and require placing new orders. Storefront ensures supplies are always available when needed and staff does not have to wait for deliveries when supplies run out.
- Vehicle Inspections - Pre-trip and post-trip inspections are required for heavy duty vehicles like the District's cleaning units. Inspections used to be performed on paper, but the District now uses a digital inspection program wherein employees can inspect vehicles using their cell phone and all information is stored in the Cloud.
- Construction Inspection- Contractors previously called the District to schedule inspections on wastewater improvements, but these inspections can now be scheduled online, and contractors can find a date and time when the District's inspector is available.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES (CONTINUED)

- Working Remotely- What the Corona Virus Disease of 2019 (COVID-19) pandemic has taught us is that technology is readily available to allow employees to work effectively from home. At the District, employees were assigned laptops so they could work from home two days a week and have remote access to the District's server. As employees returned to the office, the District allowed staff to continue working remotely one day per week, which improved staff morale.
- Hybrid Board of Directors Meetings- Another lesson learned from the pandemic is that virtual meetings were easily accessible. The District experienced an increase in public participation during public meetings because it was convenient to watch and participate in meetings from the comfort of their home. When the District returned to in-person Board of Directors meetings, the organization implemented a hybrid approach in which meetings were available virtually, so members of the public have the option to attend meetings in person or online. The District is one of the few public agencies in California that has implemented hybrid Board of Directors meetings.
- Artificial Intelligence- The District became the first public agency in the country to use artificial intelligence to detect the surface area of manhole covers. This program allows the District to inspect more manhole covers in a shorter amount of time and it improves the safety of staff because they do not have to physically inspect manhole covers in the street and risk being struck by fast-moving vehicles. This program was awarded the Innovative Project of the Year from the California Special Districts Association and the Technology Innovation Award from AT&T and Government Technology magazine.

On June 22, 2020, the Board of Directors adopted the 2020-2025 Strategic Plan, which is a plan that establishes goals, objectives, strategies, and work plans for the next five years and will help move the organization in a direction toward achieving its mission and vision. The 2020-25 Strategic Plan is the most ambitious Plan in the history of the District. The Plan has 104 Strategic Goals to achieve and/or implement in the next five years, compared to forty-eight strategic goals in the FY 2015-20 Strategic Plan. In the first year of the plan, the District has achieved 21 significant goals, such as redesigning the District's website with a new style guide and performing an on-site loss control and risk analysis to ensure employees are working safely. Approximately forty-nine goals are in progress, such as cleaning the entire wastewater system in eighteen months, installing reverse phase switches at pump stations, and conducting a community outreach survey. The Strategic Plan does not sit on the shelf collecting dust. It is continually reviewed, and the progress being made is shared with the Board of Directors and the public on a quarterly basis to demonstrate and promote transparency and further illustrate the District's ongoing commitment to exemplary public service.

FINANCIAL POLICIES AND PROCEDURES

Management of the District is responsible for establishing and maintaining an adequate internal control structure. Internal accounting controls are designed to ensure that the assets of the District are protected from loss, theft or misuse, and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and 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 Annual Comprehensive Financial Report for the year ended June 30, 2020. This was the tenth 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 Annual Comprehensive 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 Annual Comprehensive 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, 2020. This was the sixth 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

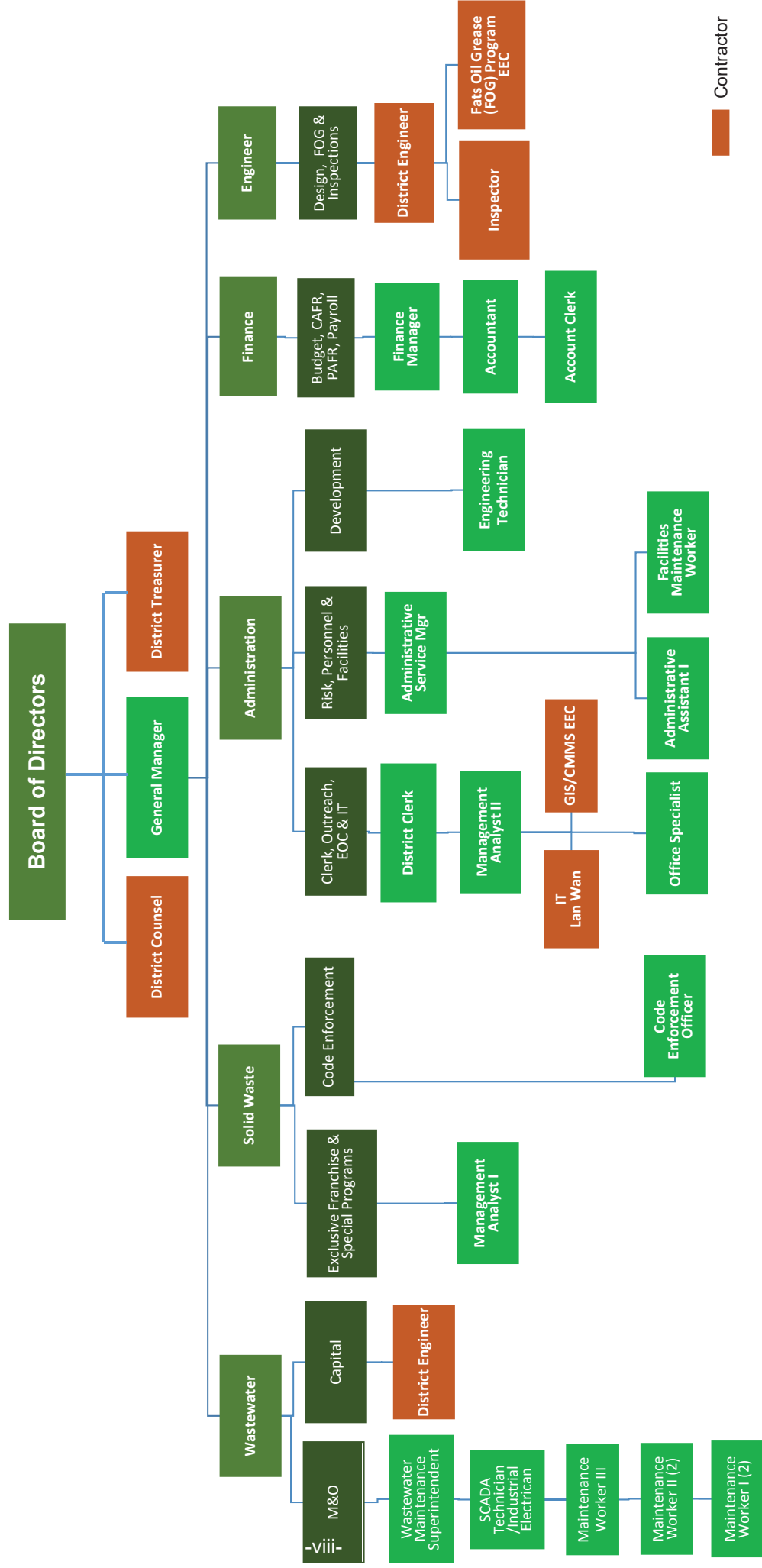
“To protect public health and the environment for current and future generations.”

Costa Mesa Sanitary District Board of Directors as of June 30, 2021

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Robert Ooten	President	Elected	12/18-12/22
Michael Scheafer	Vice President	Elected	12/18-12/22
Arlene Schafer	Secretary	Elected	12/18-12/22
Arthur Perry	Director	Elected	12/20-12/24
Brett Eckles	Director	Elected	12/20-12/24

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

Costa Mesa Sanitary District 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, 2020

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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, 2021, 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, 2021, 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.

Emphasis of Matter

Change in Accounting Principal

As described in Note 1 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 98, *The Annual Comprehensive Financial Report*. Our opinion is not modified with respect to this matter.

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 9, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Riverside, California
December 9, 2021

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Costa Mesa Sanitary District

Management's Discussion and Analysis For the Year Ended June 30, 2021

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 ending on June 30, 2021. It should be read in conjunction with the financial statements identified in the accompanying table of contents.

