

ENCINA WASTEWATER AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013



MISSION STATEMENT

*AS AN ENVIRONMENTAL LEADER, EWA PROVIDES SUSTAINABLE
AND FISCALLY RESPONSIBLE WASTEWATER SERVICES TO THE
COMMUNITIES IT SERVES WHILE MAXIMIZING THE USE OF
ALTERNATIVE AND RENEWABLE RESOURCES.*



PROUDLY SERVING

CITY OF CARLSBAD
BUENA SANITATION DISTRICT
LEUCADIA WASTEWATER DISTRICT

CITY OF VISTA
CITY OF ENCINITAS
VALLECITOS WATER DISTRICT

ENCINA WASTEWATER AUTHORITY
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013

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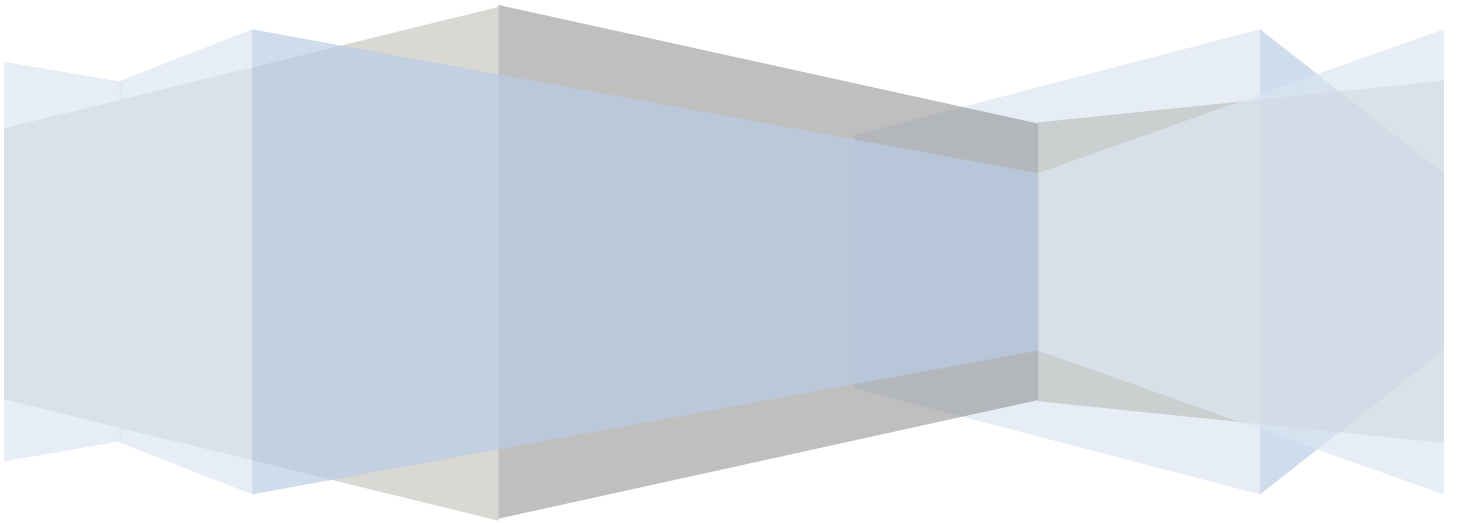
INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

LIST OF OFFICIALS

ORGANIZATION CHART

SERVICE AREA MAP



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ENCINA WASTEWATER AUTHORITY

A PUBLIC AGENCY

6200 Avenida Encinas
Carlsbad, CA 92011-1095
Telephone (760) 438-3941
Facsimile (760) 431-7493

December 11, 2013

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

We are pleased and proud to submit the Comprehensive Annual Financial Report (Report) of the Encina Wastewater Authority (EWA) for the fiscal year ended June 30, 2013. 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 of Leaf & Cole, LLP and accounting staff prepared the data in this Report. White Nelson Diehl Evans LLP independently audited the financial statements. 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, 2013. We believe that this Report contains all information and disclosures needed to clearly understand EWA's Fiscal Year 2013 financial activities.

White Nelson Diehl Evans LLP has issued an unqualified ("clean") opinion on EWA's financial statements for the fiscal year ended June 30, 2013. 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

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Letter of Transmittal Fiscal Year Ended June 30, 2013

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, 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.

Completed 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 solid bowl 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 43.3 MGD.

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Letter of Transmittal Fiscal Year Ended June 30, 2013

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, 2013 were:

<u>Member Agency</u>	<u>Representative</u>	<u>Representative</u>
City of Encinitas	Kristin Gaspar, Chair	Mark Muir
Vallecitos Water District	Jim Poltl, Vice Chair	Jim Hernandez
City of Vista & Buena Sanitation District	Judy Ritter	Dave Cowles
Leucadia Wastewater District	Elaine Sullivan	Allan Juliussen
City of Carlsbad	Keith Blackburn	Lorraine Wood

Current Services

The EWA service area is comprised of approximately 123 square miles of coastal north San Diego County with a population of roughly 358,000. 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, 2013, the EWPCF treated, recycled, or disposed of 8.1 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 floatation 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 23% 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 Class A biosolids. The

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Letter of Transmittal Fiscal Year Ended June 30, 2013

system normally operates five days per week and produces about 25 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. During fiscal year 2013, 44% of class A biosolids pellets was sold to CEMEX for use as biofuel, 55% was sold as PureGreen® organic nitrogen fertilizer, and the rest was land applied.

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 600,000 cubic feet of digester gas daily to fuel the engine generators. This power system produces over seventy percent of electricity used at the EWPCF.

Equalization basins optimize outfall operations and a bottom feed cylindrical dynasand 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 33,600 tests annually to assist in EWPCF source control operations, monitor compliance with ocean discharge permits, and, provide contractual services to Encina member agencies for waste, recycled, potable 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 2013 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 Business Plan links the key issues identified by the Board of Directors with management strategies and objectives to address those key issues. The key issues are:

1. AB 32 required Greenhouse Gas emission reporting creates opportunities to demonstrate excellence and innovation.
2. Emerging regional water recycling goals present opportunities to leverage EWA's unique position to assist Member Agencies in achieving water reuse objectives.
3. Creating and maintaining an "employer of choice" workplace requires values based on excellence and innovation from EWA's leadership team.
4. Execution of EWA's Comprehensive Asset Management Plan (CAMP) enables EWA and its Member Agencies to effectively and efficiently deliver important public health services.
5. Additional resource recovery and investment creates the opportunity for energy independence.
6. Fiscal responsibility is a primary decision criterion.

ENCINA WASTEWATER AUTHORITY

Letter of Transmittal Fiscal Year Ended June 30, 2013

7. Continuous improvement and regional partnering sustain excellence.
8. Public affairs outreach builds community understanding of EWA, its Mission, and its Vision.
9. Heightened regulatory scrutiny presents opportunities and challenges that may impact operation, maintenance, and administration of the Encina Joint Facilities.

Future Plans

Energy and Emissions

The Board of Directors received and filed an Energy and Emissions Strategic Plan (EESP) in April 2011. The EESP identifies improvement projects that will move the EWPCF toward energy independence. The first project, the Alternative Fuel Receiving Project, is now being implemented. The project involves the construction of facilities to receive fats, oils and grease (FOG) and other high organic waste products. Excess capacity in existing digesters will be used to convert FOG into biogas. The additional biogas can be used to fuel the biosolids dryer and engine-generators. A future energy independence project will place catalysts on the engine generator exhaust to lower emissions, increase run time, and produce more site generated electricity.

Digester Interior Coating

Many of the EWPCF major assets are more than 30 years old. EWA has been systematically assessing the need for rehabilitation of major assets and planning improvements. The 3 large digesters have been found to need the protective coating restored on the interior of these tanks. This work will start in the near future.

Monitoring, Control and Business Technology Upgrades

EWA recently completed a Technology Master Plan related to all process monitoring and control and business management systems. Both hardware and software needs were assessed and upgrades were planned. The technology master plan found plant facilities to be lacking in terms of data collection and monitoring, process automation, and major communication and control platforms. A multi-year improvement program will soon be initiated to design and implement modern hardware and software and increase the level of process control automation.

Aeration Efficiency Improvement

The aeration portion of the secondary treatment process is key to permit compliance and is a high user of electricity. Electricity is used to compress air for delivery to the aeration facilities. EWA is focused on improving the efficiency of aeration air delivery. A project to increase aeration efficiency will make improvements in air delivery, air diffusion efficiency, and dissolved oxygen measurement accuracy. This project is in the planning stage.

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Letter of Transmittal Fiscal Year Ended June 30, 2013

Primary Sedimentation Basin Rehabilitation

Primary sedimentation basins are high value assets which provide a significant treatment at low operating cost. The aging tanks are in need of mechanical equipment replacement and structural repair. This project is in the assessment/planning stage and will be implemented in future years.

Biosolids Management

The production of Class A biosolids pellets by the Phase V facilities gives the Authority opportunities for beneficial reuse in markets that are not available to Class B biosolids products. EWA's Biosolids Management Plan (BMP) establishes long-term strategies that ensure EWA successfully manages the reuse and disposal of Class A biosolids pellets and Class B biosolids cake as operating and/or market conditions change over time.

The BMP identifies two tiers of markets. EWA initially implemented Tier 1 options (landfill disposal, contract agriculture, and biofuels) in 2009, after the heat dryer came online, through contracts with CEMEX for use of Class A biosolids as a biofuel and with Solid Solutions for land application in Yuma, Arizona. In the past two years, EWA has been actively marketing Class A biosolids to Tier 2 markets (fertilizer distributors, soil blenders, specialty agriculture, local communities, and golf courses/turf management) under the name **PureGreen®**. Sales revenue was \$75,646 during fiscal year 2013 and is expected to increase in the coming years.

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 conformity 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.

ENCINA WASTEWATER AUTHORITY

Letter of Transmittal Fiscal Year Ended June 30, 2013

Debt Administration

EWA has no long-term debt or has 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. 08-9. 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 Plan.

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, White Nelson Diehl Evans 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-public employee 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.

ENCINA WASTEWATER AUTHORITY

**Letter of Transmittal
Fiscal Year Ended June 30, 2013**

Acknowledgements

Each of EWA's sixty-seven staff contributed to this report through unwavering dedication to their profession and by helping 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 Mike Zizzi and Joe Spence, Leaf & Cole, LLP; LeeAnn Warchol, EWA's Administrative Services Manager, Mike Marshall, EWA's Management Analyst, and Sally Samra and Claudia Barranon, EWA's Accounting Technicians, the Member Agency Finance Officers, and Harvey Schroeder, Partner, White Nelson Diehl Evans 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.



Kevin M. Hardy
General Manager



Michael F. Steinlicht
Assistant General Manager,
Treasurer/Auditor

ENCINA WASTEWATER AUTHORITY

List of Officials

June 30, 2013

Board of Directors and Officers

Kristin Gaspar, Chair	City of Encinitas
Jim Poltl, Vice Chair	Vallecitos Water District
Keith Blackburn	City of Carlsbad
Lorraine Wood	City of Carlsbad
Mark Muir	City of Encinitas
Jim Hernandez	Vallecitos Water District
Elaine Sullivan	Leucadia Wastewater District
Allan Juliussen	Leucadia Wastewater District
Judy Ritter	City of Vista and Buena Sanitation District
David Cowles	City of Vista and Buena Sanitation District
Michael F. Steinlicht	Treasurer/Auditor
Paula Clowar	Executive Assistant/Board Secretary

Management

Kevin M. Hardy, M.P.A., J.D.	General Manager
Michael F. Steinlicht	Assistant General Manager
Debra Biggs	Director of Operations
Duane Larson, P.E.	Director of Engineering
Garry Parker, MBA	Director of General Services
Doug Campbell	Director of Environmental Compliance
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

ENCINA WASTEWATER AUTHORITY
Organization Chart
Fiscal Year Ended June 30, 2013

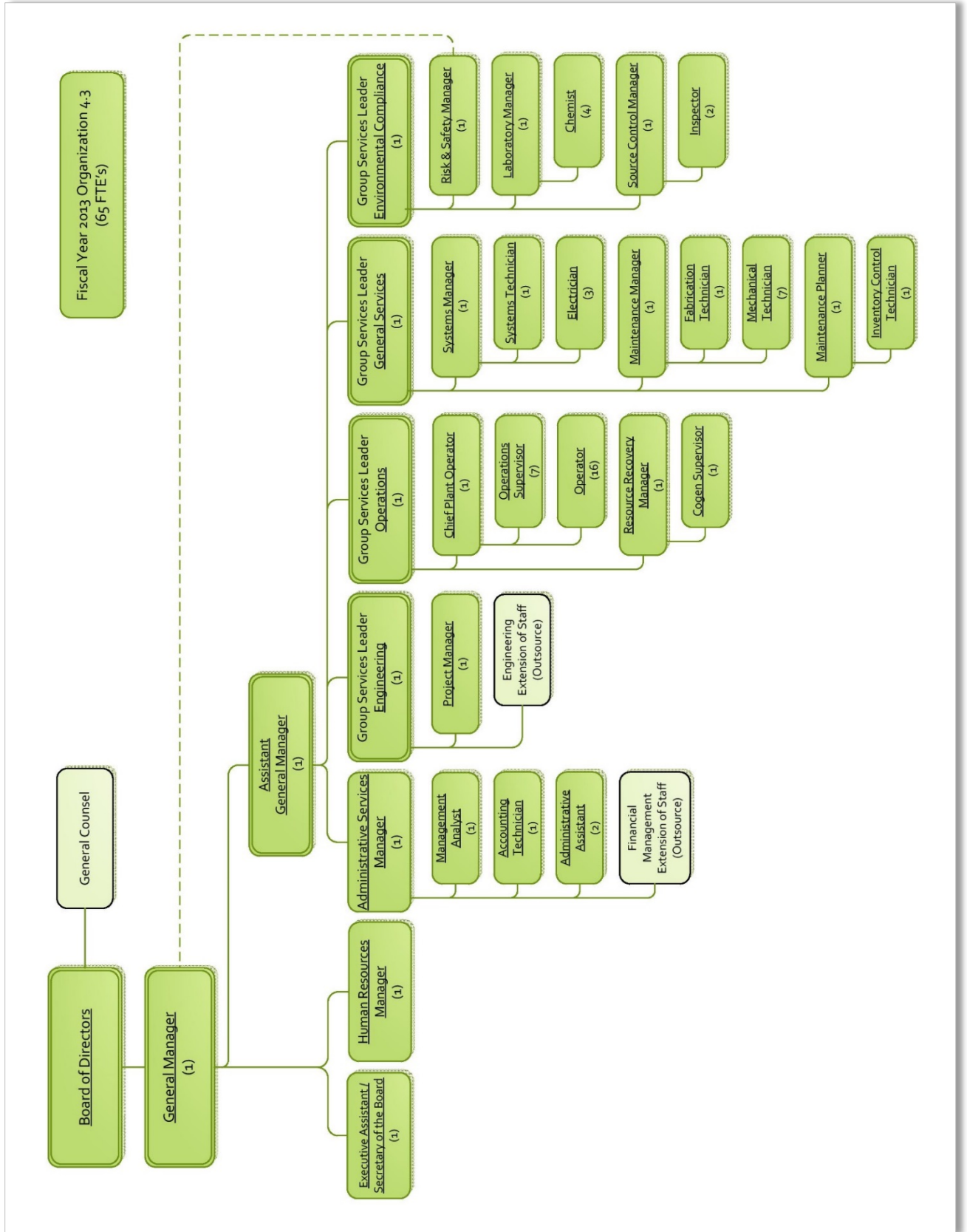
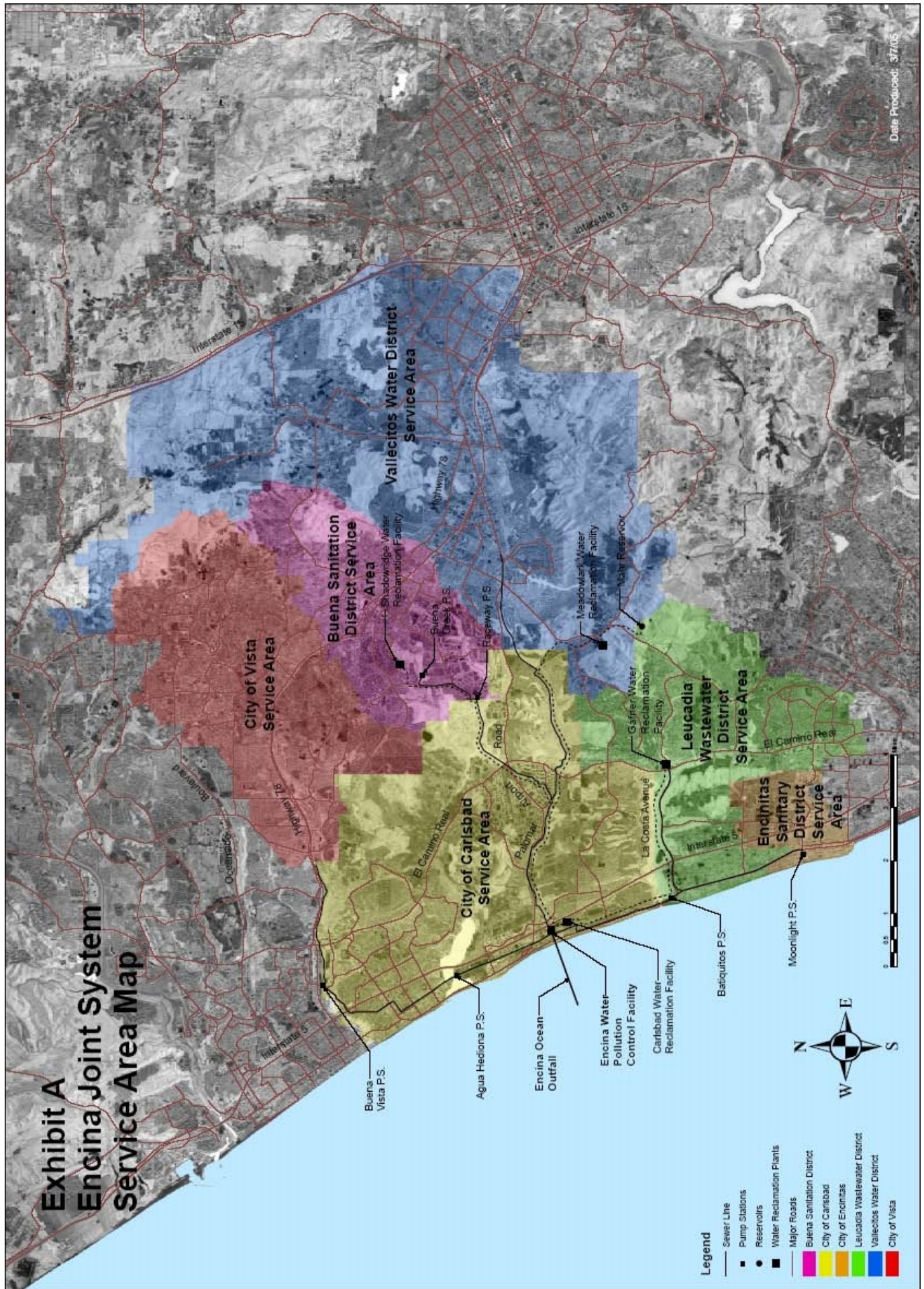


