

**Mesa Water District**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2015**



1965 Placentia Avenue  
Costa Mesa, CA 92627-3420

Prepared by:  
Financial Services Department

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

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# **Introductory Section**



*Dedicated to  
Satisfying our Community's  
Water Needs*

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## BOARD OF DIRECTORS

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**Shawn Dewane**  
*Vice President  
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**James F. Atkinson**  
*Director  
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*General Manager*

**Coleen L. Monteleone**  
*District Secretary*

**Andrew N. Hamilton**  
*District Treasurer*

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

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May 2, 2016

Board of Directors  
Mesa Water District

## Introduction

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Mesa Water District (Mesa Water®) for the fiscal year ended June 30, 2015 (with comparative data for 2014), following guidelines set forth by the Governmental Accounting Standards Board (GASB). Mesa Water® is ultimately responsible for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures in this financial report. Mesa Water® staff prepared this financial report and believes that the data presented is accurate in all material respects. This report is designed in a manner that we believe beneficial to enhance the reader's understanding of Mesa Water's financial position and activities.

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

## Mesa Water® Structure and Leadership

Mesa Water® is a county water district organized pursuant to Water Code Section 33200 and operates pursuant to Water Code Section 30000. Mesa Water® has been providing water service to its customers since 1960. Mesa Water® is governed by a five-member Board of Directors (Board), elected at-large by division within Mesa Water's service area. The General Manager administers the day-to-day operations of Mesa Water® in accordance with policies and procedures established by the Board. Mesa Water® employs approximately 55 employees, some of whom are part-time or temporary. Mesa Water's Board meets on the second Thursday of each month. Meetings are publicly noticed and citizens are encouraged to attend. Mesa Water® provides water service to approximately 110,000 residents in the City of Costa Mesa, parts of the City of Newport Beach, and some unincorporated areas of Orange County through approximately 24,500 service connections.

## Mesa Water's Services

Residential customers comprise approximately 82% of Mesa Water's customer base and purchase approximately 58% of the water produced annually by Mesa Water®. In Fiscal Year 2015, Mesa Water's potable supply was comprised of 100% groundwater and related groundwater exchange programs.



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May 2, 2016  
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## Economic Condition, Outlook and Major Initiatives

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

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

In April 2015, Governor Brown implemented mandatory water conservation throughout California and Mesa Water® was required to conserve 20% during the mandated conservation period from June 1, 2015 through February 29, 2016. Accordingly, Mesa Water® issued new water conservation regulations to comply.

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

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

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

Mesa Water® has undertaken a major initiative to encourage water conservation and the wise use of water within its service area. In conjunction with Metropolitan Water District (MWD) and the Municipal Water District of Orange County (MWDOC), Mesa Water® distributes and provides financial incentives for high efficiency water use devices, and has developed education and technical assistance programs designed for residents, homeowners associations, businesses, and other public agencies. Mesa Water® also works with the City of Costa Mesa to promote the wise use of water through the City's development plan check process. These active programmatic efforts have resulted in a cumulative water savings of approximately 13,491 acre feet of water to date.

As of July 1, 2015, Mesa Water® charges a uniform commodity rate of \$3.40 per unit and a bi-monthly fixed charge of \$21.50 for a 5/8 inch



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May 2, 2016  
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meter. One unit of water equals 748 gallons which means that the cost per gallon is 0.45 cents. At \$705 per year, the cost of water service for a typical single family home using 127,900 gallons of water annually remains a good value for Mesa Water's customers.

### Water Supply

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

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

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

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

In Fiscal Year 2015, Mesa Water® produced approximately 60% of its potable water supply from clear groundwater and related groundwater exchange programs, approximately 29% from amber groundwater and approximately 11% from groundwater exchange programs.

Mesa Water® also sells recycled water for irrigation purposes. The water is purchased from OCWD and replaces potable water that would otherwise have been used for irrigation. Approximately 6% of total water supplied to consumers is recycled.

### Internal Control Structure

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



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May 2, 2016  
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to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

### **Budgetary Control**

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

### **Investment Policy**

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

### **Water Rates and Revenues**

Revenue from user charges generated from Mesa Water's customers support operations. Accordingly, water rates are reviewed every five (5) years when a Water Rate Schedule is prepared to achieve the Board's financial goals. Water rates are user charges imposed on customers for services and are the primary component of Mesa Water's revenue. Water rates are composed of a commodity (usage) charge and a fixed bi-monthly service charge. Mesa Water® raised rates by an average of 3.5% in fiscal year 2015.

### **Audit and Financial Reporting**

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

### **Risk Management**

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

### **Awards and Acknowledgements**

This is the 22nd year that Mesa Water® is submitting its Comprehensive Annual Financial Report (CAFR) for the Government Finance Officers Association of the United States and Canada's (GFOA) Certificate of Achievement for Excellence in Financial Reporting. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.



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A Certificate of Achievement is valid for a period of one year. We believe that this CAFR meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for 2015.

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

Respectfully submitted,

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

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



Government Finance Officers Association

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

Presented to

**Mesa Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO



Public

Board of Directors

General Manager

Assistant General Manager

Office of the General Manager

Assistant General Manager

Administrative Services

Financial Services

Public & Government Affairs

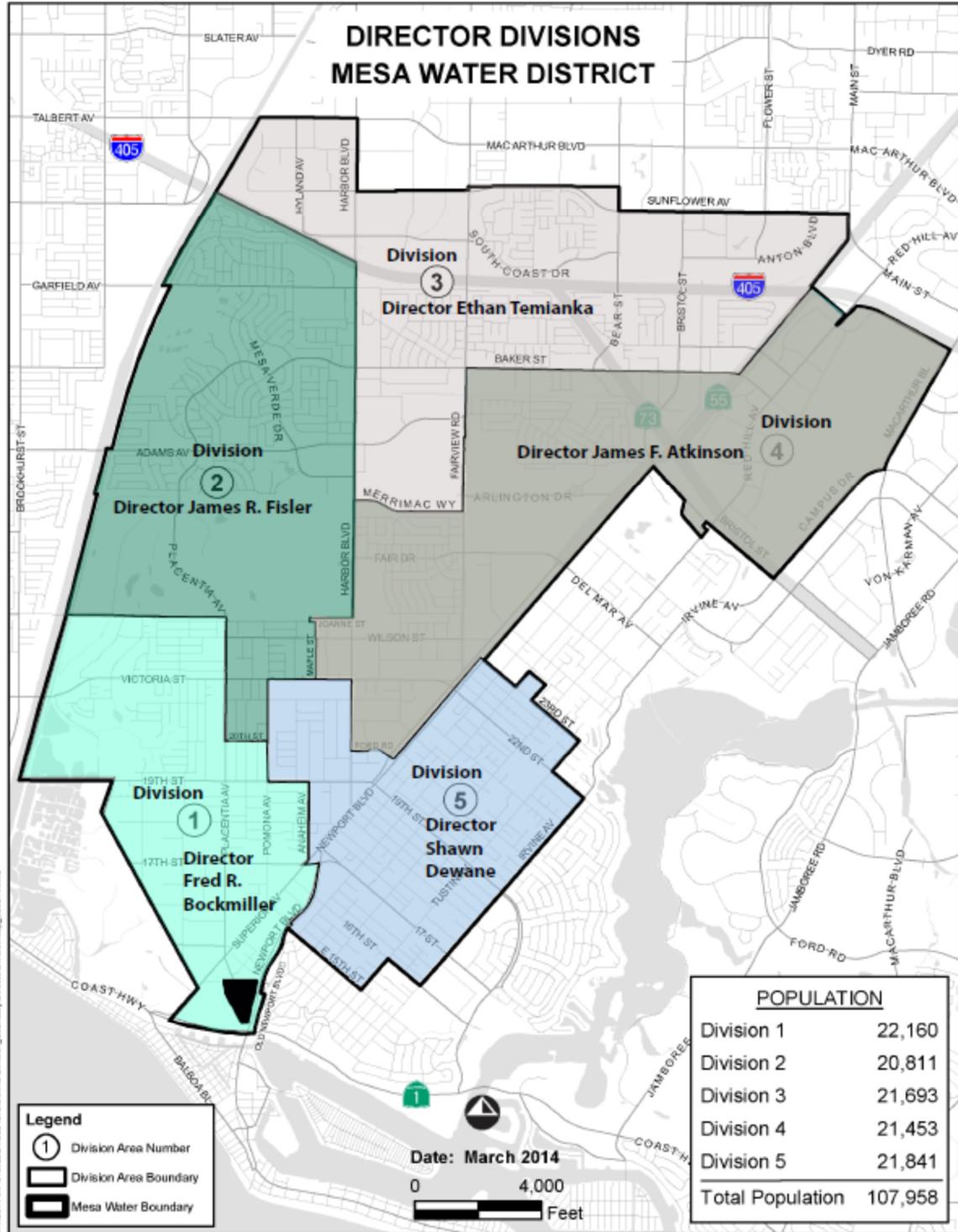
Customer Services

Engineering

Water Operations

# Mesa Water District

## District Service Area Map



# **Financial Section**

Board of Directors  
Mesa Water District  
Costa Mesa, California

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Mesa Water District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mesa Water District, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As described further in notes 1 and 9 to the financial statements, during the year ended June 30, 2015, the District implemented Government Accounting Standards Boards Statement No. 68. Our opinion is not modified with respect to this matter.

The financial statements for the year ended June 30, 2015, reflect a prior period adjustment as described further in note 12 to the financial statements. Our opinion is not modified with respect to this matter.

***Other Matters***

***Prior-Year Comparative Information***

The financial statements of the Mesa Water District for the fiscal year ended June 30, 2014 were audited by other auditors whose report dated September 29, 2014, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Required Supplementary Information***

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

*Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mesa Water District's internal control over financial reporting and compliance.

*Davis Fan LP*

Irvine, California  
May 2, 2016

**Mesa Water District**  
***Management's Discussion and Analysis***  
**For the Year Ended June 30, 2015**

The following discussion and analysis of the financial performance of the Mesa Water District (District/Mesa Water) provides an overview of the District's financial activities for the year ended June 30, 2015. This section should be read in conjunction with the basic financial statements and notes to the financial statements, which follows this analysis.

**Financial Highlights**

- Net position equaled \$114.7 million, a decrease of \$1.2 million or 1.0% from the prior year. \$85.6 million of Net Position was for net investment in capital assets and the remaining \$29.1 million was unrestricted.
- Total revenues decreased \$4.3 million or 11.2%, primarily due to the elimination of Pass-Through Water Sales to Governmental Agencies.
- Total expenses decreased by \$3.2 million or 9.7%. This decrease is primarily due to the elimination of Pass-Through Water Purchases to Governmental Agencies of \$4.0 million or 7.3%. Amber water costs decreased by \$0.5 million, partially offset by an increase in outside services – water operations and facility of \$0.5 million, and \$1.0 million in general and administrative expenses.
- Capital Assets decreased by \$0.9 million or 0.8% due to \$4.7 million in net depreciation expense offset by \$3.8 million in net asset additions.
- Total debt decreased by \$2.2 million due to principal repayments.