Financial Highlights

Financial highlights during the year ending on June 30, 2021, included:

- Total assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$63,296,052. Of this amount, \$19,569,989 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 \$295,307, which was attributable to the adoption of a deficit budget to decrease the fund's reserves. Expenses were projected to exceed revenues by \$358,500; however, expenses were lower than expected.
- Net position of the Wastewater Fund increased by \$130,124 during the year ending on June 30, 2021. This increase was primarily attributed to a Capital Contribution of two manholes donated by the developer and Transfer In for building rent from the Solid Waste Fund. The remaining increase resulted from the District receiving a settlement from Environmental Rental Services for the VacCall truck service costs that could not be fixed.

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 fiscal year

Costa Mesa Sanitary District

Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2021

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, 2021

Condensed Statement of Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Assets:			
Current	\$21,326,694	\$20,571,373	\$755,321
Noncurrent	63,887	54,494	9,393
Capital Assets	<u>43,726,063</u>	<u>43,588,263</u>	<u>137,800</u>
Total assets	<u>65,116,644</u>	<u>\$64,214,130</u>	<u>902,514</u>
Deferred outflows of resources:			
Pension and OPEB related	<u>348,261</u>	<u>398,189</u>	<u>(49,928)</u>
Liabilities:			
Current	1,834,191	1,180,916	653,275
Noncurrent	<u>307,851</u>	<u>228,778</u>	<u>79,073</u>
Total liabilities	<u>2,142,042</u>	<u>1,409,694</u>	<u>732,348</u>
Deferred inflows of resources:			
Pension and OPEB related	<u>26,811</u>	<u>75,516</u>	<u>(48,705)</u>
Net position:			
Net investment in capital assets	43,726,063	43,588,263	137,800
Unrestricted	<u>19,569,989</u>	<u>19,538,846</u>	<u>31,143</u>
Total net position	<u>\$63,296,052</u>	<u>\$63,127,109</u>	<u>\$168,943</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 \$63,296,052 and \$63,127,109 for the years ended June 30, 2021, and June 30, 2020, 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 are still outstanding. Investments in capital assets as of June 30, 2021, represent \$43,726,063, 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, 2021, unrestricted net position increased from \$19,538,846 to \$19,569,989, or a \$31,143 increase. This increase was primarily attributed to a capital contribution of two manholes donated by the developer.

Costa Mesa Sanitary District

Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2021

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Operating revenues			
Solid waste assessments	\$ 5,546,056	\$ 5,151,672	\$ 394,384
Wastewater assessments	5,687,650	5,624,274	63,376
Other services and charges	<u>696,249</u>	<u>933,937</u>	<u>(237,688)</u>
Total operating revenues	<u>11,929,955</u>	<u>11,709,883</u>	<u>220,072</u>
Non-operating revenues:			
Investment earnings	26,470	445,719	(419,249)
Other non-operating revenues	<u>578,438</u>	<u>407,301</u>	<u>171,137</u>
Total non-operating revenues	<u>604,908</u>	<u>853,020</u>	<u>(248,112)</u>
Total Revenues	<u>12,534,863</u>	<u>12,562,903</u>	<u>(28,040)</u>
Operating expenses			
Solid waste disposal	5,530,688	5,544,397	(13,709)
Wastewater disposal	1,884,233	1,514,716	369,517
General and administrative	<u>4,978,999</u>	<u>4,754,150</u>	<u>224,849</u>
Total operating expenses	<u>12,393,920</u>	<u>11,813,263</u>	<u>580,657</u>
Total Expenses	<u>12,393,920</u>	<u>11,813,263</u>	<u>580,657</u>
Change in net position	140,943	749,640	(608,697)
Capital contributions	28,000	-	28,000
Net position at beginning of year	<u>63,127,109</u>	<u>62,377,469</u>	<u>749,640</u>
Net position at end of year	<u>\$ 63,296,052</u>	<u>\$ 63,127,109</u>	<u>\$ 168,943</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 \$168,943 and \$749,640 for the years ended June 30, 2021, and 2020, respectively. A closer examination of the sources of changes in net position reveals that:

Operating revenues

- The solid waste assessment increased by \$394,384 as a result of implementing the second year of the five-year Solid Waste Rate Study adopted by the Board in June 2019 and additional new solid waste customers' accounts opened during the fiscal year.
- Wastewater assessments submitted to the County were higher than the prior year by \$63,376 due to an increase in the number of wastewater customers' accounts.

Costa Mesa Sanitary District

**Management’s Discussion and Analysis (Continued)
For the Year Ended June 30, 2021**

- Other services and charges such as permit, inspection, and connection fees decreased by \$237,688 due to less home renovation and remodeling projects received during the year.

Non-operating revenues

- Investment earnings decreased by \$419,249 primarily as a result of unrealized losses associated with the change in fair market value of the District’s investments.
- Other non-operating revenues increased by \$171,137. The loss on disposal of assets decreased by \$150,008. The loss on sale of assets for FY 2019-20 was higher due to the disposal of Port Generator and the Vacall Sewer Truck. The remaining increase was the result of additional container charges, property taxes, and the regional Waste Disposal Agreement (WDA) from OC Waste & Recycling revenues.

Operating Expenses

- Solid waste disposal expenses decreased by \$13,709 as a result of the Battery Recycling Program being cancelled for the entire fiscal year.
- Wastewater disposal expenses increased by \$369,517 as a result of recorded maintenance expense for the Sewer Siphon Evaluation #331 and the Elden Force Main Air Release Valve Replacement #333 projects. Expenses did not meet the Capitalization Policy.
- General and administrative expenses increased by \$224,849 compared to the prior year. The wastewater salary and benefits increased due to the hiring of the in-house District Engineer. Prior to FY 2020-21 the District Engineer position was contracted out through an engineering firm. Property liability insurance cost has increased approximately 21% this fiscal year. The District contributed to the City of Costa Mesa for the Portable Restroom at the Bridge Shelter. The Board of Directors’ election took place in November 2020. The District’s goal was to increase program awareness and effective outreach methods to maximize resident engagement; therefore, in FY 2020-21, the District hired a consultant to assist in developing and implementing a communications plan.

Capital Asset Administration

Changes in capital assets for the year ended June 30, 2021, were as follows:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Transfers/</u> <u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Non-depreciable assets	\$4,482,003	\$1,569,800	\$(542,420)	\$5,869,383
Depreciable assets	102,228,916	846,990	(57,526)	103,018,380
Accumulated depreciation	<u>(63,482,656)</u>	<u>(1,726,363)</u>	<u>47,319</u>	<u>(65,161,700)</u>
Total capital assets, net	<u>\$43,588,263</u>	<u>\$690,427</u>	<u>\$(552,627)</u>	<u>\$43,726,063</u>

Costa Mesa Sanitary District

**Management’s Discussion and Analysis (Continued)
For the Year Ended June 30, 2021**

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/ 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>

At the end of fiscal years 2021 and 2020, the District’s investment in capital assets were \$43,726,063 and \$43,588,263 (net of accumulated depreciation), respectively, showing an increase of \$137,800. The investment in capital assets includes land, property rights, subsurface wastewater lines, pump stations, buildings and structures, equipment, vehicles, and construction in progress, etc. Additional information on the District’s capital assets can be found in Note 3 of the Notes to Financial Statements.

Long-Term Debt

As of June 30, 2021, the District had no long-term debt.

Economic Factors and Next Year’s Budgets

Most communities experienced lost revenues from the COVID-19 pandemic. These communities are now beginning to recover because more people are being vaccinated against the virus and normalcy is starting to return. Thankfully, the District’s enterprise funds have insulated the District from financial constraints. 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’s revenues are primarily derived from solid waste and wastewater fees placed on customers’ property tax bills through the County of Orange. The County appropriates revenues to the District throughout the year and the District did not experience any delays receiving fee revenues from the County during COVID. In addition, as the economy recovers the District is expecting an increase in sewer permit revenues from private property developments, including from the construction of accessory dwelling units.