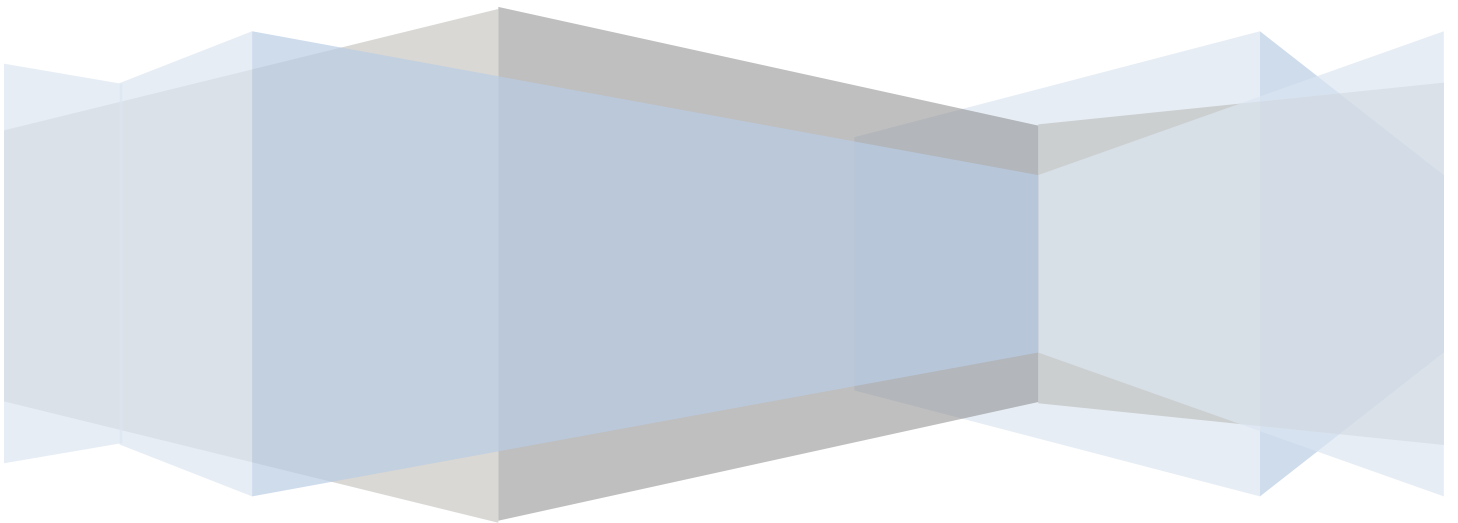
Exhibit A Encina Joint System Service Area Map



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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION



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ENCINA WASTEWATER AUTHORITY

**Independent Auditors' Report
Fiscal Year Ended June 30, 2013**



INDEPENDENT AUDITORS' REPORT

Board of Directors
Encina Wastewater Authority
Carlsbad, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of Encina Wastewater Authority (the Authority) as of and for the years ended June 30, 2013 and 2012, and the related notes to the basic 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors consider internal control relevant to the Authority'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 Authority'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.

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Offices located in Orange and San Diego Counties

ENCINA WASTEWATER AUTHORITY

Independent Auditors' Report Fiscal Year Ended June 30, 2013

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Encina Wastewater Authority as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the California Controller's Office and California Regulations governing Special Districts.

Emphasis of Matters

As discussed in Note 11 to the basic financial statements, the Authority incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board's Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The adoption of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

As discussed in Note 11 to the basic financial statements, the Authority has changed its method for accounting and reporting certain items previously reported as assets and liabilities during fiscal year 2012-2013 due to the early adoption of Governmental Accounting Standards Board's Statement No. 65 "*Items Previously Reported as Assets and Liabilities*". Our opinion is not modified with respect to this matter.

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress, as identified in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 the 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 on them.

ENCINA WASTEWATER AUTHORITY

**Independent Auditors' Report
Fiscal Year Ended June 30, 2013**

Other Matters (Continued):

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Encina Wastewater Authority's basic financial statements. The introductory section, the supplementary information in the financial section, and the statistical section as identified in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of basic financial statements.

The following schedules in the supplementary information of the financial section: schedule of net investment in capital assets, schedule of operating expenses by major category, summary schedule of operating program amount due from/(to) member agencies, detail schedule of operating program amount due from/(to) member agencies, schedule of operating program expense summary by member agency, schedule of operating program expense summary by cost center, schedule of changes in net position restricted-capital improvement program, schedule of net position restricted by project – capital improvement program and schedule of net position restricted by member agency- capital improvement program 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, these schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, statistical section, and the following schedules in the supplementary information of the financial section: schedule of operating program budget performance and schedule of continuing capital improvement program appropriations have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 19, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

November 19, 2013
Carlsbad, California

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ENCINA WASTEWATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

Our discussion and analysis of the financial performance of Encina Wastewater Authority (the "Authority") provides an overview of the Authority's financial activities for the year ended June 30, 2013. Please read it in conjunction with the Authority's financial statements, which follow 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 statements of net position include all the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the net difference reported as net position. Net position may be displayed in the categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

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

The statements of revenues, expenses and changes in net position present 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 and determines whether the Authority has recovered its costs through user fees and other charges.

The statements of cash flows provide information regarding the Authority's cash receipts and cash disbursements during the year. These statements 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.

ENCINA WASTEWATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

Financial Highlights

- The Authority's net position increased by \$417,930 to \$123,935,232 for the year ended June 30, 2013.
- The Authority's total revenues increased from \$12,666,311 for the year ended June 30, 2012, to \$13,003,666 for the year ended June 30, 2013 as a result of increased member agency assessments.
- The Authority's total expenses increased from \$21,389,878 for the year ended June 30, 2012, to \$22,238,234 for the year ended June 30, 2013. The increase is driven by operating costs, such as chemical and other non-personnel costs, and non-operating costs including EWPCF condition assessments, plant studies and project design costs.

Financial Analysis of the Authority

Net Position

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Assets:</u>			
Current assets	\$ 12,599,771	\$ 12,605,406	\$ 13,155,030
Capital assets	<u>113,943,637</u>	<u>113,893,325</u>	<u>114,067,928</u>
Total Assets	<u>126,543,408</u>	<u>126,498,731</u>	<u>127,222,958</u>
<u>Liabilities:</u>			
Noncurrent liabilities	1,078,580	1,084,963	1,006,661
Other liabilities	<u>1,529,596</u>	<u>1,896,466</u>	<u>1,781,598</u>
Total Liabilities	<u>2,608,176</u>	<u>2,981,429</u>	<u>2,788,259</u>
<u>Net Position:</u>			
Net investment in capital assets	113,943,637	113,893,325	114,067,928
Restricted for capital program	7,991,595	7,623,977	8,366,771
Unrestricted	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Total Net Position	<u>\$ 123,935,232</u>	<u>\$ 123,517,302</u>	<u>\$ 124,434,699</u>

As you can see from the table above, net position increased by \$417,930 from fiscal year 2012 to 2013. Looking more carefully you will note that most of the change was in net position restricted, which increased \$367,618 in fiscal year 2013. This increase is the result of restricted capital being contributed for the purchase of capital assets in accordance with adopted accounting policies.

ENCINA WASTEWATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

Financial Analysis of the Authority (continued)

Net Position (continued)

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	150,000	Specific ownership
	<u>\$ 2,000,000</u>	

Net investment in capital assets increased \$50,312 as the Authority's investment in construction projects and capital assets exceeded the depreciation expense and expense incurred on studies, assessments and project designs.

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 year ended June 30:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenue	\$ 12,993,314	\$ 12,649,520	\$ 12,603,281
Nonoperating revenue	10,352	16,791	24,740
Total Revenues	<u>13,003,666</u>	<u>12,666,311</u>	<u>12,628,021</u>
Depreciation	7,916,713	7,899,653	6,259,835
Unit I - EWPCF usage costs	5,909,835	5,904,095	5,809,849
Unit I - EWPCF ownership costs	3,935,587	3,754,456	3,800,212
Remote facilities	1,933,315	1,729,971	1,688,928
Other operating expense	1,214,577	1,260,998	1,304,292
Nonoperating expense	1,328,207	840,705	49,556
Total Expenses	<u>22,238,234</u>	<u>21,389,878</u>	<u>18,912,672</u>
Loss Before Contributions	(9,234,568)	(8,723,567)	(6,284,651)
Capital Contributions	<u>9,652,498</u>	<u>7,806,170</u>	<u>5,877,873</u>
Change in Net Position	417,930	(917,397)	(406,778)
Net Position at Beginning of Year	<u>123,517,302</u>	<u>124,434,699</u>	<u>124,841,477</u>
Net Position at End of Year	<u>\$ 123,935,232</u>	<u>\$ 123,517,302</u>	<u>\$ 124,434,699</u>

ENCINA WASTEWATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

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 operating revenues increased by \$343,794 in fiscal year 2013. Operating revenues represent assessments to member agencies for reimbursement of operating expenses, as well as revenues from laboratory services, insurance dividends and industrial environmental compliance activities. The fluctuation in operating revenues is primarily driven by operating costs.

Operating costs, exclusive of depreciation, increased \$343,794 in fiscal year 2013 as a result of increased chemical and other non-personnel costs.

A loss on disposal of capital assets results when capital items are replaced before they are fully depreciated, or 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 asset value to the funds expended and must expense the capital project in accordance with generally accepted accounting principles (GAAP). For the years ended June 30, 2013 and 2012, the loss on disposal of capital assets totaled \$1,328,207 and \$840,705, respectively. The fiscal year 2013 loss on disposal of capital assets includes the Energy Strategic Plan, Record Drawings & Manuals Project, 2040 Facility Master Plan Study, Plant and Potable Water Study and various other capital designs, studies and Plant Rehabilitation Projects.

Capital contributions increased by \$1,846,328 in Fiscal Year 2013. Current year contributions principally supported the major plant rehabilitation program and the planned asset replacement.

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.

ENCINA WASTEWATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

Financial Analysis of the Authority (continued)

Capital Assets

Capital assets consist of the following at June 30:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Capital Assets Not Being Depreciated:</u>			
Land	\$ 3,598,173	\$ 3,598,173	\$ 3,598,173
Construction-in-progress	<u>3,075,422</u>	<u>4,054,328</u>	<u>3,509,708</u>
Total Capital Assets Not Being Depreciated	<u>6,673,595</u>	<u>7,652,501</u>	<u>7,107,881</u>
<u>Capital Assets Being Depreciated:</u>			
Joint wastewater treatment (Unit I)	209,110,243	202,104,971	196,253,370
Joint ocean outfall facilities (Unit J)	14,115,650	14,102,005	14,102,005
Furnishings and office equipment	2,821,468	2,341,392	2,112,950
Pumping station facilities	6,860,710	6,749,955	6,581,287
Flow metering system	<u>314,269</u>	<u>299,059</u>	<u>299,059</u>
Total Capital Assets Being Depreciated	233,222,340	225,597,382	219,348,671
Less: Accumulated depreciation	<u>(125,952,298)</u>	<u>(119,356,558)</u>	<u>(112,388,624)</u>
Net Capital Assets Being Depreciated	<u>107,270,042</u>	<u>106,240,824</u>	<u>106,960,047</u>
 Net Capital Assets	 <u>\$ 113,943,637</u>	 <u>\$ 113,893,325</u>	 <u>\$ 114,067,928</u>

The net additions of capital assets being depreciated for fiscal year 2013 totaled \$7,624,958. Capital asset additions consisted of blower electrical improvements, natural gas pipeline replacement, and other various plant rehabilitation projects. For more detailed information on capital assets, please see Note 4 to the basic financial statements on page 40.

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 2014 operating budget is \$13,896,452, an increase of approximately (3%) from fiscal year 2013. The fiscal year 2014 budget reflects EWA's continuing commitment to provide sustainable and fiscally responsible wastewater services to the communities it serves. Notable increases reflect: Performance Merit Program (\$285,000); Intensive Ocean Monitoring Services (\$160,000); and (\$100,000) Dewatering Polymer chemical increase. The fiscal year 2014 operating budget amount includes \$264,000 in contingency funding for EWA's operations as part of their annual budgeting processes. The fiscal year 2014 Appropriation Resolution #2013-04 requires Board of Directors approval to expend the recommended contingency account.

ENCINA WASTEWATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

Economic Factors and Next Year's Budget (continued)

The Capital Improvement Program for fiscal year 2014 is budgeted at \$10,483,949, with an additional \$4,519,318 in appropriations continued from fiscal year 2013 for on-going projects, for a total fiscal year 2014 capital budget of \$15,003,267.

The fiscal year 2014 budgets reflect 67 authorized positions supporting EWA facilities and five regional facilities totaling more than \$225 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.

ENCINA WASTEWATER AUTHORITY

Statements of Net Position

June 30, 2013 and 2012

ASSETS	<u>2013</u>	<u>2012</u>
<u>Current Assets:</u> (Notes 1, 2 and 3)		
Unrestricted Assets:		
Cash equivalents - operating	\$ 200,000	\$ 200,000
Member receivables - operating billed	2,179,011	2,178,817
Amounts due from member agencies - operating unbilled	285,391	437,276
Other receivables	40,814	12,386
Prepaid expenses	52,659	61,797
Inventory	<u>1,182,006</u>	<u>1,198,897</u>
Total unrestricted assets	3,939,881	4,089,173
Restricted Assets:		
Cash equivalents - capital program	4,830,795	4,888,870
Member receivables - capital program	3,827,777	3,622,831
Interest receivable - capital program	<u>1,318</u>	<u>4,532</u>
Total restricted assets	8,659,890	8,516,233
 Total Current Assets	 <u>12,599,771</u>	 <u>12,605,406</u>
<u>Noncurrent Assets:</u>		
Capital Assets: (Notes 1 and 4)		
Nondepreciable	6,673,595	7,652,501
Depreciable, net of accumulated depreciation	<u>107,270,042</u>	<u>106,240,824</u>
Total Capital Assets, Net	113,943,637	113,893,325
 TOTAL ASSETS	 <u>126,543,408</u>	 <u>126,498,731</u>
 LIABILITIES		
<u>Current Liabilities:</u> (Notes 1 and 5)		
Accounts payable - operating	560,434	687,886
Accounts payable - capital program, payable from restricted assets	485,822	732,839
Retentions payable - capital program, payable from restricted assets	182,473	159,417
Accrued liabilities	162,775	240,380
Compensated absences	<u>138,092</u>	<u>75,944</u>
Total Current Liabilities	1,529,596	1,896,466
<u>Noncurrent Liabilities:</u> (Notes 1, 5 and 6)		
Net OPEB obligation	167,907	111,639
Compensated absences	<u>910,673</u>	<u>973,324</u>
Total Noncurrent Liabilities	1,078,580	1,084,963
 TOTAL LIABILITIES	 <u>2,608,176</u>	 <u>2,981,429</u>
 <u>Commitments and Contingencies</u> (Notes 7 and 9)		
 NET POSITION (Notes 1 and 4)		
Investment in capital assets	113,943,637	113,893,325
Restricted for capital program	7,991,595	7,623,977
Unrestricted	<u>2,000,000</u>	<u>2,000,000</u>
TOTAL NET POSITION	<u>\$ 123,935,232</u>	<u>\$ 123,517,302</u>

See accompanying independent auditors' report and notes to the financial statements.

ENCINA WASTEWATER AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Operating Revenues:</u>		
Member agency assessments	\$ 12,646,345	\$ 12,383,770
Other operating revenues	<u>346,969</u>	<u>265,750</u>
Total Operating Revenues	<u>12,993,314</u>	<u>12,649,520</u>
<u>Operating Expenses:</u>		
Depreciation	7,916,713	7,899,653
Unit I - EWPCF usage costs	5,909,835	5,904,095
Unit I - EWPCF ownership costs	3,935,587	3,754,456
Unit J - Encina ocean outfall	265,247	307,639
Directors meetings	64,766	56,995
Flow metering	264,084	272,903
Source control	620,480	623,461
Agua Hedionda pump station	259,394	247,392
Buena Vista pump station	386,485	348,184
Buena sanitation district facilities	296,435	215,234
Carlsbad water reclamation facilities	843,994	772,107
Raceway basin pump station	<u>147,007</u>	<u>147,054</u>
Total Operating Expenses	<u>20,910,027</u>	<u>20,549,173</u>
Operating (Loss)	<u>(7,916,713)</u>	<u>(7,899,653)</u>
<u>Nonoperating Revenues (Expenses):</u>		
Investment & other capital income	10,352	16,791
Net (loss) on disposal of capital assets	<u>(1,328,207)</u>	<u>(840,705)</u>
Total Nonoperating Revenues (Expenses)	<u>(1,317,855)</u>	<u>(823,914)</u>
(Loss) Before Capital Contributions	(9,234,568)	(8,723,567)
Capital Contributions	<u>9,652,498</u>	<u>7,806,170</u>
Change in Net Position	417,930	(917,397)
Total Net Position at Beginning of Year	<u>123,517,302</u>	<u>124,434,699</u>
TOTAL NET POSITION AT END OF YEAR	\$ <u>123,935,232</u>	\$ <u>123,517,302</u>

See accompanying independent auditors' report and notes to the financial statements.