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

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

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

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

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

**Other Information** includes required supplementary information.

**Mesa Water District**  
***Management's Discussion and Analysis***  
**For the Year Ended June 30, 2015**

**Financial Analysis of the District**

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

**Mesa Water District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Statement of Net Position**

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
<b>Assets and Deferred Charges:</b>				
Current assets	\$ 45,311,670	39,497,339	5,814,331	14.7%
Non-current assets	714,142	1,480,954	(766,812)	-51.8%
Capital and intangible assets, net	111,910,927	112,852,304	(941,377)	-0.8%
Deferred charges on debt refundings	548,535	751,071	(202,536)	-27.0%
Deferred Pension Contributions	510,456	-	510,456	-
Deferred Outflow-Actuarial	6,114	-	6,114	-
<b>Total assets and Deferred charges</b>	<b>\$ 159,001,844</b>	<b>154,581,668</b>	<b>4,420,176</b>	<b>2.9%</b>
<b>Liabilities:</b>				
Current liabilities	\$ 10,458,696	10,927,465	(468,769)	-4.3%
Non-current liabilities	31,461,182	27,723,396	3,737,786	13.5%
Deferred Inflow of Resources - Actuarial	2,346,904	-	2,346,904	-
<b>Total liabilities and Deferred inflows</b>	<b>44,266,782</b>	<b>38,650,861</b>	<b>5,615,921</b>	<b>14.5%</b>
<b>Net position:</b>				
Invested in capital assets, net of related debt	85,600,612	85,117,787	482,825	0.6%
Unrestricted	29,134,450	30,813,020	(1,678,570)	-5.4%
<b>Total net position</b>	<b>114,735,062</b>	<b>115,930,807</b>	<b>(1,195,745)</b>	<b>-1.0%</b>
<b>Total liabilities and net position</b>	<b>\$ 159,001,844</b>	<b>154,581,668</b>	<b>4,420,176</b>	<b>2.9%</b>

The District's total assets and Deferred charges exceeded total liabilities and deferred inflows by \$114.7 million and \$115.9 million as of June 30, 2015 and 2014, respectively.

The largest single component of the District's Net Position (75% and 73% as of June 30, 2015 and 2014, respectively) reflect the District's net investment in capital assets. The District uses these capital assets to provide services to customers within the District's service area. Consequently, these assets are not available for future spending.

As of June 30, 2015 and 2014, the District showed a positive balance in its Unrestricted Net position of \$29.1 million and \$30.8 million, respectively.

**Mesa Water District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

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

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Revenues:				
Operating revenues	\$ 33,249,888	37,675,090	(4,425,202)	-11.7%
Non-operating revenues	604,286	452,758	151,528	33.5%
Total revenues	<u>33,854,174</u>	<u>38,127,848</u>	<u>(4,273,674)</u>	-11.2%
Expenses:				
Operating expenses (not including deprec.)	23,352,348	26,416,235	(3,063,887)	-11.6%
Depreciation and amortization	4,673,633	4,687,354	(13,721)	-0.3%
Non-operating expenses	1,494,222	1,595,546	(101,324)	-6.4%
Total expenses	<u>29,520,203</u>	<u>32,699,135</u>	<u>(3,178,932)</u>	-9.7%
Net income (loss) before contribution:	4,333,971	5,428,713	(1,094,742)	-20.2%
Capital contributions	<u>2,552,466</u>	<u>1,771,171</u>	<u>781,295</u>	44.1%
Change in net position	6,886,437	7,199,884	(313,447)	-4.4%
Net position, beginning of year	<u>107,848,625</u>	<u>108,730,923</u>	<u>(882,298)</u>	-0.8%
Net position, end of year	<u>\$ 114,735,062</u>	<u>115,930,807</u>	<u>(1,195,745)</u>	-1.0%

The District's Net Position decreased by \$1.2 million for the year ended June 30, 2015, while for the year ended June 30, 2014, Net Position increased by \$7.2 million.

The beginning balance of \$107.8 million in Net Position for fiscal year 2015 reflects the prior period adjustment of \$8.1 million as required by GASB 68 to initially record pension related Deferred Inflows and Deferred Outflows in the Statement of Net Position.

**Mesa Water District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Total District Revenues**

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Operating revenues:				
Water sales	\$ 24,371,000	24,639,988	(268,988)	-1.1%
Meter service charges	5,803,271	5,454,610	348,661	6.4%
Pass-thru water sales to governmental agencies	-	4,035,580	(4,035,580)	-100.0%
Recycled water sales	1,397,919	1,698,506	(300,587)	-17.7%
Concessions from governmental agencies	968,138	1,238,000	(269,862)	-21.8%
Other charges and services	<u>709,560</u>	<u>608,406</u>	<u>101,154</u>	<u>16.6%</u>
Total operating revenues	<u>33,249,888</u>	<u>37,675,090</u>	<u>(4,425,202)</u>	<u>-11.7%</u>
Non-operating revenues:				
Investment earnings	404,763	238,672	166,091	69.6%
Gain on sale/disposal of assets	9,639	28,155	(18,516)	-65.8%
Other non-operating, net	<u>189,884</u>	<u>185,931</u>	<u>3,953</u>	<u>2.1%</u>
Total non-operating revenues	<u>604,286</u>	<u>452,758</u>	<u>151,528</u>	<u>33.5%</u>

The District's operating revenues totaled \$33.2 million in fiscal year 2015. This represents a decrease of \$4.4 million or 11.7% from the prior year. \$4.0 million of this decrease is attributable to pass-through water sales to governmental agencies which the District does not anticipate incurring in the future. The vast majority of the increase in Non-operating revenues reflect higher investment earnings.

**Mesa Water District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Total District Expenses**

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Operating expenses:				
Import source of supply	\$ 2,645,852	2,427,936	217,916	9.0%
Clear well production	4,273,537	4,287,888	(14,351)	-0.3%
Amber well production	2,864,506	3,353,823	(489,317)	-14.6%
Pass-thru water purchases to governmental agencies	-	4,035,580	(4,035,580)	-100.0%
Recycled water	436,560	470,767	(34,207)	-7.3%
Total water supply	10,220,455	14,575,994	(4,355,539)	-29.9%
Transmission and distribution	5,750,908	5,425,385	325,523	6.0%
General and administrative	7,380,985	6,414,856	966,129	15.1%
Depreciation and amortization	4,673,633	4,687,354	(13,721)	-0.3%
Total operating expense	28,025,981	31,103,589	(3,077,608)	-9.9%
Non-operating expenses:				
Interest expense - long-term debt	1,494,222	1,595,546	(101,324)	-6.4%
Total non-operating expenses	1,494,222	1,595,546	(101,324)	-6.4%
Total expenses	\$ 29,520,203	32,699,135	(3,178,932)	-9.7%

The District's total expenses decreased by \$3.2 million or 9.7%. This decrease is primarily due to decrease of pass-through water purchases to governmental agencies of \$4.0 million, partially offset by an increase of \$1.0 million in general and administrative expenses.

**Mesa Water District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Capital Assets**

	<u>Balance 2014</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2015</u>
Capital assets:				
Non-depreciable assets	\$ 8,768,198	3,865,370	(3,554,056)	9,079,512
Depreciable assets	167,955,673	3,431,886	(954,982)	170,432,577
Accumulated depreciation	<u>(63,871,567)</u>	<u>(4,673,633)</u>	<u>944,038</u>	<u>(67,601,162)</u>
Total capital assets, net	<u>\$ 112,852,304</u>	<u>2,623,623</u>	<u>(3,565,000)</u>	<u>111,910,927</u>

As of June 30, 2015 and 2014, the District's investment in capital assets amounted to \$111.9 million and \$112.9 million, respectively, net of accumulated depreciation, resulting in a net decrease of \$1.0 million. Capital additions were \$3.7 million in fiscal year 2015. Depreciation was flat in comparison to the prior year.

**Debt Administration**

	<u>Balance 2014</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance 2015</u>
2009 Series COPS	7,409,085	-	(1,731,664)	5,677,421
2010 Series COPS	<u>21,794,942</u>	<u>-</u>	<u>(458,832)</u>	<u>21,336,110</u>
Total long-term debt	<u>\$ 29,204,027</u>	<u>-</u>	<u>(2,190,496)</u>	<u>27,013,531</u>

As of June 30, 2015, the District had total outstanding debt of \$27.0 million, which was a decrease of \$2.2 million from the prior fiscal year. The decrease was due to the regularly scheduled principal repayments of outstanding debt.

**Mesa Water District**  
*Management's Discussion and Analysis*  
**For the Year Ended June 30, 2015**

**Requests for Information**

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

# **Basic Financial Statements**

**MESA WATER DISTRICT**  
Statement of Net Position  
June 30, 2015  
(With Comparative Data as of June 30, 2014)

	2015	2014
<b>ASSETS:</b>		
Current Assets:		
Cash and investments (note 2)	\$ 39,445,085	33,089,108
Accrued interest receivable	70,535	52,645
Accounts receivable, net	5,477,058	5,994,640
Materials and supplies inventory	152,752	273,646
Deposits and prepaid expenses	166,240	87,300
Total current assets	45,311,670	39,497,339
Noncurrent Assets:		
Restricted - cash and investments (note 2)	703,216	1,469,510
Other non-current assets	10,926	11,444
Capital assets, not being depreciated (note 3)	9,079,512	8,768,198
Depreciable capital assets, net (note 3)	102,831,415	104,084,106
Total non-current assets	112,625,069	114,333,258
<b>TOTAL ASSETS</b>	<b>157,936,739</b>	<b>153,830,597</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred charges on debt refundings	548,535	751,071
Deferred pension contributions (note 8)	510,456	-
Deferred outflows of resources - actuarial (note 8)	6,114	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,065,105</b>	<b>751,071</b>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable and accrued expenses	4,626,905	5,200,338
Accrued wages and related payables	300,968	226,587
Customer advances and deposits	2,723,761	2,759,795
Accrued interest payable	356,939	384,881
Long-term liabilities - due within one year:		
Current portion of compensated absences (note 4)	360,123	365,864
Current portion of certificates-of-participation payable (note 6)	2,090,000	1,990,000
Total current liabilities	10,458,696	10,927,465
Non-current liabilities:		
Long-term liabilities - due in more than one year:		
Compensated absences (note 4)	90,031	91,466
Other post employment benefits payable (note 5)	131,082	417,903
Net pension liability (note 9)	6,316,538	-
Certificates-of-participation payable (note 6)	24,923,531	27,214,027
Total non-current liabilities	31,461,182	27,723,396
<b>TOTAL LIABILITIES</b>	<b>41,919,878</b>	<b>38,650,861</b>
<b>DEFERRED INFLOWS OF RESOURCES (note 8):</b>		
Deferred inflows of resources - actuarial	2,346,904	-
<b>NET POSITION</b>		
Net investment in capital assets (note 7)	85,600,612	85,117,787
Unrestricted	29,134,450	30,813,020
<b>TOTAL NET POSITION</b>	<b>\$ 114,735,062</b>	<b>115,930,807</b>

See accompanying notes to financial statements.

**MESA WATER DISTRICT**  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2015  
(With Comparative Data for Year Ended June 30, 2014)

	2015	2014
<b>OPERATING REVENUES:</b>		
Water consumption sales	\$ 24,371,000	24,639,988
Monthly meter service charge	5,803,271	5,454,610
Pass-through water sales to governmental agencies	-	4,035,580
Recycled water sales	1,397,919	1,698,506
Concessions from governmental agencies	968,138	1,238,000
Other charges and services	709,560	608,406
<b>TOTAL OPERATING REVENUES</b>	<b>33,249,888</b>	<b>37,675,090</b>
<b>OPERATING EXPENSES:</b>		
Imported sources of supply	2,645,852	2,427,936
Clear water	4,273,537	4,287,888
Amber water	2,864,506	3,353,823
Pass-through water sales to governmental agencies	-	4,035,580
Recycled water	436,560	470,767
Transmission and distribution	5,750,908	5,425,385
Depreciation and amortization	4,673,633	4,687,354
General and administrative	7,380,985	6,414,856
<b>TOTAL OPERATING EXPENSES</b>	<b>28,025,981</b>	<b>31,103,589</b>
<b>OPERATING INCOME</b>	<b>5,223,907</b>	<b>6,571,501</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment earnings	404,763	238,672
Interest expense - long-term debt	(1,494,222)	(1,595,546)
Gain (Loss) on sale/disposition of capital assets, net	9,639	28,155
Other non-operating, net	189,884	185,931
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(889,936)</b>	<b>(1,142,788)</b>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<b>4,333,971</b>	<b>5,428,713</b>
<b>CAPITAL CONTRIBUTIONS:</b>		
Capacity and installation charges	1,247,867	452,679
Capital grant	737,811	839,084
Developers and others	566,788	479,408
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<b>2,552,466</b>	<b>1,771,171</b>
<b>CHANGE IN NET POSITION</b>	<b>6,886,437</b>	<b>7,199,884</b>
<b>TOTAL NET POSITION - beginning of the year, as restated (note 12)</b>	<b>107,848,625</b>	<b>108,730,923</b>
<b>TOTAL NET POSITION - end of the year</b>	<b>\$ 114,735,062</b>	<b>115,930,807</b>

See accompanying notes to financial statements.