As of June 30, 2021, the District is over 90% 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 funded with existing resources.

After stabilizing the solid waste fee for fifteen years, the District implemented fee adjustments in 2019. Fiscal Year 2021-22 will be the third consecutive year of adjusting annual solid waste fees

Costa Mesa Sanitary District

Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2021

with an increase this year of seven percent, going from \$240.60 to \$257.40. The total cumulative fee increases since 2019 is eighteen percent. However, the fee adjustments may not be enough to cover costs due to SB 1383, Short-lived Climate Pollutant Reduction Act. Additional funding may be needed for community outreach and enforcement activities in which the District will have to commission a new solid waste study. If additional revenues are warranted, the District will go through California's Proposition 218 process for the consideration and approval of fee adjustments.

SB 1383 Short-Lived Climate Pollutant Reduction

In September 2016, Governor Brown set methane emissions reduction targets for California (Senate Bill 1383 Lara, Chapter 395, Statutes of 2016) in a state-wide effort to reduce emissions of short-lived climate pollutants (SLCP). Senate Bill 1383 (SB1383), otherwise known as the Short-lived Climate Pollutant Reduction Act of 2016, directs the Department of Resources Recycling & Recovery (CalRecycle) to adopt regulations and requirements to achieve state-wide goals including a goal to reduce organic waste disposal into landfills by 50 percent by 2020 and 75 percent by 2025, and increase edible food recovery by 20 percent by 2025.

On January 1, 2022, municipalities and county agencies will be responsible for implementing SB 1383. Per the regulations, municipalities and county agencies must:

- Provide organic waste collection to all residents and businesses.
- Establish a food recovery program to recover edible food from the waste stream and redistribute it for consumption.
- Conduct outreach and education to all affected parties, including waste generators, haulers, facilities, edible food recovery organizations and City departments.
- Conduct Capacity Planning: Evaluate the City's readiness to implement SB 1383 including organics collection, recycling, and edible food recovery capacity.
- Procure recycled organic waste products like compost, mulch, and renewable natural gas (RNG) and electricity.
- Inspect and enforce compliance with SB 1383.
- Maintain accurate and timely records of SB 1383 compliance

Even though the primary burdens for compliance with the new law fall on cities and counties, the law does apply to special districts. Special districts are specifically called out in Regulations 18982, (a)(36). ("Jurisdiction" includes a special district that provides solid waste collection services). CMSD will need to coordinate our efforts with the Cities of Costa Mesa, Newport Beach, the County of Orange, and CR&R Environmental Services to ensure full compliance with the new law, or the District could face fines for non-compliance from CalRecycle that could be as high as \$10,000 per day. District efforts to assist with compliance will include, but not be limited to the following:

1. Provide curbside organic waste collection services to all District solid waste rate payers.
2. Transport organic waste material to a facility that recovers organic waste.
3. Conduct public outreach regarding the Short-lived Climate Pollutant Reduction Act by providing educational materials to District solid waste rate payers.

Costa Mesa Sanitary District

Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2021

4. Inspect and investigate curbside containers, collection vehicle loads, and/or processing facilities to confirm compliance.
5. Receive anonymous complaints about potential non-compliance with SB 1383.
6. Enforcement by issuing Notice of Violations and potentially issuing administrative citations.

In order to provide the services mentioned above, on November 22, 2021, the District adopted a mandatory organic waste disposal reduction ordinance that amended the District's Operations Code so that the Code is consistent with new state regulations.

Two Carts vs Three Carts

The District currently utilizes a two-cart system wherein single-family homes discard their trash and recyclables (e.g., aluminum, glass, paper, tin, plastic, etc.) in a black cart and place their organics (green waste and food scraps) in a green cart. The recyclables are separated at a Material Recovery Facility and shipped to various markets. In FY 2022-23, the District may implement a three-cart system where trash is discarded in a black cart, recyclables will be placed in a blue cart and the organics will continue to be discarded in a green cart. The three-cart system will reduce contamination and may help the District achieve higher diversion of organics being disposed of at landfills and thereby comply with SB 1383. According to the 2021 Citizen Survey, a majority of District residents (58%) support going to a three-cart system.

Wastewater fees have remained steady for five consecutive years (2017-2022). The COVID-19 pandemic caused the fees to remain constant in FY 2020-21, but due to inflation and increases in operational expenses fee adjustments are required. A wastewater rate study is currently underway, with the anticipation of adjustments going into effect in July 2022. The District continues to focus on replacing wastewater force mains due to the potential public health and safety implications of these pipelines failing. The District successfully completed replacing force mains for Iowa and 19th Street Pump Stations and plans on replacing the force mains at the Gisler and Elden Pump Stations in FY 2022-23. In addition, the District successfully removed the air release valve for the Elden Pump Station force main, which was responsible for two prior SSOs. Rehabilitating the President Pump Station is nearly complete at a cost of more than \$1.5 million. The District also repaired thirty-five manhole covers and surface areas around the manholes to ensure the safety of motorists and the District rehabilitated twelve brick manholes by installing cured-in-place-pipe liners.

In 2022, the District will continue focusing on replacing its infrastructure to ensure the collection system is operating at its optimal level by completing the following projects:

1. 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 liners will be installed to ensure the siphons will last for another fifty years.
2. Ductile Iron Pipe Rehabilitation Phase 3 – Many years ago 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 to cause the formation of sulfuric acid. The iron, subjected to air, causes

Costa Mesa Sanitary District

Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2021

corrosion, and thereby degrades the interior walls of the ductile iron pipe. Additionally, acidic soils corrode the exterior of DIP. The rehabilitation of these DIP will consist of relining the pipeline.

3. Calcium Removal Phase 1 - The District is fortunate to have avoided any sustained 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 & techniques available for calcium removal, all of which are extremely expensive. Most of the District's calcium buildup occurs in the Santa Rosa Avenue – San Marino Circle area of north Costa Mesa where high groundwater laden with minerals creates calcium in the mains. Designs are completed and construction will begin in 2022.
4. Aviemore Pump Station Force Main - Aviemore Pump Station and Force Main serve the smallest tributary area of a CMSD pump station, serving only 26 residences. Nevertheless, the force main is 130 linear feet of 4-inch cast iron pipe originally built in 1959 and it has reached its life expectancy.
5. Gisler Pump Station Force Main - Gisler Force Main is 1,160 feet in length and made of cast iron pipe. The pipe is 55 years old, but the gallon per minute rate of 250 makes this station one of the lowest flowing stations in the system.
6. Manhole Rehabilitation Phases 3 and 4 - When the first District manholes were installed in 1953, contractors had an option to construct brick manholes or pre-cast manholes, the latter of which were similar to today's pre-cast manholes. Unfortunately, no steel mesh or rebar was installed in the brick manholes. Non-reinforced brick structures are very susceptible to damage during seismic events, so the District will structurally reinforced brick manholes by using a one piece cured-in-place-pipe (CIPP) liner similar to the CIPP liners used in gravity sewer mains.
7. Elden Pump Station Force Main - Elden Force Main is the largest force main in the system. It is 3,290 feet long and the pipeline is 18" in diameter. It is only 25 years old, but due to the flow (3,750 GPM) and close proximity to the Delhi Channel and Upper Newport Bay, an analysis of the pipeline will be conducted to determine condition and replacement, if necessary.
8. Grade 4 Segments – The District will repair Grade 4 pipeline segments and rehabilitate them by installing short liners and top hats.