ENCINA WASTEWATER AUTHORITY

**Statements of Cash Flows
Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<u>Cash Flows From Operating Activities:</u>		
Cash received from Member Agencies	\$ 12,798,036	\$ 11,793,125
Cash received from other operating activities	318,541	299,962
Cash payments to suppliers for goods and services	(7,987,441)	(7,020,644)
Cash payments to employees for services	<u>(5,129,136)</u>	<u>(5,072,443)</u>
Net Cash Provided by (Used in) Operating Activities	<u>-</u>	<u>-</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(9,519,193)	(8,582,331)
Capital contributions	<u>9,447,552</u>	<u>10,166,884</u>
Net Cash (Used in) Provided by Capital and Related Financing Activities	<u>(71,641)</u>	<u>1,584,553</u>
<u>Cash Flows From Investing Activities:</u>		
Investment income	<u>13,566</u>	<u>16,299</u>
Net Cash Provided by Investing Activities	<u>13,566</u>	<u>16,299</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(58,075)	1,600,852
Cash and Cash Equivalents at Beginning of Year	<u>5,088,870</u>	<u>3,488,018</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,030,795</u>	<u>\$ 5,088,870</u>

	<u>2013</u>	<u>2012</u>
<u>Reconciliation of Operating (Loss) to Net</u>		
<u>Cash Provided by (Used in) Operating Activities:</u>		
Operating (loss)	\$ (7,916,713)	\$ (7,899,653)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:		
Depreciation	7,916,713	7,899,653
Change in current assets and liabilities:		
Member receivables - operating billed	(194)	(230,516)
Amounts due from member agencies - operating unbilled	151,885	(217,702)
Other receivables	(28,428)	34,212
Prepaid expenses	9,138	7,735
Inventory	16,891	(2,652)
Accounts payable - operating	(127,452)	358,549
Accrued liabilities	(77,605)	95,374
Amounts due to member agencies - operating	-	(142,427)
Net OPEB obligation	56,268	38,170
Compensated absences	<u>(503)</u>	<u>59,257</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ -</u>	<u>\$ -</u>

Cash and Cash Equivalents:

Financial Statement Classification:

Cash and cash equivalents	\$ 200,000	\$ 200,000
Restricted cash and cash equivalents	<u>4,830,795</u>	<u>4,888,870</u>
Total Cash and Cash Equivalents	<u>\$ 5,030,795</u>	<u>\$ 5,088,870</u>

See accompanying independent auditors' report and notes to the financial statements.

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ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 1 - Organization and Significant Accounting Policies:

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. On December 17, 1990, the basic agreement and supplemental was amended and rewritten.

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. A Revised Established Document was entered into on August 1, 1988 creating the Encina Administrative Agency. The Agency was assigned the duties previously performed by the District. 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 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 present 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 independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

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.

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.

Allowance for Doubtful Accounts

Management believes that all receivables were fully collectible; therefore no allowance for doubtful accounts was recorded as of June 30, 2013 and 2012.

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 fair market 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. Depreciation is calculated on the straight-line method over the following estimated useful lives:

Joint wastewater treatment (Unit I)	7 - 40 years
Joint ocean outfall facilities (Unit J)	25 - 75 years
Furnishings and office equipment	5 - 7 years
Pump station facilities	7 - 40 years
Flow metering system	10 years

Depreciation totaled \$7,916,713 and \$7,899,653 for the years ended June 30, 2013 and 2012, respectively.

See accompanying independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 1 - Organization and Significant Accounting Policies: (continued)

Significant Accounting Policies (continued)

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.

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 with one year (Note 5).

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.

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.

The Authority's participation in the general liability program of CSRMA provides coverage up to \$15,500,000 with a \$25,000 deductible. Excess insurance of \$20,000,000 has been purchased. The Authority's participation in the workers' compensation program of CSRMA provides coverage 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 \$324,858 and \$273,799, for the years ended June 30, 2013 and 2012, 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, 2012, 2011 and 2010.

See accompanying independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 1 - Organization and Significant Accounting Policies: (continued)

Significant Accounting Policies (continued)

Compensated Absences

Accumulated unpaid vacation and sick leave totaling \$1,048,765 and \$1,049,268 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2013 and 2012, respectively.

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.

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.

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through November 18, 2013, the date the financial statements were available to be issued. See also subsequent events discussed in Note 10.

See accompanying independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

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 policy was amended in July 2008 by Resolution 2008-9 and provides the following:

- Operating reserve amount of \$1,000,000 allocated on the basis of Weighted Unit I Ownership (see Note 8).
- Remote facility reserve amount of \$50,000 from each member agency that owns, in whole or in part, a remote facility or facilities operated and maintained by the Authority.
- Inventory reserve amount of \$850,000 allocated on the basis of Weighted Unit I Ownership.
- Capital reserve amount not to exceed \$10,000,000 or less than \$3,000,000 as established in the annual budget appropriation resolution.

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

<u>Member Agency</u>	<u>Operating Reserve</u>	<u>Remote Facility Reserve</u>	<u>Inventory Reserve</u>	<u>Capital Reserve</u>	<u>Total 2013</u>	<u>Total 2012</u>
Buena Agency	\$ 81,600	\$ 50,000	\$ 69,360	\$ 212,850	\$ 413,810	\$ 413,810
City of Carlsbad	248,100	50,000	210,885	1,324,606	1,833,591	1,833,591
City of Encinitas	48,400	-	41,140	157,252	246,792	246,792
Leucadia Wastewater District	203,400	-	172,890	530,559	906,849	906,849
Vallecitos Water District	202,400	-	172,040	1,742,286	2,116,726	2,116,726
City of Vista	216,100	50,000	183,685	2,032,447	2,482,232	2,482,232
Total Reserves	<u>\$ 1,000,000</u>	<u>\$ 150,000</u>	<u>\$ 850,000</u>	<u>\$ 6,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>

See accompanying independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

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:

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

Investment Authorized by the Authority's Policy:

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 independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 2 - Cash and Investments: (continued)

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

Investment Authorized by the Authority's Policy: (continued)

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

	Maturity in Years		2012 Total
	1 Year or Less	2013 Total	
Petty cash	\$ 600	\$ 600	\$ 600
California Local Agency Investment Fund (LAIF)	2,026,125	2,026,125	4,890,972
California Asset Management Program (CAMP)	2,744,413	2,744,413	-
Deposits with financial institutions	259,657	259,657	197,298
Total Cash and Investments	\$ 5,030,795	\$ 5,030,795	\$ 5,088,870

Financial Statement Classification:

Current:

Cash equivalents - operating	\$ 200,000	\$ 200,000
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Restricted:

Cash equivalents - capital program	4,830,795	4,888,870
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Total Cash and Investments	\$ 5,030,795	\$ 5,088,870
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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, 2013.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

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 & Poor's</u>
California Local Agency Investment Fund (LAIF)	Not Rated
California Asset Management Program (CAMP)	AAA

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 California Local Agency Investment Fund, the California Asset Management Fund 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, 2013.

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, 2013 and 2012, \$894,049 and \$62,928, respectively, of the Authority's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

See accompanying independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 2 - Cash and Investments: (continued)

Investment in State Investment Pool

The Authority is a voluntary participant in the Local Agency Investment Fund (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

The Authority is a voluntary participant in the California Asset Management Program (CAMP), an investment pool managed by Public Financial Management Inc. CAMP was established under provisions of the California Joint Exercise of Powers Act. 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 CAMP for the entire CAMP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis.

The statements of cash flows have been prepared by considering all investment instruments purchased with a maturity of three months or less to be cash equivalents. Following is a detail:

	<u>2013</u>	<u>2012</u>
California Asset Management Program (CAMP)	\$ 2,744,413	\$ -
California Local Agency Investment Fund (LAIF)	2,026,125	4,890,972
Deposits with financial institutions	259,657	197,298
Petty cash	600	600
Total	\$ 5,030,795	\$ 5,088,870

Note 3 - Restricted Assets:

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

Funding Source	Use	<u>2013</u>	<u>2012</u>
Capital contributions from member agencies and interest earnings	Capital program	\$ 8,659,890	\$ 8,516,233

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as necessary.

See accompanying independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 4 - Capital Assets:

Capital assets consist of the following at June 30, 2013:

	2013			Balance at June 30, 2013
	Balance at June 30, 2012	Additions	Deletions	
Capital Assets Not Being Depreciated:				
Land	\$ 3,598,173	\$ -	\$ -	\$ 3,598,173
Construction in progress	4,054,328	7,390,964	(8,369,870)	3,075,422
Total Capital Assets Not Being Depreciated	<u>7,652,501</u>	<u>7,390,964</u>	<u>(8,369,870)</u>	<u>6,673,595</u>
Capital Assets Being Depreciated:				
Joint wastewater treatment (Unit I)	202,104,971	8,229,597	(1,224,325)	209,110,243
Joint ocean outfall (Unit J)	14,102,005	13,645	-	14,115,650
Furnishings and office equipment	2,341,392	480,076	-	2,821,468
Pump station facilities	6,749,955	207,403	(96,648)	6,860,710
Flow metering system	299,059	15,210	-	314,269
Total Capital Assets Being Depreciated	<u>225,597,382</u>	<u>8,945,931</u>	<u>(1,320,973)</u>	<u>233,222,340</u>
Less Accumulated Depreciation For:				
Joint wastewater treatment (Unit I)	(102,159,337)	(7,024,078)	1,224,325	(107,959,090)
Joint wastewater treatment (Unit J)	(11,365,443)	(296,556)	-	(11,661,999)
Furnishings and office equipment	(1,554,909)	(312,973)	-	(1,867,882)
Pump station facilities	(4,004,087)	(277,647)	96,648	(4,185,086)
Flow metering system	(272,782)	(5,459)	-	(278,241)
Total Accumulated Depreciation	<u>(119,356,558)</u>	<u>(7,916,713)</u>	<u>1,320,973</u>	<u>(125,952,298)</u>
Net Capital Assets Being Depreciated	<u>106,240,824</u>	<u>1,029,218</u>	<u>-</u>	<u>107,270,042</u>
Net Capital Assets	<u>\$ 113,893,325</u>	<u>\$ 8,420,182</u>	<u>\$ (8,369,870)</u>	<u>\$ 113,943,637</u>

See accompanying independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 4 - Capital Assets: (continued)

Capital assets consist of the following at June 30, 2012:

	2012			Balance at June 30, 2012
	Balance at June 30, 2011	Additions	Deletions	
Capital Assets Not Being Depreciated:				
Land	\$ 3,598,173	\$ -	\$ -	\$ 3,598,173
Construction in progress	3,509,708	6,777,471	(6,232,851)	4,054,328
Total Capital Assets Not Being Depreciated	<u>7,107,881</u>	<u>6,777,471</u>	<u>(6,232,851)</u>	<u>7,652,501</u>
Capital Assets Being Depreciated:				
Joint wastewater treatment (Unit I)	196,253,370	6,716,412	(864,811)	202,104,971
Joint ocean outfall facilities (Unit J)	14,102,005	-	-	14,102,005
Furnishings and office equipment	2,112,950	228,442	-	2,341,392
Pump station facilities	6,581,287	235,576	(66,908)	6,749,955
Flow metering system	299,059	-	-	299,059
Total Capital Assets Being Depreciated	<u>219,348,671</u>	<u>7,180,430</u>	<u>(931,719)</u>	<u>225,597,382</u>
Less Accumulated Depreciation For:				
Joint wastewater treatment (Unit I)	(95,955,326)	(7,068,826)	864,815	(102,159,337)
Joint ocean outfall facilities (Unit J)	(11,071,615)	(293,828)	-	(11,365,443)
Furnishings and office equipment	(1,280,080)	(274,829)	-	(1,554,909)
Pump station facilities	(3,811,741)	(259,250)	66,904	(4,004,087)
Flow metering system	(269,862)	(2,920)	-	(272,782)
Total Accumulated Depreciation	<u>(112,388,624)</u>	<u>(7,899,653)</u>	<u>931,719</u>	<u>(119,356,558)</u>
Net Capital Assets Being Depreciated	<u>106,960,047</u>	<u>(719,223)</u>	<u>-</u>	<u>106,240,824</u>
Net Capital Assets	<u>\$ 114,067,928</u>	<u>\$ 6,058,248</u>	<u>\$ (6,232,851)</u>	<u>\$ 113,893,325</u>

See accompanying independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 5 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30:

	2013				
	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013	Amount due within one year
Retentions payable - Capital program	\$ 159,417	\$ 280,720	\$ (257,664)	\$ 182,473	\$ 182,473
Net OPEB obligation (Note 6)	111,639	57,608	(1,340)	167,907	-
Compensated absences	1,049,268	964,056	(964,559)	1,048,765	138,092
Total Noncurrent Liabilities	<u>\$ 1,320,324</u>	<u>\$ 1,302,384</u>	<u>\$ (1,223,563)</u>	<u>\$ 1,399,145</u>	<u>\$ 320,565</u>
	2012				
	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012	Amount due within one year
Retentions payable - Capital program	\$ 175,993	\$ 570,517	\$ (587,093)	\$ 159,417	\$ 159,417
Net OPEB obligation (Note 6)	73,469	38,822	(652)	111,639	-
Compensated absences	990,011	647,454	(588,197)	1,049,268	75,944
Total Noncurrent Liabilities	<u>\$ 1,239,473</u>	<u>\$ 1,256,793</u>	<u>\$ (1,175,942)</u>	<u>\$ 1,320,324</u>	<u>\$ 235,361</u>

Retentions payable represents amounts withheld from certain construction contracts. Once projects are complete and accepted by the Authority's Board of Directors, retentions payable are released thirty days following a Notice of Completion filing with the county recorder's office. All retention amounts are expected to be paid out during Fiscal Year 2014.

Note 6 - Postretirement Benefits:

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 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 \$28.75 per retiree who elects to continue coverage. There are five and four retirees receiving the monthly contribution for the years ended June 30, 2013 and 2012, respectively. The monthly contribution is adjusted annually to reflect changes in the medical component of the Consumer Price Index.

Funding Policy and Annual OPEB Costs

The contribution requirements of the Authority are established and may be amended annually by the Board of Directors. The Authority's annual other post-employment benefit (OPEB) cost (expense) for the Plan is calculated based on the annual required contribution of the Authority (ARC), an amount actuarially determined in accordance with Cod. Sec. P50, "Postemployment Benefits Other Than Pension Benefits - Employer Reporting". The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess)

See accompanying independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 6 - Postretirement Benefits: (continued)

Funding Policy and Annual OPEB Costs (continued)

over a period not to exceed thirty years. The Authority's Board of Directors has established a policy to contribute on a "pay as you go" basis. The following table shows the components of the Authority's annual OPEB cost for the years ended June 30, 2013 and 2012, the amount actually contributed to the Plan including benefits paid to retirees, and changes in the Authority's net OPEB obligation:

	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 57,608	\$ 38,822
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost	57,608	38,822
Contributions (including benefits paid)	(1,340)	(652)
Increase in net OPEB obligation	56,268	38,170
Net OPEB obligation - Beginning of Year	111,639	73,469
Net OPEB obligation - End of Year	\$ 167,907	\$ 111,639

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net Pension Obligation
June 30, 2011	\$ 37,559	0.9%	\$ 73,469
June 30, 2012	\$ 38,822	1.7%	\$ 111,639
June 30, 2013	\$ 57,608	2.3%	\$ 167,907

Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the Plan was not yet funded. The Authority's actuarial accrued liability for benefits at July 1, 2012 was \$354,564 and the covered payroll (annual payroll of active employees covered by the Plan) was \$5,798,143, with a ratio of the UAAL to the covered payroll of 6.12%. The normal cost payments made during the year ended June 30, 2013 of \$1,340 funded 2.3% of the annual required contribution (ARC) leaving a net OPEB obligation of \$167,907.

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Unfunded AAL (UAAL) (B-A)	Funded Status (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
July 1, 2009	N/A	\$ 188,983	\$ 188,983	0.0%	\$ 5,498,944	3.44%
July 1, 2012	N/A	\$ 354,564	\$ 354,564	0.0%	\$ 5,798,143	6.12%

See accompanying independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 6 - Postretirement Benefits: (continued)

Funding Status and Funding Progress (continued)

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits and costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. The actuarial assumptions included a 5% investment rate of return, which is the expected long-term investment return on plan assets, a projected salary increase assumption rate of 3.25%, and an annual healthcare cost trend rate of 5 to 8 percent. The UAAL is being amortized as a level percentage of projected payroll over 30 years.

Note 7 - Defined Benefit Pension Plan:

Plan Description

The Authority contributes to the California Public Retirement Plan System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. The Authority participates in the miscellaneous 2.7% at 55 pool and the miscellaneous 2% at 62 pool for employees hired after January 1, 2013. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS requires agencies with less than 100 active members in the plan to participate in a risk pool. A menu of benefit provisions as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Authority resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS executive office - 400 P Street - Sacramento, California 95814.

See accompanying independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 7 - Defined Benefit Pension Plan: (continued)

Funding Policy

Active plan members are required to contribute 8% of their annual covered salary for the miscellaneous 2.7% at 55 pool, and 6.5% for the miscellaneous 2% at 62 pool. For the year ended June 30, 2013, the Authority elected to make contributions on behalf of its employees at 2% for the miscellaneous 2.7% at 55 pool and 0.5% for the miscellaneous 2% at 62 pool with the employees contributing the remainder. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions are those adopted by the CalPERS Board of Administration. For the fiscal years ended June 30, 2013 and 2012, the required employer contribution rates were 21.85% and 21.98%, respectively, for the miscellaneous 2.7% at 55 pool and 6.5% and 0%, respectively, for the miscellaneous 2% at 62 pool. The contribution requirements of the plan members and the Authority are established and may be amended by CalPERS. Total contributions for the miscellaneous 2.7% at 55 pool and the years ended June 30, 2013, 2012 and 2011 were \$1,672,785, \$1,665,688 and \$1,486,365 respectively, which were equal to the required contributions each year. Total contributions for the 2% at 62 pool for the year ended June 30, 2013 was \$3,129, which was equal to the required contribution.

