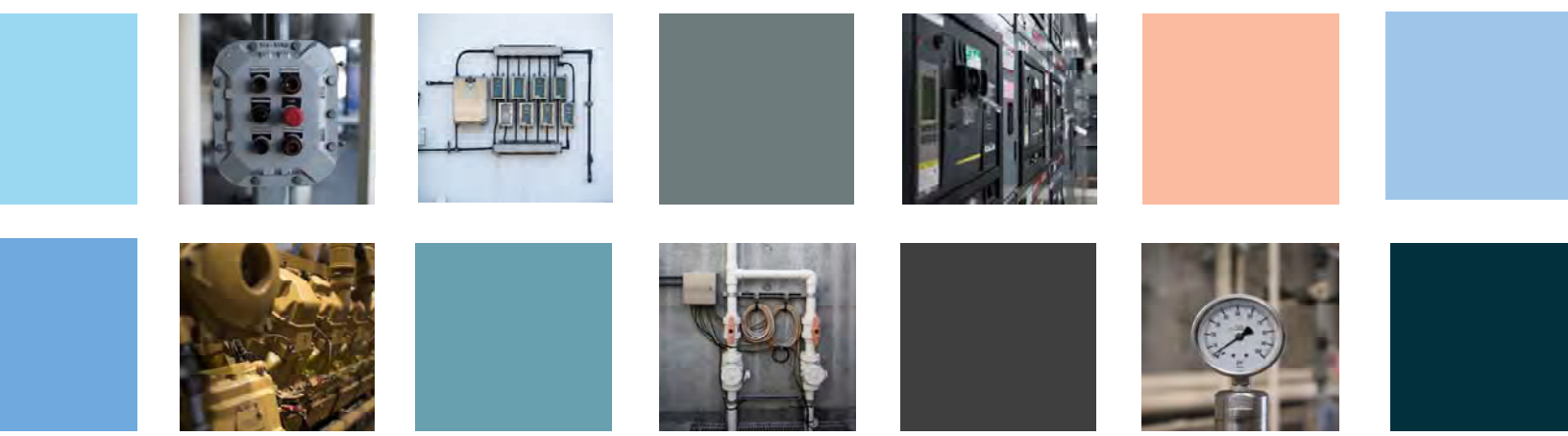




**ENCINA**  
WASTEWATER  
AUTHORITY

# Comprehensive Annual Financial Report

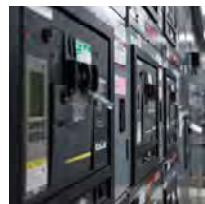
Years ended  
**June 30, 2018 and 2017**





## Mission Statement

As an environmental leader, EWA provides reliable and fiscally responsible wastewater services to the communities we serve while optimizing the use of renewable resources.



**ENCINA**  
**WASTEWATER**  
**AUTHORITY**

6200 Avenida Encinas  
Carlsbad, CA 92011  
(760) 438-3941  
[www.EncinaJPA.com](http://www.EncinaJPA.com)

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# INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

LIST OF OFFICIALS

SERVICE AREA MAP

ORGANIZATIONAL CHART

GOVERNMENT FINANCE OFFICERS ASSOCIATION AWARD



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## ENCINA WASTEWATER AUTHORITY

---

A Public Agency

6200 Avenida Encinas  
 Carlsbad, CA 92011-1095  
 Telephone (760) 438-3941  
 FAX (760) 438-3861 (Plant)  
 (760) 431-7493 (Admin)

December 12, 2018

The Board of Directors  
 Encina Wastewater Authority  
 6200 Avenida Encinas  
 Carlsbad, CA 92011-1095

We are pleased to submit the Comprehensive Annual Financial Report (Report) of the Encina Wastewater Authority (EWA or the Authority) for the fiscal year ended June 30, 2018. EWA staff remains committed to reaching and maintaining the highest possible standards in financial reporting now and in the future.

EWA's Certified Public Accounting firm, White Nelson Diehl Evans LLP, and accounting staff prepared the data in this Report. Vasquez & Company LLP independently audited the financial statements and related notes. Nonetheless, EWA bears the responsibility for the accuracy of all data presented in this Report. We, EWA's chief executive and financial officers, assume the responsibility for the Report's completeness and fairness of presentation including all disclosures. We affirm that, to the best of our knowledge and belief, information in this Report provides an accurate and fair representation of EWA's financial position and the status of its operations during the fiscal year ended June 30, 2018. We believe that this Report contains all information and disclosures needed to clearly understand EWA's Fiscal Year 2018 financial activities.

Vasquez & Company LLP has issued an unmodified ("clean") opinion on EWA's financial statements for the fiscal year ended June 30, 2018. The independent auditors' report is located at the front of the financial section of this report.

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

### BACKGROUND

On July 13, 1961 the City of Carlsbad and Vista Sanitation District entered into a Basic Agreement to create a joint powers authority (JPA) for the purpose of acquiring and constructing a joint sewer system. In 1963, the City of Vista incorporated and assumed membership in the JPA. Between 1964 and 1971, additional partners became members of the JPA including: the Buena Sanitation District (January 1964); the Vallecitos Water District (March 1965); and the Leucadia Wastewater District and City of Encinitas (August 1971). These six Member Agencies remain EWA's partners. There are no current plans to alter the EWA purpose or membership.

From 1963 to 1979, the County of San Diego managed the JPA. In 1963, the partners acquired a twenty-five acre site in south Carlsbad near the confluence of the Pacific Ocean and Encinas Creek. The partners completed construction of the Encina Water Pollution Control Facility (EWPCF) in 1965 including a 4.5 million gallon per day (MGD) treatment plant and ocean outfall. By 1971, the Phase I expansion increased treatment capacity to 6.75 MGD. In 1975, the Phase II expansion extended the Encina Ocean Outfall and increased capacity to 13.75 MGD.

The Leucadia Wastewater District managed the JPA from 1979 to 1988. During this time, the Phase III expansion increased capacity to 22.5 MGD, enhanced wastewater treatment facilities to meet stringent secondary treatment standards, and added critical effluent pumping facilities to the Encina Ocean Outfall system. In addition, cogeneration facilities were designed and placed in service to convert treatment process by-product methane and purchased natural gas to the electricity and compressed air required for plant operations.

In 1988, the partners amended the Basic Agreement through a Revised Basic Agreement (RBA). A short time later, the JPA’s membership created an independent public entity called the Encina Administrative Agency (EAA) to operate, maintain, and administer the EWPCF, the Agua Hedionda Pump Station, and the Buena Vista Pump Station. In 1991, the EAA changed its name to the Encina Wastewater Authority.

In 1992, the Phase IV Expansion Project increased liquid treatment capacity to 36.0 MGD; enhanced solids treatment capacity to 38.0 MGD; provided interim wastewater flow equalization facilities to optimize treatment plant and Ocean Outfall operations; and implemented extensive odor control facilities to better serve the growing population of the service area. In 1995, EWA purchased the thirty-seven (37) acres adjacent to the southern boundary of the EWPCF now known, and referred to in this Report, as the South Parcel.

The Phase V Expansion Project commenced construction in September 2006 to meet anticipated wastewater flows through 2025. The Phase V Project included replacement of existing dewatering equipment with two decanter centrifuges and the installation of a triple-pass rotary drum heat dryer that produces Class A biosolids pellets. The Phase V Expansion was substantially complete in February 2009 and dedicated in May 2009. The Authority’s Board of Directors took final acceptance of the project in December 2009. Permitted Phase V capacity is now 43.3 MGD.

**ORGANIZATION AND GOVERNANCE**

EWA is organized under the Joint Powers Act (California Government Code 6500 et seq). The Encina Member Agencies adopted the Revised Establishment Document (RED) on December 17, 1990 “to (a) retain EWA as the Operator/Administrator of the Encina Joint Powers and (b) reestablish the organization, administration, rules and specific powers of the EWA.” The powers enumerated in the RED are exercised subject to the restrictions of the County Water District Law (California Water Code 30000 et seq.). The RED provides for EWA’s governance by two elected officials appointed to EWA’s Board of Directors at the discretion of each Member Agency.

Members and officers of the Board of Directors on June 30, 2018 were:

<b>Member Agency</b>	<b>Representative</b>	<b>Representative</b>
City of Encinitas	Mark Muir, Chair	Catherine Blakespear
Vallecitos Water District	Jim Hernandez, Vice Chair	Craig Elitharp
City of Carlsbad	Keith Blackburn	Michael Schumacher
City of Vista & Buena Sanitation District	Judy Ritter	Amanda Rigby
Leucadia Wastewater District	Elaine Sullivan	Allan Juliussen



## CURRENT SERVICES

EWA's service area is comprised of approximately 123 square miles of coastal north San Diego County with a population of roughly 377,000. Wastewater is collected from the six districts and arrives at the EWPCF through gravity and force main piping manifolds. During the fiscal year ended June 30, 2018, the EWPCF treated, recycled, or disposed of 8.28 billion gallons of wastewater. EWA also enforces industrial pretreatment regulations in the Encina service area. Additionally, EWA produces tactical and business planning documents that ensure the Encina Joint Facilities continue to meet Member Agency needs in compliance with local, state, and federal regulations.

The EWPCF consists of state-of-the art wastewater treatment and disposal facilities. Primary wastewater treatment facilities include an influent junction structure, bar screens, and grit and sedimentation tanks. Secondary wastewater treatment facilities include aeration basins, clarifiers and dissolved air flotation units to dewater residual secondary solids. Anaerobic digesters stabilize solids generated by primary and secondary treatment processes. After 15-20 days in the digesters, wastewater solids are pumped to the dewatering building where centrifuges spin the solids to remove excess water. The resultant product, which is approximately 22% solids, is considered Class B biosolids. Uses for Class B biosolids are restricted by U.S. Environmental Protection Agency (EPA) regulations.

With the Phase V expansion project, a triple-pass rotary drum heat dryer was placed in service. Biosolids from the centrifuges are pumped to the dryer and heated to approximately 200 degrees Fahrenheit. The heat drying process produces pellets that are more than 90% solids and considered unrestricted use Class A biosolids. The system normally operates five days per week and produces about 24 tons per day of Class A biosolids pellets. Class A biosolids have unrestricted use, which provides EWA with more options for reuse of the product.

The Phase V expansion project also incorporated an upgrade to the Authority's cogeneration facility, including four 1,000hp Caterpillar engines driving 750kW generators. The engines can be fueled by either biogas or natural gas and recovered engine heat is used to heat the plant's anaerobic digesters. These anaerobic digesters produce up to 750,000 cubic feet of digester gas daily to fuel the engine generators. This power system produces over 83% of the electricity used at the EWPCF.

In April 2015, the Alternative Fuel Receiving Facility was completed moving the EWPCF towards energy independence. The project involved the construction of facilities to receive fats, oils and grease (FOG), brewery waste and other high strength organic waste products. This material is fed to existing digesters where it is converted into biogas, which is then used to offset natural gas usage in the biosolids dryer. During fiscal year 2018, EWA received 4.37 million gallons of FOG and brewery waste and earned \$177,113 in alternative fuels tipping fees.

Equalization basins optimize outfall operations and a bottom feed cylindrical sand filter produces Title 22 compliant recycled water for use in irrigation, engine cooling, odor reduction, and other EWPCF processes. Treated wastewater not beneficially reused is discharged into the Pacific Ocean through the Encina Ocean Outfall pipe, which extends 1.5 miles offshore.

EWA's Laboratory conducts approximately 32,000 tests annually to support EWA's Source Control Program, monitor compliance with ocean discharge permits, and provide contractual services to Encina Member Agencies for wastewater, recycled water, potable water and storm water quality testing.

EWA also operates and maintains the Agua Hedionda, Buena Vista, Buena Creek and Raceway Basin Pump Stations, and the Carlsbad Water Reclamation Facility under contracts with their respective owner agencies.

## MAJOR SERVICE INITIATIVES

EWA's 2018-2023 Five-Year Strategic Business Plan serves as the road map to accomplish the Board of Director's policy goals and establishes the basis for EWA's program, budgets, and other resource allocation determinations. The Strategic Plan links the strategic initiatives identified by the Board of Directors with management strategies and objectives to address those key initiatives. The strategic initiatives are:

1. Enhance workplace safety, health, and wellness.
2. Remain employer of choice.
3. Maintain regulatory compliance.
4. Improve infrastructure performance and reliability.
5. Expand waste resource recovery efforts.
6. Continue fiscal responsibility and revenue generation.
7. Optimize operational performance.
8. Engage key stakeholders.

## FUTURE PLANS

### Primary Area Improvement Rehabilitation

Primary treatment at the EWPCF consists of three major components: screenings, grit removal, and the sedimentation basins. Each of these facilities are reaching the end of their useful life. Rehabilitation projects have been broken down into three construction phases. Phase 1 includes expansion of the grit and screenings building, replacing motor control centers, replacement of tank and channel isolation gates, replacing primary sedimentary basin (PSB) effluent trough support beams, replacing the PSB utility water piping, and structural repairs to the PSB influent channel. This project is entering the construction phase.

The Primary Effluent Conveyance System conveys primary effluent from the PSBs to the aeration basins for secondary treatment. The conveyance system is comprised of primary sedimentation basins, coated reinforced concrete channels, approximately 530 feet of 72-inch reinforced concrete pipe, coated reinforced concrete junction boxes and concrete box conduits. These conveyance systems are one-of-a-kind facilities with no redundancy and are critical to being able to move liquid flow through the EWPCF. Rehabilitation of the pipeline, junction boxes and channel are anticipated to begin in FY 2019.

### Solids Thickening

The anaerobic digesters at the EWPCF receive solids from the following sources:

- Primary sludge and primary scum pumped from the primary sedimentation basins.
- Thickened waste activated sludge, which is currently pumped from the dissolved air flotation (DAF) units used to thicken the solids wasted from the secondary process.
- Alternative fuels such as fats, oils and greases (FOG), and beer waste received at the onsite alternative fuels receiving facility (AFRF).

EWA has determined that replacing the existing dissolved air flotation is needed to optimize the solids handling process and reduce the hydraulic loading on the anaerobic digesters and the downstream solids processing system. This Project is currently in the Design Phase and will result in a new solids thickening process.

**Heat Drying**

The dewatering centrifuges and rotary drum heat dryer are used to process digester sludge and create the PureGreen fertilizer pellets as Class A biosolids. Two duty and one standby centrifuge are currently used to produce a dewatered cake with approximately 22-24 percent solids concentration. Attempts to increase the solids concentration in the centrifuges have previously resulted in excessive polymer consumption or poor pellet formation in the heat dryer. Based on operating data, the heat dryer is operating near 100% capacity and is expected to reach capacity in the near future.

Short term operating modifications can be implemented in order to extend the dryer capacity but the desired pellet quality and safety concerns of handling the product must be considered. Long term alternatives to increase dryer capacity were identified and evaluated in EWA's 2016 Process Master Plan, and confirmed in the 2018 Biosolids, Energy and Emissions Strategic Plan, and installation of a second rotary drum heat dryer is the preferred alternative. In order to avoid running out of capacity, operational modifications and a new dryer will be needed within the following decade.

**FINANCE AND HUMAN RESOURCES****Internal Controls**

EWA's management has established and maintains internal controls designed to ensure assets are adequately protected from loss, theft or misuse. The objectives of an internal control structure are to ensure that transactions are executed in accordance with EWA policies and are recorded properly to allow preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

**Budgetary Controls**

Each year, EWA adopts annual Operating and Capital Improvement Program budgets in conformance with the RBA. Each budget sets forth expenditure plans and the allocation of related expenditures among the Member Agencies. The annual budgetary appropriation and control resolution limits management's discretion to amend adopted budgets and contracts approved by the Board of Directors.

**Accounting Method**

EWA operates on the accrual method of accounting. Funds are encumbered as each purchase is authorized in conformance with EWA policies and procedures. Encumbered funds are not carried forward without specific Board of Director's authorization.

**Debt Administration**

Other than existing pension obligations, EWA has no long-term debt or any contracts granting access to debt facilities of any kind.

**Cash Management**

EWA retrospectively bills Member Agencies and maintains appropriate cash reserves in accordance with the Financial Reserve Policy adopted by Resolution No. 2018-05. Any temporarily idle cash is invested in accordance with the California Government Code and a conservative formal investment policy that is annually reviewed and adopted by the Board of Directors. During the fiscal year, all temporarily idle funds were invested in either the State of California's Local Agency Investment Fund or California Asset Management Program.

**Independent Audit**

EWA's financial accounts and records are independently audited each year in conformance with requirements prescribed by the State Controller for special districts and accounting principles generally accepted in the United States of America. EWA has met this requirement and the opinion and report of its independent auditor, Vasquez & Company LLP, Certified Public Accountants, is included in this Report.

**Human Resources**

Federal and state law, EWA ordinance and resolution establish employee wages, hours and working conditions. EWA contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. In addition, EWA offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is optional and EWA has no fiduciary responsibility for the deferred compensation plan.

**AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to EWA for its comprehensive annual financial report for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

This report has been a joint effort by each of EWA's seventy staff through unwavering dedication to their profession and by helping to create an environment that stimulates and values teamwork. Together, *we are* a model of excellence and innovation. Additionally, a special note of appreciation goes to EWA's Administrative Services Manager, LeeAnn Warchol; EWA's Sr. Management Analyst, Joseph Spence; Lindsey Guidice and David Forman from White Nelson Diehl Evans LLP; the Member Agency Finance Officers; and Roger Martinez from Vasquez & Company LLP for their assistance and counsel. Finally, this Report would not be possible without the continuing support of EWA's Board of Directors whose leadership and commitment serve as the foundation for our accomplishments.



Michael Steinlicht  
General Manager

# LIST of OFFICIALS

## BOARD OF DIRECTORS AND OFFICERS

- Mark Muir**, Chair, City of Encinitas
- Jim Hernandez**, Vice Chair, Vallecitos Water District
- Judy Ritter**, City of Vista and Buena Sanitation District
- Amanda Rigby**, City of Vista and Buena Sanitation District
- Keith Blackburn**, City of Carlsbad
- Michael Schumacher**, City of Carlsbad
- Craig Elitharp**, Vallecitos Water District
- Catherine Blakespear**, City of Encinitas
- Elaine Sullivan**, Leucadia Wastewater District
- Allan Juliussen**, Leucadia Wastewater District
- LeeAnn Warchol**, Treasurer/Auditor
- Paula Clowar**, Executive Assistant/Board Secretary

## MANAGEMENT

- Michael Steinlicht**, General Manager
- Scott McClelland, P.E., BCEE**, Assistant General Manager
- Doug Campbell**, Director of Environmental Compliance
- Tucker Southern, P.E.**, Director of Technical Services
- Octavio Navarrette**, Director of Operations
- Debbie Allen, MLRHR**, Human Resources Manager
- LeeAnn Warchol**, Administrative Services Manager

## GENERAL COUNSEL

- Gregory V. Moser**, Procopio Cory Hargreaves & Savitch, LLP

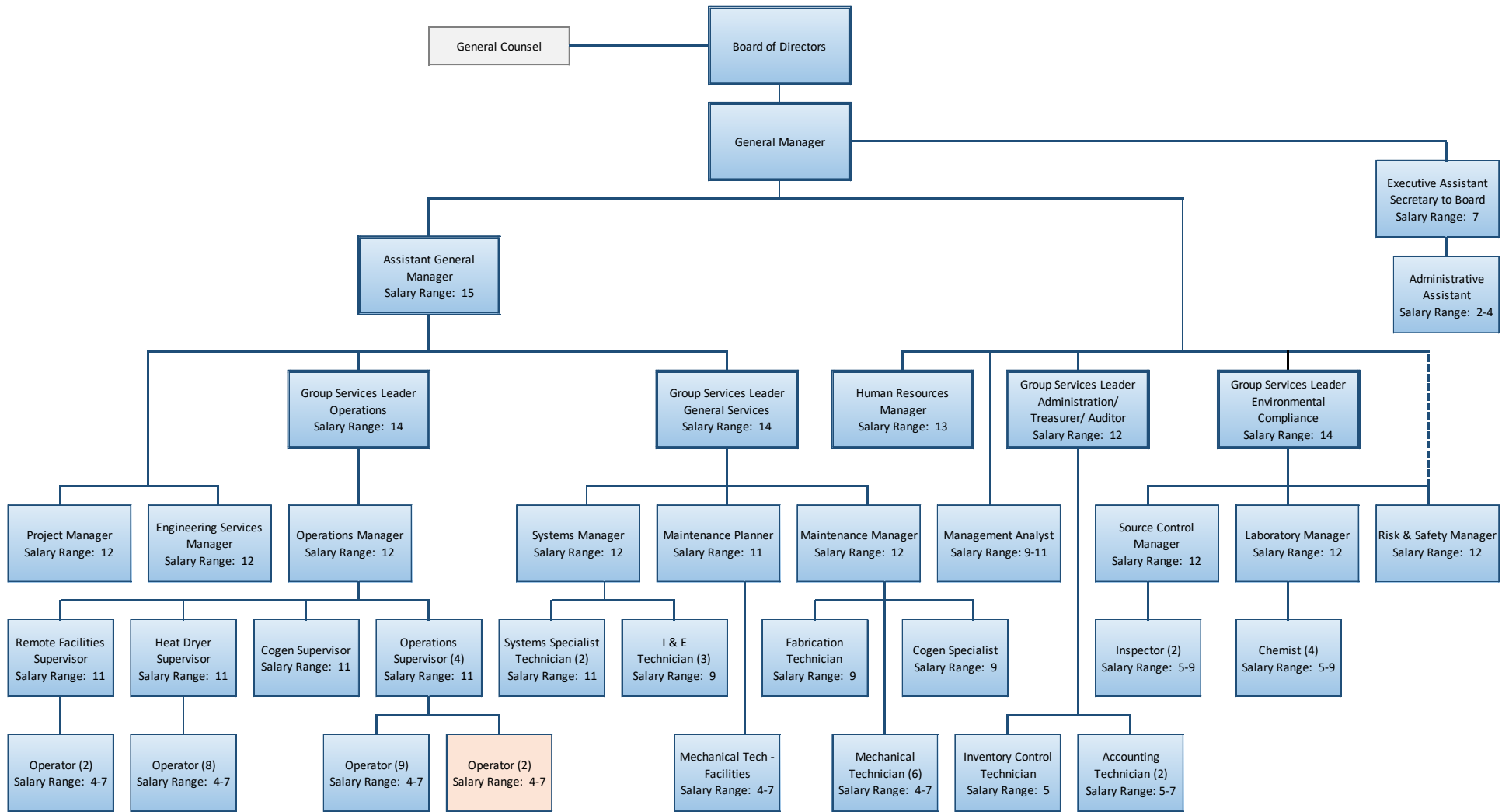
For additional information visit our website at [www.encinajpa.com](http://www.encinajpa.com)

# SERVICE AREA





# FISCAL YEAR 2018 ORGANIZATION CHART (70 FTEs)



Contract Support Services

- |                                 |                                      |                       |                               |                           |                                 |                            |                                   |
|---------------------------------|--------------------------------------|-----------------------|-------------------------------|---------------------------|---------------------------------|----------------------------|-----------------------------------|
| Biosolids Hauling               | Calibration & Backflow Certification | Cogen Engine Overhaul | Community Engagement Services | Construction Management   | Engineering Extension of Staff  | Fleet Maintenance Services | Financial Management Ext of Staff |
| Influent Flow Metering Services | Information Systems Ext of Staff     | Janitorial Services   | Landscape Services            | Ocean Monitoring Services | Research & Development Services | Security Services          |                                   |



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Encina Wastewater Authority  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

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# **FINANCIAL SECTION**

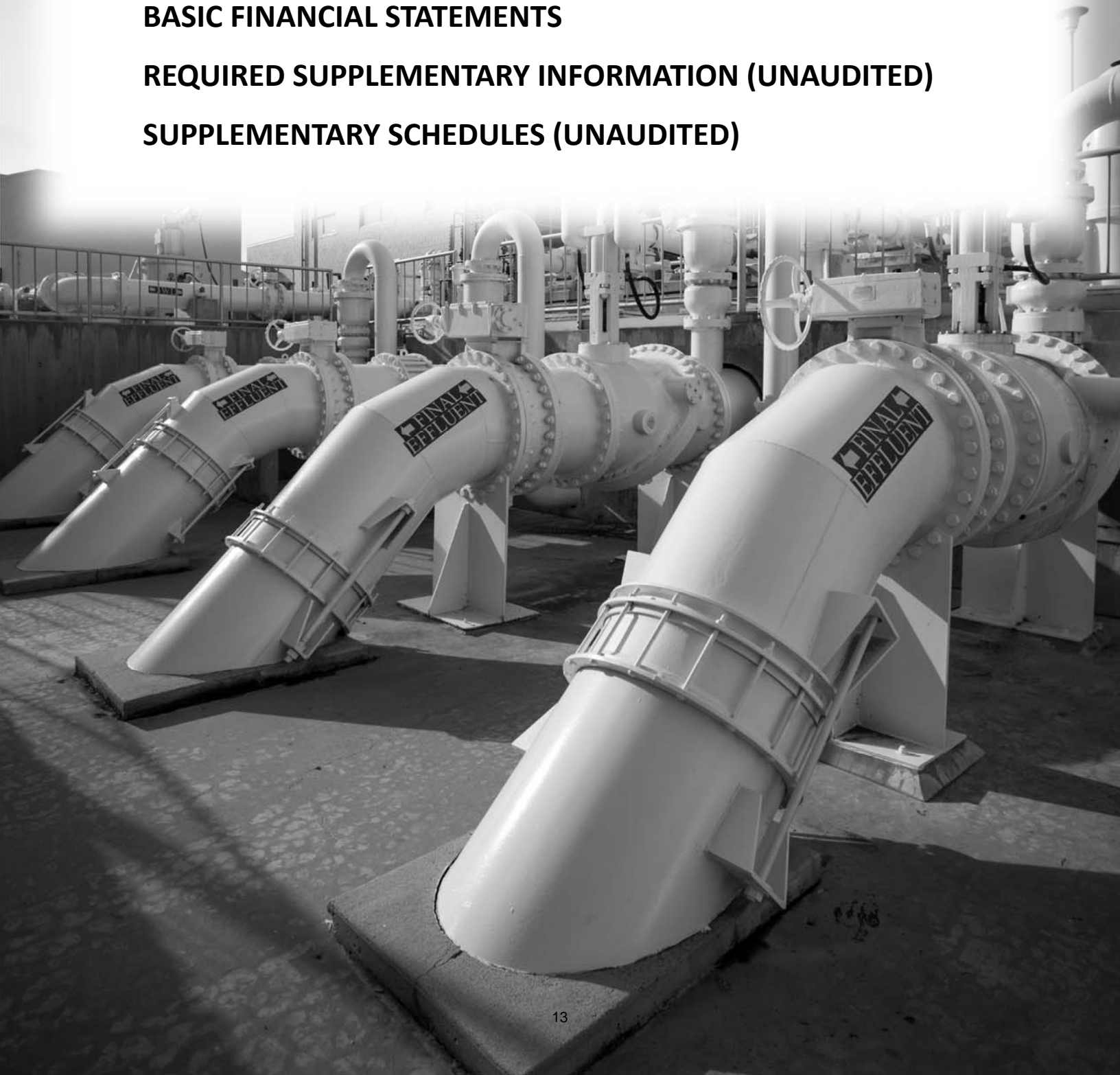
**INDEPENDENT AUDITORS' REPORT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**BASIC FINANCIAL STATEMENTS**

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**SUPPLEMENTARY SCHEDULES (UNAUDITED)**



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## **Report of Independent Auditors**

### **The Honorable Members of the Board of Directors Encina Wastewater Authority**

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

We have audited the accompanying financial statements of the Encina Wastewater Authority (the Authority) which comprise the statements of net position as of June 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority'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.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 financial position of the Authority as of June 30, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 19 through 24, the Schedules of Pension Plan's Proportionate Share of the Net Pension Liability and Pension Plan Contributions on pages 64 to 65 and the Schedules of Changes in the Net OPEB Liability and Related Ratios and OPEB Contributions on pages 66 to 67 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, the supplementary schedules in the financial section, the statistical section and the budget performance section as identified in the accompanying table of contents are presented for additional analysis and are not a required part of the basic financial statements.