**MESA WATER DISTRICT**  
Statement of Cash Flows  
Year Ended June 30, 2015  
(With Comparative Data for Year Ended June 30, 2014)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers for water sales and services	\$ 33,731,436	38,193,295
Cash paid to employees for salaries and wages	(9,465,963)	(7,257,546)
Cash paid to vendors and suppliers for materials and services	(14,372,747)	(18,608,573)
Net cash provided by operating activities	9,892,726	12,327,176
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(3,165,470)	(2,559,806)
Proceeds from capacity and installation charges	1,247,867	452,678
Proceeds from capital grant	737,811	839,084
Principal paid on long-term debt	(1,990,000)	(2,509,730)
Interest paid on long-term debt	(1,520,124)	(1,621,929)
Net cash (used for) capital and related financing activities	(4,689,916)	(5,399,703)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment earnings	386,873	198,361
Proceeds from sale of investments	16,749,475	4,247,329
Purchase of investments	(21,427,126)	(21,202,879)
Net cash provided by investing activities	(4,290,778)	(16,757,189)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	912,032	(9,829,716)
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	11,071,151	20,900,867
<b>CASH AND CASH EQUIVALENTS - end of year</b>	\$ 11,983,183	11,071,151

(Continued)

**MESA WATER DISTRICT**

Statement of Cash Flows

(Continued)

	2015	2014
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>		
Operating income	\$ 5,223,907	6,571,501
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,673,633	4,687,352
Other nonoperating revenue (expense)	189,884	185,931
Gain (Loss) on sale/disposition of capital assets, net	9,639	28,155
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	517,582	(331,104)
(Increase) decrease in materials and supplies inventory	120,894	158,044
(Increase) decrease in deposits and prepaid expenses	(78,940)	(6,182)
(Increase) decrease in other non-current assets	520	521
(Increase) decrease in deferred pension contributions	38,023	-
(Increase) decrease in deferred outflows	(6,114)	-
Increase (decrease) in accounts payable and accrued expenses	(573,433)	270,036
Increase (decrease) in customer deposits and unearned revenue	(36,034)	849,311
Increase (decrease) in compensated absences	(7,176)	(21,835)
Increase (decrease) in accrued wages and related payables	74,381	3,865
Increase (decrease) in other post employment benefits	(286,821)	(68,419)
Increase (decrease) in net pension liability	(2,314,123)	-
Increase (decrease) in deferred inflows	2,346,904	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 9,892,726</b>	<b>12,327,176</b>
 <b>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES:</b>		
Developer constructed facilities	\$ 566,788	479,408
 <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION</b>		
Cash and investments	\$ 39,445,085	33,089,108
Restricted cash and investments	703,216	1,469,510
Less: noncash equivalents	(28,165,118)	(23,487,467)
Cash and cash equivalents	<b>\$ 11,983,183</b>	<b>11,071,151</b>

See accompanying notes to financial statements.

MESA WATER DISTRICT  
Notes to the Financial Statements  
Year ended June 30, 2015

(1) Summary of Significant Accounting Policies

Organization and Description of the District

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

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

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

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

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

The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable.

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

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The District’s Board of Directors has designated certain reserves to ensure that the District continues to have sufficient funding available to meet its operating, non-operating, capital and debt obligations. These balances are as follows at June 30, 2015:

Capital Replacement	\$	10,000,000
Administrative & General		1,554,120
Catastrophe		11,189,665
Operating		9,312,179
Rate Stabilization		4,662,360
Customer & Developer Deposits		<u>2,726,761</u>
	\$	<u>39,445,085</u>

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments and Investment Policy

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

Accounts Receivable

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

Restricted Assets

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

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

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

Prepaid Expenses

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

Material and Supplies Inventory

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

Capital and Intangible Assets

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

Useful Life

Land improvements	15 - 50 years
Buildings and improvements	10 - 50 years
Machinery and equipment	4 - 10 years
Transmission and distribution system	10 - 99 years
Metering stations	10 - 99 years
Wells and pumping plant	5 - 50 years
Reservoirs	50 -75 years
Control systems	4 - 20 years

Compensated Absences

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

Customer Advances and Deposits

Customer advances represent deposits received in aid of construction, which are partially refundable if the applicable construction does not take place. Construction advances are transferred to contributed capital when the applicable construction project is completed.

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

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

Customer deposits may be collected at the time water service is initiated. Deposits may be applied to customer accounts or refunded at the time an account is closed.

Water Sales

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

Capital Contributions

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

Budgetary Policies

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

Reclassifications

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

Deferred Inflows/Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of Net Position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The District has three items that qualify for reporting in this category: the deferred charges on debt refunding, deferred outflows on pension contributions, and deferred outflow of pension actuarial amounts. These are reported on the Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: the deferred inflow of pension actuarial amounts and is reported on the Statement of Net Position.

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

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

Net Position Flow Assumption

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

Prior Year Data

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

Pensions

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

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

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

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2015 are classified in the financial statements as follows:

Cash and investments	\$ 39,445,085
Restricted cash and investments	<u>703,216</u>
	<u>\$ 40,148,301</u>

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

Cash:

Petty cash	\$ 2,100
Deposits with financial institutions	<u>6,977,636</u>
Total cash	<u>6,979,736</u>

Investments:

Federal agency securities	18,668,567
Local agency investment fund	1,004
Orange County investment pool	5,002,443
Certificates of deposit	8,793,334
Held by bond trustee:	
Federal agency securities	535,997
Money market funds	<u>167,220</u>
Total investments	<u>33,168,565</u>

Total cash and investments \$ 40,148,301

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

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

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(2) Cash and Investments, (Continued)

California Government Code or the District's Investment Policy:

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

\* Subject to FDIC limits

\*\* Of Base

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

Investments Authorized by Debt Agreements

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

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(2) Cash and Investments, (Continued)

Custodial Credit Risk

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

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

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit), and, the District's investment policy that requires no more than two-thirds of the District's deposits in a depository shall be collateralized by mortgage-backed securities, with the remainder to be secured by non-mortgage-backed securities. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Bank balances, up to \$250,000 at June 30, 2015, are federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in State Investment Pool and County Investment Pool

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

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. In accordance with its Investment Policy, the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided in the following table that shows the distribution of the District's investments by maturity as of June 30, 2015.

Investment Type	Total	12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Local agency investment pool	\$ 1,004	1,004	-	-	-
Orange County investment pool	5,002,443	5,002,443	-	-	-
Federal agency securities	18,668,567	-	2,662,971	16,005,596	-
Certificates of deposit	8,793,334	1,871,819	1,739,014	5,182,501	-
Held by fiscal agent:					-
Federal agency securities	535,997	169,974	178,658	187,365	-
Money market mutual funds	167,220	167,220	-	-	-
Total	\$ 33,168,565	7,212,460	4,580,643	21,375,462	-

Disclosures Relating to Credit Risk

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

Investment Type	AAA	AA+	Not Rated	Total
Local agency investment pool	-	-	1,004	1,004
Orange County investment pool	5,002,443	-	-	5,002,443
Federal agency securities	-	18,668,567	-	18,668,567
Certificates of deposit	-	-	8,793,334	8,793,334
Held by fiscal agent:				
Federal agency securities	-	535,997	-	535,997
Money market mutual funds	-	167,220	-	167,220
	\$ 5,002,443	19,371,784	8,794,338	33,168,565

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(2) Cash and Investments, (Continued)

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
FNMA	Federal Agency Securities	\$3,817,924
FHLB	Federal Agency Securities	6,394,036
FFCB	Federal Agency Securities	5,626,492
FHLMC	Federal Agency Securities	<u>3,366,112</u>
		<u>\$19,204,564</u>

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(3) Capital Assets

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

	Balance 2014	Additions/ Transfers	Deletions/ Transfers	Balance 2015
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Non-depreciable assets:				
Land	\$ 6,750,215	-	-	6,750,215
Construction-in-progress	2,017,983	3,865,370	(3,554,056)	2,329,297
Total non-depreciable assets	<u>8,768,198</u>	<u>3,865,370</u>	<u>(3,554,056)</u>	<u>9,079,512</u>
Depreciable assets:				
Land improvements	933,872	-	-	933,872
Buildings and improvements	4,320,415	-	-	4,320,415
Machinery and equipment	3,379,337	67,574	(573,420)	2,873,491
Transmission and distribution system	86,879,856	2,520,477	-	89,400,333
Reservoirs	28,087,819	367,108	-	28,454,927
Wells and pumping plant	6,972,430	8,164	-	6,980,594
Metering stations	645,905	-	-	645,905
Intangible assets	2,356,923	402,952	(381,562)	2,378,313
Control systems	5,306,721	-	-	5,306,721
Mesa water reliability facility	29,072,395	65,611	-	29,138,006
Total depreciable assets	<u>167,955,673</u>	<u>3,431,886</u>	<u>(954,982)</u>	<u>170,432,577</u>
Accumulated depreciation:				
Land improvements	(611,974)	(30,999)	-	(642,973)
Buildings and improvements	(1,808,038)	(98,198)	-	(1,906,236)
Machinery and equipment	(2,626,934)	(167,299)	563,135	(2,231,098)
Transmission and distribution system	(36,693,214)	(1,457,252)	-	(38,150,466)
Reservoirs	(9,358,627)	(449,080)	-	(9,807,707)
Wells and pumping plant	(3,559,557)	(162,690)	-	(3,722,247)
Metering stations	(278,816)	(12,918)	-	(291,734)
Intangible assets	(2,068,664)	(77,274)	380,903	(1,765,035)
Control systems	(1,192,445)	(371,810)	-	(1,564,255)
Mesa water reliability facility	(5,673,298)	(1,846,113)	-	(7,519,411)
Total accumulated depreciation	<u>(63,871,567)</u>	<u>(4,673,633)</u>	<u>944,038</u>	<u>(67,601,162)</u>
Total depreciable assets, net	<u>104,084,106</u>	<u>(1,241,747)</u>	<u>(10,944)</u>	<u>102,831,415</u>

Depreciation and amortization expense during the fiscal year ended June 30, 2015 is as follows:

Capital assets - depreciation expense	\$ 4,596,359
Intangible assets - amortization expense	<u>77,274</u>
	<u>\$ 4,673,633</u>

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(4) Compensated Absences

Compensated absences comprise of unpaid vacation which is accrued as earned. The changes in compensated absences balances during the fiscal year ended June 30, 2015, were as follows:

	<u>Balance</u> <u>June 30 2014</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion</u>	<u>Long term</u> <u>Portion</u>
\$	<u>457,330</u>	<u>358,827</u>	<u>(366,003)</u>	<u>450,154</u>	<u>360,123</u>	<u>90,031</u>

(5) Post Employment Benefits Payable

Plan Description - Eligibility

The District contracts with the California Public Employees Retirement System (CalPERS) to receive health benefits through the Public Employees' Medical and Hospital Care Act (PEMHCA) and is required to pay the PEMCHA minimum (\$118/month in 2016) for each CalPERS retiree who is enrolled in CalPERS medical insurance for whom the District was their employer.

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

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

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

Plan Description – Benefits

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

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(5) Post Employment Benefits Payable, (Continued)

Funding Policy

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 0.02 % of the annual covered payroll. The District will pay 100% of the cost of the post-employment benefit plan. The District made contributions greater than the amount calculated on a pay-as-you-go-basis and reduced the OPEB liability by the amount of contributions exceeding the OPEB annual cost.