Note 8 - Ownership and Usage Allocations:

Phase IV Ownership

All of the Phase IV expansion and upgrades, except for the widening of Avenida Encinas, were completed in April of 1993. Unit I was enlarged from 24.4 million gallons per day (MGD) liquid capacity and 27.91 MGD solids capacity to 36 MGD and 38 MGD, respectively. The Unit I and Unit J capacities and ownership of Phase IV are as follows:

Agency	UNIT I - Treatment Plant				UNIT J - Ocean Outfall	
	Liquids		Solids		Disposal	
	MGD	%	MGD	%	MGD	%
Vista	8.05	22.36	8.05	21.18	8.05	21.18
Carlsbad	9.24	25.67	9.24	24.32	9.24	24.32
Buena	2.26	6.28	3.51	9.24	3.51	9.24
Vallecitos	7.54	20.94	7.54	19.84	7.54	19.84
Leucadia	7.11	19.75	7.86	20.68	7.86	20.68
Encinitas	1.80	5.00	1.80	4.74	1.80	4.74
Total	<u>36.00</u>	<u>100.00</u>	<u>38.00</u>	<u>100.00</u>	<u>38.00</u>	<u>100.00</u>

See accompanying independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 8 - Ownership and Usage Allocations: (continued)

Phase IV Ownership (continued)

Allocation of Unit I - Encina plant ownership costs are based on the above two percentages weighted by the design engineers' replacement value breakdown, at July 27, 1995, 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:

	Unit I Weighted Average Percentages
City of Vista	21.61%
City of Carlsbad	24.81%
Buena Sanitation District	8.16%
Vallecitos Water District	20.24%
Leucadia Wastewater District	20.34%
City of Encinitas	4.84%
	100.00%

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 years ended June 30, 2013 and 2012 are as follows:

<u>Agency</u>	MGD ADF UNIT I					
	Usage			Flow Percentage		
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>
Vista	5.35	5.36	(0.01)	24.21 %	23.75 %	0.46
Carlsbad	6.53	6.92	(0.39)	29.54	30.66	(1.12)
Buena	1.63	1.63	-	7.38	7.22	0.16
Vallecitos	3.44	3.47	(0.03)	15.57	15.37	0.20
Leucadia	4.10	4.11	(0.01)	18.55	18.21	0.34
Encinitas	1.05	1.08	(0.03)	4.75	4.79	(0.04)
Total	22.10	22.57	(0.47)	100.00 %	100.00 %	0.00

See accompanying independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

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, 2013 and 2012 are as follows:

Agency	BOD LBS/DAY UNIT I					
	2013	2012	BOD Change	BOD % 2013	BOD % 2012	BOD % Change
Vista	12,313	12,346	(33)	21.57 %	21.37 %	0.20 %
Carlsbad	15,580	16,584	(1,004)	27.30	28.71	(1.41)
Buena	5,820	5,778	42	10.20	10.00	0.20
Vallecitos	11,715	11,653	62	20.52	20.17	0.35
Leucadia	8,645	8,470	175	15.14	14.66	0.48
Encinitas	3,009	2,938	71	5.27	5.09	0.18
Total	<u>57,082</u>	<u>57,769</u>	<u>(687)</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>0.00 %</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, 2013 and 2012 are as follows:

Agency	SS LBS/DAY UNIT I					
	2013	2012	Solids Change	SS Lbs/Day % 2013	SS Lbs/Day % 2012	Solids % Change
Vista	9,643	10,016	(373)	16.30 %	17.34 %	(1.04) %
Carlsbad	17,417	16,699	718	29.43	28.90	0.54
Buena	4,039	3,859	180	6.83	6.68	0.15
Vallecitos	16,248	15,448	800	27.46	26.74	0.71
Leucadia	8,619	8,668	(49)	14.57	15.00	(0.43)
Encinitas	3,199	3,084	115	5.41	5.34	0.07
Total	<u>59,165</u>	<u>57,774</u>	<u>1,391</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>0.00 %</u>

Treated wastewater flow discharged through Unit J is averaged on an annual basis. The change for the fiscal years ended June 30, 2013 and 2012 for Unit J are as follows:

Agency	2013		2012		Increase (Decrease)	
	MGD	% of total	MGD	% of total	MGD	% of total
Vista	5.35	25.60 %	5.36	24.69 %	(0.01)	(5.88) %
Carlsbad	5.50	26.30	6.00	27.62	0.50	294.12
Buena	1.63	7.80	1.63	7.50	-	-
Vallecitos	3.61	17.30	3.99	18.37	(0.38)	(223.53)
Leucadia	3.75	18.00	3.66	16.85	0.09	52.94
Encinitas	1.05	5.00	1.08	4.97	(0.03)	(17.65)
Total	<u>20.89</u>	<u>100.00 %</u>	<u>21.72</u>	<u>100.00 %</u>	<u>0.17</u>	<u>100.00 %</u>

See accompanying independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 8 - Ownership and Usage Allocations: (continued)

Phase V Ownership

In June 2004, the Authority adopted Resolution 04-14 to amend the Revised Basic Agreement (RBA) to address Phase V cost allocation. Specifically, Exhibit D was added to the RBA and set forth a five-step process to allocate capital costs during Phase V construction. Completion of Phase V expansion occurred in December 2009. Member agency cost allocations were adjusted using actual figures including: existing facilities; project costs based on actual amounts paid; and the Engineering News Record Los Angeles (ENRLA) construction cost index at the defined mid-point of construction. See also subsequent events discussed in Note 10.

Other Cost Allocations

The expenses for the Agua Hedionda pump station, the Buena Sanitation District facilities, the Buena Vista pump station, the Carlsbad Water Recycling Facility and the Raceway Basin pump station, and 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 on flow for Unit J. Flow metering costs are allocated based on the number and types of meters and on Unit J ownership.

Note 9 - Commitments and Contingencies:

Operating Leases

The Authority has entered into operating lease agreements for five copiers beginning in March of 2012. The lease amount for the five copiers is \$1,325 per month for 36 months.

Construction Commitments

The Authority had contractual agreements with outside firms for capital program construction and professional services as follows at June 30, 2013:

2040 Master Plan	\$	205,545
Solids Processing and Blower Project:		
Project and Third Centrifuge Engine		134,763
Drying Safety Project Engineering		97,343
Extension of Staff		55,076
IT Technical Master Plan		19,776
Fiscal Year 2013 Major Plan Rehabilitation		14,651
Post Phase V Improvements		12,901
Hach Database		11,400
Total Construction Commitments	\$	<u>551,455</u>

See accompanying independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 9 - Commitments and Contingencies: (continued)

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 - Subsequent Events:

Fiscal Year 2014 Budget

On July 25, 2013, the Board of Directors adopted Resolution 2013-04 to appropriate funds for fiscal year 2014 Operating \$(13,896,452) and Capital Improvement Program \$(10,483,949) budgets. Unexpended fiscal year 2013 capital improvement projects of \$4,519,318 were also appropriated in fiscal year 2014.

Phase V Ownership

On July 24, 2013, the Authority's Board of Directors adopted Resolution 2013-04 to revise the RBA to reflect post-Phase V capacity and ownership allocations, effective July 1, 2013, as follows:

Agency	UNIT I – Treatment Plant				UNIT J – Ocean Outfall	
	Liquids		Solids		Disposal	
	MGD	%	MGD	%	MGD	%
Vista	10.67	26.34	10.67	24.63	10.67	24.63
Carlsbad	10.26	25.33	10.26	23.69	10.26	23.69
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
Total	<u>40.51</u>	<u>100.00</u>	<u>43.31</u>	<u>100.00</u>	<u>43.31</u>	<u>100.00</u>

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:

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

See accompanying independent auditors' report.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 11 - New Governmental Accounting Standards:

GASB No. 62

In December 2010, the Governmental Accounting Standards Board issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This pronouncement is effective for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements of the FASB and the AICPA that was issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements. This pronouncement did not have a material effect on the financial statements of the Authority in the year of implementation.

GASB No. 63

In June 2011, the Governmental Accounting Standards Board issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position". This pronouncement is effective for periods beginning after December 15, 2011. Concepts Statement No. 4 "Elements of Financial Statements" introduced and defined deferred outflows and deferred inflows as an acquisition or consumption of net assets by the government that is applicable to a future reporting period, which is distinct from assets and liabilities. Concepts Statement No. 4 also defines net position as the residual of all other elements presented in a statement of financial position and renames that measure net position rather than net assets. This pronouncement did not have a material effect on the financial statements of the Authority in the year of implementation.

GASB No. 64

In June 2011, the Governmental Accounting Standards Board issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment to GASB 53". This pronouncement was effective for periods beginning after June 15, 2011. This statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The Authority does not have any hedge transactions at June 30, 2013.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 11 - New Governmental Accounting Standards: (continued)

GASB No. 65

In March 2012, the Governmental Accounting Standards Board issued Statement No. 65, "Items Previously Reported as Assets and Liabilities". This pronouncement is effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement amends the financial statement classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. This pronouncement did not have a material effect on the financial statements of the Authority in the year of implementation.

GASB No. 66

In March 2012, the Governmental Accounting Standards Board issued Statement No. 66, "Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62". This pronouncement is effective for periods beginning after December 15, 2012. This statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This Statement amends Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) service fee rate. These changes clarify how to apply Statement No. 13, "Accounting for Operating Leases with Scheduled Rent Increases", and result in guidance that is consistent with the requirements in Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", respectively. This pronouncement is not anticipated to have a material effect on the financial statements of the Authority in the year of implementation.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 11 - New Governmental Accounting Standards: (continued)

GASB No. 67

In June 2012, the Governmental Accounting Standards Board issued Statement No. 67, "Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25". This pronouncement is effective for periods beginning after June 15, 2013. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and No. 50, "Pension Disclosures", as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The Authority has not yet determined the effects of this pronouncement in the year of implementation.

GASB No. 68

In June 2012, the Governmental Accounting Standards Board issued Statement No. 68, "Accounting and Financial Reporting for Pensions". This pronouncement is effective for periods beginning after June 15, 2013. This pronouncement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans, as well as for nonemployer governments that have a legal obligation to contribute to those plans. The Authority has not yet determined the effects of this pronouncement in the year of implementation.

GASB No. 69

In January 2013, The Governmental Accounting Standard Board issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This pronouncement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis. Earlier application is encouraged. This statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, this statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This pronouncement is not anticipated to have a material effect on the financial statements of the Authority.

ENCINA WASTEWATER AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Note 11 - New Governmental Accounting Standards: (continued)

GASB No. 70

In April 2013, The Governmental Accounting Standard Board issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." This pronouncement is effective for financial reporting periods beginning after June 15, 2013. Earlier application is encouraged. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that the government will be required to make a payment on the guarantee. The Government that issued the obligation guaranteed in a nonexchange transaction should recognize revenue to the extent that its guaranteed obligations have been reduced. If that government is required to repay a guarantor for making a payment, they should continue to reflect the liability until legally released as an obligor. This pronouncement is not anticipated to have a material effect on the financial statements of the Authority.

ENCINA WASTEWATER AUTHORITY
Supplementary Schedule of Operating Program Budget Performance
for the year ended June 30, 2013

	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>\$ Variance</u>	<u>% Actual to Budget</u>
Revenues:					
Member Assessments	\$ 13,282,578	\$ 13,282,578	\$ 12,646,345	\$ 636,233	95.2%
Other	254,448	254,448	346,969	(92,521)	136.4%
Total Revenues	<u>\$ 13,537,026</u>	<u>\$ 13,537,026</u>	<u>\$ 12,993,314</u>	<u>\$ 543,712</u>	<u>96.0%</u>
Expenses:					
Personnel Expense	\$ 6,994,269	\$ 7,244,550	\$ 7,260,703	\$ (16,153)	100.2%
Chemicals	1,286,412	1,365,913	1,302,397	63,516	95.3%
Biosolids	270,115	280,117	274,563	5,554	98.0%
Utilities	1,912,782	1,798,978	1,764,688	34,290	98.1%
Other	2,559,448	2,583,468	2,390,963	192,505	92.5%
Contingency	514,000	264,000	-	264,000	0.0%
Total Expenses	<u>\$ 13,537,026</u>	<u>\$ 13,537,026</u>	<u>\$ 12,993,314</u>	<u>\$ 543,712</u>	<u>96.0%</u>

ENCINA WASTEWATER AUTHORITY
Supplementary Schedule of Operating Expenses by Major Category
for the years ended June 30, 2013 and 2012

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>\$ Variance</u>	<u>% Variance</u>
Personnel Expense	\$ 7,260,703	\$ 7,320,808	\$ (60,105)	-0.8%
Chemicals	1,302,397	1,216,537	85,860	7.1%
Biosolids	274,563	264,570	9,993	3.8%
Utilities	1,764,688	1,760,641	4,047	0.2%
Other Non-Personnel	2,390,963	2,086,964	303,999	14.6%
Total	<u>\$ 12,993,314</u>	<u>\$ 12,649,520</u>	<u>\$ 343,794</u>	<u>2.7%</u>

See accompanying independent auditors' report and notes to the financial statements.

ENCINA WASTEWATER AUTHORITY
Supplementary Summary Schedule Of
Operating Program Amount Due From/(To) Member Agencies
as of and for the years ended June 30, 2013 and 2012

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
OPERATING REVENUES		
Member Assessments Billed	\$ 12,360,954	\$ 11,946,494
CSRMA Dividends (Unit I Ownership)	80,662	70,388
PureGreen® Sales:		
Tier I - Cemex	20,924	29,611
Tier II	54,722	13,326
Lab Contract Services Receipts (Unit I Ownership)	163,918	125,404
Environmental Enforcement Receipts (Jurisdiction)	12,888	14,830
Miscellaneous Receipts (Unit I Ownership)	<u>13,855</u>	<u>12,191</u>
TOTAL OPERATING REVENUES - BILLED	<u>12,707,923</u>	<u>12,212,244</u>
OPERATING EXPENSES INCURRED		
Encina Water Pollution Control Facilities		
Unit I - Treatment Plant Usage	5,909,835	5,904,095
Unit I - Treatment Plant Ownership	3,935,587	3,754,456
Unit J - Ocean Outfall	265,247	307,639
Board of Directors	64,766	56,995
Flow Metering	<u>264,084</u>	<u>272,903</u>
Encina Wastewater Pollution Control Facilities Sub-Total	<u>10,439,519</u>	<u>10,296,088</u>
Source Control	620,480	623,461
Agua Hedionda Pump Station	259,394	247,392
Buena Vista Pump Station	386,485	348,184
Buena Sanitation District Facilities	296,435	215,234
Carlsbad Water Recycling Facility	843,994	772,107
Raceway Basin Pump Station	<u>147,007</u>	<u>147,054</u>
TOTAL OPERATING EXPENSES INCURRED	<u>12,993,314</u>	<u>12,649,520</u>
OPERATING REVENUES BILLED (OVER) UNDER EXPENSES INCURRED		
DUE FROM/(TO) MEMBER AGENCIES	\$ <u>285,391</u>	\$ <u>437,276</u>
AMOUNT DUE FROM/(TO) MEMBER AGENCIES END OF YEAR	\$ <u><u>285,391</u></u>	\$ <u><u>437,276</u></u>

See accompanying independent auditors' report and notes to the financial statements.

ENCINA WASTEWATER AUTHORITY
Supplementary Detail Schedule of Operating Program Amount Due From/(To) Member Agencies
as of and for the year ended June 30, 2013

	Totals	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas
OPERATING REVENUES - BILLED							
Member Assessments Billed	\$ 12,360,954	\$ 2,846,720	\$ 3,740,121	\$ 1,188,293	\$ 2,290,711	\$ 1,765,216	\$ 529,893
CSRMA Dividends (Unit I Ownership)	80,662	17,431	20,012	6,582	16,326	16,407	3,904
Biofuel Loads	75,646	12,329	22,269	5,164	20,774	11,020	4,090
Lab Contract Services Billed (Unit I Ownership)	163,918	35,422	40,668	13,376	33,177	33,341	7,934
Environmental Enforcement Actions Billed (Jurisdiction)	12,888	1,750	750	9,188	1,200	-	-
Miscellaneous Receipts (Unit I Ownership)	13,855	2,994	3,437	1,131	2,804	2,819	670
TOTAL OPERATING REVENUES - BILLED	12,707,923	2,916,646	3,827,257	1,223,734	2,364,992	1,828,803	546,491
OPERATING EXPENSES							
Encina Water Pollution Control Facilities							
Plant-Unit I Usage	5,909,835	1,192,150	1,659,545	532,265	1,315,889	898,088	311,898
Plant-Unit I Ownership	3,935,587	850,480	976,420	321,144	796,563	800,498	190,482
Outfall-Unit J	265,247	68,877	70,355	20,922	44,028	47,645	13,420
Board of Directors	64,766	6,943	13,448	6,963	11,391	12,602	13,419
Flow Metering	264,084	67,851	55,208	51,153	36,217	36,347	17,308
Encina Water Pollution Control Facilities Sub-Total	10,439,519	2,186,301	2,774,976	932,447	2,204,088	1,795,180	546,527
Source Control	620,480	169,397	190,073	80,082	124,374	39,156	17,398
Agua Hedionda Pump Station	259,394	179,241	80,153	-	-	-	-
Buena Vista Pump Station	386,485	346,291	40,194	-	-	-	-
Buena Sanitation District Facilities	296,435	-	-	296,435	-	-	-
Carlsbad Water Recycling Facility	843,994	-	843,994	-	-	-	-
Raceway Basin Pump Station	147,007	147,007	-	-	-	-	-
TOTAL OPERATING EXPENSES	\$ 12,993,314	\$ 3,028,237	\$ 3,929,390	\$ 1,308,964	\$ 2,328,462	\$ 1,834,336	\$ 563,925
DUE FROM (TO) MEMBER AGENCIES JUNE 30, 2013	\$ 285,391	\$ 111,591	\$ 102,133	\$ 85,230	\$ (36,530)	\$ 5,533	\$ 17,434

See accompanying independent auditors' report and notes to the financial statements.