The supplementary schedules in the financial section are the responsibility of management and were derived from and relate 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 schedules in the financial section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, statistical section, and the budget performance section have not be subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



*Implementation of New Accounting Standards*

As discussed in Note 10, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)*, effective for the fiscal year ended June 30, 2018. As a result of this implementation, the Authority's financial statements were restated to retroactively report the net OPEB liability of \$424,900, deferred outflows of \$49,970, and receivable from member agencies of \$374,930 as of June 30, 2017. Our opinion is not modified with respect to this matter.

*Vaughan & Company LLP*

**Glendale, California  
December 4, 2018**

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of Encina Wastewater Authority (EWA or the "Authority") provides an overview of the Authority's financial activities for the year ended June 30, 2018. Please read it in conjunction with the Authority's financial statements, which follows this section.

## FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and a brief description of the Authority's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The Authority's financial statements include four components:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to the Financial Statements

The Statement of Net Position includes all the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position may be displayed in three categories:

- Investment in Capital Assets
- Restricted
- Unrestricted

The statement of net position provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing its liquidity and financial flexibility.

The Statement of Revenues, Expenses and Changes in Net Position presents information which shows how the Authority's net position changed during the year. Revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The Statement of Revenues, Expenses and Changes in Net Position measures the success of the Authority's operations over the past year and determines whether the Authority has recovered its costs through user fees and other charges.

The Statement of Cash Flows provides information regarding the Authority's cash receipts and cash disbursements during the year. This statement may report cash activity in four categories:

- Operations
- Capital and related financing
- Noncapital financing
- Investing

This statement differs from the Statement of Revenues, Expenses and Changes in Net Position because the Statement of Cash Flows only accounts for transactions that result in cash receipts or cash disbursements.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.



## FINANCIAL HIGHLIGHTS

- The Authority's net position increased by \$6,410,001 to \$127,567,691 for the year ended June 30, 2018. This increase was the result of increased capital contributions being earned and applied towards capital project related efforts.
- The Authority's operating revenues increased from \$14,174,321 for the year ended June 30, 2017, to \$15,266,926 for the year ended June 30, 2018, primarily as a result of increased Member Agency assessments earned.
- The Authority's operating expenses increased from \$22,081,457 for the year ended June 30, 2017, to \$23,203,522 for the year ended June 30, 2018. The increase is driven by increased personnel costs, professional services, additional information technology equipment and services, and a general improvement of budget execution.

## FINANCIAL ANALYSIS OF THE AUTHORITY

**Net Position**

The following is a summary of the Authority's statements of net position at June 30:

	<u>2018</u>	<u>As Restated 2017</u>	<u>2016</u>
<b><u>Assets:</u></b>			
Current and other assets	\$ 22,458,744	\$ 22,064,859	\$ 20,639,018
Capital assets	118,467,691	112,047,443	109,764,177
Total Assets	<u>140,926,435</u>	<u>134,112,302</u>	<u>130,403,195</u>
<b><u>Deferred Outflows of Resources</u></b>	<u>6,659,307</u>	<u>6,646,110</u>	<u>3,553,614</u>
<b><u>Liabilities:</u></b>			
Current liabilities	1,152,277	1,119,924	845,669
Noncurrent liabilities	18,272,563	17,756,354	13,072,895
Total Liabilities	<u>19,424,840</u>	<u>18,876,278</u>	<u>13,918,564</u>
<b><u>Deferred Inflows of Resources</u></b>	<u>593,211</u>	<u>724,444</u>	<u>1,271,059</u>
<b><u>Net Position:</u></b>			
Investment in capital assets	118,467,691	112,047,443	109,764,177
Restricted for capital program	7,000,000	7,010,247	7,003,009
Unrestricted	2,100,000	2,100,000	2,000,000
Total Net Position	<u>\$ 127,567,691</u>	<u>\$ 121,157,690</u>	<u>\$ 118,767,186</u>

## FINANCIAL ANALYSIS OF THE AUTHORITY (CONTINUED)

**Net Position (Continued)**

As you can see from the table above, net position increased by \$6,410,001 from fiscal year 2017 to 2018. Investment in capital assets increased by \$6,420,248 as a result of the amount spent on capital improvements exceeding depreciation expense and the discontinued projects, studies and assessments. Restricted net position decreased by \$10,247 as a result of the Agency refunding the Member Agencies for excess capital contributions collected in fiscal year 2017.

Unrestricted net position (those that can be used to finance day-to-day operations) were unchanged and, in accordance with the Authority's financial reserve policy, is assigned as follows:

Operating Reserve	\$ 1,000,000	Unit I weighted ownership
Inventory Reserve	850,000	Unit I weighted ownership
Remote Facility Reserve	250,000	Specific ownership
	<u>\$ 2,100,000</u>	

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

The following is a summary of the Authority's revenues, expenses and changes in net position for the fiscal years ended June 30:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 15,266,926	\$ 14,174,321	\$ 14,307,834
Nonoperating revenues	35,831	126,694	17,129
Total Revenues	<u>15,302,757</u>	<u>14,301,015</u>	<u>14,324,963</u>
Depreciation expenses	7,936,596	7,907,136	8,043,457
Unit I - EWPCF usage costs	6,575,100	6,019,867	6,356,005
Unit I - EWPCF ownership costs	4,629,234	4,404,856	4,335,206
Pump station facilities	2,494,000	2,214,636	2,072,493
Other operating expenses	1,568,592	1,534,962	1,544,130
Nonoperating expenses	2,364,975	1,285,325	2,327,189
Total Expenses	<u>25,568,497</u>	<u>23,366,782</u>	<u>24,678,480</u>
Loss Before Contributions	(10,265,740)	(9,065,767)	(10,353,517)
Capital Contributions	<u>16,675,741</u>	<u>11,456,271</u>	<u>6,407,926</u>
Changes in Net Position	6,410,001	2,390,504	(3,945,591)
Total Net Position at Beginning of Year	<u>121,157,690</u>	<u>118,767,186</u>	<u>122,712,777</u>
Total Net Position at End of Year	<u>\$ 127,567,691</u>	<u>\$ 121,157,690</u>	<u>\$ 118,767,186</u>

**FINANCIAL ANALYSIS OF THE AUTHORITY (CONTINUED)****Revenues, Expenses and Changes in Net Position (Continued)**

A closer examination of the source of changes in net position reveals the Authority's revenues increased by \$1,001,742 in fiscal year 2018. Total revenues represent assessments to Member Agencies for reimbursement of operating expenses, as well as revenues from laboratory services, alternative fuel tipping fees, PureGreen sales and other environmental compliance activities. The fluctuation in total revenues is primarily driven by operating costs.

Total expenses, exclusive of depreciation, increased by \$2,172,255 in fiscal year 2018 as a result of increased personnel costs, professional services, additional information technology equipment and services, and a general improvement of budget execution.

A loss on disposal of capital assets results when capital items are replaced before they are fully depreciated. Discontinued projects, studies, and assessments result when capital funds have been used towards early development or construction of a capital project but management has subsequently determined to discontinue the project or has determined there is no future value to the funds expended and must therefore expense the capital project in accordance with generally accepted accounting principles (GAAP). For the years ended June 30, 2018 and 2017, discontinued projects, studies, and assessments totaled \$2,364,975 and \$1,285,325, respectively. The fiscal year 2018 discontinued projects, studies, and assessments includes the electronic operations manual and documentation management efforts, the operation optimization plan, the EWPCF capital asset management plan, the potable reuse study and asset condition assessments.

Capital contributions increased by \$5,219,470 in fiscal year 2018. The increased contributions were primarily driven from an increased construction in progress activity attributable to the FY15 major plant rehabilitation project, which included aeration basin rehabilitation, aeration basin cover replacement and drying safety upgrades. Other capital projects included primary area improvements, SCADA system improvements and the design of the replacement regenerative thermal oxidizer.

The Revised Basic Agreement (RBA) requires the Member Agencies to pay EWA only the actual costs of materials and supplies used or purchased for the operation, maintenance, administration, or capital improvement of the Joint System, contracts let by EWA for the performance of budgeted operations and maintenance work or capital improvement projects, and the salaries and wages of EWA employees. Accounts billed to Member Agencies for operating expenses are offset by other operating revenues and proceeds from the sale of capital assets. In conformance with these limitations, EWA has never billed Member Agencies for depreciation expense. However, the RBA ensures Member Agencies will provide the necessary and appropriate funding for the replacement of EWA's depreciable assets pursuant to recommendations by the Board of Directors and the Joint Advisory Committee. Thus, operating program losses attributable to non-billable depreciation expenses are expected and thus do not reflect a deterioration of EWA's financial position.

## FINANCIAL ANALYSIS OF THE AUTHORITY (CONTINUED)

**Capital Assets**

Capital assets consist of the following at June 30:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b><u>Capital Assets Not Being Depreciated:</u></b>			
Land	\$ 3,598,173	\$ 3,598,173	\$ 3,598,173
Construction-in-progress	<u>21,288,567</u>	<u>9,116,097</u>	<u>1,555,579</u>
Total Capital Assets Not Being Depreciated	<u>24,886,740</u>	<u>12,714,270</u>	<u>5,153,752</u>
<b><u>Capital Assets Being Depreciated:</u></b>			
Joint wastewater treatment (Unit I)	221,355,330	220,536,997	219,644,465
Joint ocean outfall (Unit J)	14,115,650	14,115,650	14,115,650
Furnishings and office equipment	4,794,834	4,397,250	4,236,888
Pump station facilities	7,603,411	7,506,388	7,235,023
Flow metering system	<u>344,945</u>	<u>344,945</u>	<u>340,489</u>
Total Capital Assets Being Depreciated	248,214,170	246,901,230	245,572,515
Less: Accumulated depreciation	<u>(154,633,219)</u>	<u>(147,568,057)</u>	<u>(140,962,090)</u>
Net Capital Assets Being Depreciated	<u>93,580,951</u>	<u>99,333,173</u>	<u>104,610,425</u>
Net Capital Assets	<u>\$ 118,467,691</u>	<u>\$ 112,047,443</u>	<u>\$ 109,764,177</u>

The total additions of capital assets being depreciated for fiscal year 2018, net of removed assets, totaled \$13,485,410. Capital asset additions consisted of FY15 major plant rehabilitation efforts, including aeration basin rehabilitation and cover replacement and drying safety upgrades. Other asset additions included digester settlement mitigation, SCADA system improvements and primary are improvements. Additional details regarding capital assets can be found in note 4 to the basic Financial Statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As a regional environmental agency providing wholesale treatment and disposal, industrial waste control, laboratory, and facility operations and maintenance services, EWA's revenue, and therefore its budget, are somewhat less sensitive to regional, national, and international economic trends than its six public entity Member Agencies. However, such trends do impact EWA's expenses, and therefore its budget, when the price of raw goods and labor increases the cost of the chemicals, energy, and construction projects required to effectively operate, maintain, and administer the Encina Joint System.

The recommended fiscal year 2019 operating budget is \$16,529,370, an increase of approximately 4.7% from fiscal year 2018. The fiscal year 2019 budget reflects EWA's continuing commitment to provide reliable and fiscally responsible wastewater services to the communities it serves while optimizing the use of renewable resources. The fiscal year 2019 operating budget amount includes \$250,000 in contingency funding for EWA's operations as part of its annual budgeting processes.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)**

The Capital Improvement Program for fiscal year 2019 is budgeted at \$22,112,014, with an additional \$14,048,005 in appropriations continued from fiscal year 2018 for on-going projects, for a total fiscal year 2019 capital budget of \$36,160,019.

The fiscal year 2019 budgets reflect 70 authorized positions supporting EWA facilities and five regional facilities totaling more than \$273 million in investments in regional clean water infrastructure. EWA employees' proven ability to provide sustainable wastewater services in a cost effective manner demonstrates their commitment to maintain a workplace based on excellence and innovation.

**CONTACTING THE AUTHORITY**

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Encina Wastewater Authority at (760) 438-3941 or via the internet at [www.encinajpa.com](http://www.encinajpa.com).

**STATEMENTS OF NET POSITION**  
**JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>As Restated 2017</b>
<b>ASSETS</b>		
Current Assets:		
Unrestricted Assets:		
Cash and cash equivalents - operating (Note 2)	\$ 200,000	\$ 200,000
Member receivables - operating billed	4,160,057	3,103,049
Member receivables - operating unbilled	446	5,384
Other receivables	138,033	109,029
Prepaid expenses	43,732	50,080
Inventory	898,017	878,233
Total Unrestricted Assets	<u>5,440,285</u>	<u>4,345,775</u>
Restricted Assets (Note 3):		
Restricted cash and cash equivalents - capital program (Note 2)	2,661,138	3,877,840
Member receivables - capital program	5,494,977	5,777,556
Interest receivables - capital program	522	5,344
Total Restricted Assets	<u>8,156,637</u>	<u>9,660,740</u>
Total Current Assets	<u>13,596,922</u>	<u>14,006,515</u>
Noncurrent Assets:		
Capital Assets		
Nondepreciable capital assets (Note 4)	24,886,740	12,714,270
Depreciable capital assets, net of accumulated depreciation (Note 4)	93,580,951	99,333,173
Total Capital Assets, Net	<u>118,467,691</u>	<u>112,047,443</u>
Other Assets		
Member receivables - pension	8,502,252	7,683,414
Member receivables - other postemployment benefits (Note 10)	359,570	374,930
Total Other Assets	<u>8,861,822</u>	<u>8,058,344</u>
Total Non-Current Assets	<u>127,329,513</u>	<u>120,105,787</u>
Total Assets	<u>140,926,435</u>	<u>134,112,302</u>
Deferred Outflows of Resources		
Deferred outflows related to pension contributions (Note 7)	2,562,580	2,339,966
Deferred outflows related to pensions (Note 7)	4,020,375	4,256,174
Deferred outflows related to other postemployment benefits (Note 6 and 10)	76,352	49,970
Total deferred outflows of resources	<u>6,659,307</u>	<u>6,646,110</u>

See accompanying report of independent auditors and notes to financial statements.

## STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>As Restated 2017</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable - operating	\$ 623,122	\$ 639,051
Accrued liabilities	355,185	356,285
Long-term liabilities - due within one year:		
Compensated absences (Note 5)	<u>173,970</u>	<u>124,588</u>
Total Current Liabilities	<u>1,152,277</u>	<u>1,119,924</u>
Noncurrent Liabilities:		
Liabilities Payable From Restricted Assets		
Accounts payable - capital program, payable from restricted assets	1,779,134	2,441,688
Retentions payable - capital program, payable from restricted assets	<u>553,856</u>	<u>208,805</u>
Total liabilities payable from restricted assets	<u>2,332,990</u>	<u>2,650,493</u>
Other Noncurrent Liabilities		
Net pension liability (Note 7)	14,502,283	13,555,110
Net other postemployment benefits liability (Note 6 and 10)	425,634	424,900
Compensated absences (Note 5)	<u>1,011,656</u>	<u>1,125,851</u>
Total Other Noncurrent Liabilities	<u>15,939,573</u>	<u>15,105,861</u>
Total Liabilities	<u>19,424,840</u>	<u>18,876,278</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions (Note 7)	582,923	724,444
Deferred inflows related to other postemployment benefits (Note 6)	<u>10,288</u>	<u>-</u>
Total deferred inflows of resources	<u>593,211</u>	<u>724,444</u>
<b>NET POSITION (Note 10)</b>		
Investment in capital assets	118,467,691	112,047,443
Restricted for capital program	7,000,000	7,010,247
Unrestricted	<u>2,100,000</u>	<u>2,100,000</u>
Total Net Position	<u>\$ 127,567,691</u>	<u>\$ 121,157,690</u>

See accompanying report of independent auditors and notes to financial statements.



## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

## FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>OPERATING REVENUES</b>		
Member agency assessments	\$ 14,718,859	\$ 13,613,755
Other operating revenues	<u>548,067</u>	<u>560,566</u>
Total Operating Revenues	<u>15,266,926</u>	<u>14,174,321</u>
<b>OPERATING EXPENSES</b>		
Depreciation expense	7,936,596	7,907,136
Unit I - EWPCF usage costs	6,575,100	6,019,867
Unit I - EWPCF ownership costs	4,629,234	4,404,856
Unit J - Encina ocean outfall	497,420	495,292
Directors meetings	62,582	56,801
Flow metering	316,289	295,191
Source control	692,301	687,678
Agua Hedionda pump station	315,269	297,059
Buena Vista pump station	627,262	427,136
Buena Creek pump station	334,278	329,876
Carlsbad water reclamation facilities	1,028,469	978,967
Raceway basin pump station	<u>188,722</u>	<u>181,598</u>
Total Operating Expenses	<u>23,203,522</u>	<u>22,081,457</u>
Operating Loss	<u>(7,936,596)</u>	<u>(7,907,136)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment and other capital income	35,831	26,694
Discontinued projects, studies and assessments	(2,364,975)	(1,285,325)
Remote Facility Reserve Contribution	<u>-</u>	<u>100,000</u>
Total Nonoperating Revenues(Expenses)	<u>(2,329,144)</u>	<u>(1,158,631)</u>
Loss Before Capital Contributions	<u>(10,265,740)</u>	<u>(9,065,767)</u>
Capital Contributions	<u>16,675,741</u>	<u>11,456,271</u>
Changes in Net Position	6,410,001	2,390,504
<b>Total Net Position, Beginning of Year</b>	<u>121,157,690</u>	<u>118,767,186</u>
<b>Total Net Position, End of Year</b>	<u>\$ 127,567,691</u>	<u>\$ 121,157,690</u>

See accompanying report of independent auditors and notes to financial statements.

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from member agencies	\$ 13,666,789	\$ 13,008,318
Cash receipts from other operating activities	519,063	542,541
Cash payments to suppliers for goods and services	(6,901,100)	(7,991,205)
Cash payments to employees for services	<u>(8,461,100)</u>	<u>(5,659,654)</u>
Net Cash Used in Operating Activities	<u>(1,176,348)</u>	<u>(100,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(17,039,327)	(9,491,866)
Proceeds from capital contributions	<u>16,958,320</u>	<u>9,324,179</u>
Net Cash Used in Capital and Related Financing Activities	<u>(81,007)</u>	<u>(167,687)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment earnings	<u>40,653</u>	<u>25,464</u>
Cash Provided by Investing Activities	<u>40,653</u>	<u>25,464</u>
Net Decrease in Cash and Cash Equivalents	(1,216,702)	(242,223)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>4,077,840</u>	<u>4,320,063</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 2,861,138</u>	<u>\$ 4,077,840</u>

See accompanying report of independent auditors and notes to financial statements.

**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Reconciliation of Operating Income to Net Cash Flows Used in Operating Activities:</b>		
Operating loss	\$ (7,936,596)	\$ (7,907,136)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</b>		
Depreciation expense	7,936,596	7,907,136
<b>Changes in current assets and liabilities</b>		
Member receivables - operating billed	(1,057,008)	(597,243)
Member receivables - operating unbilled	4,938	(5,384)
Member receivables - pensions	(818,838)	1,402,431
Member receivables - other post employment benefits	(359,570)	-
Other receivables	(28,999)	(18,025)
Prepaid expenses	6,348	2,873
Deferred outflows related to pension contributions	(222,614)	(795,970)
Deferred outflows related to pensions	33,151	(2,043,908)
Deferred outflows related to other post employment benefits	(76,352)	-
Inventory	(19,784)	155,536
Accounts payable - operating	(15,929)	243,615
Accrued liabilities	(1,100)	37,183
Amounts due to Member Agencies - operating	-	(2,810)
Net pension liability	947,173	2,186,710
Net other postemployment benefits liability	425,634	(578)
Compensated absences	(64,813)	84,833
Deferred inflows related to pensions	61,127	(749,263)
Deferred inflows related to other post employment benefits	10,288	-
Total Adjustments	<u>6,760,248</u>	<u>7,807,136</u>
Net Cash Used in Operating Activities	<u>\$ (1,176,348)</u>	<u>\$ (100,000)</u>
<b>Cash and Cash Equivalents</b>		
Financial Statement Classification:		
Cash and cash equivalents	\$ 200,000	\$ 200,000
Restricted cash and cash equivalents	2,661,138	3,877,840
Total Cash and cash equivalents	<u>\$ 2,861,138</u>	<u>\$ 4,077,840</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Net effect of acquisition and construction of capital assets held in accounts payable	<u>\$ (662,554)</u>	<u>\$ (1,799,451)</u>
Net effect of acquisition and construction of capital assets held in retentions payable	<u>\$ 345,051</u>	<u>\$ (184,410)</u>
Net effect of change in receivable related to capital contributions	<u>\$ 282,579</u>	<u>\$ (2,232,092)</u>

See accompanying report of independent auditors and notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

## NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

**Organization**

On July 13, 1961, the Vista Sanitation District and the City of Carlsbad entered into a joint exercise of power agreement for a joint sewerage system. This “basic agreement” provided for the establishment, construction, operation, and maintenance of facilities for the transmission, treatment, and disposal of wastewater.

By virtue of subsequent amendments and supplements to this basic agreement, Leucadia Wastewater District, Buena Sanitation District, Vallecitos Water District, and the City of Encinitas also became participants in the facility. The Vista Sanitation District was dissolved in September 1983 and its functions were assumed by the City of Vista.

Leucadia Wastewater District (District) was previously the operator and administrator of the facility and was responsible for the management, maintenance, and operations of the joint system. On August 1, 1988, the Encina Administrative Agency was created and assigned the duties previously performed by the District. The basic agreement and supplements were amended and rewritten on December 17, 1990, and on December 11, 1991, the Agency changed its name to Encina Wastewater Authority (Authority).

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Cod. Sec. 2100, “Defining the Financial Reporting Entity”. The Authority is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the Authority appoints a voting majority of the component unit’s board, or because the component unit will provide a financial benefit or impose a financial burden on the Authority. The Authority has no component units.

**Significant Accounting Policies**

A summary of the Authority’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Method of Accounting**

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

See accompanying report of independent auditors.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

## NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

**Significant Accounting Policies (Continued)****Method of Accounting (Continued)**

The Authority has not elected to apply the option allowed in GASB Cod. Sec. P80.103 "Proprietary Fund Accounting and Financial Reporting" and as a consequence will continue to apply GASB statements and interpretations.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition**

The Authority recognizes revenues from wastewater treatment services and other fees when they are earned. Operating activities generally result from providing services and producing and delivering goods. As such, the Authority considers fees received from sewer services and other fees to be operating revenues. Nonoperating revenue results from investing activities. The Authority recognizes interest revenue in the period it is earned.

**Investments**

Investments are stated at their fair value which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

**Allowance for Doubtful Accounts**

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all accounts receivable were fully collectible; therefore no allowance for doubtful accounts was recorded at June 30, 2018 and 2017.