Annual Cost

For the fiscal year ended June 30, 2015, the District's annual OPEB cost was \$126,424. The District's net OPEB payable obligation amounted to \$131,082 at the year ended June 30, 2015. The District contributed \$413,245 in age adjusted contributions for current retiree OPEB premiums during the fiscal year ended June 30, 2015.

Annual OPEB Expense:	
Annual required contribution (ARC)	\$132,714
Interest on net OPEB obligation	20,895
Adjustment to ARC	<u>(27,185)</u>
Total annual OPEB expense	126,424
Change in net OPEB payable obligation:	
Contributions made - PARS Investment	(350,000)
Contributions made - "Pay go"	<u>(63,245)</u>
	(413,245)
Total change in net OPEB payable obligation	(286,821)
OPEB payable - beginning of year	<u>417,903</u>
OPEB payable - end of year	<u>\$ 131,082</u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2015 and the two preceding years were as follows:

Three Year History of Net OPEB Obligation

Fiscal Year Ended	Annual OPEB Cost	Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable
2015	\$126,424	413,245	326.87%	131,082
2014	124,043	192,462	155.16%	417,903
2013	94,526	39,448	41.73%	486,322

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(5) Post Employment Benefits Payable, (Continued)

Funding Status and Funding Progress of the Plan

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

Actuarial Methods and Assumptions

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

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

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(6) Long-Term Debt

The following amounts of debt were outstanding June 30, 2015:

	Balance at June 30, 2014	Additions	Repayments	Balance at June 30, 2015	Amount Due in One Year
2009 Series COPs	\$ 6,995,000	-	(1,620,000)	5,375,000	1,705,000
Plus: Unamortized premium	414,085	-	(111,664)	302,421	-
Total 2009 Series COPs	<u>7,409,085</u>	<u>-</u>	<u>(1,731,664)</u>	<u>5,677,421</u>	<u>1,705,000</u>
2010 Series COPs	\$ 20,840,000	-	(370,000)	20,470,000	385,000
Plus: Unamortized premium	954,943	-	(88,833)	866,110	-
Total 2010 Series COPs	<u>21,794,943</u>	<u>-</u>	<u>(458,833)</u>	<u>21,336,110</u>	<u>385,000</u>
Total COPs	<u>\$ 29,204,028</u>	<u>-</u>	<u>(2,190,497)</u>	<u>27,013,531</u>	<u>2,090,000</u>

2009 Certificates of Participation

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

The above Certificates are secured by a pledge of net revenues from the operation of the enterprise. The District has covenanted that it will set charges which will be sufficient to provide net revenues equal to at least 115% of the aggregate amount of annual debt service of the District. For the year ended June 30, 2015, the District reported net revenues of \$11,243,481 and debt service of \$3,281,646.

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

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

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

Year Ending June 30	Principal	Interest
2016	\$ 1,705,000	268,750
2017	1,790,000	183,500
2018	1,880,000	94,000
Total Payments	\$ 5,375,000	546,250

2010 Revenue Certificates of Participation

On December 8, 2010, the Mesa Water District Improvement Corporation (Corporation) issued \$21,535,000 of 2010 Revenue Certificates of Participation (COPs). The proceeds from the sale of the COPs were used to finance the expansion and technology upgrade of the Mesa Water Reliability Facility. The COPs were issued at a premium of \$1,273,262 which will be amortized over the life of the debt service. Principal is payable on March 15<sup>th</sup> of each year and interest payments are payable on March 15<sup>th</sup> and September 15<sup>th</sup> each year, commencing March 15, 2014 with interest rates ranging from 3.0% to 5.0%. The certificates are scheduled to mature on March 15, 2025.

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

Year Ending June 30	Principal	Interest
2016	\$ 385,000	955,038
2017	400,000	939,638
2018	415,000	923,638
2019	2,405,000	907,038
2020	2,485,000	828,875
2021-2025	14,380,000	2,182,125
Total Payments	\$ 20,470,000	6,736,352

(7) Net Position

Calculation of net investment in capital assets as of June 30, 2015, is as follows:

Capital assets, net	\$ 111,910,927
Certificates of participation payable, current	(2,090,000)
Certificates of participation payable, non-current	(24,923,531)
Bond reserves	703,216
Total net investment in capital assets	\$ 85,600,612

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(8) Deferred Compensation Program

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of the plan assets held in trust at June 30, 2015, was \$6,066,017.

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

(9) Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2013 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

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. The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(9) Pension Plan, (Continued)

	<b>Miscellaneous</b>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	6.891%	6.308%
Required employer contribution rates	12.33%	6.730%

Contribution Description

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 the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate is 6.891 and 6.308 percent of annual pay, and the average employer's contribution rate is 12.330 and 6.730 percent of annual payroll for the Miscellaneous and PEPRA plans, respectively. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

***Actuarial Methods and Assumptions used to determine Total Pension Liability***

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

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(9) Pension Plan, (Continued)

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses: includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all funds

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

Discount Rate

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

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes. Refer to page 46 of this report, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(9) Pension Plan, (Continued)

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

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

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

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(9) Pension Plan, (Continued)

*Allocation of Net Pension Liability and Pension Expense to Individual Employers*

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportional allocations of individual plan amounts as of the valuation date are used where not available.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the Miscellaneous Risk Pool (risk pool) as a whole on the valuation date (June 30, 2013). The risk pool's fiduciary net position (FNP) subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date.

*Note:* for purposes of FNP in this step (2) and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4).

The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(9) Pension Plan, (Continued)

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The plan's proportion of aggregate employer contributions is equal to the plan's proportion of FNP calculated in (4). The plan's proportionate share of risk pool pension expense is developed as the sum of the related proportionate shares of the components of the aggregate pension expense. The following table shows the Plan's proportionate share of the net pension liability over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD)	\$35,128,549	26,497,888	8,630,661
Balance at: 6/30/2014 (MD)	37,219,037	30,902,499	6,316,538
Net Changes during 2013-14	2,090,488	4,404,611	(2,314,123)

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

	Miscellaneous	PEPRA
Proportion – June 30, 2013	99.997%	0.003%
Proportion – June 30, 2014	99.997%	0.003%
Change – Increase (Decrease)	<b>99.997%</b>	<b>0.003%</b>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate – 1% (6.5%)	Current Discount Rate (7.5%)	Discount Rate + 1% (8.5%)
Plan's Net Pension Liability	\$11,254,117	\$6,316,538	\$2,218,815

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(9) Pension Plan, (Continued)

*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, deferred inflows and deferred outflows of resources related to pensions 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 inflows and deferred outflows to be recognized in future pension expense.

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

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

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0.

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

For the measurement period ending June 30, 2014 (the measurement date), the District recognized a pension expense of \$650,719 for the Plan (the pension expense for the risk pool for the measurement period is \$239,824,465).

As of June 30, 2015, the Mesa Water District reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(9) Pension Plan, (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 0	\$ 0
Changes of Assumptions	0	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	(2,122,649)
Adjustment due to Differences in Proportions	6,114	(12,652)
<b>Total</b>	<b>\$ 6,114</b>	<b>(2,135,301)</b>

In addition to the figures shown in the table above, each employer is required to recognize an employer-specific type of deferred inflows and deferred outflows. This is derived from the difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions. This deferral and the corresponding amortization amount are calculated separately by each employer. The employer's pension expense is adjusted for the amortization of this additional deferral. This item is required to be amortized over the plan's Expected Average Remaining Service Lives (EARSL). The additional deferred inflow at June 30, 2015 is \$211,603.

Amounts reported as deferred outflows and deferred inflows of resources in the previous chart, including the employer-specific item, will be recognized in future pension expense as follows:

Measurement period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2015	\$608,569
2016	608,569
2017	592,990
2018	530,662

In addition to the above amounts, \$510,456 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(10) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. On June 30, 2015 the District participated in the liability and property programs of the ACWA/JPIA as follows:

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

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

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

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the year ending June 30, 2015. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR).

(11) Commitments and Contingencies

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

MESA WATER DISTRICT  
Notes to the Financial Statements  
(Continued)

(12) Prior Period Adjustment

During the year the District implemented GASB 68 resulting in recording a net pension liability and deferred outflow of resources as a prior period adjustment. It is not practical to restate the 2014 partial comparative financial information due to the unavailability of information.

Net position at beginning of year	\$115,930,807
Net Pension liability adjustment	<u>(8,082,182)</u>
Net position at beginning of year, as restated	<u>\$107,848,625</u>

MESA WATER DISTRICT

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

For the Year Ended June, 30, 2015\*

	Miscellaneous Plan 6/30/2014	PEPRA 6/30/14
Plan's Proportion of the Net Pension Liability (Asset)	.10151%	0%
Plan's Proportionate Share of the Net Pension Liability (Asset)	\$ 6,316,360	178
Plan's Covered-Employee Payroll	\$ 5,101,374	258,729
Plan's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	123.82%	0.07%
Plan's Proportion of the Fiduciary Net Position	\$30,901,629	870
Plan's Share of Risk Pool FNP	.25557%	.00001%
Plan's Proportionate Share of the Fiduciary Net Position as a percentage of the Plan's Total Pension Liability	83.03%	83.02%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 835,631	24

Notes to Schedule:

Benefit Changes: None

Changes of Assumptions: None

\*Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

MESA WATER DISTRICT  
Schedule of Plan Contributions  
For the Year Ended June, 30, 2015\*

	Misc Plan Fiscal Year 2014-15
Actuarially Determined Contribution	\$510,456
Contributions in Relation to the Actuarially Determined Contribution	(510,456)
Contribution Deficiency (Excess)	\$ -
Covered-Employee Payroll	\$4,124,923
Contributions as a Percentage of Covered-Employee Payroll	12.37%

Notes to Schedule:

Valuation date: June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18 years
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement Age	67 yrs.
Mortality	RP-2000 Healthy Annuitant Mortality Table

\*Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

## **Supplemental Information**

**Mesa Water District**  
**Revenue Coverage**  
**Certificates of Participation – Schedule 1**  
**For the Year Ended June 30, 2015**

Total revenues and capacity and installation charges	\$ 35,102,041
Total maintenance and operating expense	<u>23,841,745</u>
Net Revenues	<u><u>11,260,296</u></u>
Certificates of participation annual debt service and all other parity debt constituting obligations payable from net revenues.	   \$ <u><u>3,463,846</u></u>
<b>Ratio of net revenues to annual debt service and all other parity debt payable from net revenues.</b>	   3.25

**Mesa Water District**  
**Reconciliation of**  
**Total Revenues and Total Expenses for**  
**Certificates of Participation Revenue Coverage – Schedule 2**  
**For the Fiscal Year Ended June 30, 2015**

Revenues:	
Operating revenues	\$ 33,249,888
Non-operating revenues	604,286
Capacity and installation charges	<u>1,247,867</u>
Total revenues	<u>\$ 35,102,041</u>
Maintenance and operating expenses:	
Operating expenses before depreciation and amortization	\$ 23,352,348
Plus: Other post employment benefits non-cash activity	<u>286,821</u>
Total maintenance and operating expense	<u>23,639,169</u>
Non-operating expenses:	
Interest expense - long term debt	1,494,222
Less: Certificates of participation interest expense	<u>(1,291,646)</u>
Total non-operating expense	<u>202,576</u>
Total expense	<u>\$ 23,841,745</u>