ENCINA WASTEWATER AUTHORITY
Supplementary Schedule of Operating Program Expense - Summary by Member Agency
for the years ended June 30, 2013 and 2012

	June 30, 2013	% of Total	June 30, 2012	Change \$	Change %
CITY OF VISTA					
Unit I Encina Treatment Plant Usage	\$ 1,192,150	39.4%	\$ 1,200,864	(8,714)	-0.7%
Unit I Encina Treatment Plant Ownership	850,480	28.1%	811,338	39,142	4.8%
Unit J Encina Ocean Outfall	68,877	2.3%	75,590	(6,713)	-8.9%
Board of Directors	6,943	0.2%	6,222	721	11.6%
Flow Metering	67,851	2.2%	70,065	(2,214)	-3.2%
Source Control	169,397	5.6%	178,681	(9,284)	-5.2%
Agua Hedionda Pump Station	179,241	5.9%	170,948	8,293	4.9%
Buena Vista Pump Station	346,291	11.4%	311,973	34,318	11.0%
Raceway Basin Pump Station	147,007	4.9%	147,054	(47)	0.0%
TOTALS	\$ 3,028,237	100.0%	\$ 2,972,735	\$ 55,502	1.9%
CITY OF CARLSBAD					
Unit I Encina Treatment Plant Usage	\$ 1,659,545	42.2%	\$ 1,705,745	(46,200)	-2.7%
Unit I Encina Treatment Plant Ownership	976,420	24.8%	931,480	44,940	4.8%
Unit J Encina Ocean Outfall	70,355	1.8%	84,736	(14,381)	-17.0%
Board of Directors	13,448	0.3%	12,961	487	3.8%
Flow Metering	55,208	1.4%	57,090	(1,882)	-3.3%
Source Control	190,073	4.8%	177,805	12,268	6.9%
Agua Hedionda Pump Station	80,153	2.0%	76,444	3,709	4.9%
Buena Vista Pump Station	40,194	1.0%	36,211	3,983	11.0%
Carlsbad Water Recycling Facility	843,994	21.5%	772,107	71,887	9.3%
TOTALS	\$ 3,929,390	100.0%	\$ 3,854,579	\$ 74,811	1.9%
BUENA SANITATION DISTRICT					
Unit I Encina Treatment Plant Usage	\$ 532,265	40.7%	\$ 522,350	9,915	1.9%
Unit I Encina Treatment Plant Ownership	321,144	24.5%	306,364	14,780	4.8%
Unit J Encina Ocean Outfall	20,922	1.6%	23,030	(2,108)	-9.2%
Board of Directors	6,963	0.5%	6,212	751	12.1%
Flow Metering	51,153	3.9%	52,746	(1,593)	-3.0%
Source Control	80,082	6.1%	93,709	(13,627)	-14.5%
Buena Sanitation District Facilities	296,435	22.6%	215,234	81,201	37.7%
TOTALS	\$ 1,308,964	100.0%	\$ 1,219,645	\$ 89,319	7.3%

Continued

See accompanying independent auditors' report and notes to the financial statements.

ENCINA WASTEWATER AUTHORITY
Supplementary Schedule of Operating Program Expense - Summary by Member Agency (continued)
for the years ended June 30, 2013 and 2012

	June 30, 2013	% of Total	June 30, 2012	Change \$	Change %
VALLECITOS WATER DISTRICT					
Unit I Encina Treatment Plant Usage	\$ 1,315,889	56.5%	\$ 1,286,580	\$ 29,309	2.3%
Unit I Encina Treatment Plant Ownership	796,563	34.2%	759,902	36,661	4.8%
Unit J Encina Ocean Outfall	44,028	1.9%	57,345	(13,317)	-23.2%
Board of Directors	11,391	0.5%	11,311	80	0.7%
Flow Metering	36,217	1.6%	37,497	(1,280)	-3.4%
Source Control	124,374	5.3%	114,835	9,539	8.3%
TOTALS	\$ 2,328,462	100.0%	\$ 2,267,470	\$ 60,992	2.7%
LEUCADIA WASTEWATER DISTRICT					
Unit I Encina Treatment Plant Usage	\$ 898,088	49.0%	\$ 885,056	\$ 13,032	1.5%
Unit I Encina Treatment Plant Ownership	800,498	43.6%	763,656	36,842	4.8%
Unit J Encina Ocean Outfall	47,645	2.6%	51,726	(4,081)	-7.9%
Board of Directors	12,602	0.7%	10,647	1,955	18.4%
Flow Metering	36,347	2.0%	37,640	(1,293)	-3.4%
Source Control	39,156	2.1%	39,054	102	0.3%
TOTALS	\$ 1,834,336	100.0%	\$ 1,787,779	\$ 46,557	2.6%
CITY OF ENCINITAS					
Unit I Encina Treatment Plant Usage	\$ 311,898	55.3%	\$ 303,500	\$ 8,398	2.8%
Unit I Encina Treatment Plant Ownership	190,482	33.8%	181,716	8,766	4.8%
Unit J Encina Ocean Outfall	13,420	2.4%	15,212	(1,792)	-11.8%
Board of Directors	13,419	2.4%	9,642	3,777	39.2%
Flow Metering	17,308	3.1%	17,865	(557)	-3.1%
Source Control	17,398	3.1%	19,377	(1,979)	-10.2%
TOTALS	\$ 563,925	100.0%	\$ 547,312	\$ 16,613	3.0%
Total Operating Expense All Member Agencies	\$ 12,993,314		\$ 12,649,520	\$ 343,794	2.7%

See accompanying independent auditors' report and notes to the financial statements.

ENCINA WASTEWATER AUTHORITY
Supplementary Schedule of Operating Program Expense - Summary by Cost Center
for the years ended June 30, 2013 and 2012

	June 30, 2013	% of Total	June 30, 2012	Change \$	Change %
UNIT I: ENCINA TREATMENT PLANT USAGE					
City of Vista	\$ 1,192,150	20.2%	\$ 1,200,864	\$ (8,714)	-0.7%
City of Carlsbad	1,659,545	28.1%	1,705,745	(46,200)	-2.7%
Buena Sanitation District	532,265	9.0%	522,350	9,915	1.9%
Vallecitos Water District	1,315,889	22.3%	1,286,580	29,309	2.3%
Leucadia Wastewater District	898,088	15.2%	885,056	13,032	1.5%
City of Encinitas	311,898	5.3%	303,500	8,398	2.8%
TOTALS	\$ 5,909,835	100.0%	\$ 5,904,095	\$ 5,740	0.1%
UNIT I: ENCINA TREATMENT PLANT OWNERSHIP					
City of Vista	\$ 850,480	21.6%	\$ 811,338	\$ 39,142	4.8%
City of Carlsbad	976,420	24.8%	931,480	44,940	4.8%
Buena Sanitation District	321,144	8.2%	306,364	14,780	4.8%
Vallecitos Water District	796,563	20.2%	759,902	36,661	4.8%
Leucadia Wastewater District	800,498	20.3%	763,656	36,842	4.8%
City of Encinitas	190,482	4.8%	181,716	8,766	4.8%
TOTALS	\$ 3,935,587	100.0%	\$ 3,754,456	\$ 181,131	4.8%
UNIT J: ENCINA OCEAN OUTFALL					
City of Vista	\$ 68,877	26.0%	\$ 75,590	\$ (6,713)	-8.9%
City of Carlsbad	70,355	26.5%	84,736	(14,381)	-17.0%
Buena Sanitation District	20,922	7.9%	23,030	(2,108)	-9.2%
Vallecitos Water District	44,028	16.6%	57,345	(13,317)	-23.2%
Leucadia Wastewater District	47,645	18.0%	51,726	(4,081)	-7.9%
City of Encinitas	13,420	5.1%	15,212	(1,792)	-11.8%
TOTALS	\$ 265,247	100.0%	\$ 307,639	\$ (42,392)	-13.8%
BOARD OF DIRECTORS					
City of Vista	\$ 6,943	10.7%	\$ 6,222	\$ 721	11.6%
City of Carlsbad	13,448	20.8%	12,961	487	3.8%
Buena Sanitation District	6,963	10.8%	6,212	751	12.1%
Vallecitos Water District	11,391	17.6%	11,311	80	0.7%
Leucadia Wastewater District	12,602	19.5%	10,647	1,955	18.4%
City of Encinitas	13,419	20.7%	9,642	3,777	39.2%
TOTALS	\$ 64,766	100.0%	\$ 56,995	\$ 7,771	13.6%

Continued

See accompanying independent auditors' report and notes to the financial statements.

ENCINA WASTEWATER AUTHORITY
Supplementary Schedule of Operating Program Expense - Summary by Cost Center (continued)
for the years ended June 30, 2013 and 2012

	June 30, 2013	% of Total	June 30, 2012	Change \$	Change %
FLOW METERING PROGRAM					
City of Vista	\$ 67,851	25.7%	\$ 70,065	\$ (2,214)	-3.2%
City of Carlsbad	55,208	20.9%	57,090	(1,882)	-3.3%
Buena Sanitation District	51,153	19.4%	52,746	(1,593)	-3.0%
Vallejitos Water District	36,217	13.7%	37,497	(1,280)	-3.4%
Leucadia Wastewater District	36,347	13.8%	37,640	(1,293)	-3.4%
City of Encinitas	17,308	6.6%	17,865	(557)	-3.1%
TOTALS \$	264,084	100.0%	\$ 272,903	\$ (8,819)	-3.2%
TOTAL ENCINA WATER POLLUTION CONTROL FACILITIES					
City of Vista	\$ 2,186,301	20.9%	\$ 2,164,079	\$ 22,222	1.0%
City of Carlsbad	2,774,976	26.6%	2,792,012	(17,036)	-0.6%
Buena Sanitation District	932,447	8.9%	910,702	21,745	2.4%
Vallejitos Water District	2,204,088	21.1%	2,152,635	51,453	2.4%
Leucadia Wastewater District	1,795,180	17.2%	1,748,725	46,455	2.7%
City of Encinitas	546,527	5.2%	527,935	18,592	3.5%
TOTALS \$	10,439,519	100.0%	\$ 10,296,088	\$ 143,431	1.4%
SOURCE CONTROL PROGRAM					
City of Vista	\$ 169,397	27.3%	\$ 178,681	\$ (9,284)	-5.2%
City of Carlsbad	190,073	30.6%	177,805	12,268	6.9%
Buena Sanitation District	80,082	12.9%	93,709	(13,627)	-14.5%
Vallejitos Water District	124,374	20.0%	114,835	9,539	8.3%
Leucadia Wastewater District	39,156	6.3%	39,054	102	0.3%
City of Encinitas	17,398	2.8%	19,377	(1,979)	-10.2%
TOTALS \$	620,480	100.0%	\$ 623,461	\$ (2,981)	-0.5%
AGUA HEDIONDA PUMP STATION					
City of Vista	\$ 179,241	69.1%	\$ 170,948	\$ 8,293	4.9%
City of Carlsbad	80,153	30.9%	76,444	3,709	4.9%
TOTALS \$	259,394	100.0%	\$ 247,392	\$ 12,002	4.9%

Continued

See accompanying independent auditors' report and notes to the financial statements.

ENCINA WASTEWATER AUTHORITY
Supplementary Schedule of Operating Program Expense - Summary by Cost Center (continued)
for the years ended June 30, 2013 and 2012

BUENA VISTA PUMP STATION								
City of Vista	\$	346,291	89.6%	\$	311,973	\$	34,318	11.0%
City of Carlsbad		40,194	10.4%		36,211		3,983	11.0%
TOTALS	\$	386,485	100.0%	\$	348,184	\$	38,301	11.0%
BUENA SANITATION DISTRICT FACILITIES								
		June 30, 2013	% of Total		June 30, 2012		Change \$	Change %
Buena Sanitation District	\$	296,435	100.0%	\$	215,234	\$	81,201	37.7%
TOTALS	\$	296,435	100.0%	\$	215,234	\$	81,201	37.7%
CARLSBAD WATER RECYCLING FACILITY								
City of Carlsbad	\$	843,994	100.0%	\$	772,107	\$	71,887	9.3%
TOTALS	\$	843,994	100.0%	\$	772,107	\$	71,887	9.3%
RACEWAY BASIN PUMP STATION								
City of Vista	\$	147,007	100.0%	\$	147,054	\$	(47)	0.0%
TOTALS	\$	147,007	100.0%	\$	147,054	\$	(47)	0.0%
TOTAL OPERATING EXPENSE								
City of Vista	\$	3,028,237	23.3%	\$	2,972,735	\$	55,502	1.9%
City of Carlsbad		3,929,390	30.2%		3,854,579		74,811	1.9%
Buena Sanitation District		1,308,964	10.1%		1,219,645		89,319	7.3%
Vallecitos Water District		2,328,462	17.9%		2,267,470		60,992	2.7%
Leucadia Wastewater District		1,834,336	14.1%		1,787,779		46,557	2.6%
City of Encinitas		563,925	4.3%		547,312		16,613	3.0%
TOTALS	\$	12,993,314	100.0%	\$	12,649,520	\$	343,794	2.7%

See accompanying independent auditors' report and notes to the financial statements.

ENCINA WASTEWATER AUTHORITY
Supplementary Schedule of Changes in Net Position Restricted -
Capital Improvement Program
as of and for the years ended June 30, 2013 and 2012

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
CAPITAL CONTRIBUTIONS		
Member Assessments	\$ 9,652,498	\$ 7,806,170
	<u>9,652,498</u>	<u>7,806,170</u>
TOTAL CAPITAL CONTRIBUTIONS		
CAPITAL EXPENSES (CREDITS)		
Encina Water Pollution Control Facility (EWPCF) Capital Acquisitions	431,033	399,597
Agua Hedionda Pump Station (AHPS) Capital Acquisitions	76,548	46,612
Buena Vista Pump Station (BVPS) Capital Acquisitions	72,831	48,085
Buena Sanitation District (BSD) Capital Acquisitions	48,037	43,003
Carlsbad Water Reclamation Facility (CWRF) Capital Acquisitions	24,093	56,595
Raceway Basin Pump Station (RBPS) Capital Acquisitions	19,677	41,281
EWPCF Planned Asset Replacement	1,232,050	1,153,111
EWPCF Major Plant Rehabilitation Program	7,088,133	6,437,714
South Parcel Development	19,153	107,521
Financial Enterprise Software System	31,216	59,109
Professional Services	<u>252,461</u>	<u>173,127</u>
TOTAL CAPITAL EXPENSES	<u>9,295,232</u>	<u>8,565,755</u>
CAPITAL CONTRIBUTIONS OVER (UNDER) CAPITAL EXPENSES	357,266	(759,585)
NON-OPERATING INCOME		
Investment Income & Other	10,352	16,791
NET POSITION RESTRICTED FOR CIP, BEGINNING OF FISCAL YEAR	<u>7,623,977</u>	<u>8,366,771</u>
NET POSITION RESTRICTED FOR CIP, END OF FISCAL YEAR	<u>\$ 7,991,595</u>	<u>\$ 7,623,977</u>

See accompanying independent auditors' report and notes to the financial statements.

ENCINA WASTEWATER AUTHORITY
Supplementary Schedule of Net Position Restricted by Project - Capital Improvement Program
as of and for the year ended June 30, 2013

PROJECTS	Balance 6/30/2012	Member Billings	Income	Capital Expenses	Balance 6/30/2013
CONTINUING PROJECTS					
PHASE V EXPANSION	\$ 2,295,184	\$ -	-	-	\$ 2,295,184
SOUTH PARCEL DEVELOPMENT	-	19,153	-	(19,153)	*
EWPCF MAJOR PLANT REHABILITATION PROGRAM	(503,505)	7,357,806	-	(7,088,133)	(233,832) *
FINANCIAL ENTERPRISE SOFTWARE SYSTEM	(36,222)	67,438	-	(31,216)	- *
PROFESSIONAL SERVICES	(36,526)	288,987	-	(252,461)	- *
SUB TOTAL CONTINUING PROJECTS	<u>1,718,931</u>	<u>7,733,384</u>	<u>-</u>	<u>(7,390,963)</u>	<u>2,061,352</u>
OTHER					
CAPITAL ACQUISITIONS	(56,464)	699,014	-	(672,219)	(29,669) *
PLANNED ASSET REPLACEMENT	(55,281)	1,236,891	-	(1,232,050)	(50,440) *
CAPITAL RESERVE	6,000,000	-	-	-	6,000,000
INCOME ON CAPITAL RESERVE FUNDS	16,791	(16,791)	10,352	-	10,352 *
SUB TOTAL OTHER	<u>5,905,046</u>	<u>1,919,114</u>	<u>10,352</u>	<u>(1,904,269)</u>	<u>5,930,243</u>
TOTAL CAPITAL IMPROVEMENT PROGRAM	<u>\$ 7,623,977</u>	<u>\$ 9,652,498</u>	<u>\$ 10,352</u>	<u>\$ (9,295,232)</u>	<u>\$ 7,991,595</u>

* Indicates amounts due (from)/to Member Agencies \$ (303,589) *

ENCINA WASTEWATER AUTHORITY
Supplementary Schedule of Net Position Restricted by Member Agency - Capital Improvement Program
as of June 30, 2013

PROJECTS	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	Balance 6/30/2013
CONTINUING PROJECTS							
PHASE V EXPANSION	\$ 993,815	\$ 459,266	\$ -	\$ 820,758	\$ -	\$ 21,345	\$ 2,295,184
MAJOR PLANT REHABILITATION PROGRAM	(50,531)	(58,014)	(19,081)	(47,328)	(47,561)	(11,317)	(233,832) *
SUB TOTAL CONTINUING PROJECTS	<u>943,284</u>	<u>401,252</u>	<u>(19,081)</u>	<u>773,430</u>	<u>(47,561)</u>	<u>10,028</u>	<u>2,061,352</u>
OTHER							
CAPITAL ACQUISITIONS	(6,411)	(7,361)	(2,421)	(6,005)	(6,035)	(1,436)	(29,669) *
PLANNED ASSET REPLACEMENT	(10,900)	(12,515)	(4,116)	(10,209)	(10,259)	(2,441)	(50,440) *
CAPITAL RESERVE	2,032,447	1,324,606	212,850	1,742,286	530,559	157,252	6,000,000
INCOME ON CAPITAL RESERVE FUNDS	2,237	2,568	845	2,095	2,106	501	10,352 *
SUB TOTAL OTHER	<u>2,017,373</u>	<u>1,307,298</u>	<u>207,158</u>	<u>1,728,167</u>	<u>516,371</u>	<u>153,876</u>	<u>5,930,243</u>
TOTAL CAPITAL IMPROVEMENT PROGRAM	<u>\$ 2,960,657</u>	<u>\$ 1,708,550</u>	<u>\$ 188,077</u>	<u>\$ 2,501,597</u>	<u>\$ 468,810</u>	<u>\$ 163,904</u>	<u>\$ 7,991,595</u>
* Indicates amounts due (from)/to Member Agencies	\$ (65,606)	\$ (75,320)	\$ (24,773)	\$ (61,446)	\$ (61,750)	\$ (14,694)	(303,589) *

ENCINA WASTEWATER AUTHORITY
Supplementary Schedule of Continuing Capital Improvement Program Appropriations
as of and for the year ended June 30, 2013