See accompanying report of independent auditors.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

**Significant Accounting Policies (Continued)**

**Member Receivable – Pension and Other Postemployment Benefits (OPEB)**

The Revised Basic Agreement requires the Member Agencies to pay the Authority only the actual costs of materials and supplies used or purchased for the operation, maintenance, administration, or capital improvement of the joint system, contracts awarded by the Authority for the performance of budgeted operations and maintenance work, or capital improvement projects and the salaries and wages of employees. Under this agreement the participants are required to fund the net pension liability and net OPEB liability. Because the allocation of the funding of the pension and net OPEB liability is contingent upon future events (i.e.: strength and volume of flows), it does not qualify as a “Special Funding Situation” as defined by the Governmental Accounting Standards Board. As such, the Authority has recorded a member receivable – pension and OPEB equal to the net pension liability and net OPEB liability net of any related deferred outflows of resources and deferred inflows of resources. The member receivable - pension totaled \$8,502,252 and \$7,683,414 and the member-receivable – other postemployment benefits totaled \$359,570 and \$374,930 at June 30, 2018 and 2017, respectively.

**Inventory**

Inventory consists primarily of materials used in the construction and maintenance of capital assets and is valued at weighted average cost using the first-in, first-out (FIFO) method.

**Capital Assets**

Capital assets purchased or acquired with a cost exceeding \$5,000 and an estimated useful life of more than one year are reported at historical cost. Contributed assets are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Donated capital assets, donated works of art and similar items, and capital assets received in service concession agreements are reported at acquisition value rather than fair value. Depreciation is calculated on the straight-line method over the following estimated useful lives:

Joint wastewater treatment (Unit I)	3 - 50 years
Joint ocean outfall (Unit J)	5 - 75 years
Furnishings and office equipment	3 - 15 years
Pump station facilities	3 - 40 years
Flow metering system	5 - 15 years

Depreciation expense totaled \$7,936,596 and \$7,907,136 for the years ended June 30, 2018 and 2017, respectively.

See accompanying report of independent auditors.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

## NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

**Significant Accounting Policies (Continued)****Classification of Liabilities**

Certain liabilities which are currently payable could be classified as noncurrent because they will be funded from restricted assets. Liabilities are shown as noncurrent unless due within one year (See Note 5).

**Compensated Absences**

Accumulated and unpaid vacation and sick leave totaling \$1,185,626 and \$1,250,439 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2018 and 2017, respectively.

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

Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net position by the Authority that is applicable to a future period and an acquisition of net position by the Authority that is applicable to a future reporting period respectively. Deferred outflows of resources and deferred inflows of resources related to pensions are more fully described in Note 7 and the deferred outflows of resources and deferred inflows of resources related to other postemployment benefits are more fully described in Note 6.

**Risk Management**

The Authority 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 Authority is a member of the California Sanitation Risk Management Authority (CSRMA), a public entity risk pool. The Authority pays a deposit to cover estimated losses for a fiscal year. CSRMA also serves as a joint insurance purchasing entity with respect to certain coverage. Based on pool performance, CSRMA makes additional assessments or refunds excess pool deposits to its members based on a retrospective risk rating adjustment.

At June 30, 2018, the Authority participated in CSRMA as follows:

Property Loss - Insured up to the CSRMA standard of \$1,000,000,000 per occurrence with a total insurable value \$269,250,955 with \$25,000 deductible.

General Liability - Insured up to \$15,000,000 with a \$25,000 deductible. Excess insurance of \$10,000,000 has been purchased.

Auto Physical Damage Policy - Insured up to \$384,000 total value with a \$1,000 deductible.

See accompanying report of independent auditors.



NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

**Significant Accounting Policies (Continued)**

**Risk Management (Continued)**

- Public Official’s Liability - Insured up to \$100,000; the Authority currently has six (6) public official bonds in place for officials.
- Worker’s Compensation - Insured up to \$1,000,000 with no deductible. CSRMA has a self-insured retention of \$750,000 and excess insurance for workers’ compensation statutory limits have been purchased.

The Authority pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of the adjustments cannot be estimated and are charged to expense as invoiced. The Authority’s insurance expense and workers compensation insurance expense was \$333,852 and \$324,037, for the years ended June 30, 2018 and 2017, respectively. There were no instances in the past three years where a settlement exceeded the Authority’s coverage and there were no reductions in the Authority’s insurance coverage during the years ended June 30, 2018, 2017, and 2016.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources and pension expense, information about the fiduciary net position and additions to/deductions from the Plan’s 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 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 the CalPERS website under Forms and Publications.

GASB Statement No. 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	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

See accompanying report of independent auditors.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

**Significant Accounting Policies (Continued)**

**Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority’s OPEB Plan and additions to/deductions from the OPEB Plans’ fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Authority’s OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

GASB Statement No. 75 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	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

**Fair Value Measurements**

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Authority had no financial instruments that are required to be measured at fair value on a recurring basis.

**Allocation of Costs**

Expenses are allocated to the various member agencies in accordance with their capacity ownership percentages of the respective units, on usage (strength and/or wastewater flow), on direct costs, and based upon other special allocations, as provided for in the annual budgetary process.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

## NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

**Significant Accounting Policies (Continued)****Reserves**

In accordance with the Revised Basic Agreement, each member agency agrees to pay its actual portion of operating and capital costs on a quarterly basis. As such, the Authority is not dependent on economic performance, nor is it directly impacted by major structural changes in federal and state government fiscal policy. The Authority has adopted a financial reserve policy to maintain an appropriate amount of cash resources necessary to meet demands during any quarterly period.

The Reserve Policy was amended on June 28, 2018 and provides the following:

- Operating reserve established at the highest three and one-half months' worth of the budget operating fund's cash flow requirement.
- Remote facility reserve amount of \$250,000 from each Member Agency that owns a remote facility operated and maintained by the Authority based on ownership percentage.
- Inventory reserve may be set up to \$1,300,000 allocated on the basis of Weighted Unit I Ownership.
- Capital reserve established at the highest three and one-half months' worth of the budgeted capital fund's cash flow requirement.

The total operating, remote facility, and inventory reserve of \$2,100,000 is reported as unrestricted net position. The capital reserve is reported as a component of net position restricted for capital program.

Member Agency	Operating Reserve	Remote Facility	Inventory Reserve	Capital Reserve	2018 Total	2017 Total
City of Carlsbad	\$ 242,400	\$ 70,650	\$ 206,040	\$ 1,696,800	\$ 2,215,890	\$ 2,215,890
City of Vista	252,000	129,350	214,200	1,764,000	2,359,550	2,359,550
Buena Sanitation District	70,900	50,000	60,265	496,300	677,465	677,465
Vallecitos Water District	224,200	-	190,570	1,569,400	1,984,170	1,984,170
Leucadia Wastewater District	168,000	-	142,800	1,176,000	1,486,800	1,486,800
City of Encinitas	42,500	-	36,125	297,500	376,125	376,125
<b>Total Reserves</b>	<b>\$ 1,000,000</b>	<b>\$ 250,000</b>	<b>\$ 850,000</b>	<b>\$ 7,000,000</b>	<b>\$ 9,100,000</b>	<b>\$ 9,100,000</b>

See accompanying report of independent auditors.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

## NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

**Significant Accounting Policies (Continued)****Budgetary Controls**

The Authority prepares a budget that is approved by the Board of Directors and recommended for Member Agency approval by the Joint Advisory Committee. Upon approval by all Member Agencies, the Authority adopts a resolution appropriating funds and establishing controls on changes in said appropriations. The General Manager is authorized to transfer appropriations between accounts within the operating or capital programs in an amount up to \$50,000 per transfer, up to \$100,000 on any particular contract or agreement, and may also authorize expenditures up to \$50,000. The Board of Directors must approve any expenditure or transfer in excess of \$50,000 and any transfer between operating and capital programs.

Unspent appropriations for the operating budget lapse at fiscal year-end unless designated by Board action to be carried forward to the next budget period. Unspent appropriations for ongoing capital projects are carried forward to the next budget period.

**Cash and Cash Equivalents**

For purposes of statement of cash flows, the Authority considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

**Reclassifications**

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

**Subsequent Events**

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through December 4, 2018, the date the financial statements were available to be issued. See also subsequent events discussed in Note 10.

## NOTE 2 - CASH AND INVESTMENTS:

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

The table below identifies the investment types that are authorized for the Authority by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, and concentration of credit risk:

See accompanying report of independent auditors.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

## NOTE 2 - CASH AND INVESTMENTS: (CONTINUED)

**Investments Authorized by the California Government Code and the Authority's Investment Policy (Continued)****Investments Authorized by the California Government Code:**

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Quality Requirements</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
US Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	A1
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	A Rating
Mutual Funds	N/A	20%	Multiple
Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA Rating
Time Deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investments	N/A	None	None

The Authority's investment policy is more restrictive than the California Government Code. The policy restricts the Authority from investing in anything other than the California Local Agency Investment Fund, the California Asset Management Program, or certificates of deposit. In addition, all certificates of deposit must be collateralized by U.S. Treasury obligations.

See accompanying report of independent auditors.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

## NOTE 2 - CASH AND INVESTMENTS: (CONTINUED)

**Investments Authorized by the California Government Code and the Authority's Investment Policy (Continued)**

Cash and equivalents held by the Authority were comprised of the following at June 30:

	Maturity in Years		
	<u>1 Year or Less</u>	<u>2018</u>	<u>2017</u>
Petty cash	\$ 1,000	\$ 1,000	\$ 1,000
California Local Agency Investment Fund (LAIF)	12,366	12,366	2,246,547
California Asset Management Program (CAMP)	2,358,285	2,358,285	1,542,453
Deposits with financial institutions	489,487	489,487	287,840
Total Cash and Investments	<u>\$ 2,861,138</u>	<u>\$ 2,861,138</u>	<u>\$ 4,077,840</u>

## Financial Statement Classification:

## Current:

Cash and cash equivalents - operating	\$ 200,000	\$ 200,000	\$ 200,000
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## Restricted:

Cash and cash equivalents - capital program	<u>2,661,138</u>	<u>2,661,138</u>	<u>3,877,840</u>
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Total Cash and Investments	<u>\$ 2,861,138</u>	<u>\$ 2,861,138</u>	<u>\$ 4,077,840</u>
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**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. The Authority manages its exposure to interest rate risk by purchasing shorter term investments in order to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided in the previous table that shows the distribution of the Authority's investments by maturity as of June 30, 2018.

See accompanying report of independent auditors.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 2 - CASH AND INVESTMENTS: (CONTINUED)

**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 actual rating as of the year end for each investment type.

<u>Investment</u>	<u>Rating as of Year End Standard &amp; Poor’s</u>
California Local Agency Investment Fund (LAIF)	Not Rated
California Asset Management Program (CAMP)	AAAm

**Concentration of Credit Risk**

Concentration of credit is the risk of loss attributed to the magnitude of the Authority’s investment in a single issue.

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code, except that the Authority’s investment policy restricts the Authority to only investing in the LAIF, CAMP, and Certificates of Deposit that are collateralized by U.S. Treasury obligations. The Authority holds no investments in any one issuer (other than external investment pools) that represent 5% or more of total Authority investments at June 30, 2018 and 2017.

**Custodial Credit Risk**

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

As of June 30, 2018 and 2017, \$239,487 and \$37,840, respectively, of the Authority’s deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

See accompanying report of independent auditors.



NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 2 - CASH AND INVESTMENTS: (CONTINUED)

**Investment in State Investment Pool**

The Authority is a voluntary participant in the LAIF that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority’s investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**Investment in California Asset Management Program (CAMP)**

The Authority is a voluntary participant in the CAMP. CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act for the purpose of exercising the common power of its Participants to invest funds. The investments are limited to investments permitted by California Government Code. The Authority reports its investment in CAMP at the fair value amounts provided by CAMP, which is the same value of the pool share. At June 30, 2018 and 2017 the fair value of the investment approximated the Authority’s cost.

The statement of cash flows has been prepared by considering all investment instruments purchased with a maturity of three months or less to be cash equivalents. Details are as follows:

	2018	2017
California Local Agency Investment Fund (LAIF)	\$ 12,366	\$ 2,246,547
California Asset Management Program (CAMP)	2,358,285	1,542,453
Deposits with financial institutions	489,487	287,840
Petty cash	1,000	1,000
Total	\$ 2,861,138	\$ 4,077,840

See accompanying report of independent auditors.

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 3 - RESTRICTED ASSETS:**

Restricted assets were provided by and are to be used for the following at June 30:

<u>Funding Source</u>	<u>Use</u>	<u>2018</u>	<u>2017</u>
Capital contributions from Member Agencies and interest earnings	Capital program	<u>\$ 8,156,637</u>	<u>\$ 9,660,740</u>

**NOTE 4 - CAPITAL ASSETS:**

Capital assets consist of the following at June 30:

	<b>2018</b>			
	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 3,598,173	\$ -	\$ -	\$ 3,598,173
Construction in progress	<u>9,116,097</u>	<u>14,735,968</u>	<u>(2,563,498)</u>	<u>21,288,567</u>
Total Capital Assets Not Being Depreciated	<u>12,714,270</u>	<u>14,735,968</u>	<u>(2,563,498)</u>	<u>24,886,740</u>
<b>Capital Assets Being Depreciated:</b>				
Joint wastewater treatment (Unit I)	220,536,997	1,621,362	(803,029)	221,355,330
Joint wastewater disposal (Unit J)	14,115,650	-	-	14,115,650
Furnishings and office equipment	4,397,250	397,584	-	4,794,834
Pump station facilities	7,506,388	165,428	(68,405)	7,603,411
Flow metering system	<u>344,945</u>	<u>-</u>	<u>-</u>	<u>344,945</u>
Total Capital Assets Being Depreciated	<u>246,901,230</u>	<u>2,184,374</u>	<u>(871,434)</u>	<u>248,214,170</u>
<b>Less Accumulated Depreciation For:</b>				
Joint wastewater treatment (Unit I)	(125,605,462)	(7,039,236)	803,029	(131,841,669)
Joint wastewater disposal (Unit J)	(12,687,768)	(170,296)	-	(12,858,064)
Furnishings and office equipment	(3,563,963)	(322,558)	-	(3,886,521)
Pump station facilities	(5,441,365)	(393,569)	68,405	(5,766,529)
Flow metering system	<u>(269,499)</u>	<u>(10,937)</u>	<u>-</u>	<u>(280,436)</u>
Total Accumulated Depreciation	<u>(147,568,057)</u>	<u>(7,936,596)</u>	<u>871,434</u>	<u>(154,633,219)</u>
Net Capital Assets Being Depreciated	<u>99,333,173</u>	<u>(5,752,222)</u>	<u>-</u>	<u>93,580,951</u>
<b>Net Capital Assets</b>	<u>\$ 112,047,443</u>	<u>\$ 8,983,746</u>	<u>\$ (2,563,498)</u>	<u>\$ 118,467,691</u>

See accompanying report of independent auditors.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

## NOTE 4 - CAPITAL ASSETS: (CONTINUED)

	<b>2017</b>			
	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 3,598,173	\$ -	\$ -	\$ 3,598,173
Construction in progress	1,555,579	9,606,145	(2,045,627)	9,116,097
Total Capital Assets Not Being Depreciated	<u>5,153,752</u>	<u>9,606,145</u>	<u>(2,045,627)</u>	<u>12,714,270</u>
<b>Capital Assets Being Depreciated:</b>				
Joint wastewater treatment (Unit I)	219,644,465	2,112,825	(1,220,293)	220,536,997
Joint wastewater disposal (Unit J)	14,115,650	-	-	14,115,650
Furnishings and office equipment	4,236,888	160,362	-	4,397,250
Pump station facilities	7,235,023	345,306	(73,941)	7,506,388
Flow metering system	340,489	11,391	(6,935.00)	344,945
Total Capital Assets Being Depreciated	<u>245,572,515</u>	<u>2,629,884</u>	<u>(1,301,169)</u>	<u>246,901,230</u>
<b>Less Accumulated Depreciation For:</b>				
Joint wastewater treatment (Unit I)	(119,945,046)	(6,880,709)	1,220,293	(125,605,462)
Joint wastewater disposal (Unit J)	(12,500,959)	(186,809)	-	(12,687,768)
Furnishings and office equipment	(3,189,732)	(374,231)	-	(3,563,963)
Pump station facilities	(5,062,894)	(452,412)	73,941	(5,441,365)
Flow metering system	(263,459)	(12,975)	6,935	(269,499)
Total Accumulated Depreciation	<u>(140,962,090)</u>	<u>(7,907,136)</u>	<u>1,301,169</u>	<u>(147,568,057)</u>
Net Capital Assets Being Depreciated	<u>104,610,425</u>	<u>(5,277,252)</u>	<u>-</u>	<u>99,333,173</u>
<b>Net Capital Assets</b>	<u>\$ 109,764,177</u>	<u>\$ 4,328,893</u>	<u>\$ (2,045,627)</u>	<u>\$ 112,047,443</u>

## NOTE 5 - NONCURRENT LIABILITIES:

Noncurrent liabilities consist of the following at June 30:

	<b>2018</b>				
	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018	Amount Due Within One Year
Compensated absences (Note 1)	\$ 1,250,439	\$ 697,256	\$ (762,069)	\$ 1,185,626	\$ 173,970
Total Noncurrent Liabilities	<u>\$ 1,250,439</u>	<u>\$ 697,256</u>	<u>\$ (762,069)</u>	<u>\$ 1,185,626</u>	<u>\$ 173,970</u>

See accompanying report of independent auditors.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 5 - NONCURRENT LIABILITIES (CONTINUED):

Noncurrent liabilities consist of the following at June 30:

	2017				
	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017	Amount Due Within One Year
Compensated absences (Note 1)	\$ 1,165,606	\$ 774,854	\$ (690,021)	\$ 1,250,439	\$ 124,588
Total Noncurrent Liabilities	<u>\$ 1,165,606</u>	<u>\$ 774,854</u>	<u>\$ (690,021)</u>	<u>\$ 1,250,439</u>	<u>\$ 124,588</u>

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (OPEB):

A. General Information about the OPEB Plan:

Plan Description

The Authority provides retiree medical (including prescription drug benefits) coverage to eligible employees and their eligible dependents through the CalPERS Health Program, a cost-sharing multiple-employer defined benefit plan. Eligible employees are employees who retire under the California Public Employees’ Retirement System (CalPERS) on or after age 50, with at least 5 years of service. The Authority’s contribution will continue for the lifetime of the retiree and any surviving eligible spouse. The Authority currently provides a monthly contribution of \$66.50. In April 2016, the Authority established an irrevocable trust fund through the California Employers’ Retiree Benefits Trust (CERBT), an agent multiple-employer postemployment healthcare trust administered by CalPERS.

CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for CERBT. That report may be obtained from CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Employees Covered

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

Inactive employees or beneficiaries currently receiving benefits	6
Active employees	<u>68</u>
Total	<u><u>74</u></u>

See accompanying report of independent auditors.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (OPEB): (CONTINUED)

**A. General Information about the OPEB Plan (Continued):**

Contributions

The OPEB Plan and its contribution requirements are established by the Authority’s policy and may be amended by the Board of Directors. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2018, the Authority’s cash contributions were \$76,352 in payments to the trust and the estimated implied subsidy was \$26,135 resulting in payments of \$102,487.

**B. Net OPEB Liability:**

The Authority’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

**C. Total OPEB Liability:**

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Projected Salary Increase	3.00% per annum, in aggregate
Expected long term investment rate of return	7.00%
Healthcare Cost Trend Rates	6.0% HMO/6.0% PPO, decreasing to 5%
Pre-retirement Turnover	Derived from CalPERS pension plan
Mortality	Derived from CalPERS pension plan updated to reflect most recent experience study

The actuarial assumptions used in the June 30, 2017 valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the Authority.

See accompanying report of independent auditors.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (OPEB): (CONTINUED)

C. Total OPEB Liability (Continued):

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	New Strategic Allocation	Long-Term Expected Real Rate of Return
CERBT		
US Equity	30.00%	4.85%
International Equity	27.00%	5.85%
REITs	8.00%	3.65%
US Fixed Income	27.00%	2.35%
Commodities	3.00%	1.75%
Inflation assets	5.00%	1.50%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that Authority’s contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

See accompanying report of independent auditors.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (OPEB): (CONTINUED)

D. Changes in the net OPEB Liability:

The changes in the net OPEB liability during the measurement period are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
<b>Measurement Date</b>			
<b>Balance at June 30, 2016</b>	\$ 807,384	\$ 382,484	\$ 424,900
<b>Changes in the Year:</b>			
Service cost	33,044	-	33,044
Interest on the total OPEB liability	57,799	-	57,799
Contribution - employer	-	49,970	(49,970)
Net investment income	-	40,344	(40,344)
Administrative expenses	-	(205)	205
Benefit payments	(29,470)	(29,470)	-
<b>Net Changes</b>	<u>61,373</u>	<u>60,639</u>	<u>734</u>
<b>Measurement Date</b>			
<b>Balance at June 30, 2017</b>	<u>\$ 868,757</u>	<u>\$ 443,123</u>	<u>\$ 425,634</u>

Change of Assumptions

There were no changes of assumptions.

Change of Benefit Terms

There were no changes of benefit terms.

Subsequent Events

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

See accompanying report of independent auditors.



NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (OPEB): (CONTINUED)

D. Changes in the net OPEB Liability (Continued):

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current discount rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB Liability	\$ 547,514	\$ 425,634	\$ 325,609

Sensitivity of the Net OPEB Liability to Changes in Health-Care Cost Trend Rates

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (5.00% HMO/5.50% PPO decreasing to 4.00% HMO/4.00% PPO) or 1-percentage point higher (7.00% HMO/7.50% PPO decreasing to 6.00% HMO/6.00% PPO) than the current healthcare cost trend rates:

	1% Decrease (5.00% HMO/ 5.50% PPO decreasing to 4.00% HMO/ 4.00% PPO)	Current Healthcare Cost Trend Rates (6.00% HMO/ 6.50% PPO decreasing to 5.00% HMO/ 5.00% PPO)	1% Increase (7.00% HMO/ 7.50% PPO decreasing to 6.00% HMO/ 6.00% PPO)
Net OPEB Liability	\$ 316,293	\$ 425,634	\$ 561,918

See accompanying report of independent auditors.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$60,992. At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>2018</b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 76,352	\$ -
Differences between projected and actual earnings	-	10,288
<b>Total</b>	<b>\$ 76,352</b>	<b>\$ 10,288</b>

	<b>2017</b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 49,970	\$ -
<b>Total</b>	<b>\$ 49,970</b>	<b>\$ -</b>

The net difference between projected and actual earnings on plan investments is amortized over a five year period.

\$76,352 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2019	\$ (2,572)
2020	(2,572)
2021	(2,572)
2022	(2,572)
2023	-
Thereafter	-

**F. Payable to the OPEB Plan:**

At June 30, 2018, the Authority had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

See accompanying report of independent auditors.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 7 - DEFINED BENEFIT PENSION PLAN:

**A. General Information About the Pension Plan**

Plan Description:

All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Plan of the Authority, a cost-sharing multiple employer defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 Plan’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Classic and PEPRA	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.50%
Required employer contribution rates	11.97%	6.65%

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. The Plans 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 Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Authority’s contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions are classified as plan member contributions.

See accompanying report of independent auditors.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2018 and 2017 respectively, the Authority reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	<u>2018</u>	<u>2017</u>
Classic & PEPRAs Plans	<u>\$ 14,502,283</u>	<u>\$ 13,555,110</u>

The Authority’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The Authority’s proportionate share of the net pension liability was based on a projection of the Authority’s long-term share of contributions to the plan relative to the projected contributions of all participating employers, actuarially determined.

The Authority’s proportionate share of the net pension liability as of the fiscal years ended June 30, 2018 and 2017 was as follows:

	<u>Classic &amp; PEPRAs</u>
Proportion - June 30, 2017	0.390200%
Proportion - June 30, 2018	<u>0.367890%</u>
Change - Increase (Decrease)	<u>-0.022310%</u>

See accompanying report of independent auditors.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

## NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

For the years ended June 30, 2018 and 2017, the Authority recognized pension expense of \$1,664,540 and \$1,666,735, respectively for the Plan. As of June 30, 2018 and 2017, the Authority reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<b>2018</b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 2,562,580	\$ -
Differences between actual and expected experience	17,493	(250,622)
Changes in assumptions	2,170,488	(165,502)
Change in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	1,341,519	(166,799)
Net difference between projected and actual earnings on pension plan investments	490,875	-
Total	<u>\$ 6,582,955</u>	<u>\$ (582,923)</u>

	<b>2017</b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 2,339,966	\$ -
Differences between actual and expected experience	55,153	(12,637)
Changes in assumptions	-	(521,796)
Change in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	1,485,246	(190,011)
Net difference between projected and actual earnings on pension plan investments	2,715,775	-
Total	<u>\$ 6,596,140</u>	<u>\$ (724,444)</u>

The \$2,562,580 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 ending June 30, 2019.

See accompanying report of independent auditors.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2019	\$ 1,287,586
2020	1,506,765
2021	934,544
2022	(291,443)
2023	-
Thereafter	-
Total	<u>\$ 3,437,452</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial valuation. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

	Classic & PEPRA Plans
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

(1) Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries

(2) Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available on the CalPERS website.

(3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

See accompanying report of independent auditors.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

## NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

All other actuarial assumptions used in the June 30, 2016 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. Further details of the Experience Study can be found on the CalPERS' website under Forms and Publications.