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, 2021

	Solid Waste Fund	Wastewater Fund	Other Enterprise Fund	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents (Note 2)	\$ 1,231,426	\$ 4,970,072	\$ 601,307	\$ 6,802,805
Investments (Note 2)	2,544,146	10,238,294	1,242,620	14,025,060
Accounts Receivable	35,611	5,441	-	41,052
Interest Receivable	4,168	19,203	2,242	25,613
Assessments Receivable	124,222	84,874	-	209,096
Inventory	-	188,511	-	188,511
Prepaid Items	7,656	26,901	-	34,557
Total Current Assets	<u>3,947,229</u>	<u>15,533,296</u>	<u>1,846,169</u>	<u>21,326,694</u>
Noncurrent Assets:				
Capital Assets (Note 3)				
Non-depreciable	-	5,869,383	-	5,869,383
Depreciable, Net of Accumulated Depreciation	10,350	37,846,330	-	37,856,680
Net OPEB Asset (Note 6)	21,084	42,803	-	63,887
Total Noncurrent Assets	<u>31,434</u>	<u>43,758,516</u>	<u>-</u>	<u>43,789,950</u>
Total Assets	<u>3,978,663</u>	<u>59,291,812</u>	<u>1,846,169</u>	<u>65,116,644</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related (Note 5)	85,884	200,394	-	286,278
OPEB Related (Note 6)	20,453	41,530	-	61,983
Total Deferred Outflows of Resources	<u>106,337</u>	<u>241,924</u>	<u>-</u>	<u>348,261</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	954,900	671,792	-	1,626,692
Accrued Liabilities	18,712	76,661	-	95,373
Deposits Payable	-	30,150	-	30,150
Compensated Absences	18,840	63,136	-	81,976
Total Current Liabilities	<u>992,452</u>	<u>841,739</u>	<u>-</u>	<u>1,834,191</u>
Noncurrent Liabilities:				
Compensated Absences	19,529	43,229	-	62,758
Net Pension Liability (Note 5)	73,528	171,565	-	245,093
Total Noncurrent Liabilities	<u>93,057</u>	<u>214,794</u>	<u>-</u>	<u>307,851</u>
Total Liabilities	<u>1,085,509</u>	<u>1,056,533</u>	<u>-</u>	<u>2,142,042</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related (Note 5)	3,032	7,071	-	10,103
OPEB Related (Note 6)	5,513	11,195	-	16,708
Total Deferred Inflows of Resources	<u>8,545</u>	<u>18,266</u>	<u>-</u>	<u>26,811</u>
NET POSITION				
Net Investment in Capital Assets	10,350	43,715,713	-	43,726,063
Unrestricted	2,980,596	14,743,224	1,846,169	19,569,989
Total Net Position	<u>\$ 2,990,946</u>	<u>\$ 58,458,937</u>	<u>\$ 1,846,169</u>	<u>\$ 63,296,052</u>

Costa Mesa Sanitary District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2021

	Solid Waste Fund	Wastewater Fund	Other Enterprise Fund	Total
OPERATING REVENUES				
Trash Assessments	\$ 5,546,056	\$ -	\$ -	\$ 5,546,056
Wastewater Assessments	-	5,687,650	-	5,687,650
Permits and Inspection Fees	-	153,238	-	153,238
Connections Fees	-	90,485	-	90,485
Other Services	122,526	-	330,000	452,526
	<u>5,668,582</u>	<u>5,931,373</u>	<u>330,000</u>	<u>11,929,955</u>
Total Operating Revenues				
OPERATING EXPENSES				
Solid Waste Disposal	2,861,045	-	-	2,861,045
Wastewater Disposal	-	1,884,233	-	1,884,233
Recycling and Disposal Charges	2,669,643	-	-	2,669,643
Administration and Other	902,571	2,020,065	-	2,922,636
Repairs and Maintenance	33,000	297,000	-	330,000
Depreciation	3,389	1,722,974	-	1,726,363
	<u>6,469,648</u>	<u>5,924,272</u>	<u>-</u>	<u>12,393,920</u>
Total Operating Expenses				
Operating Income (Loss)	<u>(801,066)</u>	<u>7,101</u>	<u>330,000</u>	<u>(463,965)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment Earnings	(875)	23,219	4,126	26,470
Taxes	371,085	-	-	371,085
Gain (Loss) on Sale of Assets	-	(10,207)	-	(10,207)
Rental Income	-	3,989	-	3,989
Other Revenues	188,349	25,222	-	213,571
	<u>558,559</u>	<u>42,223</u>	<u>4,126</u>	<u>604,908</u>
Total Non-operating Revenues (Expenses)				
Income (Loss) Before Capital Contributions and Transfers	<u>(242,507)</u>	<u>49,324</u>	<u>334,126</u>	<u>140,943</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital Contributions	-	28,000	-	28,000
Transfers In	362,816	52,800	-	415,616
Transfers Out	(415,616)	-	-	(415,616)
	<u>(52,800)</u>	<u>80,800</u>	<u>-</u>	<u>28,000</u>
Total Capital Contributions and Transfers				
Changes in Net Position	(295,307)	130,124	334,126	168,943
Net Position - Beginning of Year	<u>3,286,253</u>	<u>58,328,813</u>	<u>1,512,043</u>	<u>63,127,109</u>
Net Position - End of Year	<u>\$ 2,990,946</u>	<u>\$ 58,458,937</u>	<u>\$ 1,846,169</u>	<u>\$ 63,296,052</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, 2021

	Solid Waste Fund	Wastewater Fund	Other Enterprise Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 5,843,695	\$ 5,989,141	\$ 330,000	\$ 12,162,836
Payments to Suppliers	(5,484,305)	(3,379,307)	-	(8,863,612)
Payments to Employees	(530,442)	(589,237)	-	(1,119,679)
Net Cash Provided (Used) by Operating Activities	<u>(171,052)</u>	<u>2,020,597</u>	<u>330,000</u>	<u>2,179,545</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Taxes Received	371,085	-	-	371,085
Cash Received from Other Funds	362,816	52,800	-	415,616
Cash Paid to Other Funds	(415,616)	-	-	(415,616)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>318,285</u>	<u>52,800</u>	<u>-</u>	<u>371,085</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(5,596)	(1,858,568)	-	(1,864,164)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,596)</u>	<u>(1,858,568)</u>	<u>-</u>	<u>(1,864,164)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on Cash and Investments	7,150	48,443	6,603	62,196
(Increase) Decrease in Investments	(115,051)	(235,583)	(231,729)	(582,363)
Net Cash Provided (Used) By Investing Activities	<u>(107,901)</u>	<u>(187,140)</u>	<u>(225,126)</u>	<u>(520,167)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	33,736	27,689	104,874	166,299
Cash and Cash Equivalents - Beginning of Year	1,197,690	4,942,383	496,433	6,636,506
Cash and Cash Equivalents - End of Year	<u>\$ 1,231,426</u>	<u>\$ 4,970,072</u>	<u>\$ 601,307</u>	<u>\$ 6,802,805</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (801,066)	\$ 7,101	\$ 330,000	\$ (463,965)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	3,389	1,722,974	-	1,726,363
Gain (Loss) on Disposal of Assets	-	(10,206)	-	(10,206)
Other Revenues (Expenses)	188,349	57,211	-	245,560
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(1,912)	(3,503)	-	(5,415)
(Increase) Decrease in Assessments Receivable	(11,324)	19,060	-	7,736
(Increase) Decrease in Inventory	-	(16,357)	-	(16,357)
(Increase) Decrease in Prepaid Expenses	(1,448)	(26,901)	-	(28,349)
(Increase) Decrease in Net OPEB Liability	(3,101)	(6,292)	-	(9,393)
(Increase) Decrease in Deferred Outflows-Pension	15,299	35,696	-	50,995
(Increase) Decrease in Deferred Outflows-OPEB	(351)	(716)	-	(1,067)
Increase (Decrease) in Accounts Payable	419,349	194,441	-	613,790
Increase (Decrease) in Accrued Liabilities	1,660	14,064	-	15,724
Increase (Decrease) in Deposits	-	(15,000)	-	(15,000)
Increase (Decrease) in Compensated Absences	8,838	22,221	-	31,059
Increase (Decrease) in Net Pension Liability	26,032	60,743	-	86,775
Increase (Decrease) in Deferred Inflows-Pension	(13,056)	(30,466)	-	(43,522)
Increase (Decrease) in Deferred Inflows-OPEB	(1,710)	(3,473)	-	(5,183)
Total Adjustments	<u>630,014</u>	<u>2,013,496</u>	<u>-</u>	<u>2,643,510</u>
Net Cash Provided By (Used) For Operating Activities	<u>\$ (171,052)</u>	<u>\$ 2,020,597</u>	<u>\$ 330,000</u>	<u>\$ 2,179,545</u>

The accompanying notes are an integral part of these statements.