# **Statistical Information Section**

**Mesa Water District  
Statistical Section**

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

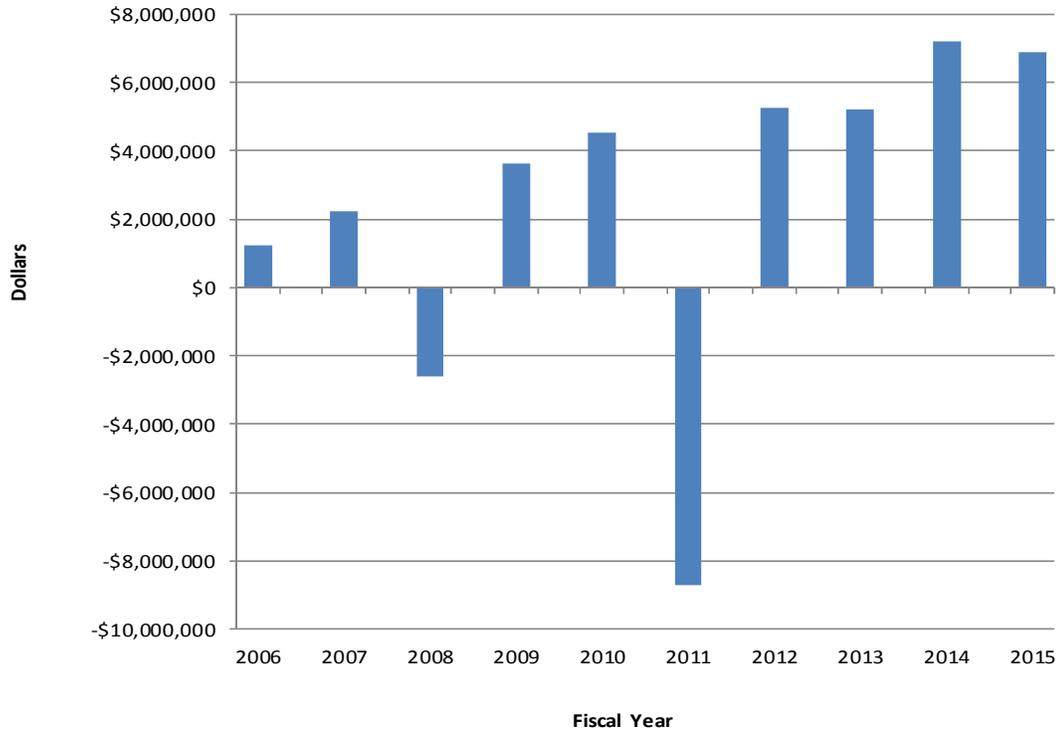
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	<b><u>Page No.</u></b>
<b><u>Financial Trends</u></b>	55a-55b
<p>These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.</p>	
<b><u>Revenue Capacity</u></b>	56-62
<p>These schedules contain information to help the reader assess the District’s most significant own-source revenue, water sales and related expenses.</p>	
<b><u>Debt Capacity</u></b>	63-64
<p>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.</p>	
<b><u>Demographic Information</u></b>	65-66
<p>These schedules offer demographic indicators to help the reader understand the environment within which the District’s financial activities take place.</p>	
<b><u>Operating Information</u></b>	67
<p>This schedule contains service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the service the District provides.</p>	

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

		<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Changes in net position:					
Operating revenues (see schedule 2)	\$	22,647,284	27,130,688	25,275,132	28,040,492
Operating expenses (see schedule 3)		<u>(21,871,930)</u>	<u>(23,675,604)</u>	<u>(22,314,434)</u>	<u>(23,977,957)</u>
<b>Operating income(loss)</b>		775,354	3,455,084	2,960,698	4,062,535
Net non-operating revenue(expense) (see schedule 4)		<u>(793,973)</u>	<u>(1,613,532)</u>	<u>(7,114,887)</u>	<u>(760,720)</u>
<b>Net income(loss) before capital contributions</b>		(18,619)	1,841,552	(4,154,189)	3,301,815
Capital contributions		<u>1,243,635</u>	<u>395,470</u>	<u>1,570,586</u>	<u>338,678</u>
Extraordinary Loss on Capital Assets Abandonment					
<b>Changes in net position</b>	\$	<u>1,225,016</u>	<u>2,237,022</u>	<u>(2,583,603)</u>	<u>3,640,493</u>
Net position:					
Net Investment in capital assets	\$	76,477,207	77,383,180	79,666,689	80,253,802
Restricted		3,025,987	2,744,556	2,129,366	2,560,453
Unrestricted		<u>9,670,610</u>	<u>11,949,893</u>	<u>7,989,723</u>	<u>11,067,191</u>
<b>Total net position</b>	\$	<u>89,173,804</u>	<u>92,077,629</u>	<u>89,785,778</u>	<u>93,881,446</u>

**Changes in Net Position**

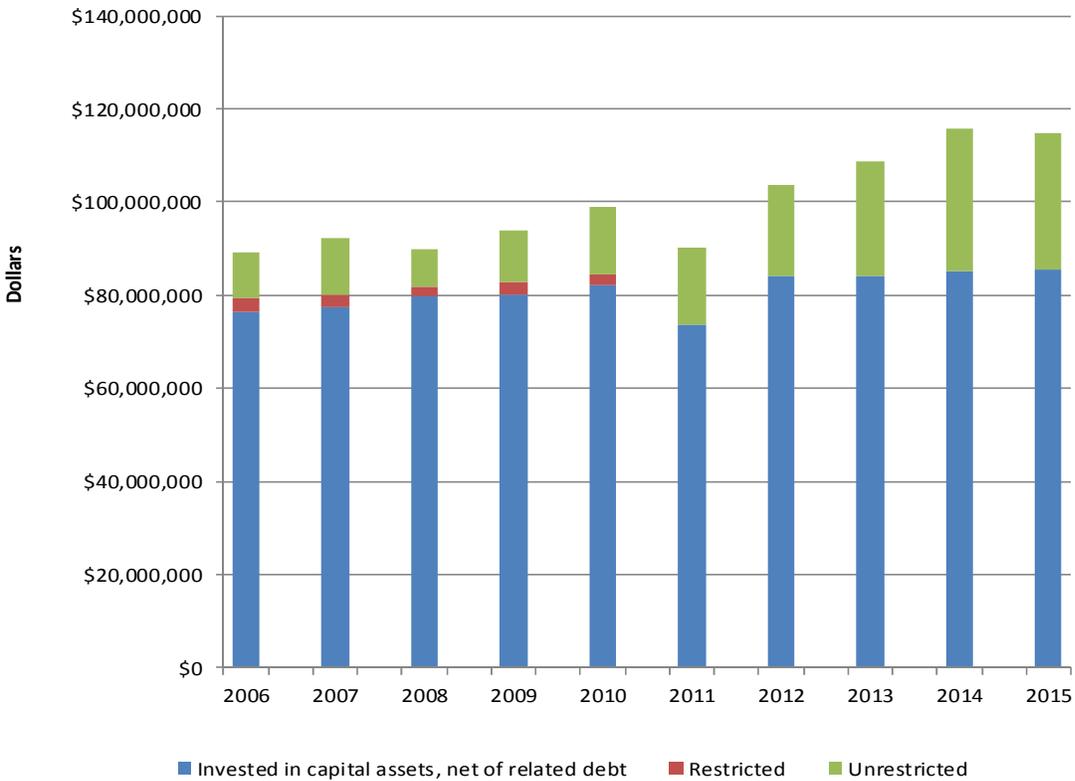


Source: Mesa Water District Audited Financial Statements.

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

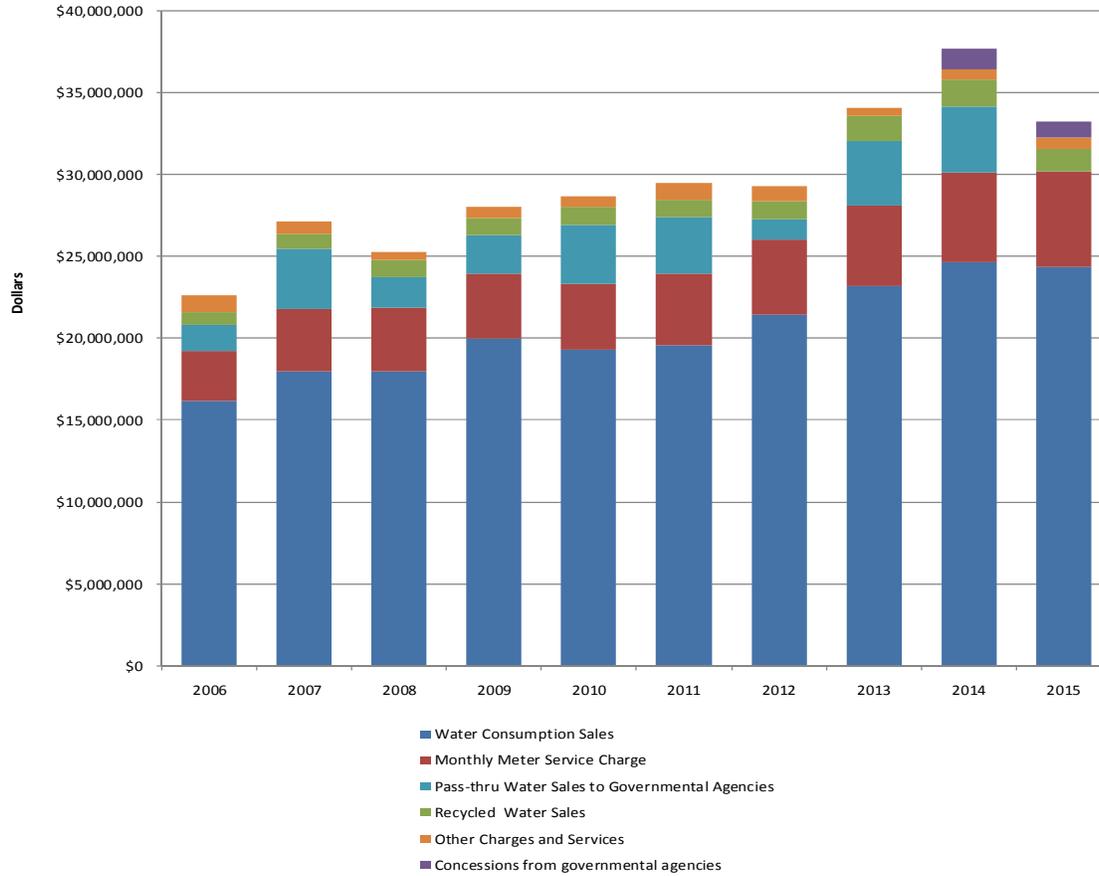
<b>Fiscal Year</b>					
<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
28,659,798	29,495,485	29,296,353	34,080,443	37,675,090	33,249,888
<u>(25,477,025)</u>	<u>(25,848,828)</u>	<u>(23,953,040)</u>	<u>(29,095,185)</u>	<u>(31,103,589)</u>	<u>(28,025,981)</u>
3,182,773	3,646,657	5,343,313	4,985,258	6,571,501	5,223,907
<u>(497,795)</u>	<u>(790,937)</u>	<u>(321,690)</u>	<u>(1,196,646)</u>	<u>(1,142,788)</u>	<u>(889,936)</u>
2,684,978	2,855,720	5,021,623	3,788,612	5,428,713	4,333,971
<u>1,858,947</u>	<u>1,779,584</u>	<u>228,413</u>	<u>1,409,655</u>	<u>1,771,171</u>	<u>2,552,466</u>
	(13,357,434)		-		
<u>4,543,925</u>	<u>(8,722,130)</u>	<u>5,250,036</u>	<u>5,198,267</u>	<u>7,199,884</u>	<u>6,886,437</u>
82,182,580	73,793,234	84,080,083	84,054,617	85,117,787	85,600,612
2,395,355	-	-	-	-	-
<u>14,412,050</u>	<u>16,474,621</u>	<u>19,452,573</u>	<u>24,676,306</u>	<u>30,813,020</u>	<u>29,134,450</u>
<u>98,989,985</u>	<u>90,267,855</u>	<u>103,532,656</u>	<u>108,730,923</u>	<u>115,930,807</u>	<u>114,735,062</u>