Change of Assumptions

In fiscal year 2017-2018, the financial reporting discount rate was reduced from 7.65% to 7.15%. Deferred outflows of resources and deferred inflows of resources for changes of assumptions represent the unamortized portion of this assumption change and the unamortized portion of the changes of assumptions related to prior measurement periods.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent for each plan and reflects the long-term expected rate of return for the plan net of investment expenses and without reduction for administrative expenses. 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 of the plans, the test revealed that the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 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 on CalPERS' website under the GASB 68 section.

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

See accompanying report of independent auditors.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Discount Rate (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF 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 the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2016.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

See accompanying report of independent auditors.



NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

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

The following presents the Authority’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Classic &amp; PEPR</u>
1% Decrease	6.15%
Net Pension Liability	\$ 21,656,832
Current Discount Rate	7.15%
Net Pension Liability	\$ 14,502,283
1% Increase	8.15%
Net Pension Liability	\$ 8,576,757

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**C. Payable to the Pension Plan**

At June 30, 2018, the Authority has no outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

See accompanying report of independent auditors.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 8 - OWNERSHIP AND USAGE ALLOCATIONS:

**Phase V Ownership**

All of the Phase V expansion and upgrades were completed in December of 2009. On October 22, 2014, the Authority’s Board of Directors revised the RBA to reflect post Phase V capacity and ownership allocations, effective July 1, 2013. Unit I was enlarged from 36 million gallons per day (MGD) liquid capacity and 38 MGD solids capacity to 40.51 MD and 43.3 MGD, respectively. The Unit I and Unit J capacities and ownership of Phase V are as follows:

Agency	UNIT I - Treatment Plant				UNIT J - Ocean Outfall	
	Liquids		Solids		Disposal	
	MGD	%	MGD	%	MGD	%
Carlsbad	10.26	25.33%	10.26	23.68%	10.26	23.69%
Vista	10.67	26.34%	10.67	24.64%	10.67	24.63%
Buena	3.00	7.41%	3.00	6.93%	3.00	6.93%
Vallecitos	7.67	18.93%	10.47	24.17%	10.47	24.17%
Leucadia	7.11	17.55%	7.11	16.42%	7.11	16.42%
Encinitas	1.80	4.44%	1.80	4.16%	1.80	4.16%
<b>Total</b>	<b>40.51</b>	<b>100.00%</b>	<b>43.31</b>	<b>100.00%</b>	<b>43.31</b>	<b>100.00%</b>

Allocation of Unit I - Encina plant ownership costs are based on the above two percentages weighted by the design engineers’ replacement value breakdown, at June 30, 2008, of areas within the facility that pertain to liquids or solids processing. The following are the weighted average percentages used to allocate Encina plant ownership costs:

Agency	Unit I Weighted Average Percentages
City of Carlsbad	24.24%
City of Vista	25.20%
Buena Sanitation District	7.09%
Vallecitos Water District	22.42%
Leucadia Wastewater Authority	16.80%
City of Encinitas	4.25%
	<b>100.00%</b>

See accompanying report of independent auditors.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

## NOTE 8 - OWNERSHIP AND USAGE ALLOCATIONS: (CONTINUED)

**Wastewater Flow and Usage Allocation - Unit I Treatment Plant**

Administrative, maintenance, and operation expenses for Unit I of the Joint System are allocated to the Member Agencies based on each agency's percentage of ownership and usage (actual flow and strength) of Unit I influent wastewater. Insurance, administrative, maintenance, laboratory costs, and other costs which are incurred irrespective of the amount of wastewater which enters Unit I are allocated based on ownership. Chemicals, utilities, disposal fees, and other costs which result from wastewater entering Unit I are allocated based on usage (average daily wastewater flows (ADF), biochemical oxygen demand (BOD), and suspended solids (SS)) received at the Encina plant.

Wastewater flow usage is averaged on an annual basis. The usage and percentage of total flow by Member Agency for the fiscal year ended June 30, 2018 and 2017 are as follows:

Agency	MGD ADF UNIT I					
	2018		2017		Increase (Decrease)	
	MGD	% of Total	MGD	% of Total	MGD	%
Carlsbad	6.18	27.76%	6.32	29.07%	(0.14)	-1.31%
Vista	6.24	28.03%	5.31	24.43%	0.93	3.61%
Buena	1.84	8.27%	1.91	8.79%	(0.07)	-0.52%
Vallecitos	3.29	14.78%	3.42	15.73%	(0.13)	-0.95%
Leucadia	3.75	16.85%	3.81	17.53%	(0.06)	-0.68%
Encinitas	0.96	4.31%	0.97	4.46%	(0.01)	-0.15%
Total	<u>22.26</u>	<u>100.00%</u>	<u>21.74</u>	<u>100.00%</u>	<u>0.52</u>	

See accompanying report of independent auditors.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

## NOTE 8 - OWNERSHIP AND USAGE ALLOCATIONS: (CONTINUED)

**Wastewater Flow and Usage Allocation - Unit I Treatment Plant (Continued)**

Biochemical oxygen demand usage is averaged on a three year basis. The usage and percentage of total BOD by Member Agency for the fiscal years ended June 30, 2018 and 2017 are as follows:

Agency	BOD LBS/DAY UNIT I					
	2018		2017		Increase (Decrease)	
	BOD	% of Total	BOD	% of Total	BOD	%
Carlsbad	20,301	28.68%	19,441	28.27%	860	0.41%
Vista	17,688	24.99%	14,972	21.77%	2,716	3.22%
Buena	8,186	11.56%	8,267	12.02%	(81)	-0.46%
Vallecitos	12,162	17.18%	13,529	19.67%	(1,367)	-2.49%
Leucadia	9,180	12.97%	9,127	13.27%	53	-0.30%
Encinitas	3,269	4.62%	3,432	4.99%	(163)	-0.37%
Total	<u>70,786</u>	<u>100.00%</u>	<u>68,768</u>	<u>100.00%</u>	<u>2,018</u>	

Suspended solids are averaged on a three year basis. The usage and percentage of total SS by Member Agency for the fiscal years ended June 30, 2018 and 2017 are as follows:

Agency	SS LBS/Day Unit I					
	2018		2017		Increase (Decrease)	
	SS	% of Total	SS	% of Total	SS	%
Carlsbad	21,946	33.58%	20,898	32.32%	1,048	1.26%
Vista	12,525	19.17%	10,670	16.50%	1,855	2.66%
Buena	5,038	7.71%	5,213	8.06%	(175)	-0.35%
Vallecitos	14,298	21.88%	16,298	25.21%	(2,000)	-3.33%
Leucadia	8,432	12.90%	8,080	12.50%	352	0.41%
Encinitas	3,107	4.75%	3,499	5.41%	(392)	-0.66%
Total	<u>65,346</u>	<u>100.00%</u>	<u>64,658</u>	<u>100.00%</u>	<u>688</u>	

See accompanying report of independent auditors.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 8 - OWNERSHIP AND USAGE ALLOCATIONS: (CONTINUED)

**Wastewater Flow and Usage Allocation – Unit I Treatment Plant (Continued)**

Treated wastewater flow discharged through Unit J is averaged on an annual basis. The changes for the fiscal years ended June 30, 2018 and 2017 for Unit J are as follows:

Agency	Outfall MGD ADF Unit J					
	2018		2017		Increase (Decrease)	
	MGD	% of Total	MGD	% of Total	MGD	%
Carlsbad	4.22	21.01%	4.73	23.03%	(0.51)	-2.02%
Vista	6.24	31.06%	5.57	27.12%	0.67	3.94%
Buena	1.84	9.16%	1.65	8.03%	0.19	1.13%
Vallecitos	3.39	16.87%	4.13	20.11%	(0.74)	-3.23%
Leucadia	3.44	17.12%	3.49	16.99%	(0.05)	0.13%
Encinitas	0.96	4.78%	0.97	4.72%	(0.01)	0.06%
Total	20.09	100.00%	20.54	100.00%	(0.45)	

**Other Cost Allocations**

The expenses for the Agua Hedionda pump station, the Buena Creek pump station, the Buena Vista pump station, the Carlsbad Water Recycling Facility and the Raceway Basin pump station, are allocated based on ownership. Directors’ meeting expenses are allocated based on direct costs. Source control and related laboratory expenses are allocated based on direct labor charges, number of industrial waste users and flow for Unit J. Flow metering costs are allocated based on the number and types of meters and on Unit J ownership.

See accompanying report of independent auditors.

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018 AND 2017**

**NOTE 9 - COMMITMENTS AND CONTINGENCIES:**

**Construction Commitments**

The Authority had contractual agreements with outside firms for capital program construction and professional services as follows at June 30, 2018:

<b>Description</b>		
EWPCF Technology & SCADA System Rehabilitation Projects	\$	509,631
Fiscal Year 2015 Major Plant Rehabilitation Project		499,517
Primary Area Improvements Projects		294,001
Regenerative Thermal Oxidizer Replacement Project		242,899
Plant Condition Assessments		204,734
Digester Optimization Projects		173,656
Engineering Support Services		62,597
Biosolids, Energy & Emmissions Project		39,544
Boardroom Audio Visual Upgrade Project		31,098
Computerized Maintenance Management System Project		29,979
Air Permitting and Evaluation Project		20,825
Climate Control Improvements Design Project		17,485
Site Security Assessment		15,453
	<u>\$</u>	<u>2,141,419</u>

**Contingencies**

Legal claims and lawsuits arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Authority’s financial position.

**NOTE 10 – PRIOR PERIOD ADJUSTMENT:**

The Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)*, effective for the fiscal year ended June 30, 2018. As a result of this implementation, the Authority’s 2017 financial statements were restated to retroactively report the net OPEB liability of \$424,900 as of June 30, 2017. Under the Revised Basic Agreement with the Member Agencies, the Member Agencies are required to fund the net OPEB liability. Therefore, the receivable from member agencies in the amount of \$374,930 and deferred outflows related to other postemployment benefits of \$49,970 were also reported as of June 30, 2017. The restatement did not have an impact on the Authority’s net position as of June 30, 2017.

See accompanying report of independent auditors.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

## NOTE 11 - SUBSEQUENT EVENTS:

**Fiscal Year 2018 Budget**

On July 25, 2018, the Board of Directors adopted Resolution 2018-06 to appropriate funds for the fiscal year 2019 Operating budget (\$16,529,370), the Capital Improvement Program budget (\$22,112,014), and the Continuing Capital Improvement Program budget (\$14,085,005) from unexpended fiscal year 2018 funds. In addition, the operating inventory and capital reserve amounts were reestablished adding an accumulated \$3,300,000 in reserves.

## NOTE 12 - NEW GOVERNMENTAL ACCOUNTING STANDARDS:

**GASB Current Year Standards****GASB No. 75**

In June 2015, the Government Accounting Standards Board issued Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2017.

**GASB No. 81**

In March 2016, the Governmental Accounting Standards Board issued Statement No. 81, *“Irrevocable Split-Interest Agreements”*. The requirements of this Statement are effective for financial statements for period beginning after December 15, 2016, and should be applied retroactively. The implementation of this standard did not impact the Authority.

**GASB No. 82**

In March 2016, the Governmental Accounting Standards Board issued Statement No. 82, *“Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73”*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, and did not impact the Authority.

**GASB No. 85**

In March 2017, the Governmental Accounting Standards Board issued Statement No. 85, *“Omnibus 2017”*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The implementation of this standard did not impact the Authority.

See accompanying report of independent auditors.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

## NOTE 12 - NEW GOVERNMENTAL ACCOUNTING STANDARDS: (CONTINUED)

**GASB Current Year Standards (Continued)****GASB No. 86**

In May 2017, the Governmental Accounting Standards Board issued Statement No. 86, *"Certain Debt Extinguishment Issues"*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The implementation of this standard did not impact the Authority.

**GASB Pending Accounting Standards****GASB No. 83**

In November 2016, the Governmental Accounting Standards Board issued Statement No. 83, *"Certain Asset Retirement Obligations"*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Authority has not determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

**GASB No. 84**

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *"Fiduciary Activities"*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Authority has not determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

**GASB No. 87**

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *"Leases"*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Authority has not determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

**GASB No. 88**

In April 2018, the Governmental Accounting Standards Board issued Statement No. 88, *"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Authority has not determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

**GASB No. 89**

In June 2018, the Governmental Accounting Standards Board issued Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period"*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Authority has not determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

See accompanying report of independent auditors.



## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

## NOTE 12 - NEW GOVERNMENTAL ACCOUNTING STANDARDS: (CONTINUED)

**GASB Pending Accounting Standards (Continued)****GASB No. 90**

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90, *“Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61”*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Authority has not determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

See accompanying report of independent auditors.

**REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018**

**SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST TEN YEARS\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Plan's Proportion of the Net Pension Liability	0.146233%	0.156650%	0.165626%	0.157794%
Plan's Proportionate Share of the Net Pension Liability	\$14,502,283	\$13,555,110	\$11,368,400	\$ 9,575,481
Plan's Covered Payroll	\$ 6,549,482	\$ 6,523,691	\$ 6,078,845	\$ 5,879,239
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	221.43%	207.78%	187.02%	162.87%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	72.12%	70.65%	73.83%	76.84%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 1,419,358	\$ 1,214,854	\$ 1,109,229	\$ 859,087

## Notes to Schedule:

## Benefit Changes:

There were no changes in benefits.

## Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

See accompanying report of independent auditors.

**REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018**

**SCHEDULE OF CONTRIBUTIONS – DEFINED BENEFIT PENSION PLANS  
LAST TEN YEARS\***

Fiscal year ended	Miscellaneous			
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 2,562,580	\$ 2,339,966	\$ 1,543,996	\$ 1,398,994
Contributions in relation to the actuarially determined contributions	<u>(2,562,580)</u>	<u>(2,339,966)</u>	<u>(1,543,996)</u>	<u>(1,398,994)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 6,839,096	\$ 6,549,482	\$ 6,523,691	\$ 6,078,845
Contributions as a percentage of covered - employee payroll	37.47%	35.73%	23.67%	23.01%

Notes to Schedule:

Valuation Date	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	55 for classic members and 62 for PEPRA
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS

\* - Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

\*\* - The valuation for June 30, 2012, 2013, and 2014 (applicable to fiscal years ended June 30, 2015, 2016, and 2017 respectively) included the same actuarial assumptions.

\*\*\* - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013, 2014, and 2015 valuations (applicable to fiscal years ended June 30, 2016, 2017, and 2018 respectively).

See accompanying report of independent auditors.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**  
**LAST TEN YEARS\***

Fiscal year end	<u><b>6/30/2018</b></u>
Measurement date	<u>6/30/2017</u>
Total Pension Liability:	
Service cost	\$ 33,044
Interest on total OPEB liability	57,799
Benefit payments, including refunds of	(29,470)
Net Change in Total OPEB Liability	<u>61,373</u>
Total OPEB Liability - Beginning of Year	<u>807,384</u>
Total OPEB Liability - End of Year (a)	<u>868,757</u>
Plan Fiduciary Net Position:	
Contributions - employer	49,970
Net investment income	40,344
Administrative expenses	(205)
Benefit payments	(29,470)
Net Change in Plan Fiduciary Net Position	<u>60,639</u>
Plan Fiduciary Net Position - Beginning of Year	<u>382,484</u>
Plan Fiduciary Net Position - End of Year (b)	<u>443,123</u>
Net OPEB Liability - Ending (a)-(b)	<u><u>\$ 425,634</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	51.01%
Covered - employee payroll	\$ 6,839,096
Net OPEB liability as percentage of covered - employee payroll	6.22%

## Notes to Schedule:

## Benefit Changes:

There were no changes in benefits.

## Changes in Assumptions:

There were no changes in assumptions.

\* Fiscal year 2018 was the first year of implementation; therefore, only one year is shown.

See accompanying report of independent auditors.

**REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018  
SCHEDULE OF CONTRIBUTIONS – OPEB  
LAST TEN YEARS\***

	<b>6/30/2018</b>
Actuarially determined contribution	\$ 57,445
Contributions in relation to the actuarially determined contributions	(76,352)
Contribution deficiency (excess)	\$ (18,907)
Covered - employee payroll	\$ 6,839,096
Contributions as a percentage of covered - employee payroll	1.12%

Notes to Schedule:

Valuation Date 6/30/2017

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	3.25%
Mortality	CalPERS Pension Plan

\* Fiscal year 2018 was the first year of implementation; therefore, one year is shown.

See accompanying report of independent auditors.

**SUPPLEMENTARY SCHEDULE OF INVESTMENT IN CAPITAL ASSETS  
AT JUNE 30, 2018**

ASSET	TOTAL						MEMBER AGENCY OWNERSHIP AT COST						
	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	June 30, 2018	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas
<b>PLANT</b>													
Joint Wastewater Treatment (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	\$ 221,355,330	\$ 52,347,445	\$ 59,681,723	\$ 13,669,313	\$ 53,191,022	\$ 33,874,868	\$ 8,590,959
Joint Wastewater Disposal (Unit J)	23.69%	24.63%	6.93%	24.17%	16.42%	4.16%	14,115,650	3,432,926	2,989,695	1,304,286	2,800,545	2,919,116	669,082
Furnishings and Office Equipment (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	4,794,834	1,178,350	1,107,008	370,143	1,013,494	905,412	220,427
Buena Vista Pump Station (BVPS)	10.40%	89.60%	-	-	-	-	4,217,140	438,582	3,778,558	-	-	-	-
Agua Hedionda Pump Station (AHPS)	30.90%	69.10%	-	-	-	-	2,144,396	662,618	1,481,778	-	-	-	-
Carlsbad Water Reclamation Facility (CWRF)	100.00%	-	-	-	-	-	550,695	550,695	-	-	-	-	-
Buena Creek Pump Station (BCPS)	-	-	100.00%	-	-	-	453,259	-	-	453,259	-	-	-
Raceway Basin Pump Station (RBPS)	-	100.00%	-	-	-	-	237,921	-	237,921	-	-	-	-
Flow Metering System						(Based on Type and Location of Required Meters)	344,945	66,542	132,266	62,403	23,242	23,433	37,059
<b>SUB-TOTAL: PLANT</b>							<b>248,214,170</b>	<b>58,677,158</b>	<b>69,408,949</b>	<b>15,859,404</b>	<b>57,028,303</b>	<b>37,722,829</b>	<b>9,517,527</b>
<b>REAL PROPERTY</b>													
South Parcel (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	3,412,173	846,560	737,371	278,433	690,624	694,036	165,149
Encina Water Pollution Control Facilities (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	186,000	46,147	40,195	15,178	37,646	37,832	9,002
<b>SUB-TOTAL: REAL PROPERTY</b>							<b>3,598,173</b>	<b>892,707</b>	<b>777,566</b>	<b>293,611</b>	<b>728,270</b>	<b>731,868</b>	<b>174,151</b>
<b>CONSTRUCTION IN PROGRESS</b>													
Major Plant Rehab (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	21,288,567	5,160,345	5,364,720	1,509,360	4,772,898	3,576,480	904,764
<b>SUB-TOTAL: CONSTRUCTION IN PROGRESS</b>							<b>21,288,567</b>	<b>5,160,345</b>	<b>5,364,720</b>	<b>1,509,360</b>	<b>4,772,898</b>	<b>3,576,480</b>	<b>904,764</b>
<b>TOTAL INVESTMENT IN CAPITAL ASSETS</b>							<b>273,100,910</b>	<b>64,730,210</b>	<b>75,551,235</b>	<b>17,662,375</b>	<b>62,529,471</b>	<b>42,031,177</b>	<b>10,596,442</b>
<b>ACCUMULATED DEPRECIATION</b>													
Joint Wastewater Treatment (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	(131,841,670)	(32,064,540)	(31,480,923)	(9,653,804)	(28,795,943)	(24,000,162)	(5,846,298)
Joint Wastewater Disposal (Unit J)	23.69%	24.63%	6.93%	24.17%	16.42%	4.16%	(12,858,063)	(3,127,081)	(2,723,338)	(1,188,085)	(2,551,040)	(2,659,047)	(609,472)
Furnishings and Office Equipment (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	(3,886,520)	(957,731)	(880,906)	(304,911)	(811,546)	(750,061)	(181,365)
Buena Vista Pump Station (BVPS)	10.40%	89.60%	-	-	-	-	(2,800,479)	(291,250)	(2,509,229)	-	-	-	-
Agua Hedionda Vista Pump Station (AHPS)	30.90%	69.10%	-	-	-	-	(1,989,731)	(614,827)	(1,374,904)	-	-	-	-
Carlsbad Water Reclamation Facility (CWRF)	100.00%	-	-	-	-	-	(415,571)	(415,571)	-	-	-	-	-
Buena Creek Pump Station (BCPS)	-	-	100.00%	-	-	-	(358,690)	-	-	(358,690)	-	-	-
Raceway Basin Pump Station (RBPS)	-	100.00%	-	-	-	-	(202,059)	-	(202,059)	-	-	-	-
Flow Metering System						(Based on Type and Location of Required Meters)	(280,436)	(56,620)	(95,096)	(54,965)	(20,472)	(20,640)	(32,643)
<b>TOTAL ACCUMULATED DEPRECIATION</b>							<b>(154,633,219)</b>	<b>(37,527,620)</b>	<b>(39,266,455)</b>	<b>(11,560,455)</b>	<b>(32,179,001)</b>	<b>(27,429,910)</b>	<b>(6,669,778)</b>
<b>INVESTMENT IN CAPITAL ASSETS</b>							<b>\$ 118,467,691</b>	<b>\$ 27,202,590</b>	<b>\$ 36,284,780</b>	<b>\$ 6,101,920</b>	<b>\$ 30,350,470</b>	<b>\$ 14,601,267</b>	<b>\$ 3,926,664</b>

See accompanying report of independent auditors.

**SUPPLEMENTARY SUMMARY SCHEDULE OF  
OPERATING PROGRAM AMOUNT DUE FROM/(TO) MEMBER AGENCIES  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>OPERATING REVENUES</b>		
Member Assessments Billed	\$ 14,718,412	\$ 13,608,371
CSRMA Dividends (Unit I Ownership)	47,646	43,057
PureGreen Sales	26,239	57,925
Alternative Fuels Tipping Fees	177,113	216,909
Lab Contract Services Receipts (Unit I Ownership)	215,347	207,972
Environmental Enforcement Receipts (Jurisdiction)	14,500	9,150
Miscellaneous Receipts (Unit I Ownership)	67,223	25,553
<b>TOTAL OPERATING REVENUES - BILLED</b>	<b>15,266,480</b>	<b>14,168,937</b>
<b>OPERATING EXPENSES INCURRED</b>		
Encina Water Pollution Control Facilities		
Unit I - Treatment Plant Usage	6,575,100	6,019,867
Unit I - Treatment Plant Ownership	4,629,234	4,404,856
Unit J - Ocean Outfall	497,420	495,292
Board of Directors	62,582	56,801
Flow Metering	316,289	295,191
Encina Wastewater Pollution Control Facilities Sub-Total	12,080,625	11,272,007
Source Control	692,301	687,678
Agua Hedionda Pump Station	315,269	297,059
Buena Vista Pump Station	627,262	427,136
Buena Creek Pump Station	334,278	329,876
Carlsbad Water Recycling Facility	1,028,469	978,967
Raceway Basin Pump Station	188,722	181,598
<b>TOTAL OPERATING EXPENSES INCURRED</b>	<b>15,266,926</b>	<b>14,174,321</b>
<b>OPERATING REVENUES BILLED UNDER EXPENSES INCURRED</b>	<b>\$ 446</b>	<b>\$ 5,384</b>
<b>AMOUNT DUE FROM MEMBER AGENCIES END OF YEAR</b>	<b>\$ 446</b>	<b>\$ 5,384</b>

See accompanying report of independent auditors.