Costa Mesa Sanitary District
Notes to the Financial Statements
Year Ended June 30, 2021

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, 2021

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 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 91, *Conduct Debt Obligations*, effective for periods beginning December 15, 2021.
- GASB 92 – *Omnibus*, effective for periods beginning after January 15, 2021.
- GASB 93 – *Replacement of Interbank Offered Rates* – effective for periods beginning June 15, 2021.
- 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.

Costa Mesa Sanitary District
Notes to the Financial Statements
Year Ended June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E) Pending Accounting Standards - Continued

- 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 84, *Fiduciary Activities*, effective for periods beginning after December 15, 2019. Currently, this standard has no impact on the District’s financial statements.
- GASB 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2019. Currently, this standard has no impact on the District’s financial statements.
- GASB 98, *The Annual Comprehensive Financial Report*, effective for periods beginning after December 15, 2021. The District has elected to early implement this standard and has been implemented on the District’s financial statements.

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, 2021

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, 2021

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.

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, 2019
Measurement Date (MD)	June 30, 2020
Employer Financial Reporting Date	June 30, 2021
Measurement Period (MP)	July 1, 2019 to June 30 2020

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, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

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, 2021

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, 2021.

Costa Mesa Sanitary District
Notes to the Financial Statements
Year Ended June 30, 2021

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 st Installment
	March 1	2 nd Installment
Delinquent Dates	December 10	1 st Installment
	April 10	2 nd 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, 2021

2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2021 are reported in the accompanying Statement of Net Position as follows:

Cash and Cash Equivalents	\$	6,802,805
Investments		<u>14,025,060</u>
Total	\$	<u><u>20,827,865</u></u>

Cash and investments as of June 30, 2021 consisted of the following:

Cash and Cash Equivalents:		
Demand Deposits	\$	-
California Local Agency Investments Fund (LAIF)		6,792,105
Petty Cash		<u>10,700</u>
Total Cash and Cash Equivalents	\$	<u><u>6,802,805</u></u>
Investments:		
United States Government Sponsored Agency Securities	\$	8,901,079
Negotiable Certificates of Deposit		4,797,263
Corporate Bonds		<u>326,718</u>
Total Investments		<u>14,025,060</u>
Total Cash and Investments	\$	<u><u>20,827,865</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, 2021

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, 2021

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, 2021.

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	\$ -	\$ -	\$ 8,901,079	\$ 8,901,079
Local Agency Investment Fund	6,792,105	-	-	6,792,105
Negotiable Certificates of Deposit	1,185,416	1,877,978	1,733,869	4,797,263
Corporate Bonds	20,791	-	305,927	326,718
Total	\$ 7,998,312	\$ 1,877,978	\$ 10,940,875	\$ 20,817,165

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	AAA	AA	A	Not Rated
U.S. Government Sponsored Agency Securities	\$ 8,901,079	N/A	\$ 8,901,079	\$ -	\$ -	\$ -
Local Agency Investment Fund	6,792,105	N/A	-	-	-	6,792,105
Negotiable Certificates of Deposit	4,797,263	N/A	-	-	-	4,797,263
Corporate Bonds	326,718	N/A	-	-	326,718	-
Total	\$ 20,817,165		\$ 8,901,079	\$ -	\$ 326,718	\$ 11,589,368

Costa Mesa Sanitary District
Notes to the Financial Statements
Year Ended June 30, 2021

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	\$ 846,256	10%
Federal National Mortgage Association	United States Government Sponsored Agency Securities	\$ 2,638,230	30%
Federal Home Loan Mortgage Corporation	United States Government Sponsored Agency Securities	\$ 1,485,210	17%
Federal Agricultural Mortgage Association	United States Government Sponsored Agency Securities	\$ 272,404	3%
Federal Home Loan Bank	United States Government Sponsored Agency Securities	\$ 3,658,979	41%

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, 2021, the District's deposits were collateralized as required by California Law.

Costa Mesa Sanitary District
Notes to the Financial Statements
Year Ended June 30, 2021

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.

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, 2021:

Investments by Fair Value Level	<u>June 30, 2021</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Debt Securities:				
United States Government Sponsored				
Agency Securities	\$ 8,901,079	\$ -	\$ 8,901,079	\$ -
Corporate Bonds	326,718	-	326,718	-
Negotiable Certificates of Deposit	4,797,263	-	4,797,263	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Investments by Fair Value Level	14,025,060	\$ -	\$ 14,025,060	\$ -
Investments Measured at Net Asset Value (NAV) (Approximate Fair Value):				
Local Agency Investment Fund	6,792,105			
	<hr/>			
Total Investments at Fair Value	<u>\$ 20,817,165</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, 2021

3) CAPITAL ASSETS

Changes in capital asset for the year ended June 30, 2021 are as follows:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u> <u>and Transfers</u>	<u>Retirements</u> <u>and Transfers</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 4,327,279	\$ -	\$ -	\$ 4,327,279
Property Rights	4,025	-	-	4,025
Construction in Progress	<u>510,699</u>	<u>1,569,800</u>	<u>(542,420)</u>	<u>1,538,079</u>
Total Capital Assets, Not Being Depreciated	<u>4,842,003</u>	<u>1,569,800</u>	<u>(542,420)</u>	<u>5,869,383</u>
Capital Assets, Being Depreciated:				
Subsurface Sewer Lines	93,384,718	681,740	(57,526)	94,008,932
Building and Improvements	6,404,739	-	-	6,404,739
Equipment	1,264,155	165,250	-	1,429,405
Vehicles	<u>1,175,304</u>	<u>-</u>	<u>-</u>	<u>1,175,304</u>
Total Capital Assets, Being Depreciated	<u>102,228,916</u>	<u>846,990</u>	<u>(57,526)</u>	<u>103,018,380</u>
Less Accumulated Depreciation:				
Subsurface Sewer Lines	(61,353,532)	(1,371,241)	47,319	(62,677,454)
Building and Improvements	(825,206)	(138,132)	-	(963,338)
Equipment	(768,286)	(92,100)	-	(860,386)
Vehicles	<u>(545,632)</u>	<u>(124,890)</u>	<u>-</u>	<u>(660,522)</u>
Total Accumulated Depreciation	<u>(63,482,656)</u>	<u>(1,726,363)</u>	<u>47,319</u>	<u>(65,161,700)</u>
Total Capital Assets Being Depreciated, Net	<u>38,746,260</u>	<u>(879,373)</u>	<u>(10,207)</u>	<u>37,856,680</u>
Total Capital Assets, Net	<u>\$ 43,588,263</u>	<u>\$ 690,427</u>	<u>\$ (552,627)</u>	<u>\$ 43,726,063</u>

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

Solid Waste	\$ 3,389
Wastewater	<u>1,722,974</u>
Total	<u>\$ 1,726,363</u>

Costa Mesa Sanitary District
Notes to the Financial Statements
Year Ended June 30, 2021

4) COMPENSATED ABSENCES

Accumulated unpaid vacation and other employee benefit amounts are accrued when vested. At June 30, 2021, compensated absences payable amounted to \$144,734, of which \$81,976 is considered a current liability.

Changes to compensated absences for 2021, were as follows:

	Balance June 30, 2020	Earned	Taken	Balance June 30, 2021	Current Portion	Long-Term Portion
Compensated Absences	\$ 113,675	\$ 74,274	\$ (43,215)	\$ 144,734	\$ 81,976	\$ 62,758

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.