BY PROJECT	CONTINUING										
	APPROPRIATIONS		FY 2013 NEW	TRANSFERS	ALLOCATED	TOTAL	APPROPRIATION	CONTINUING	APPROPRIATIONS	APPROPRIATIONS	
	BEGINNING OF	YEAR REPORTED									APPROPRIATIONS
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
SALARIES & BENEFITS	-	-	1,731,097	-	(1,689,882)	-	41,215	-	-	41,215	93,829
EWPCF CAPITAL ACQUISITIONS	32,373	32,373	540,450	(47,961)	-	(431,033)	93,829	-	-	93,829	22,776
AHPS CAPITAL ACQUISITIONS	22,156	22,156	50,000	27,168	-	(76,548)	22,776	-	-	22,776	34,218
BVPS CAPITAL ACQUISITIONS	38,718	38,718	95,500	(27,169)	-	(72,831)	34,218	-	-	34,218	56,851
BSD CAPITAL ACQUISITIONS	34,888	34,888	70,000	-	-	(48,037)	56,851	-	-	56,851	8,041
CWRF CAPITAL ACQUISITIONS	1,634	1,634	30,500	-	-	(24,093)	8,041	-	-	8,041	16,323
RBPS CAPITAL ACQUISITIONS	-	-	36,000	-	-	(19,677)	16,323	-	-	16,323	412,508
PLANNED ASSET REPLACEMENT	223,543	223,543	906,500	36,414	478,101	(1,232,050)	412,508	-	-	412,508	-
MAJOR PLANT REHAB PROGRAM	3,677,410	3,677,410	-	(3,677,410)	-	-	-	-	-	-	2,192,000
Liquid Process Improvements	-	-	2,520,000	(327,996)	622,861	(622,861)	2,192,004	-	-	2,192,004	249,498
Solids Process Improvements	-	-	658,000	2,324,719	-	(2,733,221)	249,498	-	-	249,498	-
Energy Management	-	-	246,000	(40,363)	44,342	(249,979)	-	-	-	-	287,381
General Improvements	-	-	857,000	292,375	15,959	(877,953)	287,381	-	-	287,381	1,114,729
Engineering Services	-	-	2,061,000	1,188,919	523,082	(2,623,272)	1,149,729	-	-	1,149,729	-
Remotes	-	-	136,000	-	-	-	136,000	-	-	136,000	-
Financial Enterprise Software	-	-	-	40,716	5,537	(31,216)	15,037	-	-	15,037	15,037
Professional Services	-	-	58,000	210,588	-	(252,461)	16,127	-	-	16,127	3,874,772
Total Major Plant Rehab Program	3,677,410	3,677,410	6,536,000	11,548	1,211,781	(7,390,963)	4,045,776	-	-	4,045,776	-
TOTAL	\$ 4,030,722	\$ 4,030,722	\$ 9,996,047	\$ -	\$ -	\$ (9,295,232)	\$ 4,731,537	\$ -	\$ -	\$ 4,731,537	\$ 4,519,318

continued

See accompanying independent auditors' report and notes to the financial statements.

ENCINA WASTEWATER AUTHORITY
Supplementary Schedule of Continuing Capital Improvement Program Appropriations (continued)
as of and for the Year Ended June 30, 2013

BY MEMBER AGENCY	VISTA	CARLSBAD	BUENA	VALLECITOS	LEUCADIA	ENCINITAS	TOTAL
EWPCF CAPITAL ACQUISITIONS	\$ 20,276	\$ 23,280	\$ 7,656	\$ 18,991	\$ 19,085	\$ 4,541	\$ 93,829
AHPS CAPITAL ACQUISITIONS	15,738	7,038	-	-	-	-	22,776
BVPS CAPITAL ACQUISITIONS	30,659	3,559	-	-	-	-	34,218
BSD CAPITAL ACQUISITIONS	-	-	56,851	-	-	-	56,851
CWRF CAPITAL ACQUISITIONS	-	8,041	-	-	-	-	8,041
RBPS CAPITAL ACQUISITIONS	-	16,323	-	-	-	-	16,323
PLANNED ASSET REPLACEMENT	89,143	102,343	33,661	83,492	83,904	19,965	412,508
MAJOR PLANT REHAB PROGRAM							
Liquid Process Improvements	473,691	543,835	178,867	443,661	445,853	106,093	2,192,000
Solids Process Improvements	53,917	61,900	20,359	50,498	50,748	12,076	249,498
General Improvements	62,103	71,300	23,450	58,166	58,453	13,909	287,381
Engineering Services	240,893	276,564	90,962	225,621	226,736	53,953	1,114,729
Financial Enterprise Software	3,249	3,731	1,227	3,043	3,059	728	15,037
Professional Services	3,485	4,001	1,316	3,264	3,280	781	16,127
Total Major Plant Rehab Program	837,338	961,331	316,181	784,253	788,129	187,540	3,874,772
TOTAL	\$ 993,154	\$ 1,121,915	\$ 414,349	\$ 886,736	\$ 891,118	\$ 212,046	\$ 4,519,318

See accompanying independent auditors' report and notes to the financial statements.

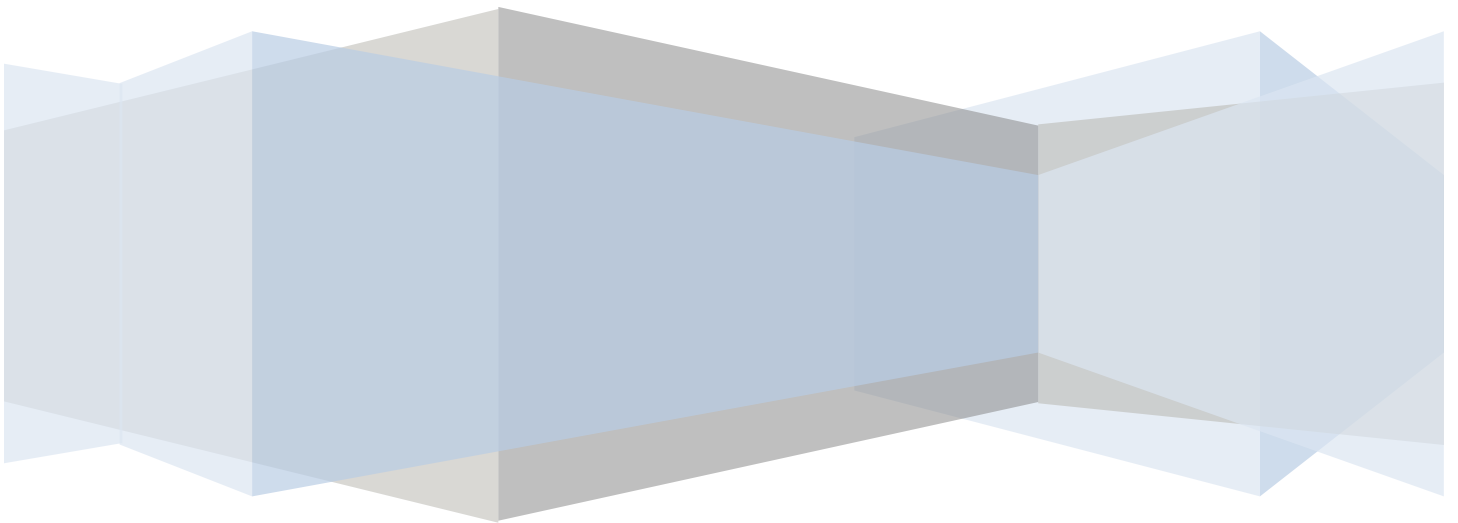
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STATISTICAL SECTION

FINANCIAL TRENDS

DEMOGRAPHIC AND ECONOMIC INFORMATION

OPERATING INFORMATION



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ENCINA WASTEWATER AUTHORITY

Statistical Section Overview

June 30, 2013

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
- Net 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 is 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.

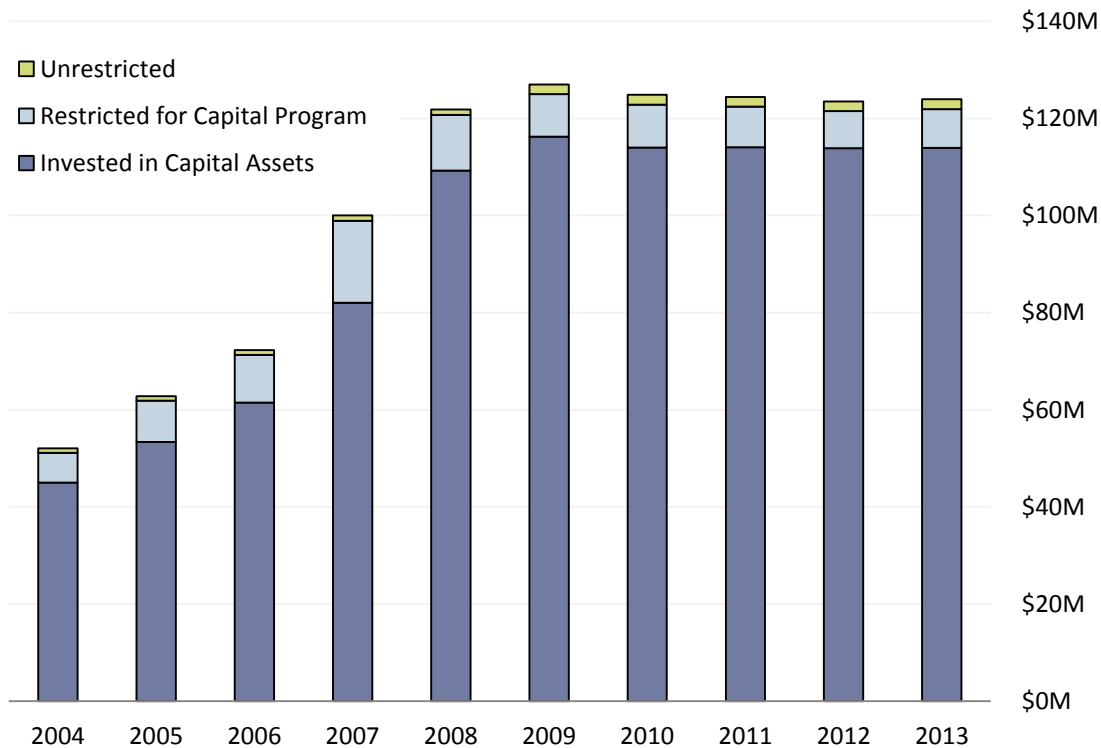
- Facts and Figures
- Full-time Equivalent Employees by Function
- Operating Revenues and Expenses by Major Source and Use
- Operating Revenues and Expenses by Member Agency
- Operating Expenses per Million Gallons

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ENCINA WASTEWATER AUTHORITY

Net Position Last Ten Fiscal Years

Fiscal Year	Invested in Capital Assets	Restricted for Capital Program	Unrestricted	Total
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
2008	109,246,020	11,447,317	1,150,000	121,843,337
2007	82,063,943	16,843,037	1,150,000	100,056,980
2006	61,493,550	9,840,344	950,000	72,283,894
2005	53,395,006	8,492,700	950,000	62,837,706
2004	45,048,381	6,067,008	950,000	52,065,389



Source: Encina Wastewater Authority

- ▶ 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
- ▶ FY 2006 - FY 2008 reflects Building Program & Phase V Expansion Capital Projects and \$200k addition to unrestricted
- ▶ FY 2004 and FY 2005 reflect Flow Equalization & Phase V Expansion Capital Projects

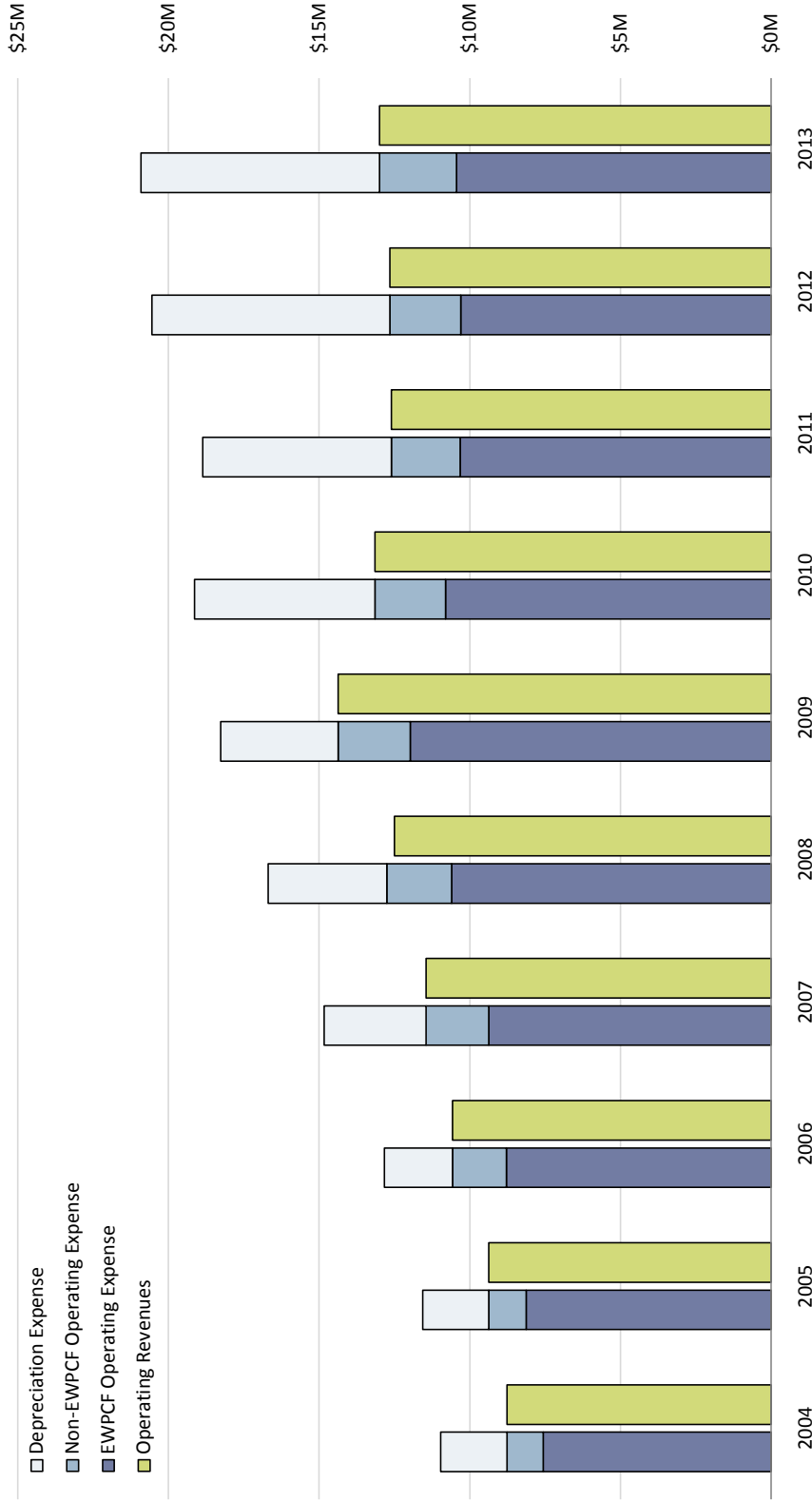
ENCINA WASTEWATER AUTHORITY
Changes in Net Position (in thousands)

Last Ten Fiscal Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating Revenues										
Member Agency Assessments	\$ 12,646	\$ 12,384	\$ 12,249	\$ 12,863	\$ 14,103	\$ 12,121	\$ 10,958	\$ 10,314	\$ 9,128	\$ 8,502
Other Operating Revenues	347	266	354	286	266	376	492	259	238	260
Total Operating Revenues	12,993	12,650	12,603	13,149	14,368	12,497	11,449	10,573	9,366	8,763
Operating Expenses										
Unit I - Encina Plant Usage Costs	5,910	5,904	5,810	5,868	7,157	6,365	5,780	5,344	4,881	4,221
Unit I - Encina Plant Ownership Costs	3,936	3,754	3,800	4,265	4,098	3,560	3,018	3,022	2,888	2,991
Unit J - Encina Ocean Outfall	265	308	368	357	414	249	233	237	191	190
Director's Meetings	65	57	70	59	61	56	40	40	37	39
Flow Metering	264	273	274	256	246	368	299	141	131	125
Subtotal Encina Wastewater Pollution Control Facilities (EWPCF)	10,440	10,296	10,323	10,805	11,975	10,598	9,369	8,785	8,127	7,566
Source Control	620	623	592	588	517	458	383	450	415	449
Aqua Hedionda Pump Station	259	247	202	239	244	207	275	245	187	170
Buena Vista Pump Station	386	348	343	335	370	340	379	294	304	274
Buena Sanitation District Facilities	296	215	314	322	355	321	338	294	279	304
Carlsbad Water Reclamation Facilities	844	772	703	733	740	694	607	506	54	-
Raceway Basin Pump Station	147	147	126	127	167	139	97	-	-	-
Depreciation	7,917	7,900	6,260	5,986	3,897	3,938	3,380	2,260	2,191	2,201
Total Operating Expenses	20,910	20,549	18,863	19,135	18,265	16,694	14,829	12,833	11,557	10,964
Operating Income (Loss)	(7,917)	(7,900)	(6,260)	(5,986)	(3,897)	(4,197)	(3,380)	(2,260)	(2,191)	(2,201)
Nonoperating Revenues (Expenses)										
Net Gain (Loss) on Disposal of Capital Assets	(1,328)	(841)	(50)	(849)	(281)	75	(172)	(223)	(192)	895
Investment & Other Capital Income	10	17	25	40	146	369	387	172	81	27
Other Nonoperating Revenues	-	-	-	-	850	-	200	-	100	76
Total Nonoperating Revenues (Expenses)	(1,318)	(824)	(25)	(809)	715	445	415	(51)	(11)	997
Income (Loss) Before Contributions	(9,235)	(8,724)	(6,285)	(6,796)	(3,182)	(3,752)	(2,964)	(2,311)	(2,202)	(1,203)
Capital Contributions										
Member Agency Assessments	9,652	7,806	5,878	4,658	8,318	29,539	30,737	11,757	12,974	7,498
Distributions to Member Agencies	-	-	-	-	-	(4,000)	-	-	-	-
Total Capital Contributions	9,652	7,806	5,878	4,658	8,318	25,539	30,737	11,757	12,974	7,498
Increase (Decrease) in Net Position	\$ 418	\$ (917)	\$ (407)	\$ (2,138)	\$ 5,136	\$ 21,786	\$ 27,773	\$ 9,446	\$ 10,772	\$ 6,295