## SUPPLEMENTARY DETAIL SCHEDULE OF OPERATING PROGRAM AMOUNT DUE FROM/(TO) MEMBER AGENCIES

## AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

	<u>Totals</u>	<u>Carlsbad</u>	<u>Vista</u>	<u>Buena</u>	<u>Vallecitos</u>	<u>Leucadia</u>	<u>Encinitas</u>
<b>OPERATING REVENUES - BILLED</b>							
Member Assessments Billed	\$14,718,412	\$4,583,315	\$3,973,341	\$1,474,959	\$2,379,764	\$1,752,108	\$554,925
CSRMA Dividends (Unit I Ownership)	47,646	11,549	12,007	3,378	10,682	8,005	2,025
PureGreen Sales	26,239	8,812	5,029	2,023	5,741	3,386	1,248
Alternative Fuels Tipping Fees	177,113	42,932	44,633	12,557	39,709	29,755	7,527
Lab Contract Services Billed (Unit I Ownership)	215,347	52,200	54,268	15,268	48,281	36,178	9,152
Environmental Enforcement Actions Billed (Jurisdiction)	14,500	8,000	6,300	-	200	-	-
Miscellaneous Receipts (Unit I Ownership)	67,223	16,294	16,942	4,766	15,071	11,293	2,857
<b>TOTAL OPERATING REVENUES - BILLED</b>	<b>\$15,266,480</b>	<b>\$4,723,102</b>	<b>\$4,112,520</b>	<b>\$1,512,951</b>	<b>\$2,499,448</b>	<b>\$1,840,725</b>	<b>\$577,734</b>
<b>OPERATING EXPENSES INCURRED</b>							
Encina Water Pollution Control Facilities							
Unit I - Treatment Plant Usage	\$6,575,100	\$1,979,306	\$1,539,284	\$671,642	\$1,213,622	\$866,049	\$305,197
Unit I - Treatment Plant Ownership	4,629,234	1,122,127	1,166,567	328,213	1,037,874	777,711	196,742
Unit J - Ocean Outfall	497,420	104,355	154,486	45,611	83,946	85,265	23,757
Board of Directors	62,582	12,305	7,107	7,107	12,177	11,764	12,122
Flow Metering	316,289	77,249	78,219	57,957	42,330	40,866	19,668
<b>Encina Water Pollution Control Facilities Sub-Total</b>	<b>\$12,080,625</b>	<b>\$3,295,342</b>	<b>\$2,945,663</b>	<b>\$1,110,530</b>	<b>\$2,389,949</b>	<b>\$1,781,655</b>	<b>\$557,486</b>
Source Control							
Agua Hedionda Pump Station	\$692,301	\$236,767	\$198,377	\$68,180	\$109,581	\$59,132	\$20,264
Buena Vista Pump Station	315,269	97,418	217,851	-	-	-	-
Buena Creek Pump Station	627,262	65,236	562,026	-	-	-	-
Buena Vista Pump Station	334,278	-	-	334,278	-	-	-
Carlsbad Water Recycling Facility	1,028,469	1,028,469	-	-	-	-	-
Raceway Basin Pump Station	188,722	-	188,722	-	-	-	-
<b>TOTAL OPERATING EXPENSES INCURRED</b>	<b>\$15,266,926</b>	<b>\$4,723,232</b>	<b>\$4,112,639</b>	<b>\$1,512,988</b>	<b>\$2,499,530</b>	<b>\$1,840,787</b>	<b>\$577,750</b>
<b>DUE FROM MEMBER AGENCIES END OF YEAR</b>	<b>\$446</b>	<b>\$130</b>	<b>\$119</b>	<b>\$37</b>	<b>\$82</b>	<b>\$62</b>	<b>\$16</b>

See accompanying report of independent auditors.



**SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY MEMBER AGENCY  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

<b>CITY OF CARLSBAD</b>	<b>June 30, 2018</b>	<b>% of Total</b>	<b>June 30, 2017</b>	<b>Change \$</b>	<b>Change %</b>
Unit I Encina Treatment Plant Usage	\$ 1,979,306	41.9%	\$ 1,777,736	\$ 201,570	11.3%
Unit I Encina Treatment Plant Ownership	1,122,127	23.8%	1,067,737	54,390	5.1%
Unit J Encina Ocean Outfall	104,355	2.2%	113,989	(9,634)	-8.5%
Board of Directors	12,305	0.3%	12,563	(258)	-2.1%
Flow Metering	77,249	1.6%	61,638	15,611	25.3%
Source Control	236,767	5.0%	227,423	9,344	4.1%
Agua Hedionda Pump Station	97,418	2.1%	91,791	5,627	6.1%
Buena Vista Pump Station	65,236	1.4%	44,422	20,814	46.9%
Carlsbad Water Recycling Facility	1,028,469	21.8%	978,967	49,502	5.1%
<b>TOTALS</b>	<b>\$ 4,723,232</b>	<b>100.0%</b>	<b>\$ 4,376,266</b>	<b>\$ 346,966</b>	<b>7.9%</b>
<b>CITY OF VISTA</b>					
Unit I Encina Treatment Plant Usage	\$ 1,539,284	37.4%	\$ 1,224,557	\$ 314,727	25.7%
Unit I Encina Treatment Plant Ownership	1,166,567	28.4%	1,110,024	56,543	5.1%
Unit J Encina Ocean Outfall	154,486	3.8%	134,360	20,126	15.0%
Board of Directors	7,107	0.2%	6,409	698	10.9%
Flow Metering	78,219	1.9%	76,423	1,796	2.4%
Source Control	198,377	4.8%	176,287	22,090	12.5%
Agua Hedionda Pump Station	217,851	5.3%	205,268	12,583	6.1%
Buena Vista Pump Station	562,026	13.7%	382,714	179,312	46.9%
Raceway Basin Pump Station	188,722	4.6%	181,598	7,124	3.9%
<b>TOTALS</b>	<b>\$ 4,112,639</b>	<b>100.0%</b>	<b>\$ 3,497,640</b>	<b>\$ 614,999</b>	<b>17.6%</b>

Continued

See accompanying report of independent auditors.

## SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY MEMBER AGENCY

(CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

<b>BUENA SANITATION DISTRICT</b>	<b>June 30, 2018</b>	<b>% of Total</b>	<b>June 30, 2017</b>	<b>Change \$</b>	<b>Change %</b>
Unit I Encina Treatment Plant Usage	\$ 671,642	44.5%	\$ 641,087	\$ 30,555	4.8%
Unit I Encina Treatment Plant Ownership	328,213	21.7%	312,304	15,909	5.1%
Unit J Encina Ocean Outfall	45,611	3.0%	39,657	5,954	15.0%
Board of Directors	7,107	0.5%	6,408	699	10.9%
Flow Metering	57,957	3.8%	56,627	1,330	2.3%
Source Control	68,180	4.5%	59,362	8,818	14.9%
Buena Creek Pump Station	334,278	22.1%	329,876	4,402	1.3%
<b>TOTALS</b>	<b>\$ 1,512,988</b>	<b>100.0%</b>	<b>\$ 1,445,321</b>	<b>\$ 67,667</b>	<b>4.7%</b>
<b>VALLECITOS WATER DISTRICT</b>					
Unit I Encina Treatment Plant Usage	\$ 1,213,622	48.6%	\$ 1,270,728	\$ (57,106)	-4.5%
Unit I Encina Treatment Plant Ownership	1,037,874	41.5%	987,569	50,305	5.1%
Unit J Encina Ocean Outfall	83,946	3.4%	99,665	(15,719)	-15.8%
Board of Directors	12,177	0.5%	9,875	2,302	23.3%
Flow Metering	42,330	1.7%	41,358	972	2.4%
Source Control	109,581	4.4%	116,213	(6,632)	-5.7%
<b>TOTALS</b>	<b>\$ 2,499,530</b>	<b>100.0%</b>	<b>\$ 2,525,408</b>	<b>\$ (25,878)</b>	<b>-1.0%</b>

Continued

See accompanying report of independent auditors.

SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY MEMBER AGENCY

(CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>June 30, 2018</u>	<u>% of Total</u>	<u>June 30, 2017</u>	<u>Change \$</u>	<u>Change %</u>
<b>LEUCADIA WASTEWATER DISTRICT</b>					
Unit I Encina Treatment Plant Usage	\$ 866,049	47.1%	\$ 799,538	\$ 66,511	8.3%
Unit I Encina Treatment Plant Ownership	777,711	42.2%	740,016	37,695	5.1%
Unit J Encina Ocean Outfall	85,265	4.6%	84,096	1,169	1.4%
Board of Directors	11,764	0.6%	11,621	143	1.2%
Flow Metering	40,866	2.2%	39,928	938	2.3%
Source Control	59,132	3.2%	61,074	(1,942)	-3.2%
<b>TOTALS</b>	<b>\$ 1,840,787</b>	<b>100.0%</b>	<b>\$ 1,736,273</b>	<b>\$ 104,514</b>	<b>6.0%</b>
<b>CITY OF ENCINITAS</b>					
Unit I Encina Treatment Plant Usage	\$ 305,197	52.9%	\$ 306,221	\$ (1,024)	-0.3%
Unit I Encina Treatment Plant Ownership	196,742	34.1%	187,206	9,536	5.1%
Unit J Encina Ocean Outfall	23,757	4.1%	23,525	232	1.0%
Board of Directors	12,122	2.1%	9,925	2,197	22.1%
Flow Metering	19,668	3.4%	19,217	451	2.3%
Source Control	20,264	3.5%	47,319	(27,055)	-57.2%
<b>TOTALS</b>	<b>\$ 577,750</b>	<b>100.0%</b>	<b>\$ 593,413</b>	<b>\$ (15,663)</b>	<b>-2.6%</b>
<b>Total Operating Expense All Member Agencies</b>	<b>\$ 15,266,926</b>		<b>\$ 14,174,321</b>	<b>\$ 1,092,605</b>	<b>7.7%</b>

See accompanying report of independent auditors.

**SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>June 30, 2018</u>	<u>% of Total</u>	<u>June 30, 2017</u>	<u>Change \$</u>	<u>Change %</u>
<b>UNIT I: ENCINA TREATMENT PLANT USAGE</b>					
City of Carlsbad	\$ 1,979,306	30.1%	\$ 1,777,736	\$ 201,570	11.3%
City of Vista	1,539,284	23.4%	1,224,557	314,727	25.7%
Buena Sanitation District	671,642	10.2%	641,087	30,555	4.8%
Vallecitos Water District	1,213,622	18.5%	1,270,728	(57,106)	-4.5%
Leucadia Wastewater District	866,049	13.2%	799,538	66,511	8.3%
City of Encinitas	305,197	4.6%	306,221	(1,024)	-0.3%
<b>TOTALS</b>	<b><u>\$ 6,575,100</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 6,019,867</u></b>	<b><u>\$ 555,233</u></b>	<b><u>9.2%</u></b>
<b>UNIT I: ENCINA TREATMENT PLANT OWNERSHIP</b>					
City of Carlsbad	\$ 1,122,127	24.2%	\$ 1,067,737	\$ 54,390	5.1%
City of Vista	1,166,567	25.3%	1,110,024	56,543	5.1%
Buena Sanitation District	328,213	7.1%	312,304	15,909	5.1%
Vallecitos Water District	1,037,874	22.4%	987,569	50,305	5.1%
Leucadia Wastewater District	777,711	16.8%	740,016	37,695	5.1%
City of Encinitas	196,742	4.2%	187,206	9,536	5.1%
<b>TOTALS</b>	<b><u>\$ 4,629,234</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 4,404,856</u></b>	<b><u>\$ 224,378</u></b>	<b><u>5.1%</u></b>
<b>UNIT J: ENCINA OCEAN OUTFALL</b>					
City of Carlsbad	\$ 104,355	20.9%	\$ 113,989	\$ (9,634)	-8.5%
City of Vista	154,486	31.1%	134,360	20,126	15.0%
Buena Sanitation District	45,611	9.2%	39,657	5,954	15.0%
Vallecitos Water District	83,946	16.9%	99,665	(15,719)	-15.8%
Leucadia Wastewater District	85,265	17.1%	84,096	1,169	1.4%
City of Encinitas	23,757	4.8%	23,525	232	1.0%
<b>TOTALS</b>	<b><u>\$ 497,420</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 495,292</u></b>	<b><u>\$ 2,128</u></b>	<b><u>0.4%</u></b>
<b>BOARD OF DIRECTORS</b>					
City of Carlsbad	\$ 12,305	19.7%	\$ 12,563	\$ (258)	-2.1%
City of Vista	7,107	11.4%	6,409	698	10.9%
Buena Sanitation District	7,107	11.4%	6,408	699	10.9%
Vallecitos Water District	12,177	19.5%	9,875	2,302	23.3%
Leucadia Wastewater District	11,764	18.8%	11,621	143	1.2%
City of Encinitas	12,122	19.4%	9,925	2,197	22.1%
<b>TOTALS</b>	<b><u>\$ 62,582</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 56,801</u></b>	<b><u>\$ 5,781</u></b>	<b><u>10.2%</u></b>

Continued

See accompanying report of independent auditors.

## SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER (CONTINUED)

## FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>June 30, 2018</u>	<u>% of Total</u>	<u>June 30, 2017</u>	<u>Change \$</u>	<u>Change %</u>
<b>FLOW METERING PROGRAM</b>					
City of Carlsbad	\$ 77,249	24.4%	\$ 61,638	\$ 15,611	25.3%
City of Vista	78,219	24.7%	76,423	1,796	2.4%
Buena Sanitation District	57,957	18.3%	56,627	1,330	2.3%
Vallecitos Water District	42,330	13.4%	41,358	972	2.4%
Leucadia Wastewater District	40,866	12.9%	39,928	938	2.3%
City of Encinitas	19,668	6.2%	19,217	451	2.3%
<b>TOTALS</b>	<b>\$ 316,289</b>	<b>100.0%</b>	<b>\$ 295,191</b>	<b>\$ 21,098</b>	<b>7.1%</b>
<b>TOTAL ENCINA WATER POLLUTION CONTROL FACILITIES</b>					
City of Carlsbad	\$ 3,295,342	27.3%	\$ 3,033,663	\$ 261,679	8.6%
City of Vista	2,945,663	24.4%	2,551,773	393,890	15.4%
Buena Sanitation District	1,110,530	9.2%	1,056,083	54,447	5.2%
Vallecitos Water District	2,389,949	19.8%	2,409,195	(19,246)	-0.8%
Leucadia Wastewater District	1,781,655	14.7%	1,675,199	106,456	6.4%
City of Encinitas	557,486	4.6%	546,094	11,392	2.1%
<b>TOTALS</b>	<b>\$ 12,080,625</b>	<b>100.0%</b>	<b>\$ 11,272,007</b>	<b>\$ 808,618</b>	<b>7.2%</b>
<b>SOURCE CONTROL PROGRAM</b>					
City of Carlsbad	\$ 236,767	34.3%	\$ 227,423	\$ 9,344	4.1%
City of Vista	198,377	28.6%	176,287	22,090	12.5%
Buena Sanitation District	68,180	9.8%	59,362	8,818	14.9%
Vallecitos Water District	109,581	15.8%	116,213	(6,632)	-5.7%
Leucadia Wastewater District	59,132	8.5%	61,074	(1,942)	-3.2%
City of Encinitas	20,264	2.9%	47,319	(27,055)	-57.2%
<b>TOTALS</b>	<b>\$ 692,301</b>	<b>100.0%</b>	<b>\$ 687,678</b>	<b>\$ 4,623</b>	<b>0.7%</b>
<b>AGUA HEDIONDA PUMP STATION</b>					
City of Carlsbad	\$ 97,418	30.9%	\$ 91,791	\$ 5,627	6.1%
City of Vista	217,851	69.1%	205,268	12,583	6.1%
<b>TOTALS</b>	<b>\$ 315,269</b>	<b>100.0%</b>	<b>\$ 297,059</b>	<b>\$ 18,210</b>	<b>6.1%</b>

Continued

See accompanying report of independent auditors.

## SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER (CONTINUED)

## FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>June 30, 2018</u>	<u>% of Total</u>	<u>June 30, 2017</u>	<u>Change \$</u>	<u>Change %</u>
<b>BUENA VISTA PUMP STATION</b>					
City of Carlsbad	\$ 65,236	10.4%	\$ 44,422	\$ 20,814	46.9%
City of Vista	562,026	89.6%	382,714	179,312	46.9%
<b>TOTALS</b>	<b>\$ 627,262</b>	<b>100.0%</b>	<b>\$ 427,136</b>	<b>\$ 200,126</b>	<b>46.9%</b>
<b>BUENA CREEK PUMP STATION</b>					
Buena Sanitation District	\$ 334,278	100.0%	\$ 329,876	\$ 4,402	1.3%
<b>TOTALS</b>	<b>\$ 334,278</b>	<b>100.0%</b>	<b>\$ 329,876</b>	<b>\$ 4,402</b>	<b>1.3%</b>
<b>CARLSBAD WATER RECYCLING FACILITY</b>					
City of Carlsbad	\$ 1,028,469	100.0%	\$ 978,967	\$ 49,502	5.1%
<b>TOTALS</b>	<b>\$ 1,028,469</b>	<b>100.0%</b>	<b>\$ 978,967</b>	<b>\$ 49,502</b>	<b>5.1%</b>
<b>RACEWAY BASIN PUMP STATION</b>					
City of Vista	\$ 188,722	100.0%	\$ 181,598	\$ 7,124	3.9%
<b>TOTALS</b>	<b>\$ 188,722</b>	<b>100.0%</b>	<b>\$ 181,598</b>	<b>\$ 7,124</b>	<b>3.9%</b>
<b>TOTAL OPERATING EXPENSE</b>					
City of Carlsbad	\$ 4,723,232	30.9%	\$ 4,376,266	\$ 346,966	7.9%
City of Vista	4,112,639	26.9%	3,497,640	614,999	17.6%
Buena Sanitation District	1,512,988	9.9%	1,445,321	67,667	4.7%
Vallecitos Water District	2,499,530	16.4%	2,525,408	(25,878)	-1.0%
Leucadia Wastewater District	1,840,787	12.1%	1,736,273	104,514	6.0%
City of Encinitas	577,750	3.8%	593,413	(15,663)	-2.6%
<b>TOTALS</b>	<b>\$ 15,266,926</b>	<b>100.0%</b>	<b>\$ 14,174,321</b>	<b>\$ 1,092,605</b>	<b>7.7%</b>

See accompanying report of independent auditors.

## SUPPLEMENTARY SCHEDULE OF CHANGES IN NET POSITION RESTRICTED -

## CAPITAL IMPROVEMENT PROGRAM

## AS OF AND FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
CAPITAL CONTRIBUTIONS		
Member Assessments	\$ 16,675,741	\$ 11,456,271
TOTAL CAPITAL CONTRIBUTIONS	<u>16,675,741</u>	<u>11,456,271</u>
CAPITAL EXPENDITURES		
Encina Water Pollution Control Facility		
(EWPCF) Capital Acquisitions	286,195	207,360
Agua Hedionda Pump Station (AHPS) Capital Acquisitions	150,127	46,395
Buena Vista Pump Station (BVPS) Capital Acquisitions	170,287	65,249
Buena Creek Pump Station (BCPS) Capital Acquisitions	103,752	67,526
Carlsbad Water Reclamation Facility (CWRF) Capital Acquisitions	33,238	135,875
Raceway Basin Pump Station (RBPS) Capital Acquisitions	50,894	52,377
EWPCF Planned Asset Replacement	1,330,371	1,294,802
EWPCF Major Plant Rehabilitation Program		
Liquid Process Improvements	7,695,306	4,486,599
Outfall	46,729	58
Solids Process Improvements	3,277,567	1,497,300
Energy Management	335,538	416,535
General Improvements	711,012	488,620
Engineering Services	1,078,636	2,676,383
Technology Master Plan	1,361,229	-
Remotes	90,938	40,648
TOTAL CAPITAL EXPENDITURES	<u>16,721,819</u>	<u>11,475,727</u>
CAPITAL CONTRIBUTIONS UNDER CAPITAL EXPENDITURES	(46,078)	(19,456)
NONOPERATING REVENUES		
Investment and other capital income	35,831	26,694
TOTAL NONOPERATING REVENUES	<u>35,831</u>	<u>26,694</u>
NET POSITION RESTRICTED FOR CIP, BEGINNING OF FISCAL YEAR	<u>7,010,247</u>	<u>7,003,009</u>
NET POSITION RESTRICTED FOR CIP, END OF FISCAL YEAR	<u>\$ 7,000,000</u>	<u>\$ 7,010,247</u>

See accompanying report of independent auditors.

## SUPPLEMENTARY SCHEDULE OF NET POSITION RESTRICTED BY PROJECT - CAPITAL IMPROVEMENT PROGRAM

## AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

<u>PROJECTS</u>	<u>Balance June 30, 2017</u>	<u>Member Billings</u>	<u>Income</u>	<u>Capital Expenditures</u>	<u>Balance June 30, 2018</u>
<u>Continuing Projects</u>					
EWPCF Major Plant Rehabilitation Program					
Liquid Process Improvements	\$ -	\$ (7,695,306)	\$ -	\$ 7,695,306	\$ -
Outfall	58	(58)	-	46,728	46,728 *
Solids Process Improvements	-	(3,277,567)	-	3,277,567	-
Energy Management	-	(335,538)	-	335,538	-
General Improvements	(24,259)	(824,420)	-	711,012	(137,667) *
Engineering Services	-	(1,078,636)	-	1,078,636	-
Technology Master Plan	-	(1,361,229)	-	1,361,229	-
Remote Facilities	40,648	(40,648)	-	90,939	90,939 *
Sub Total Continuing Projects	<u>16,447</u>	<u>(14,613,402)</u>	<u>-</u>	<u>14,596,955</u>	<u>-</u>
<u>Other</u>					
Capital Acquisitions					
EWPCF	-	(286,195)	-	286,195	-
Remote Facilities	-	(508,298)	-	508,298	-
Planned Asset Replacement	-	(1,330,371)	-	1,330,371	-
Capital Reserve	(7,000,000)	-	-	-	(7,000,000)
Income On Capital Reserve Funds	(26,694)	62,525	(35,831)	-	-
Sub Total Other	<u>(7,026,694)</u>	<u>(2,062,339)</u>	<u>(35,831)</u>	<u>2,124,864</u>	<u>(7,000,000)</u>
Total Capital Improvement Program	<u>\$ (7,010,247)</u>	<u>\$ (16,675,741)</u>	<u>\$ (35,831)</u>	<u>\$ 16,721,819</u>	<u>\$ (7,000,000)</u>
* Indicates amounts due from/(to) Member Agencies					<u>\$ -</u>

See accompanying report of independent auditors.



## SUPPLEMENTARY SCHEDULE OF NET POSITION RESTRICTED BY MEMBER AGENCY - CAPITAL IMPROVEMENT PROGRAM

## AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

<b>PROJECTS</b>	<b>Carlsbad</b>	<b>Vista</b>	<b>Buena</b>	<b>Vallecitos</b>	<b>Leucadia</b>	<b>Encinitas</b>	<b>Balance June 30, 2018</b>
<u>Continuing Projects</u>							
Major Plant Rehabilitation Program							
Outfall	\$ 11,070	\$ 11,509	\$ 3,238	\$ 11,294	\$ 7,673	\$ 1,944	\$ 46,728 *
General Improvements	(33,370)	(34,692)	(9,761)	(30,865)	(23,128)	(5,851)	(137,667) *
Remote Facilities	5,738	56,643	28,558	-	-	-	90,939 *
Sub Total Continuing Projects	<u>(16,562)</u>	<u>33,460</u>	<u>22,035</u>	<u>(19,571)</u>	<u>(15,455)</u>	<u>(3,907)</u>	<u>-</u>
<u>Other</u>							
Capital Reserve	<u>(1,696,800)</u>	<u>(1,764,000)</u>	<u>(496,300)</u>	<u>(1,569,400)</u>	<u>(1,176,000)</u>	<u>(297,500)</u>	<u>(7,000,000)</u>
Sub Total Other	<u>(1,696,800)</u>	<u>(1,764,000)</u>	<u>(496,300)</u>	<u>(1,569,400)</u>	<u>(1,176,000)</u>	<u>(297,500)</u>	<u>(7,000,000)</u>
Total Capital Improvement Program	<u>\$ (1,713,362)</u>	<u>\$ (1,730,540)</u>	<u>\$ (474,265)</u>	<u>\$ (1,588,971)</u>	<u>\$ (1,191,455)</u>	<u>\$ (301,407)</u>	<u>\$ (7,000,000)</u>
Member Agency Billing, Net	\$ (16,562)	\$ 33,460	\$ 22,035	\$ (19,571)	\$ (15,455)	\$ (3,907)	\$ - *
	<u>\$ (16,562)</u>	<u>\$ 33,460</u>	<u>\$ 22,035</u>	<u>\$ (19,571)</u>	<u>\$ (15,455)</u>	<u>\$ (3,907)</u>	<u>\$ -</u>

\* Indicates amounts due from/(to) Member Agencies

See accompanying report of independent auditors.

# **STATISTICAL SECTION (Unaudited)**

**FINANCIAL TRENDS**

**DEMOGRAPHIC AND ECONOMIC INFORMATION**

**OPERATING INFORMATION**



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## STATISTICAL SECTION

This part of the Encina Wastewater Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and other supplementary information says about the Authority's overall financial health.

### Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

- Net Position
- Changes in Net Position
- Investment in Capital Assets

### Revenue Capacity

The principal source of revenue to the Authority is assessments to Member Agencies for reimbursement of expenses. Therefore, an analysis of revenue capacity is not applicable. Data on sources of revenue are presented in this section under Operating Information.

### Debt Capacity

The Authority does not currently maintain any long-term debt and has not maintained any debt in the past ten years. Therefore, information on debt capacity is not applicable.