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, 2021

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, 2021 are summarized as follows:

	Miscellaneous Tier I	Miscellaneous Tier II	Miscellaneous PEPRA
	Prior to January 1, 2013	From July 2, 2011 to December 31, 2012	On or After January 1, 2013
Hire Date			
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%	7.25%
Required Employer Contribution Rates	11.746%	9.442%	7.874%

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, 2021 were \$159,582.

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, 2020, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2020 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, 2021

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, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	3.0% - 14.2% ⁽¹⁾
Investment Rate of Return	7.15% ⁽²⁾
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds ⁽³⁾
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of pension plan investment expenses, including inflation

⁽³⁾ 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, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS website 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, 2021

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.

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 ¹	New Strategic Allocation	Real Return Years 1 - 10 ²	Real Return Years 11+ ³
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	100%		

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

² An expected inflation of 2.00% used for this period

³ An expected inflation of 2.92% used for this period

Costa Mesa Sanitary District
Notes to the Financial Statements
Year Ended June 30, 2021

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 Annual Comprehensive 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: 6/30/2019 (VD)	\$ 3,046,521	\$ 2,888,203	\$ 158,318
Balance at: 6/30/2020 (MD)	<u>3,407,571</u>	<u>3,162,478</u>	<u>245,093</u>
Net Changes During 2019-20	<u>\$ 361,050</u>	<u>\$ 274,275</u>	<u>\$ 86,775</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, 2020, 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, 2019 rolled forward to June 30, 2020 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, 2021

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, 2019 and 2020 was as follows:

Proportionate Share - June 30, 2019	0.00395%
Proportionate Share - June 30, 2020	<u>0.00581%</u>
Change - Increase (Decrease)	<u>0.00186%</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>\$ 698,557</u>	<u>\$ 245,093</u>	<u>\$ (129,591)</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, 2021

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, 2019), the net pension liability for the Plan is \$245,093.

For the measurement period ending June 30, 2020 (the measurement date), the District Plan incurred a pension expense/ (income) of \$253,829.

As of June 30, 2021, 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	\$ -	\$ 1,748
Differences between Expected and Actual Experience	12,630	-
Differences between Projected and Actual Investment Earnings	7,281	-
Differences between Employer's Contributions and Proportionate Share of Contributions	2,769	8,355
Change in Employer's Proportion	104,016	-
Pension Contributions Made Subsequent to Measurement Date	159,582	-
	<hr/>	<hr/>
Total	<u>\$ 286,278</u>	<u>\$ 10,103</u>

Costa Mesa Sanitary District
Notes to the Financial Statements
Year Ended June 30, 2021

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 2019-20 measurement period expense. \$159,582 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, 2021.

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
2022	\$ 62,872
2023	32,756
2024	17,474
2025	3,491
2026	-
Thereafter	-
	\$ 116,593

Payable to the Pension Plan

At June 30, 2021, the District had \$5,674 payable for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

Costa Mesa Sanitary District
Notes to the Financial Statements
Year Ended June 30, 2021

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 (\$121.53 per month), Equal being \$143, and indexed to medical CPI plus amortized factor, becoming equal in 2024).

Employees Covered

As of June 30, 2020 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
Total	19

Contributions

The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2021, the District’s cash contributions were \$16,456 in payments to the trust, \$4,413 cash benefits and the estimated implied subsidy was \$15,976 resulting in total payments of \$36,845.

Costa Mesa Sanitary District
Notes to the Financial Statements
Year Ended June 30, 2021

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

Net OPEB Liability (Asset)

The District's net OPEB liability (asset) was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation dated June 30, 2019 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 ⁽¹⁾	Derived using CalPERS Membership Data for all funds
Pre-Retirement Turnover ⁽²⁾	Derived using CalPERS Membership Data for all funds
Healthcare Trend Rate	6.5% decreasing to 5.0%

Notes:

⁽¹⁾ Pre-retirement mortality information was derived from data collected during 1997 to 2015 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2015 CalPERS Experience Study. The Experience Study Reports may be access on the CalPERS website www.calpers.ca.gov under Forms and Publications.

⁽²⁾ The pre-retirement turnover information was developed based on CalPERS specific data. For more details, please refer to the 2007 to 2015 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website 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%
Total	100%	

Costa Mesa Sanitary District
Notes to the Financial Statements
Year Ended June 30, 2021

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)
Balance at June 30, 2020 <i>(Valuation Date June 30, 2019)</i>	\$ 311,775	\$ 366,269	\$ (54,494)
Changes Recognized for the Measurement Period:			
Service Cost	18,352	-	18,352
Interest	22,075	-	22,075
Actual and Expected Experience Difference	-	-	-
Changes of Assumptions	-	-	-
Contribution – Employer	-	36,845	(36,845)
Net Investment Income	-	13,154	(13,154)
Benefit Payments	(20,389)	(20,389)	-
Administrative Expense	-	(179)	179
Net Changes	20,038	29,431	(9,393)
Balance at June 30, 2021 <i>(Measurement Date June 30, 2020)</i>	\$ 331,813	\$ 395,700	\$ (63,887)

Costa Mesa Sanitary District
Notes to the Financial Statements
Year Ended June 30, 2021

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, 2020:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Net OPEB Liability (Asset)	\$ (19,277)	\$ (63,887)	\$ (100,732)

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, 2020:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability (Asset)	\$ (106,619)	\$ (63,887)	\$ (10,423)

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, 2021

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, 2021, the District recognized OPEB expense of \$15,961. As of fiscal year ended June 30, 2021, 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	\$ 21,629	\$ -
Changes in assumptions	-	16,708
Deferred Contributions	31,604	-
Net differences between projected and actual earnings on OPEB plan investments	8,750	-
Total	\$ 61,983	\$ 16,708

The \$31,604 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 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, 2022. 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
2022	\$ 1,565
2023	2,747
2024	3,492
2025	3,166
2026	555
Thereafter	2,146

Costa Mesa Sanitary District
Notes to the Financial Statements
Year Ended June 30, 2021

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, 2021, 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, 2021

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, 2021

Fiscal Year	Proportion of the Net Pension Liability ¹	Proportionate Share of the Net Pension Liability	Covered Payroll ²	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%	94.80%
2021	0.00581%	\$ 245,093	\$ 2,257,055	10.86%	92.81%

Notes to Schedule:

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

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

*This is the seven year of implementation, therefore only seven years are presented.

Costa Mesa Sanitary District
Schedule of Contributions - Pension
Last Ten Years*
For the Year Ended June 30, 2021

Fiscal Year	Contractually Required Contribution (Actuarially Determined)	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll ¹	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%
2021	\$ 159,582	\$ (159,582)	\$ 0	\$ 1,725,293	9.25%

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

*This is the seven year of implementation, therefore only seven 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
Total OPEB Liability			
Service Cost	\$ 18,352	\$ 18,341	\$ 17,807
Interest on the Total OPEB Liability	22,075	19,882	18,641
Actual and Expected Experience Difference	-	26,513	-
Changes in Assumptions	-	(20,482)	-
Changes in Benefit Terms	-	-	-
Benefit Payments	(20,389)	(17,381)	(19,816)
Net Change in Total OPEB Liability	20,038	26,873	16,632
Total OPEB Liability - Beginning	311,775	284,902	268,270
Total OPEB Liability - Ending (a)	\$ 331,813	\$ 311,775	\$ 284,902
Plan Fiduciary Net Position			
Contribution - Employer	\$ 36,845	\$ 34,190	\$ 19,816
Net Investment Income	13,154	21,104	24,267
Benefit Payments	(20,389)	(17,381)	(19,816)
Administrative Expense	(179)	(74)	(566)
Net Change in Plan Fiduciary Net Position	29,431	37,839	23,701
Plan Fiduciary Net Position - Beginning	366,269	328,430	304,729
Plan Fiduciary Net Position - Ending (b)	\$ 395,700	\$ 366,269	\$ 328,430
Net OPEB Liability (Asset) - Ending (a)-(b)	\$ (63,887)	\$ (54,494)	\$ (43,528)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	119%	117%	115.3%
Covered Payroll	1,601,979	1,322,576	1,354,463
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(3.99)%	(4.12)%	(3.21)%