**Net Position by Component**



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

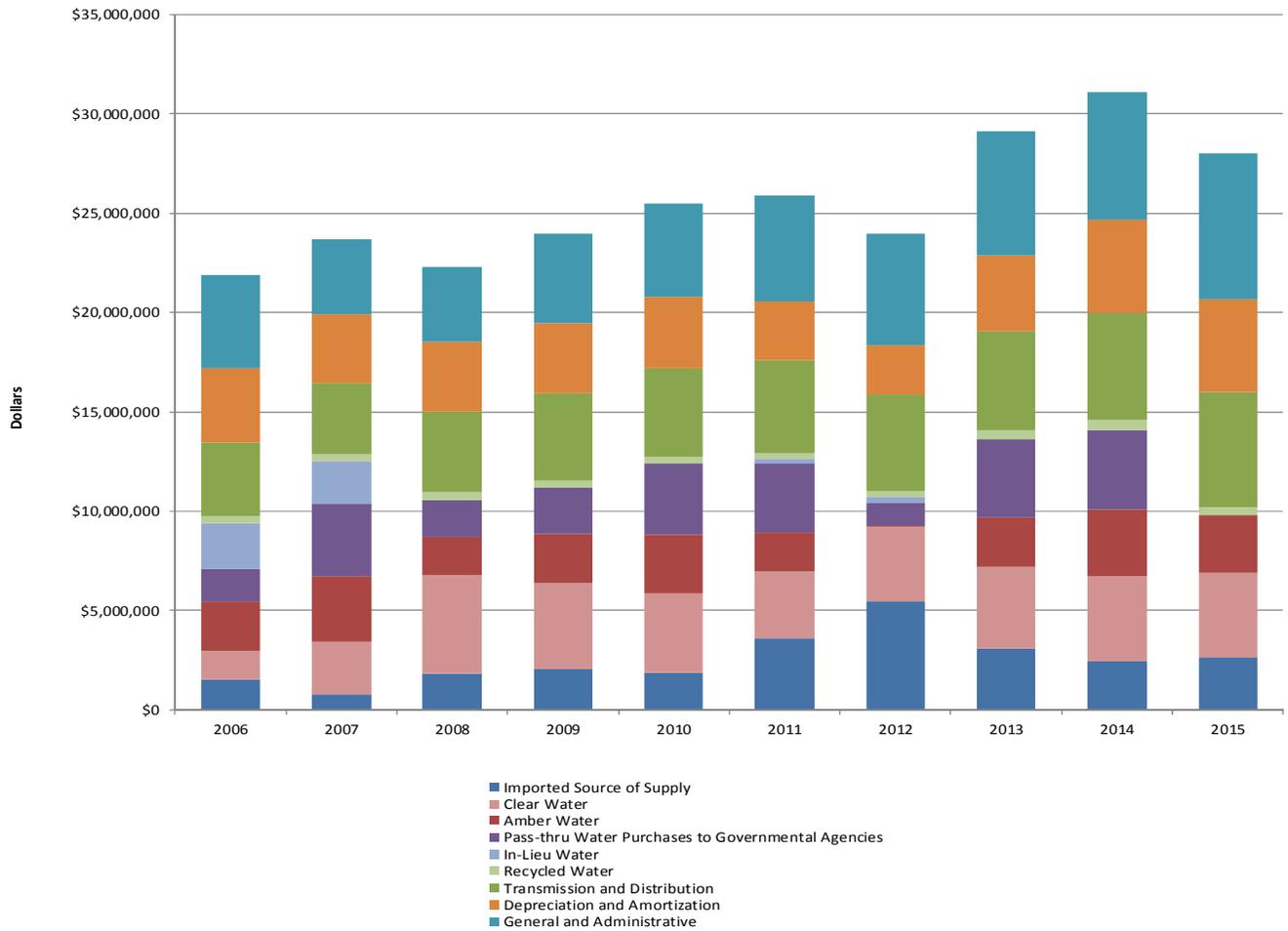
Fiscal Year	Water Consumption Sales	Monthly Meter Service Charge	Pass-thru Water Sales to Governmental Agencies	Recycled Water Sales	Other Charges and Services	Concessions from governmental agencies	Total Operating Revenues
2006	16,168,013	3,075,359	1,595,527	776,360	1,032,025	-	22,647,284
2007	17,945,830	3,868,656	3,646,283	927,781	742,138	-	27,130,688
2008	17,973,986	3,899,409	1,883,331	983,502	534,904	-	25,275,132
2009	20,016,831	3,932,115	2,328,144	1,061,400	702,002	-	28,040,492
2010	19,315,363	3,998,580	3,623,321	1,100,038	622,496	-	28,659,798
2011	19,598,777	4,329,199	3,494,841	1,042,340	1,030,328	-	29,495,485
2012	21,446,306	4,597,512	1,200,178	1,158,856	893,501	-	29,296,353
2013	23,205,333	4,865,284	3,948,733	1,549,378	511,715	-	34,080,443
2014	24,639,988	5,454,610	4,035,580	1,698,506	608,406	1,238,000	37,675,090
2015	24,371,000	5,803,271	-	1,397,919	709,560	968,138	33,249,888



Source: Mesa Water District Audited Financial Statements.

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

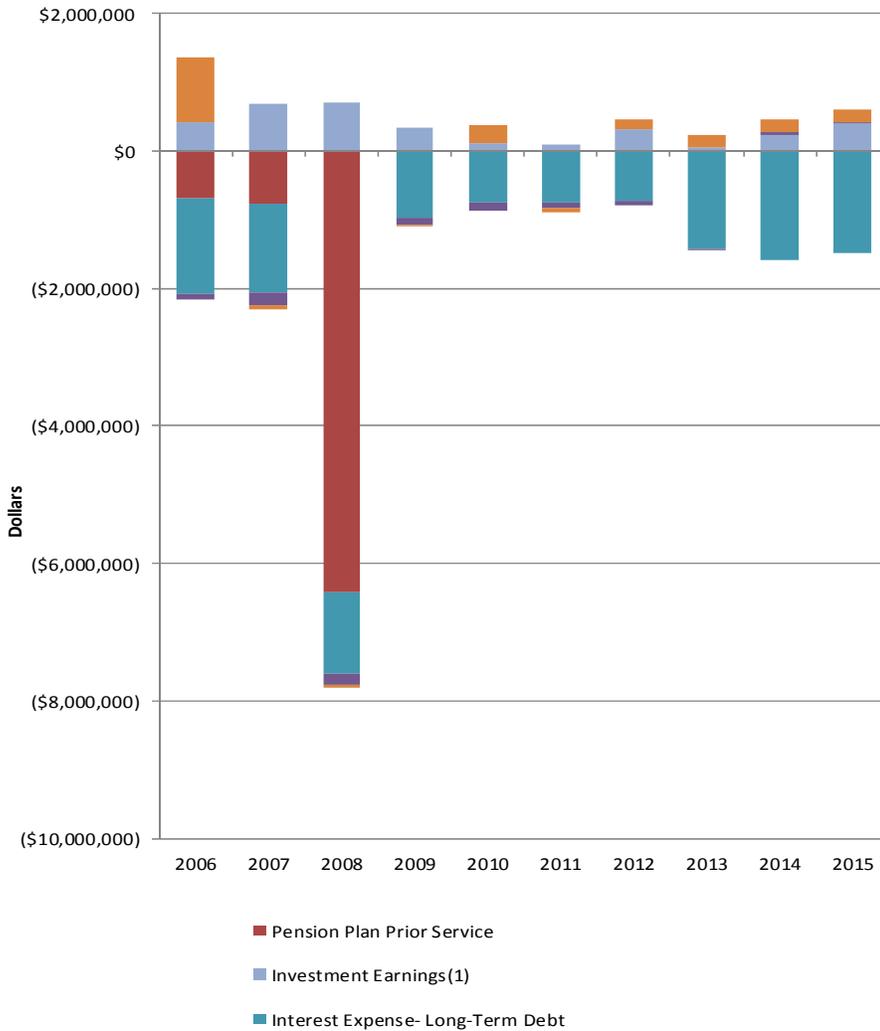
Fiscal Year	Imported Source of Supply	Clear Water	Amber Water	Pass-thru Water Purchases to Governmental Agencies	In-Lieu Water	Recycled Water	Transmission and Distribution	Depreciation and Amortization	General and Administrative	Total Operating Expenses
2006	1,525,155	1,460,494	2,495,201	1,595,527	2,339,069	306,569	3,726,944	3,723,357	4,699,614	21,871,930
2007	793,521	2,641,180	3,322,247	3,646,283	2,101,378	341,953	3,622,632	3,442,188	3,764,222	23,675,604
2008	1,827,324	4,969,970	1,886,228	1,883,331	-	361,854	4,096,822	3,482,048	3,806,857	22,314,434
2009	2,047,418	4,352,458	2,469,328	2,328,144	-	361,556	4,381,860	3,511,025	4,526,168	23,977,957
2010	1,897,896	3,975,004	2,924,926	3,623,321	-	337,400	4,461,625	3,539,223	4,717,630	25,477,025
2011	3,629,226	3,343,162	1,943,963	3,494,841	209,053	300,364	4,680,458	2,967,260	5,280,501	25,848,828
2012	5,449,257	3,767,638	38,178	1,200,178	249,703	325,349	4,838,681	2,507,029	5,577,027	23,953,040
2013	3,073,519	4,134,259	2,472,987	3,948,733	-	443,319	5,005,698	3,798,924	6,217,746	29,095,185
2014	2,427,936	4,287,888	3,353,823	4,035,580	-	470,767	5,425,385	4,687,354	6,414,856	31,103,589
2015	2,645,852	4,273,537	2,864,506	-	-	436,560	5,750,908	4,673,633	7,380,985	28,025,981



Source: Mesa Water District Audited Financial Statements

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

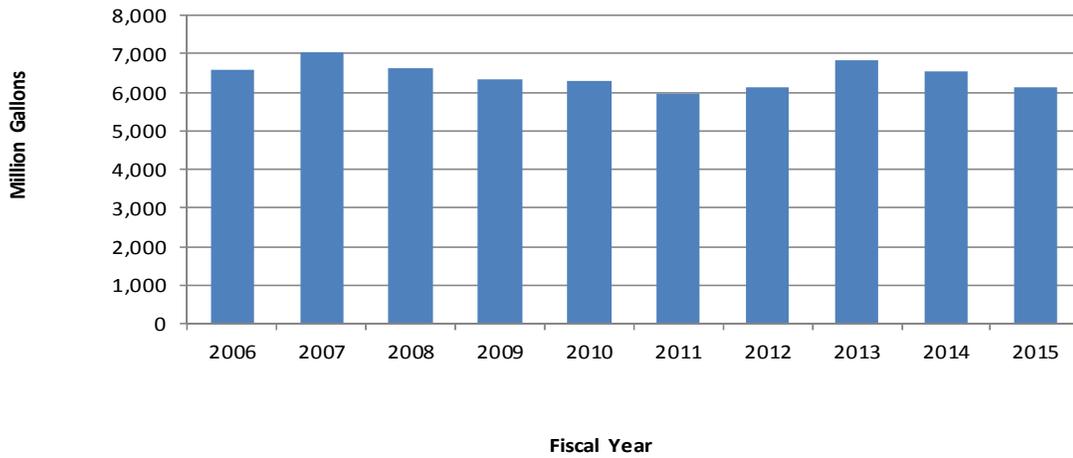
Fiscal Year	Investment Earnings <sup>(1)</sup>	Interest Expense-Long-Term Debt	Gain (Loss) on Sale/Disposition of Capital Assets, Net	Other Non-Operating, Net	Pension Plan Prior Service	Nonoperating Revenues/(Expenses)
2006	416,090	(1,381,722)	(76,384)	940,068	(692,025)	(793,973)
2007	688,588	(1,292,290)	(175,858)	(58,474)	(775,498)	(1,613,532)
2008	696,673	(1,192,813)	(160,554)	(44,533)	(6,413,660)	(7,114,887)
2009	338,335	(966,598)	(106,544)	(25,913)	-	(760,720)
2010	103,864	(749,969)	(115,994)	264,304	-	(497,795)
2011	94,758	(748,517)	(82,164)	(55,014)	-	(790,937)
2012	313,494	(720,536)	(68,158)	153,510	-	(321,690)
2013	43,234	(1,429,154)	(6,288)	195,562	-	(1,196,646)
2014	238,672	(1,595,546)	28,155	185,931	-	(1,142,788)
2015	404,763	(1,494,222)	9,639	189,884	-	(889,936)