### Demographic and Economic Information

This information offers demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

- Population and Property Data
- Principal Employers
- Principal Property Taxpayers

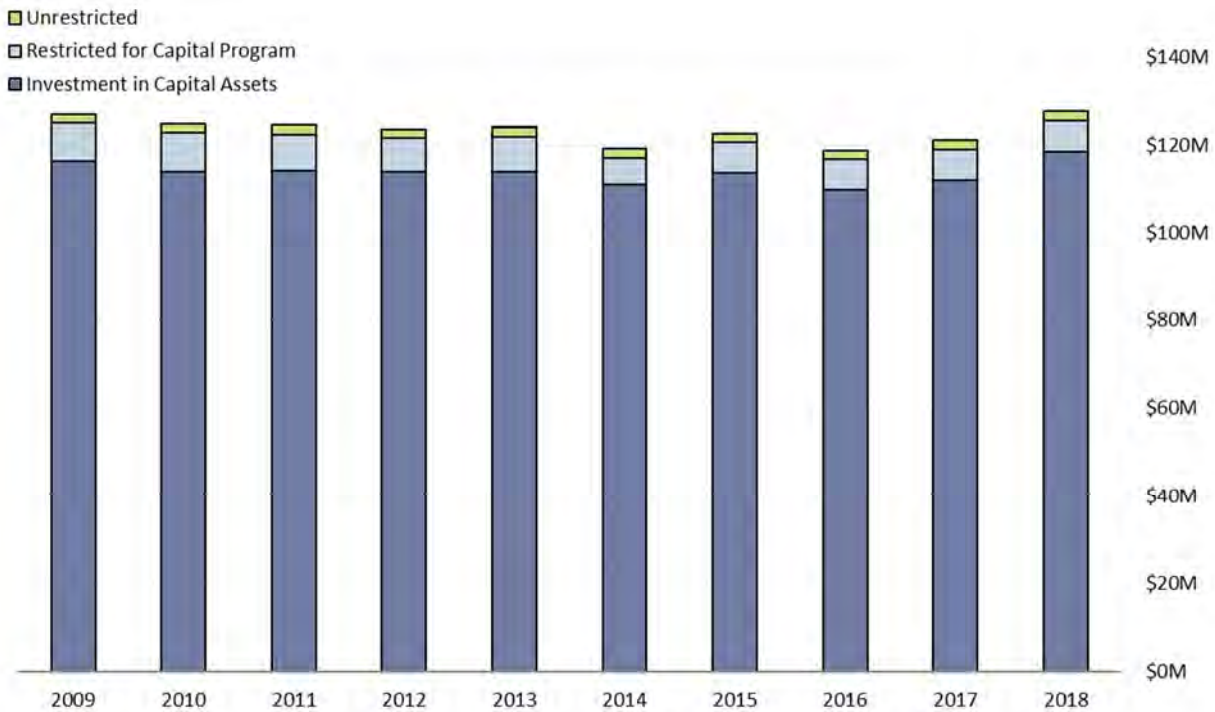
### Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the government provides and the activities it performs.

- Facts and Figures
- Full-time Equivalent Employees by Function
- Operating Revenues and Expenses by Major Source and Use
- Operating Revenues and Expenses by Member Agency
- Operating Expenses per Million Gallons

**NET POSITION  
LAST TEN FISCAL YEARS**

Fiscal Year	Investment in Capital Assets	Restricted for Capital Program	Unrestricted	Total
2018	\$ 118,467,691	\$ 7,000,000	\$ 2,100,000	\$ 127,567,691
2017	112,047,443	7,010,247	2,100,000	121,157,690
2016	109,764,177	7,003,009	2,000,000	118,767,186
2015	113,689,724	7,023,053	2,000,000	122,712,777
2014	111,134,272	5,978,907	2,000,000	119,113,179
2013	113,943,637	7,991,595	2,000,000	123,935,232
2012	113,893,325	7,623,977	2,000,000	123,517,302
2011	114,067,928	8,366,771	2,000,000	124,434,699
2010	114,030,234	8,811,243	2,000,000	124,841,477
2009	116,243,485	8,735,897	2,000,000	126,979,382

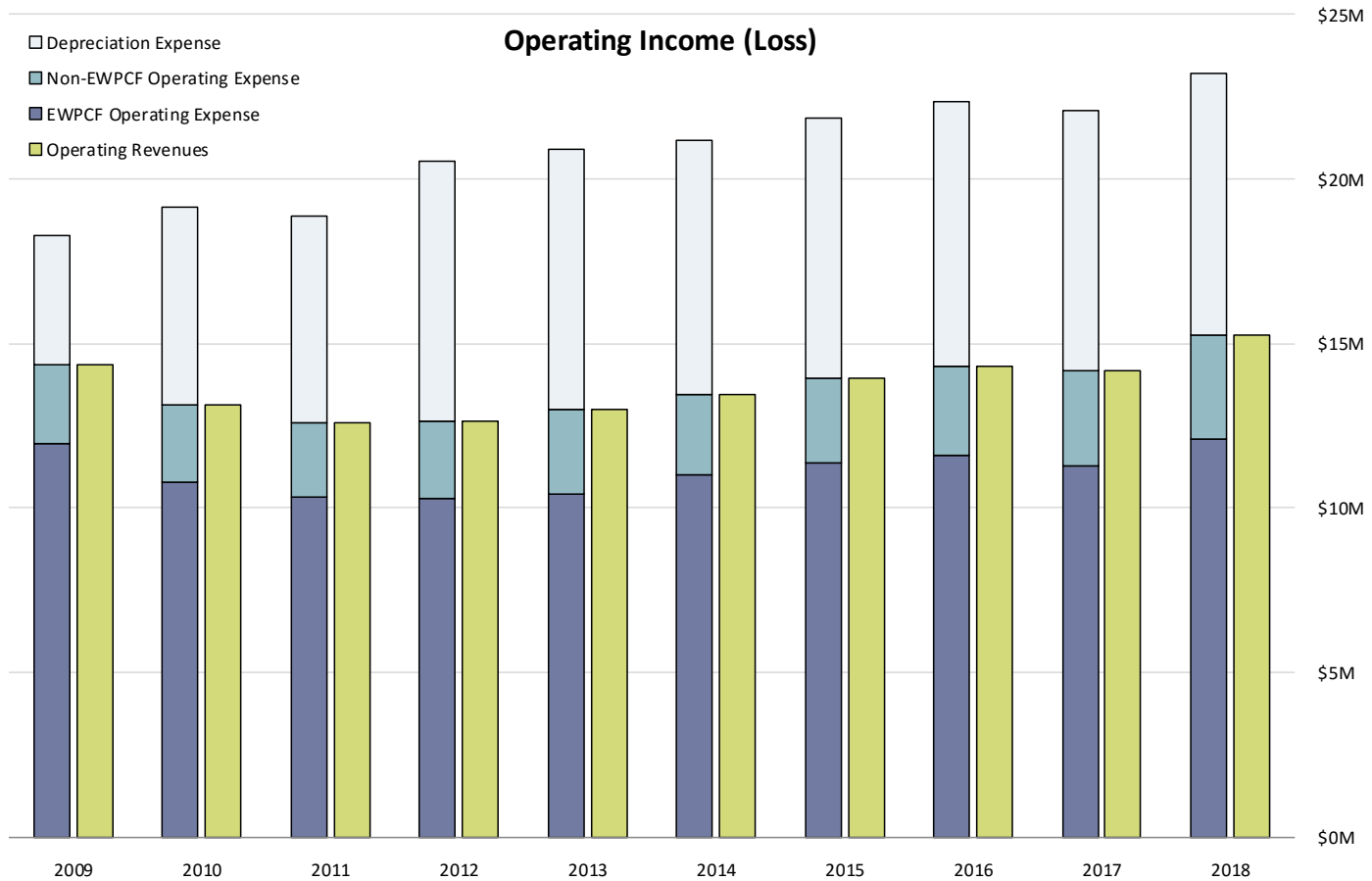


- ▶ FY 2018 reflects increased construction in progress activities attributed to the FY15 Major Plant Rehab Project efforts.
- ▶ FY 2017 reflects increased construction in progress activities and a \$100K increase to the Unrestricted - Remote Facility Reserve
- ▶ FY 2016 reflects increased depreciation exceeding the year's investment in capital assets and construction in progress.
- ▶ FY 2015 reflects significant FY12 major plant rehabilitation projects and alternative fuel receiving facility in addition to \$1M increase in capital reserves.
- ▶ FY 2014 reflects 3rd centrifuge engine project, FY12 major plant rehabilitation projects and influent junction structure improvements
- ▶ FY 2013 reflects blower electrical improvements and natural gas pipeline replacement
- ▶ FY 2012 reflects increasing depreciation and a loss on disposal of capital assets
- ▶ FY 2010 & 2011 reflect higher depreciation resulting from significant capital assets additions in FY 2008 & 2009
- ▶ FY 2010 reflects Phase V Expansion, Major Plant Rehabilitation, and Enterprise Software Capital Projects
- ▶ FY 2009 reflects Phase V Expansion Capital Project and \$850k addition to unrestricted

**CHANGES IN NET POSITION (IN THOUSANDS)**  
**LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Operating Revenues</b>										
Member Agency Assessments	\$ 14,719	\$ 13,614	\$ 13,515	\$ 13,637	\$ 13,005	\$ 12,646	\$ 12,384	\$ 12,249	\$ 12,863	\$ 14,103
Other Operating Revenues	548	561	793	314	442	347	266	354	286	265
<b>Total Operating Revenues</b>	<b>15,267</b>	<b>14,175</b>	<b>14,308</b>	<b>13,951</b>	<b>13,447</b>	<b>12,993</b>	<b>12,650</b>	<b>12,603</b>	<b>13,149</b>	<b>14,368</b>
<b>Operating Expenses</b>										
Unit I - EWPCF Usage Costs	6,575	6,020	6,356	6,219	6,289	5,910	5,904	5,810	5,868	7,157
Unit I - EWPCF Ownership Costs	4,629	4,405	4,335	4,278	4,138	3,936	3,754	3,800	4,265	4,098
Unit J - Encina Ocean Outfall	497	495	523	523	268	265	308	368	357	414
Directors Meetings	63	57	52	74	57	65	57	70	59	61
Flow Metering	316	295	332	272	261	264	273	275	256	246
Subtotal Encina Wastewater Pollution Control Facilities (EWPCF)	<b>12,081</b>	<b>11,272</b>	<b>11,598</b>	<b>11,366</b>	<b>11,013</b>	<b>10,440</b>	<b>10,296</b>	<b>10,323</b>	<b>10,805</b>	<b>11,975</b>
Source Control	692	688	638	588	664	620	623	592	588	517
Aqua Hedionda Pump Station	315	297	303	286	269	259	247	202	239	244
Buena Vista Pump Station	627	427	438	407	395	386	348	343	335	370
Buena Creek Pump Station	334	330	328	311	297	296	215	314	322	355
Carlsbad Water Reclamation Facilities	1,028	979	831	811	650	844	772	703	733	740
Raceway Basin Pump Station	189	182	172	183	158	147	147	126	127	167
Depreciation expense	7,937	7,907	8,043	7,904	7,725	7,917	7,900	6,260	5,986	3,897
<b>Total Operating Expenses</b>	<b>23,204</b>	<b>22,082</b>	<b>22,351</b>	<b>21,855</b>	<b>21,172</b>	<b>20,910</b>	<b>20,549</b>	<b>18,863</b>	<b>19,135</b>	<b>18,265</b>
<b>Operating Loss</b>	<b>(7,937)</b>	<b>(7,907)</b>	<b>(8,043)</b>	<b>(7,904)</b>	<b>(7,725)</b>	<b>(7,917)</b>	<b>(7,900)</b>	<b>(6,260)</b>	<b>(5,986)</b>	<b>(3,897)</b>
<b>Nonoperating Revenues (Expenses)</b>										
Net Loss on Disposal of Capital Assets	(2,365)	(1,285)	(2,327)	(1,575)	(1,586)	(1,328)	(841)	(50)	(849)	(281)
Investment & Other Capital Income	36	27	17	5	8	10	17	25	40	146
Other Nonoperating Revenues	-	100	-	-	-	-	-	-	-	850
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(2,329)</b>	<b>(1,159)</b>	<b>(2,310)</b>	<b>(1,569)</b>	<b>(1,577)</b>	<b>(1,318)</b>	<b>(824)</b>	<b>(25)</b>	<b>(809)</b>	<b>715</b>
<b>Loss Before Contributions and Distributions</b>	<b>(10,266)</b>	<b>(9,066)</b>	<b>(10,354)</b>	<b>(9,473)</b>	<b>(9,302)</b>	<b>(9,235)</b>	<b>(8,724)</b>	<b>(6,285)</b>	<b>(6,796)</b>	<b>(3,182)</b>
<b>Capital Contributions and Distributions</b>										
Member Agency Assessments	16,676	11,456	6,408	13,073	6,775	9,652	7,806	5,878	4,658	8,318
Distributions to Member Agencies	-	-	-	-	(2,295)	-	-	-	-	-
<b>Total Capital Contributions</b>	<b>16,676</b>	<b>11,456</b>	<b>6,408</b>	<b>13,073</b>	<b>4,480</b>	<b>9,652</b>	<b>7,806</b>	<b>5,878</b>	<b>4,658</b>	<b>8,318</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 6,410</b>	<b>\$ 2,390</b>	<b>\$ (3,946)</b>	<b>\$ 3,600</b>	<b>\$ (4,822)</b>	<b>\$ 418</b>	<b>\$ (917)</b>	<b>\$ (407)</b>	<b>\$ (2,138)</b>	<b>\$ 5,136</b>

CHANGES IN NET POSITION (IN THOUSANDS)  
LAST TEN FISCAL YEARS



- ▶ FY 2018: reflects increased personnel costs, information technology costs and a general improvement of budget execution
- ▶ FY 2017: reflects operational savings through reduced energy consumption, chemical contract negotiations and select services being brought back in-house
- ▶ FY 2016: non-EWPCF Operating Expense captures Process Master Plan and increased studies and designs
- ▶ FY 2015: reflects significant FY12 major plant rehabilitation projects and alternative fuel receiving facility
- ▶ FY 2014: reflects 3rd centrifuge engine project, FY12 major plant rehabilitation projects and influent junction structure improvements
- ▶ FY 2013: Capital expense increased from designs and studies, Energy Strategic Plan, 2040 Facility Master Plan Study and Record Drawings & Manuals Project.
- ▶ FY 2012: Depreciation increased as a result of aeration pipeline infrastructure completion, replacement of a waste digester gas flare system and rehab of aging clarifiers.
- ▶ FY 2010: Depreciation expense doubled from prior years due to capitalization of Phase V Expansion construction.
- ▶ FY 2009: EWPCF operating expense higher than usual due to Phase V Expansion project start-up activities.

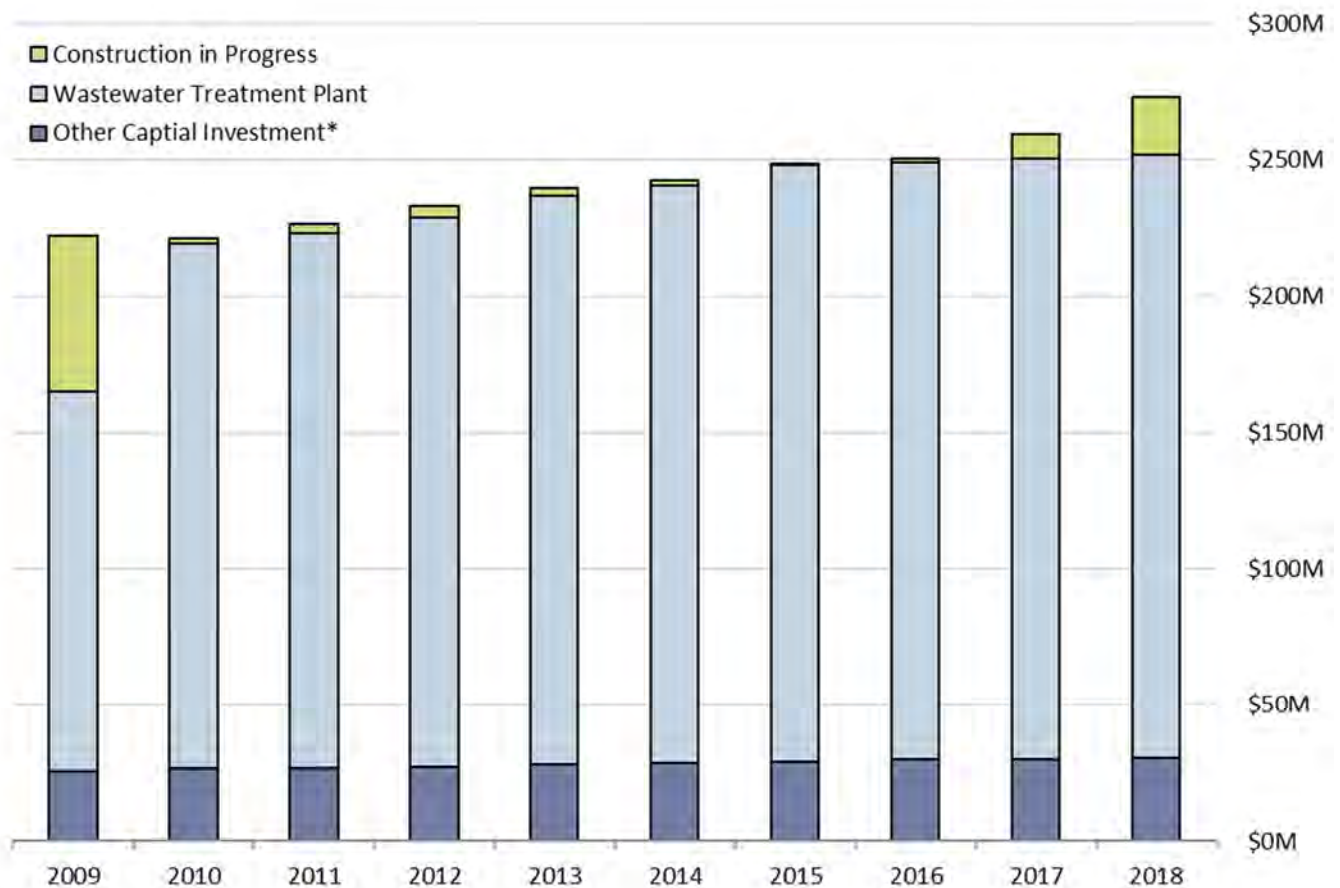
Source: Encina Wastewater Authority

**INVESTMENT IN CAPITAL ASSETS  
LAST TEN FISCAL YEARS**

**By Function**

Fiscal Year	Wastewater Treatment Plant	Ocean Outfall	Pump Station Facilities	Furnishings and Office Equipment	Flow Metering System	Real Property	Construction in Progress	Accumulated Depreciation	Total
2018	\$ 221,355,330	\$ 14,115,650	\$ 7,603,411	\$ 4,794,834	\$ 344,945	\$ 3,598,173	\$ 21,288,567	\$ (154,633,219)	\$ 118,467,691
2017	220,536,997	14,115,650	7,506,388	4,397,250	344,945	3,598,173	9,116,097	(147,568,057)	112,047,443
2016	219,644,465	14,115,650	7,235,023	4,236,888	340,489	3,598,173	1,555,579	(140,962,090)	109,764,177
2015	219,293,160	14,115,650	7,069,872	3,900,554	314,269	3,598,173	157,990	(134,759,944)	113,689,724
2014	212,138,613	14,115,650	7,026,591	3,328,489	314,269	3,598,173	2,025,302	(131,412,815)	111,134,272
2013	209,110,243	14,115,650	6,860,710	2,821,468	314,269	3,598,173	3,075,422	(125,952,298)	113,943,637
2012	202,104,971	14,102,005	6,749,955	2,341,392	299,059	3,598,173	4,054,328	(119,356,558)	113,893,325
2011	196,253,370	14,102,005	6,581,287	2,112,950	299,059	3,598,173	3,509,708	(112,388,624)	114,067,928
2010	192,795,916	14,102,005	6,433,787	1,884,990	299,059	3,598,173	1,658,195	(106,741,891)	114,030,234
2009	139,467,581	13,766,644	6,384,089	1,704,956	299,059	3,598,173	56,596,253	(105,573,270)	116,243,485

**Investment in Capital Assets by Category Excluding Depreciation**



\* includes ocean outfall, pump station facilities, furnishings and office equipment, flow metering system, and real property

Source: Encina Wastewater Authority

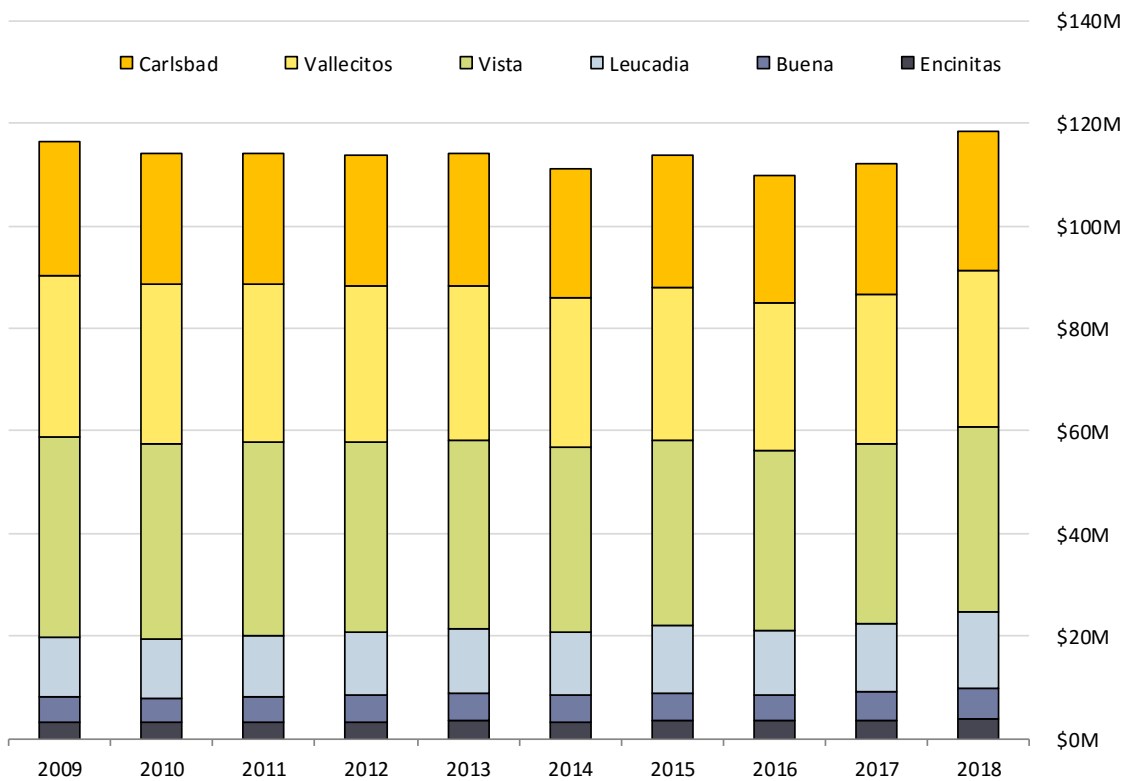


**INVESTMENT IN CAPITAL ASSETS  
LAST TEN FISCAL YEARS**

**By Member Agency**

Fiscal Year	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	Total
2018	\$ 27,202,591	\$ 36,284,780	\$ 6,101,920	\$ 30,350,470	\$ 14,601,267	\$ 3,926,664	\$ 118,467,691
2017	25,574,386	35,044,264	5,523,537	29,067,979	13,243,432	3,593,845	112,047,443
2016	24,878,977	34,865,953	5,228,868	28,735,212	12,612,139	3,443,028	109,764,177
2015	25,777,202	36,102,270	5,435,237	29,783,001	13,036,766	3,555,248	113,689,724
2014	25,096,031	35,757,254	5,181,764	29,347,614	12,360,296	3,391,313	111,134,272
2013	25,726,787	36,685,069	5,255,587	30,063,361	12,731,372	3,481,461	113,943,637
2012	25,612,883	37,154,594	5,084,767	30,362,230	12,285,583	3,393,268	113,893,325
2011	25,537,838	37,687,907	4,915,342	30,714,365	11,893,406	3,319,070	114,067,928
2010	25,445,001	38,173,636	4,709,710	31,017,163	11,451,650	3,233,074	114,030,234
2009	25,916,556	38,917,533	4,832,144	31,571,047	11,704,705	3,301,500	116,243,485

**Investment in Capital Assets by Member Agency**



Fiscal year 2018 activity reflects an increase in construction-in-progress activity, primarily with FY15 Major Plant Rehabilitation Projects. These projects include:

- ▶ Drying safety upgrades
- ▶ Aeration basin rehabilitation & cover replacement

Other construction-in-progress projects include:

- ▶ Digester settlement mitigation
- ▶ Primary area improvements
- ▶ SCADA System improvements & integration

Source: Encina Wastewater Authority

**DEMOGRAPHIC & ECONOMIC INFORMATION**  
**LAST TEN FISCAL YEARS**

**Population & Property Data**

Fiscal Year	Population	% Change from previous year	Personal Income (in millions)	Personal Income (Per Capita)	Unemployment Rate	Assessed Value of Taxable Property (in millions)*
2017	377,000	2.7%	\$ 21,205	\$ 56,247	4.0%	\$ 62,174
2016	372,000	3.3%	\$ 20,338	\$ 54,672	4.7%	\$ 58,929
2015	367,000	1.9%	\$ 19,055	\$ 51,921	4.5%	\$ 55,705
2014	360,000	0.6%	\$ 17,842	\$ 49,560	5.5%	\$ 51,804
2013	358,000	1.0%	\$ 16,809	\$ 46,952	7.0%	\$ 50,235
2012	354,290	0.8%	\$ 16,529	\$ 46,653	8.4%	\$ 49,975
2011	351,348	0.8%	\$ 15,589	\$ 44,368	9.4%	\$ 49,767
2010	348,420	0.1%	\$ 18,357	\$ 52,686	9.6%	\$ 50,259
2009	347,943	0.6%	\$ 18,216	\$ 52,354	9.0%	\$ 51,489
2008	345,880	1.8%	\$ 18,274	\$ 52,833	5.6%	\$ 49,504

\* historical information revised from earlier reports as a result of more accurate data becoming available

**Principal Employers**

Employer	Business Category	Number of Employees	Percent of Total Employment**	Member Agency
Legoland California, LLC	Theme Park Entertainment	2,302	3.33%	Carlsbad
ViaSat, Inc.	Communications	1,982	2.87%	Carlsbad
San Marcos Unified School District	Education	2,407	6.16%	San Marcos
Palomar Community College	Education	1,627	4.16%	San Marcos
Vista Unified School District	Education	2,344	5.26%	Vista
Watkins Manufacturing Corp.	Manufacturing	781	1.75%	Vista