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 Changes in Net OPEB Liabilities (Asset) and Related Ratios for
Measurement Periods Ended June 30, - Continued

Measurement Period	2017
Total OPEB Liability	
Service Cost	\$ 17,288
Interest on the Total OPEB Liability	17,915
Actual and Expected Experience Difference	-
Changes in Assumptions	-
Changes in Benefit Terms	-
Benefit Payments	(30,123)
Net Change in Total OPEB Liability	5,080
Total OPEB Liability - Beginning	263,190
Total OPEB Liability - Ending (a)	\$ 268,270
Plan Fiduciary Net Position	
Contribution - Employer	\$ 156,123
Net Investment Income	24,822
Benefit Payments	(30,123)
Administrative Expense	(141)
Net Change in Plan Fiduciary Net Position	150,681
Plan Fiduciary Net Position - Beginning	154,048
Plan Fiduciary Net Position - Ending (b)	\$ 304,729
Net OPEB Liability (Asset) - Ending (a)-(b)	\$ (36,459)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	113.6%
Covered Payroll	1,182,000
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(3.08)%

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

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll ¹	Contributions as a Percentage of Covered Payroll
2018	\$ 19,904	\$ (19,816)	\$ 88	\$ 1,354,463	1.46%
2019	\$ 16,809	\$ (34,190)	\$ (17,381)	\$ 1,322,576	(2.59)%
2020	\$ 16,456	\$ (36,845)	\$ (20,389)	\$ 1,601,979	2.30%
2021	\$ 15,785	\$ (31,604)	\$ (15,819)	\$ 1,819,281	1.74%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021 were from the June 30, 2020 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	6.50% decreasing to 5.0%
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	Pre-retirement mortality probability based on 2017 CalPERS 1997-2015 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2015 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.

STATISTICAL SECTION

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Costa Mesa Sanitary District

Description of Statistical Section Contents

For the year ended June 30, 2021

This part of the District’s Annual Comprehensive 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 - 58
<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.	59 - 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			
	2012	2013	2014	2015
Changes in net position:				
Operating revenues	\$ 10,759,564	\$ 10,636,733	\$ 10,327,835	\$ 10,825,377
Operating expenses	(8,303,399)	(7,953,569)	(8,453,930)	(8,634,912)
Depreciation and amortization	(1,607,841)	(1,715,991)	(1,604,500)	(1,690,932)
Operating income (loss)	848,324	967,173	269,405	499,533
Non-operating revenue (expenses), net	740,072	138,767	260,229	589,791
Net income (loss) before capital contributions	1,588,396	1,105,940	529,634	1,089,324
Capital contributions	-	5,000	5,000	
Changes in net position	\$ 1,588,396	\$ 1,110,940	\$ 534,634	\$ 1,089,324
Net position:				
Net investment in capital assets	\$ 39,792,929	\$ 39,793,590	\$ 29,605,233	\$ 39,102,729
Restricted for capital outlay	8,116	-	-	-
Unrestricted	17,763,784	18,684,743	19,407,734	20,726,351
Total net position	\$ 57,564,829	\$ 58,478,333	\$ 49,012,967	\$ 59,829,080

Source: Costa Mesa Sanitary District

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 11,077,758	\$ 11,246,522	\$ 11,419,014	\$ 11,372,000	\$ 11,709,883	\$ 11,929,955
(9,323,731)	(9,483,656)	(9,409,708)	(10,293,776)	(10,020,677)	(10,667,557)
(1,754,124)	(1,749,622)	(1,738,975)	(1,685,650)	(1,792,586)	(1,726,363)
(97)	13,244	270,331	(607,426)	(103,380)	(463,965)
574,652	761,793	416,994	1,147,748	853,020	604,908
574,555	775,037	687,325	540,322	749,640	140,943
89,400	49,253	-	10,000	-	28,000
<u>\$ 663,955</u>	<u>\$ 824,290</u>	<u>\$ 687,325</u>	<u>\$ 550,322</u>	<u>\$ 749,640</u>	<u>\$ 168,943</u>
\$ 42,348,941	\$ 43,096,961	\$ 44,564,961	\$ 43,447,263	\$ 43,588,263	\$ 43,726,063
-	-	-	-	-	-
18,144,094	18,220,364	17,262,186	18,930,206	19,538,846	19,569,989
<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>	<u>\$ 63,296,052</u>

Costa Mesa Sanitary District

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

	Fiscal Year			
	2012	2013	2014	2015
Operating revenues				
Trash assessments	\$ 5,180,748	\$ 4,921,705	\$ 4,681,766	\$ 4,768,071
Wastewater assessments	5,117,377	5,133,674	5,081,699	5,301,231
Permits and inspection fees	83,237	140,536	118,041	206,971
Connection fees	78,230	189,262	134,158	192,913
Other services and charges	299,972	251,556	312,171	356,191
Total Operating Revenues	\$ 10,759,564	\$ 10,636,733	\$ 10,327,835	\$ 10,825,377

Source: Costa Mesa Sanitary District

Continued

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 4,787,459	\$ 4,882,785	\$ 4,965,640	\$ 4,907,485	\$ 5,151,672	\$ 5,546,056
5,430,408	5,552,190	5,662,878	5,644,174	5,624,274	5,687,650
231,850	265,340	229,124	215,070	237,572	153,238
257,323	183,352	146,575	161,484	242,026	90,485
370,718	362,855	414,797	443,787	454,339	452,526
<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>	<u>\$ 11,929,955</u>

Costa Mesa Sanitary District

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

	Fiscal Year			
	2012	2013	2014	2015
Operating expenses				
Solid waste disposal	\$ 4,450,943	\$ 4,483,980	\$ 4,477,812	\$ 4,500,416
Wastewater disposal	1,912,341	1,438,604	1,591,051	1,665,480
General and administrative	1,940,115	2,030,985	2,385,067	2,469,016
Total Operating Expenses	\$ 8,303,399	\$ 7,953,569	\$ 8,453,930	\$ 8,634,912

Continued

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 4,770,212	\$ 4,992,220	\$ 5,030,898	\$ 5,090,936	\$ 5,544,397	\$ 5,530,688
1,641,085	1,800,679	1,407,130	2,044,275	1,514,716	1,884,233
2,912,434	2,690,757	2,971,680	3,158,565	2,961,564	3,252,636
<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>	<u>\$ 10,667,557</u>

Costa Mesa Sanitary District

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

	Fiscal Year			
	2012	2013	2014	2015
Non-operating revenues (expenses)				
Investment Earnings	\$ 188,000	\$ (144,970)	\$ 291,073	\$ 205,472
Taxes	214,579	301,046	235,336	245,415
Other revenues	424,291	97,383	77,814	138,904
Other expenses	-	-	(350,000)	-
Loss on disposal of assets	(86,798)	(114,692)	6,006	-
Total non-operating revenues	\$ 740,072	\$ 138,767	\$ 260,229	\$ 589,791

Source: Costa Mesa Sanitary District

Continued

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 292,524	\$ 26,140	\$ 50,834	\$ 661,506	\$ 445,719	\$ 26,470
270,876	287,705	313,456	328,943	364,570	371,085
44,760	385,530	52,704	162,579	202,946	(6,218)
-	-	-	-	-	-
(33,508)	62,418	-	(5,280)	(160,215)	213,571
<u>\$ 574,652</u>	<u>\$ 761,793</u>	<u>\$ 416,994</u>	<u>\$ 1,147,748</u>	<u>\$ 853,020</u>	<u>\$ 604,908</u>