ENCINA WASTEWATER AUTHORITY
Changes in Net Position (in thousands)
Last Ten Fiscal Years

Operating Income (Loss)



Source: Encina Wastewater Authority

- ▲ 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: Capital Revenues decreased from prior year due to Phase V Expansion project completion. 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.
- ▲ FY 2009: Capital Revenues decreased from prior year resulting from substantial completion of Phase V Expansion project
- ▲ FY 2008: Capital Revenues decreased from prior year resulting from completion of the Building Program
- ▲ FY 2007: Capital Revenues increased from prior years due to commencement of two large capital facility projects
- ▲ FY 2007: Depreciation increased from prior years due to completion and capitalization of the Flow Equalization facility.
- ▲ Other Nonoperating Revenues in FY 2009 and FY 2007 represent Financial Reserve Contributions

ENCINA WASTEWATER AUTHORITY

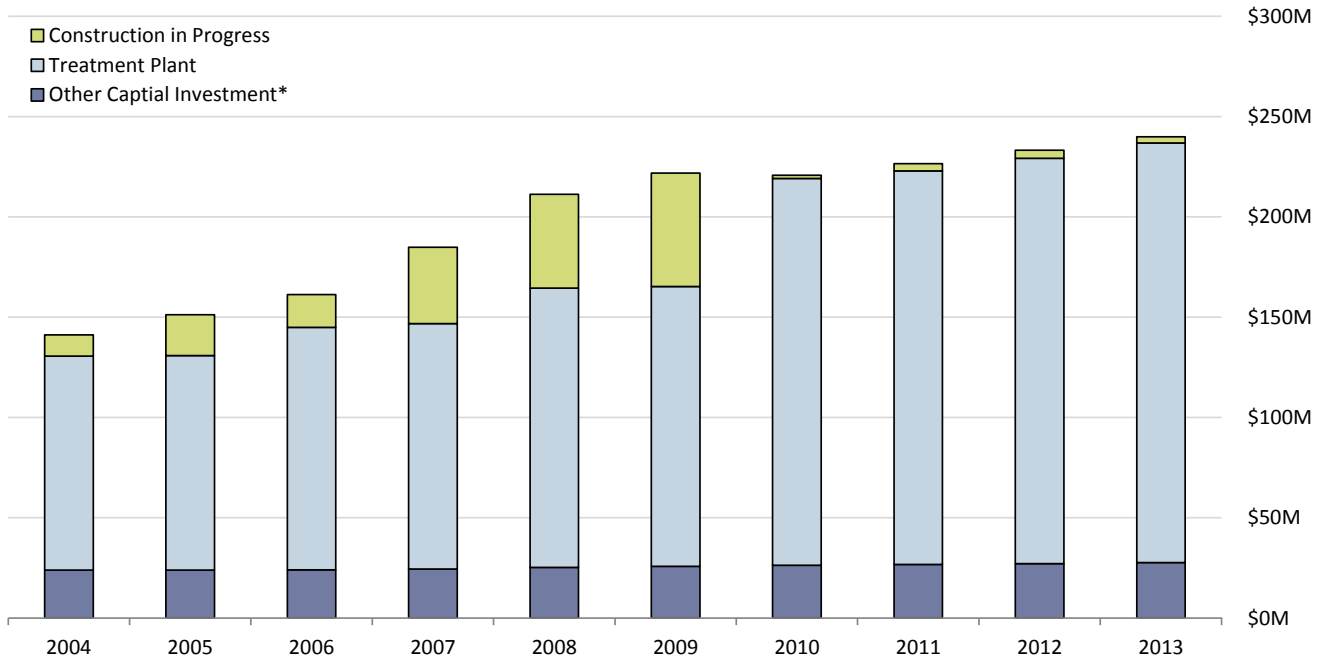
Net Investment in Capital Assets

Last Ten Fiscal Years

By Function

Fiscal Year	Treatment Plant (1)	Ocean Outfall (2)	Remote Facilities (3)	Equipment (4)	Real Property (5)	Construction in Progress	Accumulated Depreciation	Total
2013	\$ 209,110,243	\$ 14,115,650	\$ 6,860,710	\$ 3,135,737	\$ 3,598,173	\$ 3,075,422	\$ (125,952,298)	113,943,637
2012	202,104,971	14,102,005	6,749,955	2,640,451	3,598,173	4,054,328	(119,356,558)	113,893,325
2011	196,253,370	14,102,005	6,581,287	2,412,009	3,598,173	3,509,708	(112,388,624)	114,067,928
2010	192,795,916	14,102,005	6,433,787	2,184,049	3,598,173	1,658,195	(106,741,892)	114,030,233
2009	139,467,581	13,766,644	6,384,089	2,004,015	3,598,173	56,596,253	(105,573,270)	116,243,485
2008	139,229,814	13,766,644	6,103,717	1,801,898	3,598,173	46,749,390	(102,003,617)	109,246,019
2007	122,413,852	13,766,644	5,959,437	1,114,997	3,598,173	38,017,368	(102,806,528)	82,063,943
2006	120,811,650	13,766,644	5,716,899	982,223	3,598,173	16,344,456	(99,726,495)	61,493,550
2005	106,916,302	13,766,644	5,618,737	996,616	3,598,173	20,306,367	(97,807,833)	53,395,006
2004	106,690,633	13,766,644	5,549,864	987,160	3,598,173	10,527,457	(96,071,550)	45,048,381

Capital Investment by Category Excluding Depreciation



* includes ocean outfall, remote facilities, equipment, and real property

Source: Encina Wastewater Authority

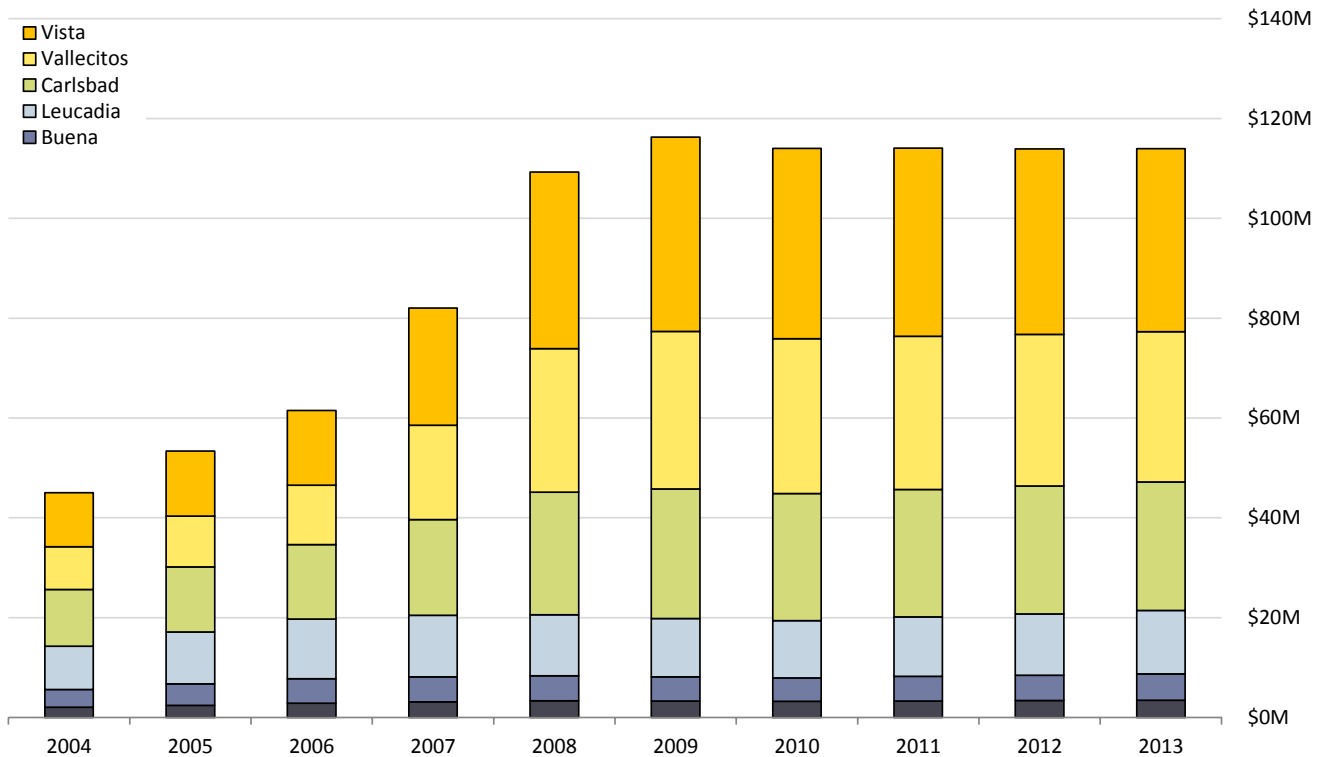
ENCINA WASTEWATER AUTHORITY

Net Investment in Capital Assets

Last Ten Fiscal Years

By Member Agency

Fiscal Year	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	Total
2013	\$ 36,685,069	\$ 25,726,787	\$ 5,255,587	\$ 30,063,361	\$ 12,731,372	\$ 3,481,461	113,943,637
2012	37,154,594	25,612,883	5,084,767	30,362,230	12,285,583	3,393,268	113,893,325
2011	37,687,907	25,537,838	4,915,342	30,714,365	11,893,406	3,319,070	114,067,928
2010	38,173,642	25,445,003	4,709,713	31,017,162	11,451,647	3,233,072	114,030,239
2009	38,917,534	25,916,556	4,832,144	31,571,047	11,704,705	3,301,500	116,243,486
2008	35,362,569	24,557,479	5,011,463	28,745,540	12,229,771	3,339,199	109,246,021
2007	23,457,660	19,146,400	5,007,909	18,900,822	12,369,231	3,111,921	81,993,943
2006	14,949,461	14,918,740	4,899,249	11,893,673	11,988,501	2,843,926	61,493,550
2005	13,036,658	12,995,471	4,324,089	10,213,877	10,383,160	2,441,751	53,395,006
2004	10,858,056	11,359,563	3,580,072	8,543,514	8,664,623	2,042,553	45,048,381



Source: Encina Wastewater Authority

2013 capital assets include:

- ▶ Solids Processing and Blower project, Third Centrifuge Engine, Natural Gas Pipeline Replacement, Post Phase V Improvements, and Top End Engine Overhaul
- ▶ Heat loop pump, chlorine containment upgrades, compressor for heat dryer building, aeration air piping replacement, financial software
- ▶ Ten primary clarifiers, four aeration basins, six digesters, eight secondary clarifiers, three dissolved air floatation tanks, one regenerative thermal oxidizer, four cogeneration engines, and ten buildings
- ▶ One effluent pump station and the ocean outfall pipe which extends 1.5 miles offshore
- ▶ Three pump stations, one (1) water reclamation facility and one (1) sanitation facility
- ▶ Furnishings, office equipment, and flow metering system
- ▶ The South Parcel (undeveloped) and the Encina Water Pollution Control Facilities. In FY 2004, 39.52 acres of land was sold.

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)
2012	353,279	0.5%	\$ 17,786	\$ 50,345	8.2%	\$ 27,016
2011	351,348	0.8%	\$ 17,045	\$ 48,512	8.9%	\$ 26,777
2010	348,420	0.1%	\$ 19,976	\$ 57,332	9.1%	\$ 27,037
2009	347,943	0.6%	\$ 19,958	\$ 57,361	7.7%	\$ 27,997
2008	345,880	1.8%	\$ 19,686	\$ 56,917	5.0%	\$ 27,488
2007	339,639	2.1%	\$ 18,814	\$ 55,394	4.3%	\$ 25,660
2006	332,732	2.5%	\$ 17,679	\$ 53,133	3.5%	\$ 23,002
2005	324,505	2.5%	\$ 16,703	\$ 51,473	3.7%	\$ 20,010
2004	316,443	2.2%	\$ 15,951	\$ 50,406	4.1%	\$ 17,647
2003	309,590	n/a	\$ 14,904	\$ 48,141	4.5%	\$ 15,815

Principal Employers

Employer	Business Category	Number of Employees	Percent of Total Employment*	Member Agency
Life Technologies	Biotechnology	4,142	7.57%	Carlsbad
Taylor Made-Adidas Golf Inc	Sporting Good Equipment	2,498	4.57%	Carlsbad
Callaway Golf	Sporting Good Equipment	1,637	2.99%	Carlsbad
Hunter Industries	Construction Material	729	2.53%	San Marcos
United Parcel Service	Package Delivery	434	1.51%	San Marcos
Scripps Memorial Hospital	Healthcare	1,200	3.89%	Encinitas
Dudek	Business Services	300	0.97%	Encinitas
Vista Unified School District	Education	1,744	3.52%	Vista
San Diego Superior Court	Government	602	1.21%	Vista

* within specified member agency jurisdiction

Principal Property Taxpayers

Taxpayer	2012 Assessed Taxable Value	Member Agency
La Costa Glen Retirement Community	\$ 230,236,508	Carlsbad
Aviara Resort Associates LLC	149,845,296	Carlsbad
World Premier Investments	151,353,824	San Marcos
Hunter Industries Inc.	95,326,094	San Marcos
Hillcrest Montecito LP	70,005,927	Vista
Acpre Monarch Vista Venture	69,000,000	Vista
Scripps Health	76,363,047	Encinitas
Collwood Pines Apartments	54,972,120	Encinitas

- ▶ Data presented is a composite of data from FY 2013 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
- ▶ Vista and Encinitas unemployment data was gathered from the U.S. Bureau of Labor Statistics

ENCINA WASTEWATER AUTHORITY

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 by Revised Basic Agreement	August 1988
Encina Administrative Agency renamed Encina Wastewater Authority	December 1991
Revised Establishment Document approved by Member Agencies	November 1994











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	358,000
Wastewater Treatment & Disposal Capacity (permitted)	43.30 MGD
Average Daily Wastewater Flow	22.10 MGD
Average Daily Biochemical Oxygen Demand (influent)	60,155 PPD
Average Suspended Solids (influent)	60,555 PPD
Average Treated Wastewater Reclaimed	6.25 MGD
Average Treated Wastewater Disposal	16.18 MGD
Average Years of Employee Service	8.5 years

Top 10 Source Permits (Gallons Per Day)

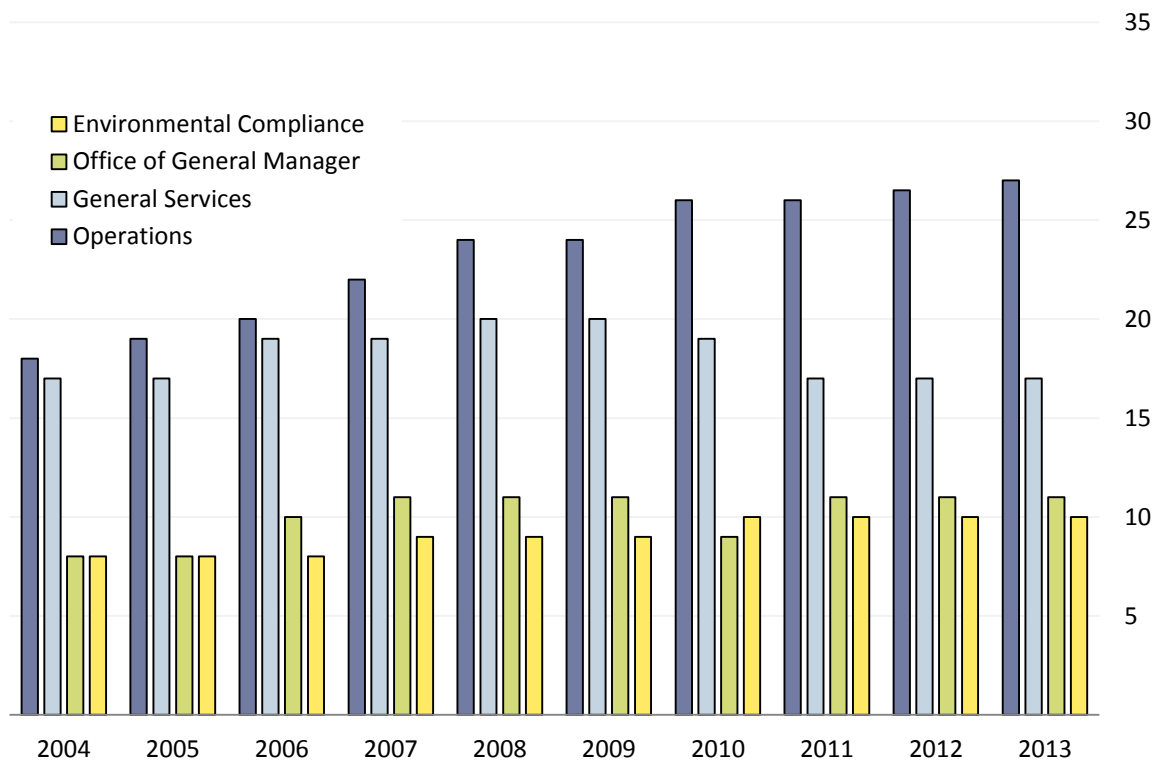
Cintas Corporation	Industrial laundry	55,000	
Prudential Overall Supply	Industrial laundry	44,000	
Hollandia Dairy	Beverage producer	35,000	
GE Osmonics, Inc.	Manufacturing	25,000	
Hughes Circuits, Inc.	Manufacturing	13,000	
J&D Laboratories, Inc.	Manufacturing	3,670	
MacDermid Printing Solutions	Manufacturing	3,150	
Vista Industrial Products, Inc.	Manufacturing	3,000	
Natural Alternatives International	Manufacturing	2,860	
Signet Armorlite, Inc.	Manufacturing	2,700	

▶ MGD = million gallons per day

▶ PPD = pounds per day

ENCINA WASTEWATER AUTHORITY
Full-Time Equivalent Employees by Function
Last Ten Fiscal Years

Fiscal Year	Operations	General Services	Office of General Manager	Environmental Compliance	Total FTE
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	26.00	19.00	9.00	10.00	64.00
2009	24.00	20.00	11.00	9.00	64.00
2008	24.00	20.00	11.00	9.00	64.00
2007	22.00	19.00	11.00	9.00	61.00
2006	20.00	19.00	10.00	8.00	57.00
2005	19.00	17.00	8.00	8.00	52.00
2004	18.00	17.00	8.00	8.00	51.00