\*\* within specified Member Agency jurisdiction

**Principal Property Taxpayers**

Taxpayer	2017 Assessed Taxable Value	Member Agency
La Costa Resort & Spa	\$ 286,092,490	Carlsbad
La Costa Glen Retirement Community	246,872,105	Carlsbad
Prominence Willmark Communities	93,280,458	San Marcos
Camden USA, Inc.	90,196,148	San Marcos
Shadowridge Vista Apartments LLC	84,864,331	Vista
Vista Bella Terra LP	75,526,488	Vista
TRC Encinitas Village	82,893,554	Encinitas
Collwood Pine Apartments LP	77,155,677	Encinitas

- ▶ Data presented is a composite of data from FY 2017 CAFRs of EWA Member Agencies or their representative cities
- ▶ Data for the City of Vista is representative of the Buena Sanitation District
- ▶ Data for the City of San Marcos is representative of the Vallecitos Water District
- ▶ Data for the City of Encinitas is representative of the Leucadia Wastewater District
- ▶ Unemployment data was gathered from the U.S. Bureau of Labor Statistics

**FACTS & FIGURES**

**Establishment History**

City of Carlsbad and Vista Sanitation District (City of Vista) formed Joint Powers Authority	July 1961
Buena Sanitation District joined JPA	January 1964
Vallecitos Water District joined JPA	March 1965
Leucadia Wastewater District joined JPA	August 1971
Encinitas Sanitary District (City of Encinitas) joined JPA	August 1971
Encina Administrative Agency created	August 1988
Revised Establishment Document and Revised Basic Agreement approved by Member Agencies	October 1990
Encina Administrative Agency renamed Encina Wastewater Authority	December 1991
Revised Establishment Document amendment approved by Member Agencies	November 1994
Revised Basic Agreement approved by Member Agencies	October 2014











**Member Agencies**

Cities	3
Water Districts	1
Wastewater/Sanitation Districts	2
Total	6

**Statistics**

Encina Wastewater Pollution Control Facility Area	25 acres
System Service Area	123 sq.mi.
Population of Service Area	377,000
Wastewater Treatment & Disposal Capacity (permitted)	43.30 MGD
Average Daily Wastewater Flow	22.27 MGD
Average Daily Biochemical Oxygen Demand (influent)	65,344 PPD
Average Suspended Solids (influent)	70,785 PPD
Average Treated Wastewater Reclaimed	3.05 MGD
Average Treated Wastewater Disposal	19.65 MGD
Average Years of Employee Service	10.08 years

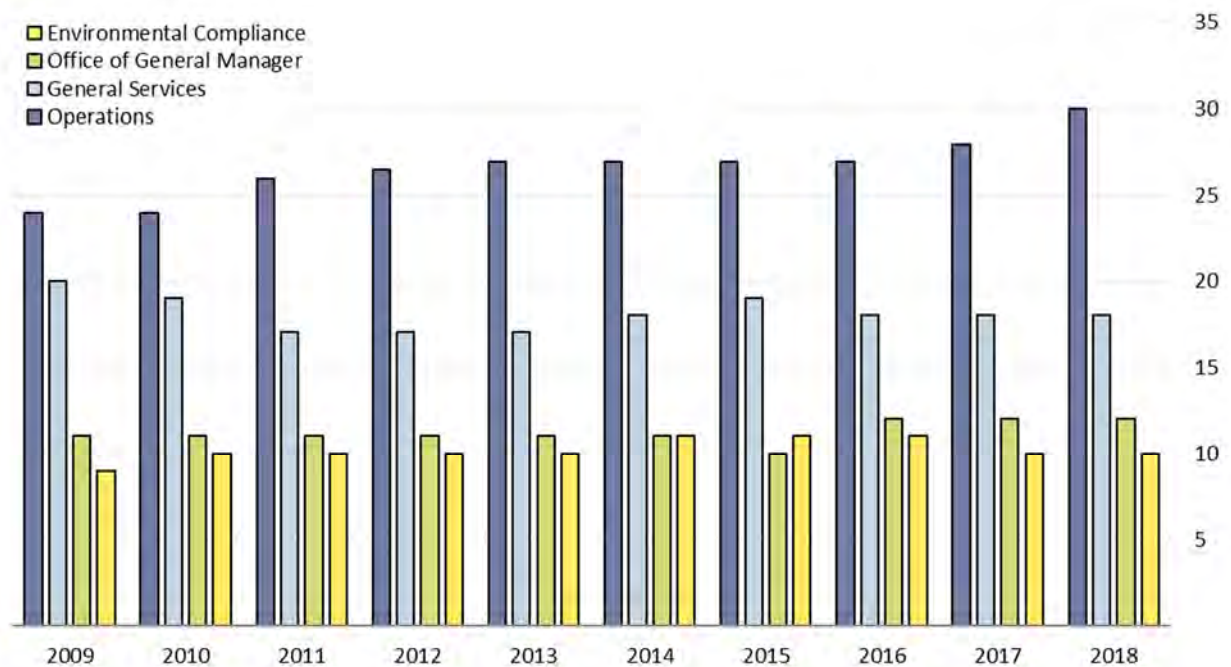
**Top 10 Source Permits (Gallons per Day)**

Cintas Corporation	Industrial laundry	85,000	
Prudential Overall Supply	Industrial laundry	67,000	
Hollandia Dairy	Beverage producer	35,000	
Fresh Creative Foods	Food Processing	15,777	
J&D Laboratories, Inc.	Manufacturing	12,100	
Hughes Circuits, Inc.	Manufacturing	9,200	
Poseidon Resources (Channelside) LP *	Desalination plant	8,640	
Select Supplements, Inc. (two locations)	Manufacturing	6,100	
Pizza Port Brewing Company	Beverage producer	6,000	
Jif-Pak Manufacturing, Inc.	Food Processing	3,200	

- ▶ MGD = million gallons per day
- ▶ PPD = pounds per day

**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Operations	General Services	Office of General Manager	Environmental Compliance	Total FTE
2018	30.00	18.00	12.00	10.00	70.00
2017	28.00	18.00	12.00	10.00	68.00
2016	27.00	18.00	12.00	11.00	68.00
2015	27.00	19.00	10.00	11.00	67.00
2014	27.00	18.00	11.00	11.00	67.00
2013	27.00	17.00	11.00	10.00	65.00
2012	26.50	17.00	11.00	10.00	64.50
2011	26.00	17.00	11.00	10.00	64.00
2010	24.00	19.00	11.00	10.00	64.00
2009	24.00	20.00	11.00	9.00	64.00



- ▶ FY 2018 : Two operator positions added to Heat Dryer operations for safety purposes
- ▶ FY 2017 : Biosolids Coordinator position converted to Operator
- ▶ FY 2016 : Director of Engineering position added, Inventory Control Technician moved from GS to OGM
- ▶ FY 2015 : Open Engineer position reorganized to Systems Specialist in GS
- ▶ FY 2014 : One Mechanical Technician position and one Biosolids Coordinator position added
- ▶ FY 2013 : Operator-in-Training converted to Operator FTE
- ▶ FY 2012 : One Receptionist, 0.5 Operator-in-Training added
- ▶ FY 2011 & FY 2010: reclassifications occurred between functions; Administration retitled Office of General Manager
- ▶ FY 2009: Maintenance function retitled General Services

**OPERATING REVENUE AND EXPENSE BY MEMBER AGENCY WITH AMOUNT DUE TO/(FROM) MEMBER AGENCIES  
LAST TEN FISCAL YEARS**

**Operating Revenues: Member Agency Assessments Billed, Net of Other Sources**

Fiscal Year	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	Total	YOY Change
2018	\$ 4,723,102	\$ 4,112,520	\$ 1,512,951	\$ 2,499,448	\$ 1,840,725	\$ 577,734	\$ 15,266,480	7.7%
2017	4,374,908	3,496,760	1,444,634	2,524,071	1,735,485	593,079	14,168,937	-1.0%
2016	4,118,055	3,685,592	1,363,951	2,735,673	1,791,922	615,451	14,310,644	2.4%
2015	4,102,472	3,524,984	1,333,738	2,657,520	1,785,125	571,496	13,975,335	4.4%
2014	3,836,196	3,330,764	1,324,208	2,591,053	1,746,870	563,620	13,392,711	5.4%
2013	3,827,257	2,916,646	1,223,734	2,364,992	1,828,803	546,491	12,707,923	4.1%
2012	3,677,363	2,894,508	1,122,452	2,211,874	1,780,750	525,297	12,212,244	-2.5%
2011	3,713,809	2,944,497	1,257,548	2,236,119	1,836,606	537,555	12,526,134	-4.4%
2010	3,961,372	3,042,873	1,322,605	2,260,092	1,929,239	582,692	13,098,873	-7.9%
2009	4,190,425	3,354,891	1,422,809	2,594,083	2,051,872	613,734	14,227,814	13.3%
2008	3,819,522	2,895,678	1,280,944	2,305,224	1,753,873	502,210	12,557,451	

**Operating Expenses, excluding Depreciation**

Fiscal Year	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	Total	YOY Change
2018	\$ 4,723,232	\$ 4,112,639	\$ 1,512,988	\$ 2,499,530	\$ 1,840,787	\$ 577,750	\$ 15,266,926	7.7%
2017	4,376,266	3,497,640	1,445,321	2,525,408	1,736,273	593,413	14,174,321	-0.9%
2016	4,131,572	3,679,177	1,363,235	2,729,669	1,789,303	614,878	14,307,834	2.6%
2015	4,081,787	3,563,175	1,339,122	2,548,702	1,822,529	595,571	13,950,886	3.8%
2014	3,801,706	3,415,378	1,338,393	2,499,407	1,804,515	587,225	13,446,624	3.5%
2013	3,929,390	3,028,237	1,308,964	2,328,462	1,834,336	563,925	12,993,314	2.7%
2012	3,854,579	2,972,735	1,219,645	2,267,470	1,787,779	547,312	12,649,520	0.4%
2011	3,820,570	3,010,991	1,303,867	2,162,596	1,773,223	532,034	12,603,281	-4.1%
2010	3,999,304	3,091,124	1,360,071	2,193,064	1,915,895	589,325	13,148,783	-8.5%
2009	4,235,589	3,415,783	1,458,870	2,553,589	2,049,814	654,522	14,368,167	12.6%
2008	3,853,390	2,967,030	1,282,977	2,333,837	1,795,076	524,056	12,756,366	

**Operating Revenues (Over) Under Operating Expenses  
Amount Due (To) From by Member Agency**

Fiscal Year	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	Total
2018	\$ 130	\$ 119	\$ 37	\$ 82	\$ 62	\$ 16	\$ 446
2017	1,358	880	687	1,337	788	334	5,384
2016	13,517	(6,415)	(716)	(6,004)	(2,619)	(573)	(2,810)
2015	(20,685)	38,191	5,384	(108,818)	37,404	24,075	(24,449)
2014	(34,490)	84,614	14,185	(91,646)	57,645	23,605	53,913
2013	102,133	111,591	85,230	(36,530)	5,533	17,434	285,391
2012	177,216	78,227	97,193	55,596	7,029	22,015	437,276
2011	106,761	66,494	46,319	(73,523)	(63,383)	(5,521)	77,147
2010	37,932	48,251	37,466	(67,028)	(13,344)	6,633	49,910
2009	45,164	60,892	36,061	(40,494)	(2,058)	40,788	140,353
2008	33,868	71,352	2,033	28,613	41,203	21,846	198,915

► Amounts Due (To) From arise from the fiscal year's close taking place subsequent to the fiscal year's 4th quarter billing to the Member Agencies.

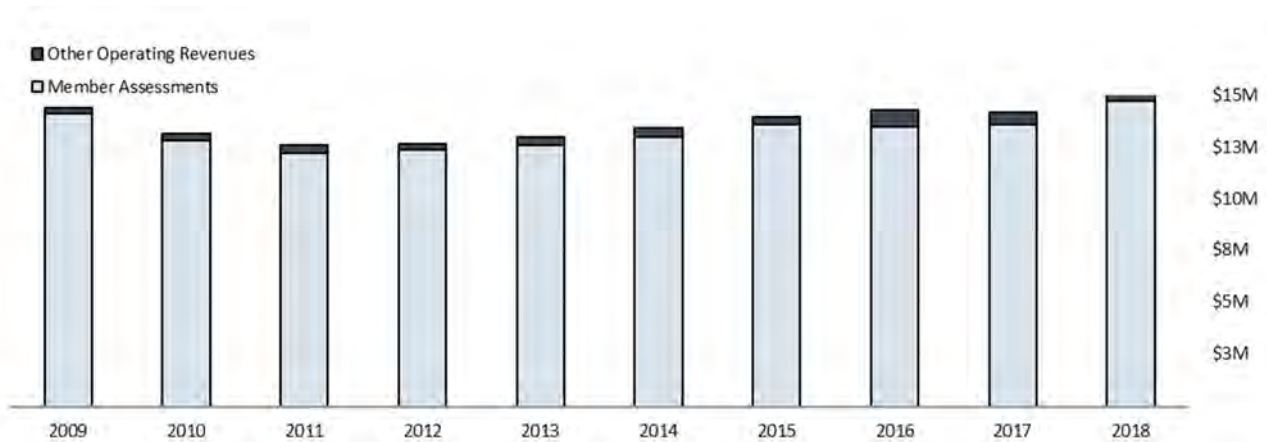
Source: Encina Wastewater Authority

**OPERATING REVENUES AND EXPENSES BY MAJOR SOURCE AND USE  
LAST TEN FISCAL YEARS**

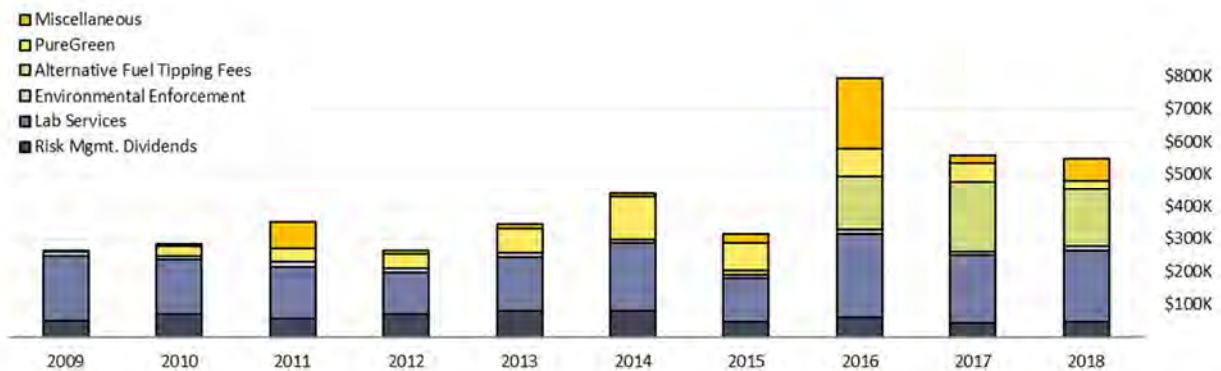
**Operating Revenues**

Fiscal Year	Member Assessments	Alternative Fuel Tipping Fees	Risk Mgmt. Dividends	PureGreen	Lab Services	Environmental Enforcement	Miscellaneous	Total
2018	\$ 14,718,859	\$ 177,113	\$ 47,646	\$ 26,239	\$ 215,347	\$ 14,500	\$ 67,222	\$ 15,266,926
2017	13,613,755	216,909	43,057	57,925	207,972	9,150	25,553	14,174,321
2016	13,515,144	167,689	62,204	83,956	253,526	12,150	213,165	14,307,834
2015	13,637,230	14,806	47,203	84,138	131,738	9,150	26,621	13,950,886
2014	13,004,951	-	81,042	131,141	207,365	10,731	11,394	13,446,623
2013	12,646,345	-	80,662	75,646	163,918	12,888	13,855	12,993,314
2012	12,383,770	-	70,388	42,937	125,404	14,830	12,191	12,649,520
2011	12,249,355	-	58,772	40,448	154,245	16,970	83,492	12,603,282
2010	12,863,097	-	71,669	31,534	166,648	9,490	6,345	13,148,783
2009	14,102,534	-	52,366	-	193,478	14,985	4,803	14,368,167

**Total Operating Revenues**



**Other Operating Revenues**



- ▶ FY 2018: Misc revenue includes employee resource sharing, south parcel land lease revenue, sales of scrap and other unplanned receipts
- ▶ FY 2016: First full year of the Alternative Fuel Receiving Facility being live. Misc revenues captures a one-time \$150K award from SDG&E.
- ▶ FY 2015: Alternative fuel tipping fees generated from receipt of fats, oils, grease and other organics into the Alternative Fuel Receiving Facility
- ▶ FY 2011: Miscellaneous revenue includes \$78k retroactive utility rate adjustment from San Diego Gas & Electric
- ▶ FY 2010: PureGreen biosolid fertilizer marketing initiated

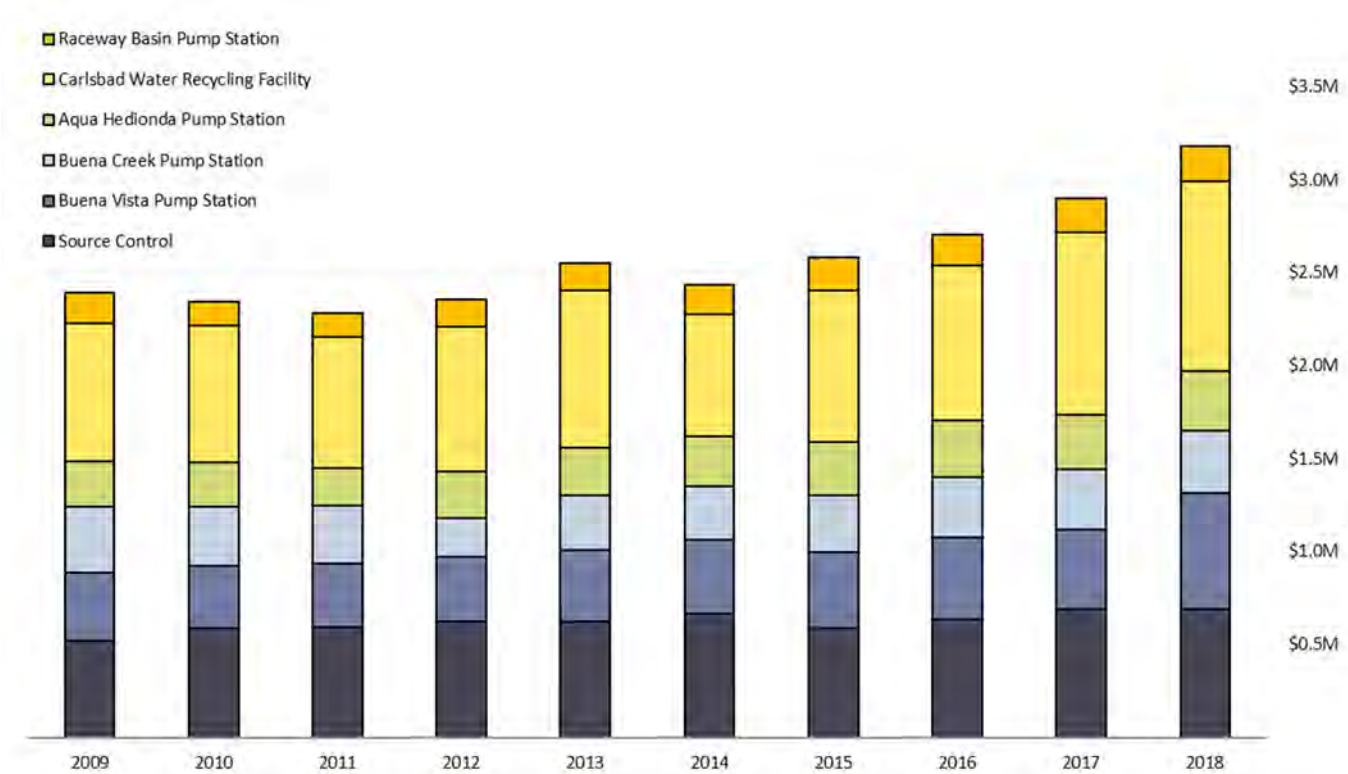
Source: Encina Wastewater Authority

**OPERATING REVENUES AND EXPENSES BY MAJOR SOURCE AND USE  
LAST TEN FISCAL YEARS**

**Operating Expenses**

Fiscal Year	EWPCF	Source Control	Aqua Hedionda Pump Station	Buena Vista Pump Station	Buena Creek Pump Station	Carlsbad Water Recycling Facility	Raceway Basin Pump Station	Total
2018	\$ 12,080,625	\$ 692,301	\$ 315,269	\$ 627,262	\$ 334,278	\$ 1,028,469	\$ 188,722	\$ 15,266,926
2017	11,272,007	687,678	297,059	427,136	329,876	978,967	181,598	14,174,321
2016	11,597,641	637,700	302,966	438,134	328,200	830,701	172,492	14,307,834
2015	11,365,544	587,980	286,446	406,595	310,637	810,972	182,712	13,950,886
2014	11,012,498	664,209	269,050	395,013	297,139	650,499	158,216	13,446,624
2013	10,439,519	620,480	259,394	386,485	296,435	843,994	147,007	12,993,314
2012	10,296,088	623,461	247,392	348,184	215,234	772,107	147,054	12,649,520
2011	10,322,743	591,609	201,953	343,044	314,303	703,253	126,375	12,603,280
2010	10,805,156	587,541	238,499	335,451	321,524	733,358	127,254	13,148,783
2009	11,974,772	517,222	244,177	370,135	354,886	739,851	167,124	14,368,167

**Other Operating Expenses**

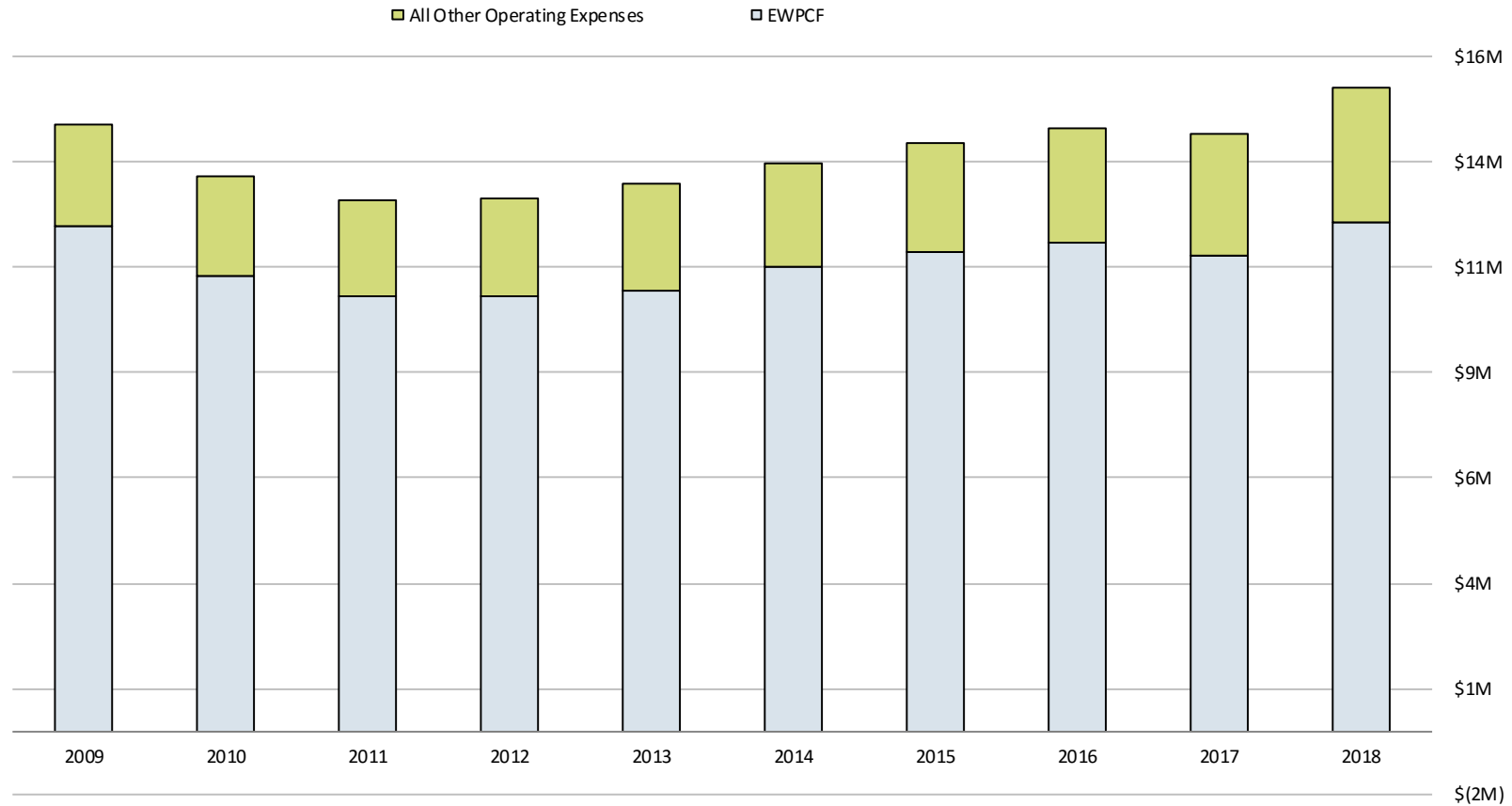


- ▶ FY2018: Operating costs reflect the addition of two operators to assist with heat dryer operations, increased information technology costs and improved budget execution.
- ▶ FY2017: EWPCF reflects significant energy savings captured from the Aeration Basin & Diffuser Replacement Project being completed
- ▶ Member Agencies are billed the amount of Operating Expenses less Other Operating Revenues
- ▶ FY2009: Phase V Expansion substantially complete and on-line. Variance in operating costs result of start-up activities