Costa Mesa Sanitary District

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

	Fiscal Year			
	2012	2013	2014	2015
Solid Waste				
<u>Customer Type</u>				
Single family residential	\$ 239.41	\$ 228.00	\$ 216.00	\$ 216.00
Wastewater				
<u>Customer Type</u>				
Single family residential	\$ 66.23	\$ 66.23	\$ 85.34	\$ 87.05
Multi-family residential	51.00	51.00	50.09	51.09
Commercial-Average Strength (per 1000 sf)	38.52	38.52	37.96	38.72
Commercial-High Strength (per 1000 sf)	-	-	41.40	42.23
Industrial (per 1000 sf)	113.50	113.50	97.44	99.39
Other (per 1000 sf)	34.14	34.14	N/A	N/A

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

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$216.00	\$216.00	\$ 216.00	\$216.00	\$224.88	\$ 240.60
\$ 88.79	\$ 90.57	\$ 92.38	\$ 92.38	\$ 92.38	\$ 92.38
52.11	53.15	54.21	54.21	54.21	54.21
39.49	40.28	41.09	41.09	41.09	41.09
43.07	43.93	44.81	44.81	44.81	44.81
101.38	103.41	105.48	105.48	105.48	105.48
N/A	N/A	N/A	N/A	N/A	N/A

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Costa Mesa Sanitary District

Principal Wastewater Customers Current Fiscal Year and Nine Years Ago

Industrial Customer Type	2021		2012	
	Square Feet Assessed	Percentage of Total	Square Feet Assessed	Percentage of Total
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	183,738	1.96%	-	0.00%
OLEN Properties Corp.	141,588	1.51%	-	0.00%
CPF Airway Associates LLC	131,115	1.40%	-	0.00%
Van Ausdein, Sandra Ann Trust	124,407	1.32%	124,410	1.28%
Hillville Holdings, LLC/Weir Canal, LLC	119,141	1.27%	-	0.00%
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%
Total square feet: Industrial Principal Customers	1,906,225	19.07%	768,190	0.07
Total square feet : Industrial Customers	9,392,668	100.00%	9,745,720	100.00%
Commercial Customer Type				
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	3.45%
The Irvine Company LLC/Sakioka Farms	862,568	2.74%	-	0.00%
PR II/MCC South Coast	835,672	2.65%	-	0.00%
Interinsurance Exchange of the Auto Club of CA	750,914	2.39%	750,910	2.34%
Coast Community College District	674,061	2.14%	674,060	2.10%
Pacific Mesa Properties	617,671	1.96%	-	0.00%
Segerstrom Center for the Arts	591,089	1.88%	-	0.00%
Riverville Family Properties LLC	590,313	1.88%	-	0.00%
Vanguard University of Southern California	570,245	1.81%	528,170	1.64%
S-Tract LLC	536,975	1.71%	-	0.00%
Total square feet: Commercial Principal Customers	9,898,360	26.87%	3,061,770	0.10
Total square feet: Commercial Customers	31,481,782	100.00%	32,129,250	100.00%
Multi-family Residential Customer Type				
	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./Wimbledon Glen Associate LP	684	2.78%	-	0.00%
Pinecreek Investment Co.	620	2.52%	620	2.45%
UDR Harbor Greens LP/UDR Pinebrook	584	2.37%	384	1.52%
ZMV Partnership	508	2.06%	508	2.01%
Parkwood Village LTD/Palm Mesa LTD	423	1.72%	276	1.09%
Village Investments	422	1.71%	-	0.00%
Total household units: Multi-family Principal Customers	6,567	26.64%	4,086	16.14%
Total household units assessed: Multi-family Customers	24,647	100.00%	25,309	100.00%

Source: Costa Mesa Sanitary District

Costa Mesa Sanitary District

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

	Fiscal Year			
	2012	2013	2014	2015
Capital leases	\$ -	\$ -	\$ -	\$ -
Total debt	\$ -	\$ -	\$ -	\$ -
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					
2016	2017	2018	2019	2020	2021
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Costa Mesa Sanitary District

**Debt Coverage
Last Ten Fiscal Years**

	Fiscal Year			
	2012	2013	2014	2015
Revenues	\$ 11,499,636	\$ 10,775,500	\$ 10,938,064	\$ 11,415,168
Operating expenses	8,303,399	7,953,569	8,453,930	8,634,912
Net revenues	<u>\$ 3,196,237</u>	<u>\$ 2,821,931</u>	<u>\$ 2,484,134</u>	<u>\$ 2,780,256</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					
2016	2017	2018	2019	2020	2021
\$ 11,652,410	\$ 12,008,315	\$ 11,836,008	\$ 12,525,028	\$ 12,366,052	\$ 12,534,863
9,323,731	9,483,656	9,409,708	10,299,056	9,823,826	10,020,677
<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>\$ 2,514,186</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
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	4.30%	c	236,303,451	74,618
2021	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 City of Costa Mesa.
 - (b) The District has chosen to use County data since the District believes that the County data is representative of the conditions and experience of the District.
 - (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	2021*			2012		
	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	5.71%
Coast Community College District Foundation	-	2	0%	2,900	2	4.48%
Orange Coast Community College	-	3	0%	1,900	3	2.93%
Fairview Developmental Center	-	4	0%	1,500	4	2.32%
A Clark /Mccarthy Joint Venture	-	5	0%	1,250	5	1.93%
Interinsurance Exchange of the Auto Club	-	6	0%	1,200	6	1.85%
Pacific Building Care, Inc	-	7	0%	850	7	1.31%
International Business Machines Corporation	-	8	0%	750	8	1.16%
Filenet Corporation	-	9	0%	600	9	0.93%
TTM Technologies, Inc	-	10	0%	500	10	0.77%
Total Top Ten Employers	0		0%	15,150		23%
Total City Labor Force	64,500					

* Data Not readily available.

Source: City of Costa Mesa

Costa Mesa Sanitary District

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

	Fiscal Year									
	<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>	<u>2021</u>
Solid Waste	<u>3.27</u>	<u>4.60</u>	<u>4.60</u>	<u>3.80</u>	<u>4.70</u>	<u>4.70</u>	<u>4.30</u>	<u>4.00</u>	<u>5.30</u>	<u>4.80</u>
Wastewater	<u>8.28</u>	<u>9.40</u>	<u>10.40</u>	<u>9.20</u>	<u>13.30</u>	<u>13.30</u>	<u>13.70</u>	<u>14.00</u>	<u>12.70</u>	<u>14.70</u>
Total Full-time equivalent	<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>	<u>19.50</u>

Source: Costa Mesa Sanitary District Accounting Department

Costa Mesa Sanitary District

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

	Fiscal Year				
	2012	2013	2014	2015	2016
Solid Waste:					
Household units serviced	21,559	21,490	21,606.00	21,824	22,398
Recycled/landfill tonnage	39,841	40,255	40,674	41,774	34,363
Organics	*	*	*	*	7,284
Recycled %	57.53%	57.54%	57.39%	56.81%	57.01%
Wastewater:					
Linear feet (LF) of sewer line cleaned	650,551	708,092	716,938	910,000	1,096,701
Average of wastewater discharged	10.4 MGD	10.6 MGD	10.8 MGD	11 MGD	11MGD
Sewer lateral financial assistance grant	144	169	184	237	240
CCTV sewer lateral program grants	*	*	*	*	*
Sewer Inspection Rebate Program	*	*	*	*	*

	Fiscal Year				
	2017	2018	2019	2020	2021
Solid Waste:					
Household units serviced	22,518	22,602	22,848	22,972	23,040
Recycled/landfill tonnage	32,865	33,190	32,781	33,587	5,839
Organics	9,451	9,010	9,772	10,608	2,514
Recycled %	59.44%	58.99%	60.51%	50.00%	61.18%
Liquid Waste:					
Linear feet (LF) of sewer line cleaned	878,095	883,900	593,701	730,826	793,017
Average of wastewater discharged	11MGD	8.7MGD	10MGD	8.9MGD	8.4MGD
Sewer lateral financial assistance grant	271	19	*	*	*
CCTV sewer lateral program grants	*	114	10	*	*
Sewer Inspection Rebate Program	*	*	34	38	21

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>
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	224	20	5,650
2021	224	20	5,110

Source: Costa Mesa Sanitary District