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

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

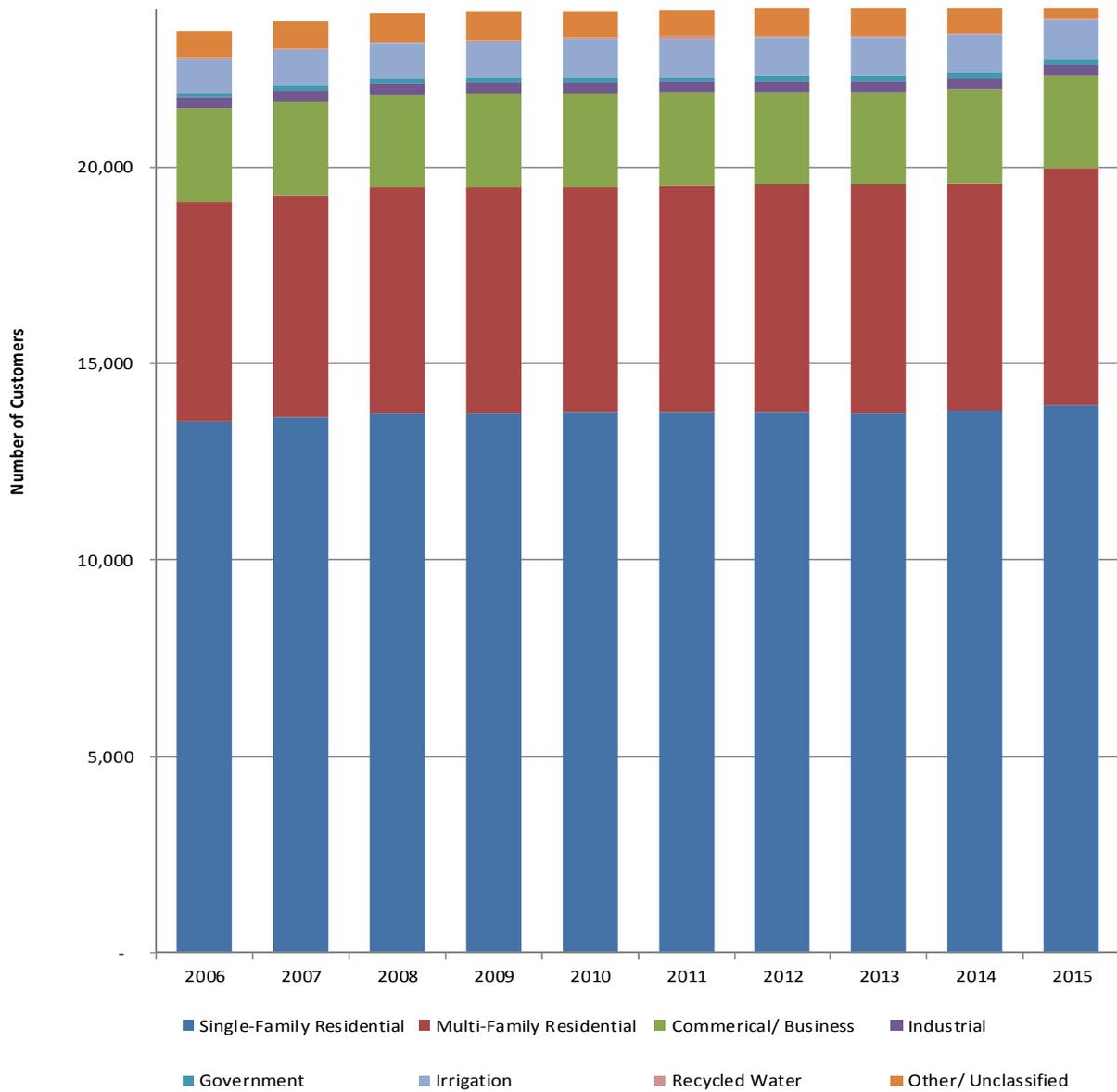
<b>Fiscal Year</b>	<b>Water Consumption (Gallons)</b>	AF	Sales AF	Production AF
2006	6,594,613,014	20,283	20,283	21,437
2007	7,048,852,096	21,526	21,527	22,701
2008	6,632,737,815	20,278	20,278	20,998
2009	6,338,694,880	19,453	19,753	20,040
2010	6,276,476,792	18,234	18,234	19,262
2011	5,964,539,630	17,359	17,359	18,305
2012	6,119,286,269	17,874	17,874	18,779
2013	6,836,777,586	18,701	18,701	20,981
2014	6,551,560,206	19,011	19,011	20,106
2015	6,130,560,714	18,110	18,110	18,814



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

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

Fiscal Year	Customer Type							
	Single-Family Residential	Multi-Family Residential	Commerical/ Business	Industrial	Government	Irrigation	Recycled Water	Other/ Unclassified
2006	13,532	5,581	2,372	272	127	860	38	676
2007	13,647	5,645	2,384	279	128	891	40	698
2008	13,722	5,750	2,377	278	131	903	42	710
2009	13,754	5,741	2,371	276	131	913	42	714
2010	13,761	5,740	2,372	277	133	959	42	684
2011	13,783	5,742	2,369	277	133	966	42	683
2012	13,778	5,763	2,370	274	135	977	42	786
2013	13,732	5,808	2,371	269	138	984	42	801
2014	13,798	5,806	2,374	267	138	996	32	794
2015	13,931	6,041	2,359	264	140	1013	36	707



Source: Mesa Water District-Customer Services Department

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

**Minimum Bimonthly Service Charge - Potable Water Service**

Meter Size		6/30/06	6/30/07	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15
5/8"	\$	12.00	15.00	15.00	15.00	16.00	17.00	18.00	19.00	20.00	21.50
3/4"		18.00	22.50	22.50	22.50	24.00	25.50	27.00	28.50	30.00	32.50
1"		30.00	37.50	37.50	37.50	40.00	42.50	45.00	47.50	50.00	54.00
1 1/2"		60.00	75.00	75.00	75.00	80.00	85.00	90.00	95.00	100.00	108.00
2"		96.00	120.00	120.00	120.00	128.00	136.00	144.00	152.00	160.00	172.50
3"		210.00	262.50	262.50	262.50	280.00	297.50	315.00	332.50	350.00	378.00
4"		600.00	750.00	750.00	750.00	504.00	535.50	567.00	598.50	630.00	680.00
6"		1,190.00	1,490.00	1,490.00	1,125.00	1,120.00	1,190.00	1,260.00	1,330.00	1,400.00	1,510.00
8"		1,490.00	1,860.00	1,860.00	1,687.50	1,920.00	2,040.00	2,160.00	2,280.00	2,400.00	2,590.00
10"		N/A	N/A	N/A	N/A	3,040.00	3,230.00	3,420.00	3,610.00	3,800.00	4,100.00

**Minimum Bimonthly Service Charge - Fireline Water Service - Class I**

Meter Size		6/30/06	6/30/07	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15
2"	\$	11.00	14.00	14.00	14.00	15.00	16.00	17.00	18.00	19.00	20.50
3"		17.00	21.00	21.00	21.00	22.50	24.00	25.50	27.00	28.50	31.00
4"		22.00	28.00	28.00	28.00	30.00	32.00	34.00	36.00	38.00	41.00
6"		33.00	42.00	42.00	42.00	45.00	48.00	51.00	54.00	57.00	61.50
8"		44.00	56.00	56.00	56.00	60.00	64.00	68.00	72.00	76.00	82.00
10"		55.00	70.00	70.00	70.00	90.00	96.00	102.00	108.00	114.00	123.00
12"		66.00	84.00	84.00	84.00	N/A	N/A	N/A	N/A	N/A	N/A

**Minimum Bimonthly Service Charge - Fireline Water Service - Class II**

Meter Size		6/30/06	6/30/07	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15
2"	\$	22.00	28.00	28.00	28.00	30.00	32.00	34.00	36.00	38.00	41.00
3"		34.00	42.00	42.00	42.00	45.00	48.00	51.00	54.00	57.00	61.50
4"		44.00	56.00	56.00	56.00	60.00	64.00	68.00	72.00	76.00	82.00
6"		66.00	84.00	84.00	84.00	90.00	96.00	102.00	108.00	114.00	123.00
8"		88.00	112.00	112.00	112.00	120.00	128.00	136.00	144.00	152.00	164.00
10"		110.00	140.00	140.00	140.00	180.00	192.00	204.00	216.00	228.00	246.00
12"		132.00	168.00	168.00	168.00	N/A	N/A	N/A	N/A	N/A	N/A

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

User Type		6/30/06	6/30/07	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15
<u>Residential</u>											
Potable Commodity Rate	\$	1.81	1.99	2.17	2.50	2.60	2.70	2.85	3.00	3.15	3.40
<u>Non-Residential</u>											
Construction Commodity Rate	\$	N/A	N/A	N/A	3.75	3.90	4.05	4.28	4.50	4.73	5.10
Fireline Commodity Rate	\$	3.62	3.98	4.34	5.00	5.20	5.40	5.70	6.00	6.30	6.80
Recycled Commodity Rate	\$	1.70	1.79	1.95	2.25	2.34	2.43	2.57	2.70	2.84	2.51

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

<b>FY 2014/15</b>	<b>Consumption</b>		<b>Acre Feet</b>	<b>% of Total</b>	<b>FY 2009/10</b>	<b>Consumption</b>		<b>Acre Feet</b>	<b>% of Total</b>
1 Mesa Verde Partners	246,129	565	2.9%	Mesa Verde (Costa Mesa Golf	177,674	408	2.1%		
2 City of Costa Mesa	231,354	531	2.8%	Fairview Developmental Center	66,162	152	0.8%		
3 Newport-Mesa Unified School District	183,815	422	2.2%	Newport-Mesa Unified School District	57,604	132	0.7%		
4 County of Orange	114,334	262	1.4%	Fairview Developmental Center	50,504	116	0.6%		
5 South Coast Plaza	91,982	211	1.1%	Monticello Community Association	49,114	113	0.6%		
6 The Irvine Company, Inc.	91,715	211	1.1%	Fairview Developmental Center	42,460	97	0.5%		
7 United Dominion Realty	84,788	195	1.0%	John Wayne Airport	41,300	95	0.5%		
8 Arnel Residential Properties	81,955	188	1.0%	Vanguard Univeristy	38,364	88	0.5%		
9 Coast Community College	76,827	176	0.9%	CalTrans	36,741	84	0.4%		
10 Fairview State Hospital	76,766	176	0.9%	Orange Coast College	36,447	84	0.4%		
	<u>2,938</u>	<u>15.2%</u>			<u>1,369</u>	<u>7.1%</u>			