Source: Encina Wastewater Authority

OPERATING REVENUES AND EXPENSES BY MAJOR SOURCE AND USE  
LAST TEN YEARS

Operating Expenses



- ▶ FY2018: Operating costs reflect the addition of two operators to assist with heat dryer operations, increased information technology costs and improved budget execution.
- ▶ FY 2017: EWPCF reflects significant energy savings captured from the Aeration Basin & Diffuser Replacement Project being completed. Increased activity occurring at CWRWF.
- ▶ Member Agencies are billed the amount of Operating Expenses less Other Operating Revenues
- ▶ FY 2009: Phase V Expansion substantially complete and on-line. Variance in operating costs result of start-up activities

Source: Encina Wastewater Authority



**OPERATING EXPENSES PER MILLION GALLONS (MG)  
LAST TEN FISCAL YEARS**

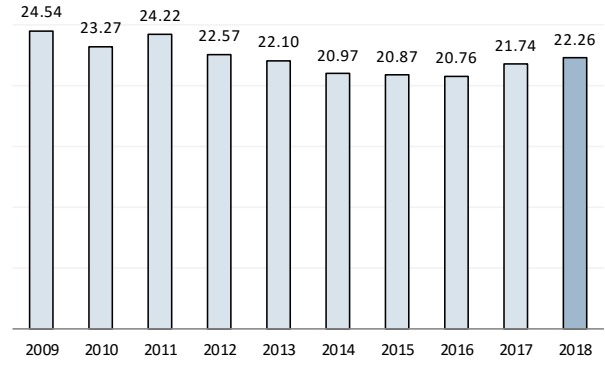
Year Ended	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	EWPCF Totals
<b>June 30, 2018</b>							
Operating Expenses	\$ 3,295,342	\$ 2,945,663	\$ 1,110,530	\$ 2,389,949	\$ 1,781,655	\$ 557,486	\$ 12,080,625
Avg. Daily Flow in MG	6.18	6.24	1.84	3.29	3.75	0.96	22.26
Annualized Flow in MG	2255.70	2277.60	671.60	1200.85	1368.75	350.40	8124.90
Cost Per MG	\$ 1,460.90	\$ 1,293.32	\$ 1,653.56	\$ 1,990.21	\$ 1,301.67	\$ 1,591.00	\$ 1,486.86
MG cost change from prior year	11.09%	-1.77%	9.16%	3.12%	8.06%	3.15%	4.67%
<b>June 30, 2017</b>							
Operating Expenses	\$ 3,033,663	\$ 2,551,773	\$ 1,056,083	\$ 2,409,195	\$ 1,675,199	\$ 546,094	\$ 11,272,007
Avg. Daily Flow in MG	6.32	5.31	1.91	3.42	3.81	0.97	21.74
Annualized Flow in MG	2306.80	1938.15	697.15	1248.30	1390.65	354.05	7935.10
Cost Per MG	\$ 1,315.10	\$ 1,316.60	\$ 1,514.86	\$ 1,929.98	\$ 1,204.62	\$ 1,542.42	\$ 1,420.52
MG cost change from prior year	-4.77%	-5.03%	-15.80%	-11.02%	-5.11%	-6.77%	-7.19%
<b>June 30, 2016</b>							
Operating Expenses	\$ 2,973,999	\$ 2,712,247	\$ 971,876	\$ 2,628,340	\$ 1,737,527	\$ 573,651	\$ 11,597,640
Avg. Daily Flow in MG	5.90	5.36	1.48	3.32	3.75	0.95	20.76
Annualized Flow in MG	2153.50	1956.40	540.20	1211.80	1368.75	346.75	7577.40
Cost Per MG	\$ 1,381.01	\$ 1,386.35	\$ 1,799.10	\$ 2,168.96	\$ 1,269.43	\$ 1,654.36	\$ 1,530.56
MG cost change from prior year	5.24%	4.07%	3.35%	-7.95%	2.33%	2.14%	2.58%
<b>June 30, 2015</b>							
Operating Expenses	\$ 2,955,115	\$ 2,650,019	\$ 959,439	\$ 2,451,148	\$ 1,770,450	\$ 579,373	\$ 11,365,544
Avg. Daily Flow in MG	6.17	5.45	1.51	2.85	3.91	0.98	20.87
Annualized Flow in MG	2252.05	1989.25	551.15	1040.25	1427.15	357.70	7617.55
Cost Per MG	\$ 1,312.19	\$ 1,332.17	\$ 1,740.79	\$ 2,356.31	\$ 1,240.55	\$ 1,619.72	\$ 1,492.02
MG cost change from prior year	-0.05%	4.28%	4.42%	7.64%	5.36%	6.48%	3.70%
<b>June 30, 2014</b>							
Operating Expenses	\$ 2,827,172	\$ 2,527,266	\$ 949,290	\$ 2,388,957	\$ 1,753,506	\$ 566,307	\$ 11,012,498
Avg. Daily Flow in MG	5.90	5.42	1.56	2.99	4.08	1.02	20.97
Annualized Flow in MG	2153.50	1978.30	569.40	1091.35	1489.20	372.30	7654.05
Cost Per MG	\$ 1,312.83	\$ 1,277.49	\$ 1,667.18	\$ 2,188.99	\$ 1,177.48	\$ 1,521.10	\$ 1,438.78
MG cost change from prior year	12.76%	14.10%	6.37%	24.70%	-1.84%	6.67%	11.17%
<b>June 30, 2013</b>							
Operating Expenses	\$ 2,774,976	\$ 2,186,301	\$ 932,447	\$ 2,204,088	\$ 1,795,180	\$ 546,527	\$ 10,439,519
Avg. Daily Flow in MG	6.53	5.35	1.63	3.44	4.10	1.05	22.10
Annualized Flow in MG	2383.45	1952.75	594.95	1255.60	1496.50	383.25	8066.50
Cost Per MG	\$ 1,164.27	\$ 1,119.60	\$ 1,567.27	\$ 1,755.41	\$ 1,199.59	\$ 1,426.03	\$ 1,294.18
MG cost change from prior year	5.33%	1.22%	2.39%	3.28%	2.91%	6.48%	3.55%
<b>June 30, 2012</b>							
Operating Expenses	\$ 2,792,012	\$ 2,164,079	\$ 910,702	\$ 2,152,635	\$ 1,748,725	\$ 527,935	\$ 10,296,088
Avg. Daily Flow in MG	6.92	5.36	1.63	3.47	4.11	1.08	22.57
Annualized Flow in MG	2525.80	1956.40	594.95	1266.55	1500.15	394.20	8238.05
Cost Per MG	\$ 1,105.40	\$ 1,106.15	\$ 1,530.72	\$ 1,699.61	\$ 1,165.70	\$ 1,339.26	\$ 1,249.82
MG cost change from prior year	7.27%	7.95%	7.07%	9.87%	2.45%	-1.87%	7.03%
<b>June 30, 2011</b>							
Operating Expenses	\$ 2,847,328	\$ 2,273,903	\$ 892,275	\$ 2,055,254	\$ 1,735,905	\$ 518,079	\$ 10,322,744
Avg. Daily Flow in MG	7.57	6.08	1.71	3.64	4.18	1.04	24.22
Annualized Flow in MG	2763.05	2219.20	624.15	1328.60	1525.70	379.60	8840.30
Cost Per MG	\$ 1,030.50	\$ 1,024.65	\$ 1,429.58	\$ 1,546.93	\$ 1,137.78	\$ 1,364.80	\$ 1,167.69
MG cost change from prior year	-10.49%	-7.89%	-9.29%	-1.67%	-9.29%	-9.65%	-8.21%
<b>June 30, 2010</b>							
Operating Expenses	\$ 2,983,569	\$ 2,334,760	\$ 966,403	\$ 2,084,517	\$ 1,867,994	\$ 567,912	\$ 10,805,155
Avg. Daily Flow in MG	7.10	5.75	1.68	3.63	4.08	1.03	23.27
Annualized Flow in MG	2591.50	2098.75	613.20	1324.95	1489.20	375.95	8493.55
Cost Per MG	\$ 1,151.29	\$ 1,112.45	\$ 1,576.00	\$ 1,573.28	\$ 1,254.36	\$ 1,510.61	\$ 1,272.16
MG cost change from prior year	-8.48%	-5.82%	-4.77%	5.17%	-5.77%	-3.41%	-4.84%
<b>June 30, 2009</b>							
Operating Expenses	\$ 3,264,462	\$ 2,578,159	\$ 1,051,098	\$ 2,440,780	\$ 2,006,657	\$ 633,616	\$ 11,974,772
Avg. Daily Flow in MG	7.11	5.98	1.74	4.47	4.13	1.11	24.54
Annualized Flow in MG	2595.15	2182.70	635.10	1631.55	1507.45	405.15	8957.10
Cost Per MG	\$ 1,257.91	\$ 1,181.18	\$ 1,655.01	\$ 1,495.99	\$ 1,331.16	\$ 1,563.91	\$ 1,336.90

**OPERATING EXPENSES PER MILLION GALLONS (MG)  
LAST TEN FISCAL YEARS**

**Operating Expense per Million Gallons**

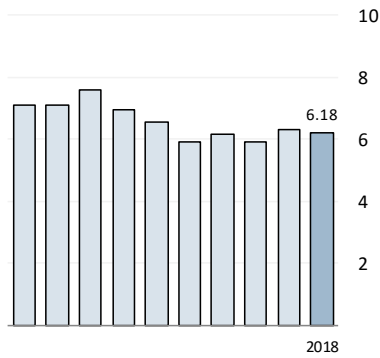


**Total Average Daily Flow (MGD)**

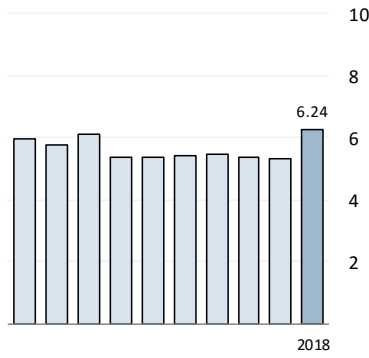


**Average Daily Flow (MGD) by Member Agency**

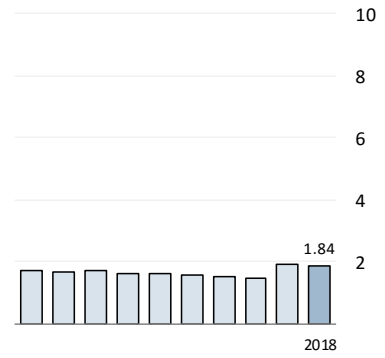
**Carlsbad**



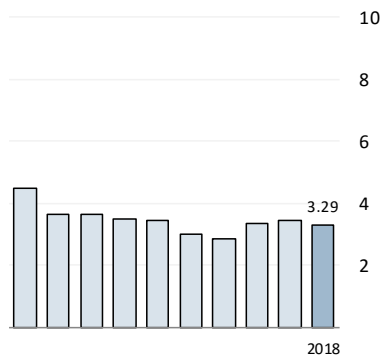
**Vista**



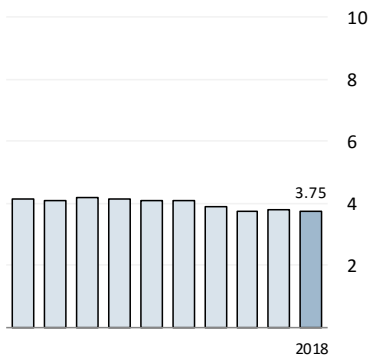
**Buena**



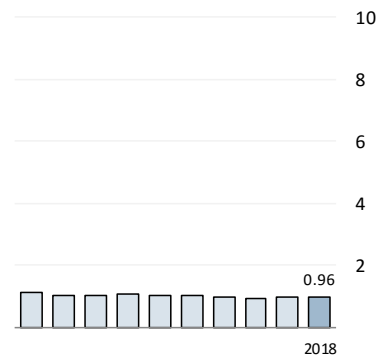
**Vallecitos**



**Leucadia**



**Encinitas**



- FY 2018 reflects flows from City of Oceanside beginning to be routed in through Vista channels
- FY 2014-2016 reflects impact of CA three year drought
- FY 2013 reflects impact of Meadowlark expansion and water conservation.
- FY 2009 and FY 2010 reflect impact of water conservation mandates compounded by Phase V startup activities.

Source: Encina Wastewater Authority

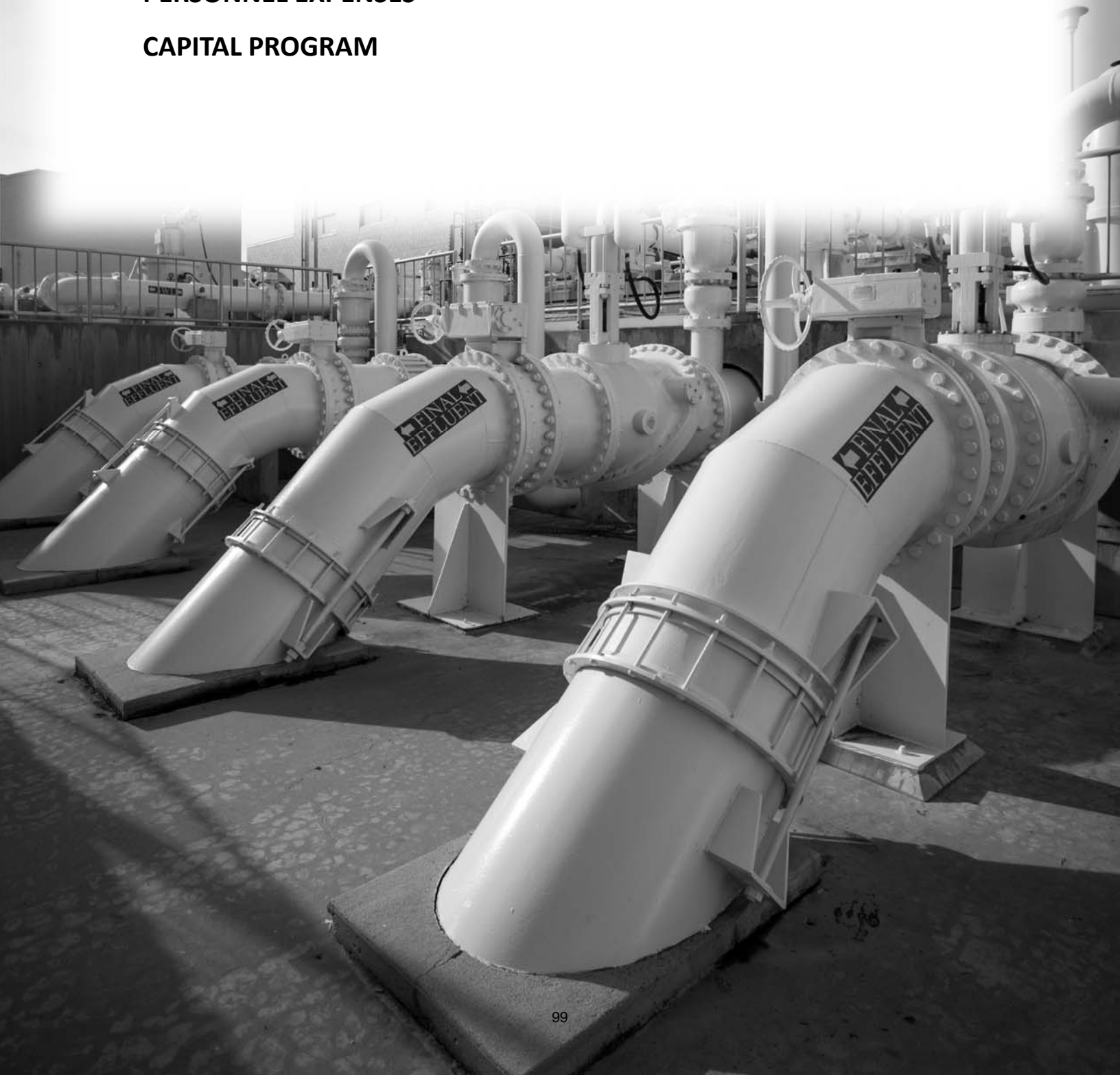
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# **BUDGET PERFORMANCE SECTION (UNAUDITED)**

**OPERATING PROGRAM**

**PERSONNEL EXPENSES**

**CAPITAL PROGRAM**



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**SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM BUDGET PERFORMANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>\$ Variance</u>	<u>% Actual to Budget</u>
<b>Revenues:</b>					
Member Assessments	\$ 15,283,515	\$ 15,358,515	\$ 14,718,859	\$ 639,656	95.8%
Other	510,000	510,000	548,067	(38,067)	107.5%
<b>Total Revenues</b>	<u>\$ 15,793,515</u>	<u>\$ 15,868,515</u>	<u>\$ 15,266,926</u>	<u>\$ 601,589</u>	<u>96.2%</u>
<b>Expenses:</b>					
Personnel Expense	\$ 8,583,279	\$ 8,583,279	\$ 8,579,460	\$ 3,819	100.0%
Chemicals	1,243,380	1,261,909	1,220,334	41,575	96.7%
Biosolids	319,500	377,301	376,695	606	99.8%
Utilities	2,007,350	2,002,350	2,128,873	(126,523)	106.3%
Other Non-Personnel	3,390,006	3,393,676	2,961,564	432,112	87.3%
Contingency	250,000	250,000	-	250,000	0.0%
<b>Total Expenses</b>	<u>\$ 15,793,515</u>	<u>\$ 15,868,515</u>	<u>\$ 15,266,926</u>	<u>\$ 601,589</u>	<u>96.2%</u>

**SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES BY MAJOR CATEGORY  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>\$ Variance</u>	<u>% Variance</u>
Personnel Expense	\$ 8,579,460	\$ 8,073,909	\$ 505,551	6.3%
Chemicals	1,220,334	1,077,817	142,517	13.2%
Biosolids	376,695	326,253	50,442	15.5%
Utilities	2,128,873	1,881,243	247,630	13.2%
Other Non-Personnel	2,961,564	2,815,099	146,465	5.2%
<b>Total</b>	<u>\$ 15,266,926</u>	<u>\$ 14,174,321</u>	<u>\$ 1,092,605</u>	<u>7.7%</u>

See accompanying report of independent auditors.

## SUPPLEMENTARY SCHEDULE OF PERSONNEL EXPENSE BY PROGRAM

## FOR THE YEAR ENDED JUNE 30, 2018

Programs	Adopted Budget	Revised Budget	Actual	\$ Variance	% Actual to Budget
EWPCF	\$ 6,599,596	\$ 6,599,596	\$ 6,569,392	\$ 30,204	99.5%
Source Control	620,884	620,884	640,857	(19,973)	103.2%
Remote Facilities					
Agua Hedionda Pump Station	191,279	191,279	177,301	13,978	92.7%
Buena Vista Pump Station	203,478	203,478	311,864	(108,386)	153.3%
Buena Creek Pump Station	183,811	183,811	170,088	13,723	92.5%
Carlsbad Water Reclamation Facility	638,796	638,796	583,919	54,877	91.4%
Raceway Basin Pump Station	145,435	145,435	126,039	19,396	86.7%
Total Remote Facilities	1,362,799	1,362,799	1,369,211	(6,412)	100.5%
<b>Subtotal Operating Program</b>	<u>8,583,279</u>	<u>8,583,279</u>	<u>8,579,460</u>	<u>3,819</u>	<u>100.0%</u>
<b>Capital Program</b>	2,402,012	2,402,012	2,341,663	60,349	97.5%
<b>Total Personnel</b>	<u>\$ 10,985,291</u>	<u>\$ 10,985,291</u>	<u>\$ 10,921,123</u>	<u>\$ 64,168</u>	<u>99.4%</u>

See accompanying report of independent auditors.

**SCHEDULE OF CONTINUING CAPITAL IMPROVEMENT PROGRAM APPROPRIATIONS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

BY PROJECT	CONTINUING APPROPRIATIONS		TRANSFERS IN(OUT)	ALLOCATED		ACTUAL	TOTAL	APPROPRIATION	CONTINUING
	BEGINNING OF YEAR REPORTED	FY 2018 NEW APPROPRIATIONS		PERSONNEL	EXPENSE	DIRECT COSTS AS OF JUNE 30, 2018	CAPITAL EXPENSES	BALANCES ON JUNE 30, 2018	APPROPRIATIONS JULY 1, 2018
SALARIES & BENEFITS	\$ -	\$ 2,402,012	\$ -	\$ (2,341,663)	\$ -	\$ -	\$ 60,349	\$ -	
EWPCF CAPITAL ACQUISITIONS	11,417	303,500	(8,357)	-	286,195	(286,195)	20,365	20,300	
AHPS CAPITAL ACQUISITIONS	-	144,900	105,000 *	-	150,127	(150,127)	99,773	55,800	
BVPS CAPITAL ACQUISITIONS	-	118,000	52,287	-	170,287	(170,287)	-	-	
BCPS CAPITAL ACQUISITIONS	-	72,000	31,752	-	103,752	(103,752)	-	-	
CWRF CAPITAL ACQUISITIONS	-	70,500	-	-	33,238	(33,238)	37,262	-	
RBPS CAPITAL ACQUISITIONS	-	61,000	-	-	50,894	(50,894)	10,106	-	
PLANNED ASSET REPLACEMENT	57,728	736,600	(30,680)	643,845	686,526	(1,330,371)	77,122	28,200	
<b>MAJOR PLANT REHAB PROGRAM</b>									
Liquid Process Improvements	2,874,874	3,111,000	3,841,107	895,065	6,800,240	(7,695,305)	3,026,741	3,026,741	
Outfall	99,951	165,000	(74,769)	5,435	41,294	(46,729)	148,888	148,888	
Solids Process Improvements	1,292,275	1,080,000	1,833,222	381,224	2,896,343	(3,277,567)	1,309,154	1,309,154	
Energy Management	52,343	1,222,000	61,996	39,028	296,511	(335,539)	1,039,828	1,039,828	
General Improvements	715,637	1,155,500	780,808	82,700	628,312	(711,012)	2,023,633	2,023,633	
Engineering Services	10,802,948	4,240,000	(10,076,405)	125,460	953,176	(1,078,636)	4,013,367	4,013,367	
Technology Master Plan	-	-	3,584,994	158,329	1,202,900	(1,361,229)	2,382,094	2,382,094	
Remotes	76,316	-	4,045	10,577	80,361	(90,938)	-	-	
Total Major Plant Rehab Program	15,914,344	10,973,500	(45,002)	1,697,818	12,899,137	(14,596,955)	13,943,705	13,943,705	
<b>TOTAL</b>	<b>\$ 15,983,489</b>	<b>\$ 14,882,012</b>	<b>\$ 105,000</b>	<b>\$ -</b>	<b>\$ 14,380,156</b>	<b>\$ (16,721,819)</b>	<b>\$ 14,248,682</b>	<b>\$ 14,048,005</b>	

Continued

\* Resolution 2018-01, adopted by the Board of Directors on February 28, 2018, added an additional \$105,000 to the budget for SCADA improvements at the Agua Hedionda Pump Station.

See accompanying report of independent auditors.



## SCHEDULE OF CONTINUING CAPITAL IMPROVEMENT PROGRAM APPROPRIATIONS (CONTINUED)

AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

<u>BY MEMBER AGENCY</u>	<u>CARLSBAD</u>	<u>VISTA</u>	<u>BUENA</u>	<u>VALLECITOS</u>	<u>LEUCADIA</u>	<u>ENCINITAS</u>	<u>TOTAL</u>
EWPCF CAPITAL ACQUISITIONS	\$ 4,921	\$ 5,116	\$ 1,439	\$ 4,551	\$ 3,410	\$ 863	\$ 20,300
AHPS CAPITAL ACQUISITIONS	17,242	38,558	-	-	-	-	55,800
PLANNED ASSET REPLACEMENT	6,836	7,106	1,999	6,322	4,738	1,199	28,200
MAJOR PLANT REHAB PROGRAM							
Liquid Process Improvements	733,683	762,739	214,596	678,595	508,492	128,636	3,026,741
Outfall	73,610	-	10,556	33,381	25,013	6,328	148,888
Solids Process Improvements	317,339	329,907	92,819	293,512	219,938	55,639	1,309,154
Energy Management	252,054	262,037	73,724	233,129	174,691	44,193	1,039,828
General Improvements	490,528	509,956	143,476	453,699	339,970	86,004	2,023,633
Engineering Services	972,840	1,011,368	284,548	899,797	674,246	170,568	4,013,367
Technology Master Plan	577,420	600,288	168,890	534,065	400,192	101,239	2,382,094
Total Major Plant Rehab Program	<u>3,417,474</u>	<u>3,476,295</u>	<u>988,609</u>	<u>3,126,178</u>	<u>2,342,542</u>	<u>592,607</u>	<u>13,943,705</u>
TOTAL	<u>\$ 3,446,473</u>	<u>\$ 3,527,075</u>	<u>\$ 992,047</u>	<u>\$ 3,137,051</u>	<u>\$ 2,350,690</u>	<u>\$ 594,669</u>	<u>\$ 14,048,005</u>

See accompanying report of independent auditors.