**Sales in Acre Feet**

Potable	18,110
Recycled	1,159
<b>Total Sales Acre Feet</b>	<b><u>19,269</u></b>

**Sales in Acre Feet**

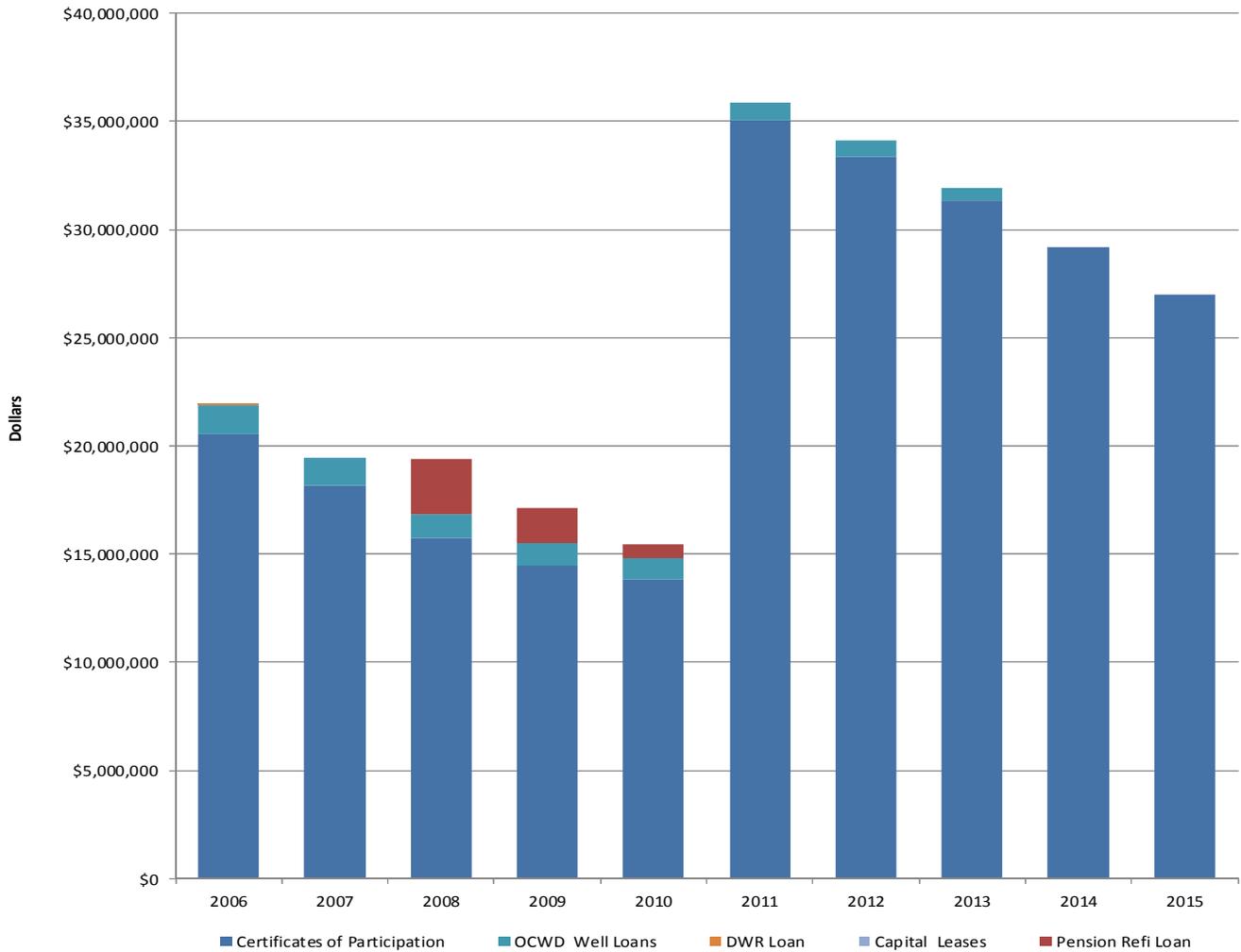
Potable	18,228
Recycled	1,034
<b>Total Sales Acre Feet</b>	<b><u>19,262</u></b>

Sou: Mesa Water District Billing System

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

Fiscal Year	Certificates of Participation	OCWD Well Loans	DWR Loan	Capital Leases	Pension Refi Loan	Total		
						Debt	Per Capita	As a Share of Personal Income
2006	20,549,999	1,315,836	19,093	-	-	21,884,928	192.30	0.40%
2007	18,202,188	1,226,813	-	-	-	19,429,001	170.50	0.34%
2008	15,735,780	1,134,675	-	-	2,504,362	19,374,817	166.34	0.33%
2009	14,490,700	1,039,311	-	-	1,595,174	17,125,185	146.15	0.31%
2010	13,845,738	940,612	-	-	650,474	15,436,824	140.32	0.29%
2011	35,050,518	838,455	-	-	-	35,888,973	324.03	0.61%
2012	33,380,023	732,724	-	-	-	34,112,747	306.33	0.56%
2013	31,319,523	596,770	-	-	-	31,916,293	285.36	0.52%
2014	29,204,031	-	-	-	-	29,204,031	257.41	0.47%
2015	27,013,531	-	-	-	-	27,013,531	N/A	N/A

(1)



Mesa Water District Audited Financial Statements

**Notes:** (1) Personal Income for 2015 has not yet been published by the County of Orange  
**Source:** Mesa Water District Audited Financial Statements

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

<b>Fiscal Year</b>	<b>Total Revenues</b>	<b>Operating Expenses</b>	<b>Net Available Revenues</b>	<b>Debt Service</b>			<b>Coverage Ratio</b>
				<b>Principal<sup>(2)</sup></b>	<b>Interest</b>	<b>Total</b>	
2006	24,156,000	(18,967,000)	5,189,000	2,515,000	1,061,308	3,576,308	1.45
2007	28,709,000	(21,131,000)	7,578,000	2,600,000	976,375	3,576,375	2.12
2008	26,706,000	(19,591,000)	7,115,000	1,375,000	808,270	2,183,270	3.26
2009	29,014,000	(20,308,000)	8,706,000	1,365,000	810,993	2,175,993	4.00
2010	31,286,000	(21,808,000)	9,478,000	1,440,000	574,455	2,014,455	4.70
2011	31,369,828	(21,954,603)	9,415,224	1,470,000	580,069	2,050,069	4.59
2012	29,748,638	(21,389,136)	8,359,502	1,470,000	580,069	2,050,069	4.08
2013	34,754,002	(25,467,504)	9,286,498	2,029,190	1,418,002	3,447,192	2.69
2014	38,580,524	(26,706,353)	11,874,171	1,990,000	1,319,588	3,309,588	3.59
2015	35,102,041	(23,841,745)	11,260,296	2,090,000	1,373,846	3,463,846	3.25

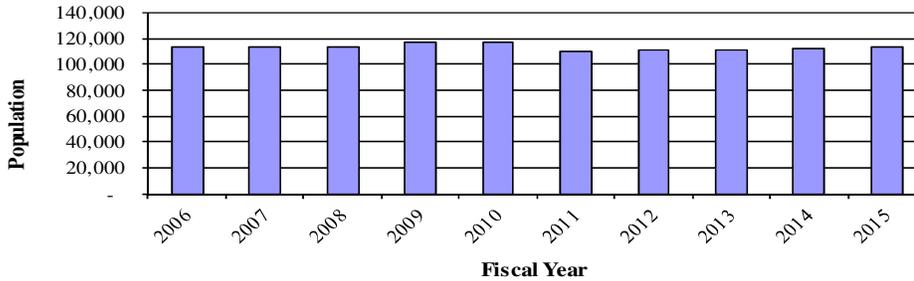
**Notes:** (1) Operating Expenses Exclude Depreciation Expense and OPEB accrual  
(2) Includes Only Normal Principal Payments (payments as a result of debt refinancing not included).

**Source:** Mesa Water District Audited Financial Statements.

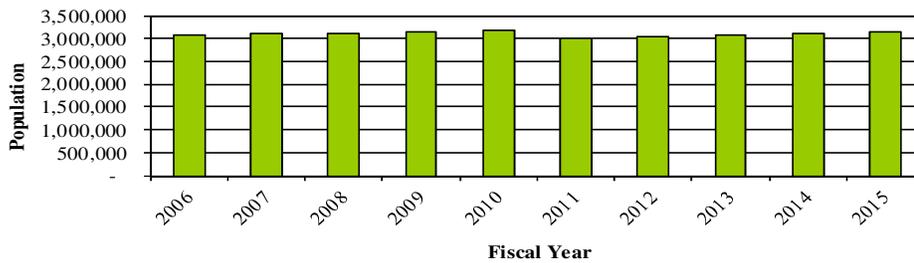
**Mesa Water District**  
**Schedule of Demographics and Economic Statistics**  
**Last Ten Calendar Years**  
**Schedule 11**

Year	Costa Mesa		County of Orange		
	Population	Unemployment Rate	Population	Personal Income (Thousands of Dollars)	Personal Income per Capita
2006	113,143	4.6%	3,072,336	143,949,044	48,209
2007	113,805	4.4%	3,098,121	153,446,600	49,529
2008	113,955	5.5%	3,121,251	155,068,400	49,681
2009	116,479	8.4%	3,139,017	148,372,600	47,267
2010	117,178	8.5%	3,166,461	153,098,600	48,350
2011	110,008	7.8%	3,010,232	159,007,100	52,822
2012	110,757	7.1%	3,055,792	166,345,500	54,436
2013	111,358	5.0%	3,081,804	168,966,400	54,827
2014	111,846	4.6%	3,114,209	173,305,295	55,096
2015	113,455	4.1%	3,147,655	N/A	N/A (1)

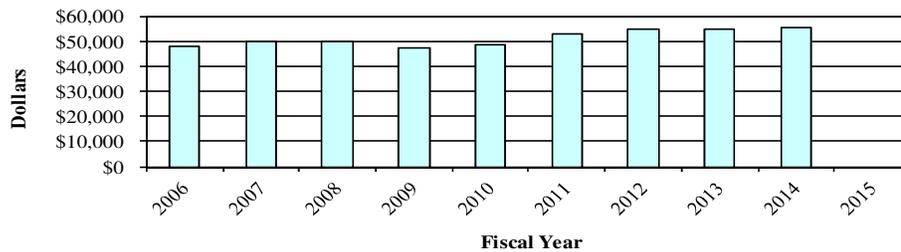
**Population - Costa Mesa**



**Population - Orange County**



**Personal Income per Capita - Orange County**



**Notes:** (1) Personal Income for 2015 has not yet been published by the County of Orange

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

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

2014-2015			2006-2007 <sup>(1)</sup>		
Name of Company	Number of Employees	% of Total	Name of Company	Number of Employees	% of Total
Epl Intermediate, Inc.	3,998	6.19%	Coast Community College District Foundation	3,044	4.66%
Experian Information Solution	3,700	5.73%	Orange Coast Community College	2,500	3.83%
Coast Community College District Foundation	2,900	4.49%	Coast Community College	2,131	3.26%
Orange Coast Community College	1,900	2.94%	Fairview Development Center	1,500	2.30%
Automobile Club of Southern California	1,200	1.86%	Interinsurance Exchange	1,200	1.84%
Dynamic Cooking Systems, Inc	700	1.08%	First Team Real Estate Inc.	1,025	1.57%
FileNet Corporation	600	0.93%	Los Angeles Times	1,000	1.53%
Sure Haven	550	0.85%	Macy's Department Store	800	1.23%
TTM Technologies, Inc.	500	0.77%	Resources Connection Inc.	750	1.15%
Shurflo, LLC	430	0.67%	International Business Machines	750	1.15%

(1) Data not available for fiscal year 2005-2006

Source: City of Costa Mesa Comprehensive Annual Financial Report

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

Department	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Manager	1	1	1	1	1	1	2	2	2	2
Administrative Services	20	19	21	18	20	20	7.5	8	6	7
Customer Services	0	0	0	0	0	0	11	10	10	11
Engineering	7	8	8	6	7	7	6	6	4	4
Financial Services	9	8	7	9	9	9	7.5	6	4	7
Public and Government Affairs	0	0	0	0	2	2	1.5	3	4	2
Water Operations	27	28	28	27	26	26	26.5	21	20	21
	64	64	65	61	65	65	62	56	50	54



Source: Mesa Water District