Source: Encina Wastewater Authority

- ▶ 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
- ▶ FY 2008: Two Shift Supervisor and one Mechanical Technician positions added
- ▶ FY 2007: One Chemist, one Shift Supervisor, one Operator Grade II, one Support Specialist positions added
- ▶ FY 2006: One Engineering Manager, one Financial Services Manager, one Maintenance Planner, and one Electrical Instrumentation Specialist positions added
- ▶ FY 2005: One Operator position added

ENCINA WASTEWATER AUTHORITY

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	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	Total	YOY Change
2013	\$ 2,916,646	\$ 3,827,257	\$ 1,223,734	\$ 2,364,992	\$ 1,828,803	\$ 546,491	\$ 12,707,923	4.1%
2012	2,894,508	3,677,363	1,122,452	2,211,874	1,780,750	525,297	12,212,244	-2.5%
2011	2,944,497	3,713,809	1,257,548	2,236,119	1,836,606	537,555	12,526,133	-4.4%
2010	3,042,873	3,961,372	1,322,605	2,260,092	1,929,239	582,692	13,098,873	-7.9%
2009	3,354,891	4,190,425	1,422,809	2,594,083	2,051,872	613,734	14,227,814	13.3%
2008	2,895,678	3,819,522	1,280,944	2,305,224	1,753,873	502,210	12,557,448	9.2%
2007	2,798,871	3,192,274	1,170,638	2,260,439	1,666,198	414,273	11,502,693	8.1%
2006	2,509,016	2,926,479	1,053,386	2,163,780	1,609,737	374,399	10,636,797	13.4%
2005	2,185,151	2,499,046	963,906	1,919,153	1,464,508	346,657	9,378,421	7.3%
2004	2,068,282	2,354,413	959,912	1,666,551	1,368,168	322,974	8,740,300	3.6%

Operating Expenses, excluding Depreciation

Fiscal Year	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	Total	YOY Change
2013	\$ 3,028,237	\$ 3,929,390	\$ 1,308,964	\$ 2,328,462	\$ 1,834,336	\$ 563,925	\$ 12,993,314	2.7%
2012	2,972,735	3,854,579	1,219,645	2,267,470	1,787,779	547,312	12,649,520	0.4%
2011	3,010,991	3,820,570	1,303,867	2,162,596	1,773,223	532,034	12,603,281	-4.1%
2010	3,091,124	3,999,304	1,360,071	2,193,064	1,915,895	589,325	13,148,783	-8.5%
2009	3,415,783	4,235,589	1,458,870	2,553,589	2,049,814	654,522	14,368,167	12.6%
2008	2,967,030	3,853,390	1,282,977	2,333,837	1,795,076	524,056	12,756,366	11.4%
2007	2,825,776	3,230,252	1,184,857	2,104,831	1,689,485	414,105	11,449,306	8.3%
2006	2,529,655	2,935,272	1,044,667	2,057,769	1,625,863	380,032	10,573,258	12.9%
2005	2,268,599	2,381,609	965,888	1,931,310	1,468,502	350,425	9,366,333	6.9%
2004	2,065,144	2,385,628	978,282	1,617,037	1,370,051	346,669	8,762,811	6.9%

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

Fiscal Year	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	Total
2013	\$ (111,591)	\$ (102,133)	\$ (85,230)	\$ 36,530	\$ (5,533)	\$ (17,434)	\$ (285,391)
2012	(78,227)	(177,216)	(97,193)	(55,596)	(7,029)	(22,015)	(437,276)
2011	(66,494)	(106,761)	(46,319)	73,523	63,383	5,521	(77,147)
2010	48,251	37,932	37,466	(67,028)	(13,344)	6,633	49,910
2009	60,892	45,164	36,061	(40,494)	(2,058)	40,788	140,353
2008	71,351	33,870	2,033	28,613	41,204	21,845	198,916
2007	26,906	37,979	14,221	(155,606)	23,288	(170)	(53,382)
2006	20,639	8,793	(8,719)	(106,011)	16,126	5,633	(63,539)
2005	83,448	(117,437)	1,982	12,157	3,994	3,768	(12,088)
2004	(3,138)	31,215	18,370	(49,514)	1,883	23,695	22,511

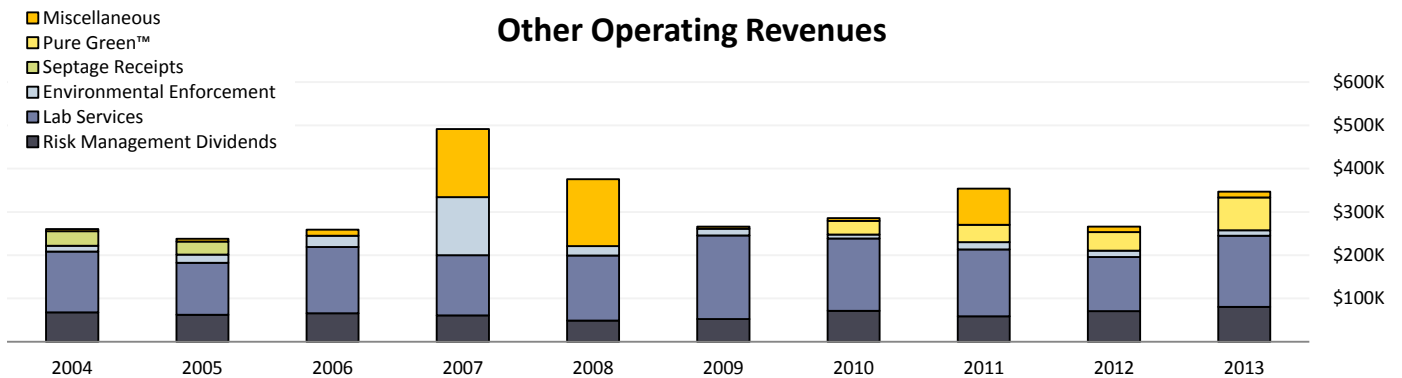
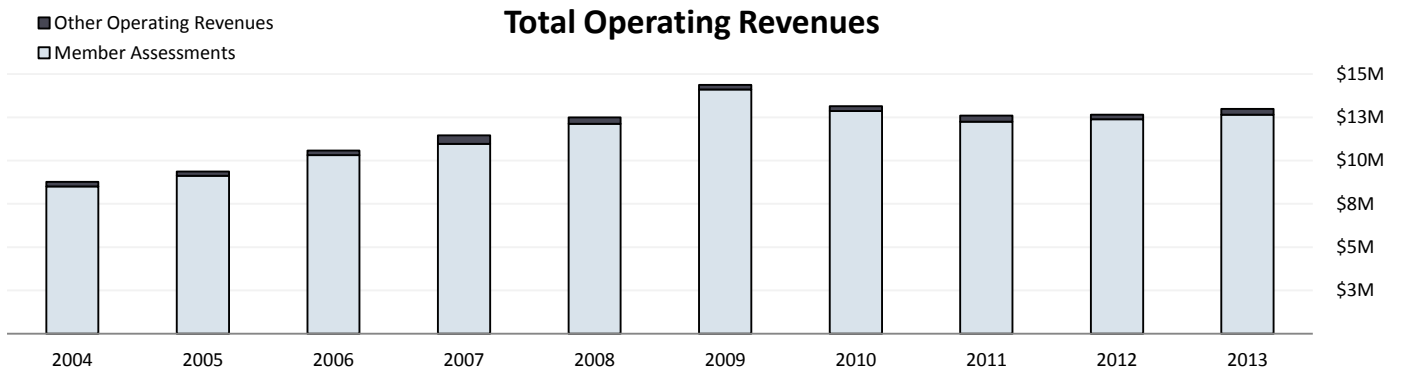
Source: Encina Wastewater Authority

- ▶ Member billing methodology changed from estimated budget to actuals beginning FY 2003.
- ▶ A variance is expected due to fiscal year end accounting for changes in Compensated Absence and Inventory balances

ENCINA WASTEWATER AUTHORITY
Operating Revenues and Expenses by Major Source and Use
Last Ten Fiscal Years

Operating Revenues

Fiscal Year	Member Assessments	Septage Receipts	Risk Management Dividends	Pure Green™	Lab Services	Environmental Enforcement	Miscellaneous	Total
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	12,249,354	-	58,772	40,448	154,245	16,970	83,492	12,603,281
2010	12,863,097	-	71,669	31,534	166,648	9,490	6,345	13,148,782
2009	14,102,535	-	52,366	-	193,478	14,985	4,803	14,368,168
2008	12,121,439	-	48,672	-	150,346	21,872	154,971	12,497,300
2007	10,957,510	-	60,804	-	138,945	134,110	157,940	11,449,309
2006	10,314,124	-	65,839	-	153,102	26,037	14,156	10,573,258
2005	9,128,174	30,158	62,400	-	119,673	19,050	6,878	9,366,333
2004	8,502,454	34,092	67,916	-	140,191	13,375	4,784	8,762,812



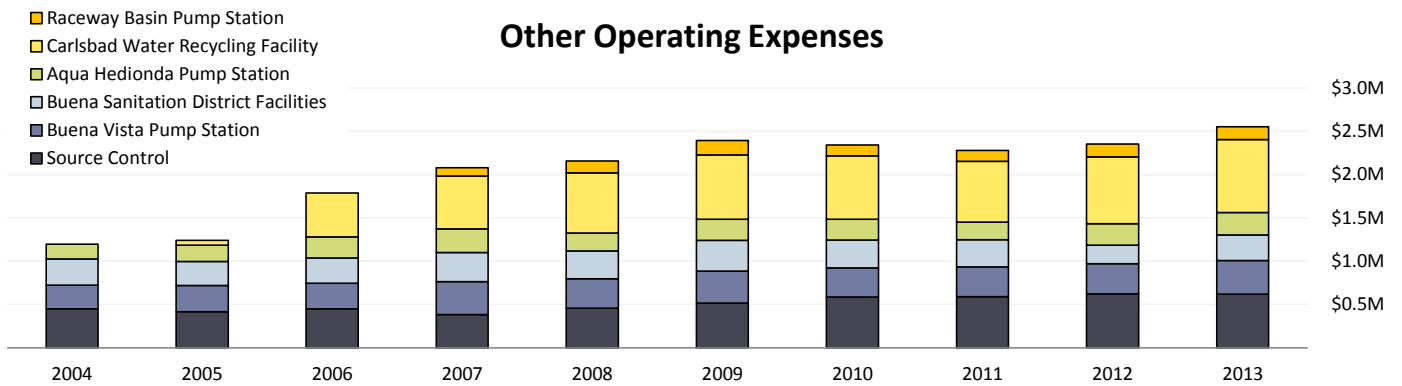
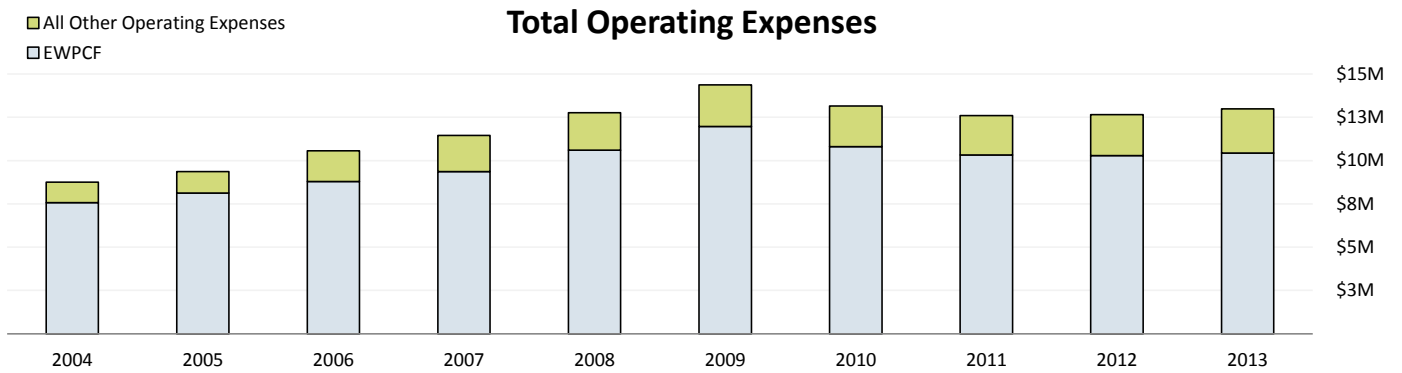
Source: Encina Wastewater Authority

- ▶ Miscellaneous Revenue includes Sale of Scrap, Refunds, and Incentives
- ▶ FY 2011: Miscellaneous Revenue includes \$78k retroactive utility rate adjustment from San Diego Gas & Electric
- ▶ FY 2010: Pure Green™ marketing initiated
- ▶ FY 2008: Non-operating Revenue of \$259,066 was applied to offset Operating Expenses
- ▶ FY 2006: Septage Hauler Domestic Waste program discontinued

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 Sanitation District Facilities	Carlsbad Water Recycling Facility	Raceway Basin Pump Station	Total
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	10,322,744	591,609	201,953	343,044	314,303	703,253	126,375	12,603,282
2010	10,805,155	587,541	238,499	335,451	321,524	733,358	127,254	13,148,782
2009	11,974,772	517,222	244,177	370,135	354,886	739,851	167,124	14,368,167
2008	10,597,845	457,500	206,733	340,290	320,629	693,992	139,377	12,756,366
2007	9,369,179	383,060	275,102	379,484	337,799	607,207	97,478	11,449,309
2006	8,784,969	449,814	244,939	293,613	294,416	505,507	-	10,573,258
2005	8,126,726	415,156	187,485	304,069	279,040	53,857	-	9,366,333
2004	7,565,874	448,725	170,428	274,271	303,514	-	-	8,762,812



Source: Encina Wastewater Authority

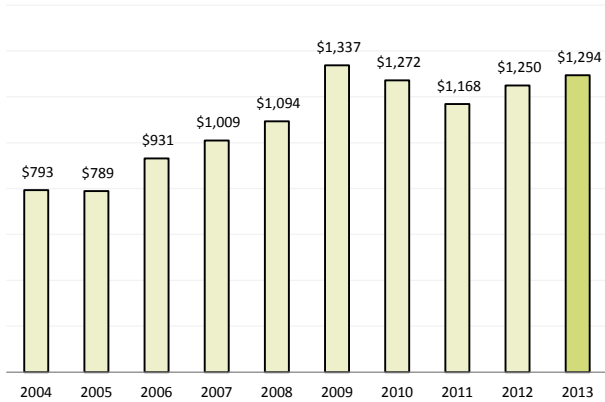
- ▶ Member Agencies are billed the amount of Operating Expenses less Other Operating Revenues
- ▶ FY 2009: Phase V Expansion substantially complete and on-line. Variance in operating costs result of start-up activities
- ▶ FY 2007: EWA assumed operation of City of Vista's Raceway Basin Pump Station Facility
- ▶ FY 2005: Carlsbad Water Recycling Facility commenced operations

ENCINA WASTEWATER AUTHORITY
Operating Expense per Million Gallons (MG)
Last Ten Fiscal Years

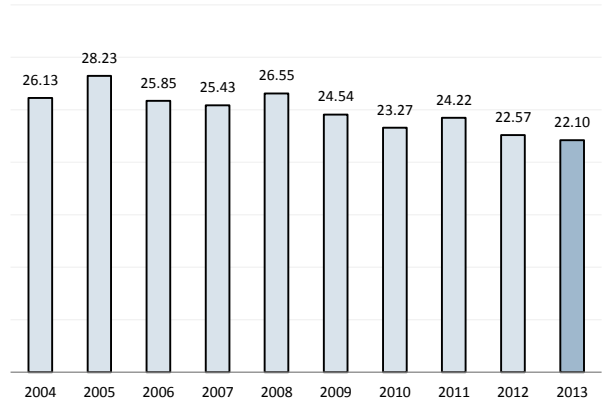
Year Ended	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	EWPCF Totals
June 30, 2013							
Operating Expenses	\$ 2,186,301	\$ 2,774,976	\$ 932,447	\$ 2,204,088	\$ 1,795,180	\$ 546,527	\$ 10,439,519
Avg. Daily Flow in MG	5.35	6.53	1.63	3.44	4.10	1.05	22.10
Annualized Flow in MG	1952.75	2383.45	594.95	1255.60	1496.50	383.25	8066.50
Cost Per MG	\$ 1,119.60	\$ 1,164.27	\$ 1,567.27	\$ 1,755.41	\$ 1,199.59	\$ 1,426.03	\$ 1,294.18
% change from prior year	1.22%	5.33%	2.39%	3.28%	2.91%	6.48%	3.55%
June 30, 2012							
Operating Expenses	\$ 2,164,079	\$ 2,792,012	\$ 910,702	\$ 2,152,635	\$ 1,748,725	\$ 527,935	\$ 10,296,088
Avg. Daily Flow in MG	5.36	6.92	1.63	3.47	4.11	1.08	22.57
Annualized Flow in MG	1956.40	2525.80	594.95	1266.55	1500.15	394.20	8238.05
Cost Per MG	\$ 1,106.15	\$ 1,105.40	\$ 1,530.72	\$ 1,699.61	\$ 1,165.70	\$ 1,339.26	\$ 1,249.82
% change from prior year	-0.57%	-3.99%	-2.87%	8.03%	-7.07%	-11.34%	7.03%
June 30, 2011							
Operating Expenses	\$ 2,273,903	\$ 2,847,328	\$ 892,275	\$ 2,055,254	\$ 1,735,905	\$ 518,079	\$ 10,322,744
Avg. Daily Flow in MG	6.08	7.57	1.71	3.64	4.18	1.04	24.22
Annualized Flow in MG	2098.75	2591.50	613.20	1324.95	1489.20	375.95	8840.30
Cost Per MG	\$ 1,112.45	\$ 1,151.29	\$ 1,576.00	\$ 1,573.28	\$ 1,254.36	\$ 1,510.61	\$ 1,167.69
% change from prior year	-5.82%	-8.48%	-4.77%	5.17%	-5.77%	-3.41%	-8.21%
June 30, 2010							
Operating Expenses	\$ 2,334,760	\$ 2,983,569	\$ 966,403	\$ 2,084,517	\$ 1,867,994	\$ 567,912	\$ 10,805,155
Avg. Daily Flow in MG	5.75	7.10	1.68	3.63	4.08	1.03	23.27
Annualized Flow in MG	2182.70	2595.15	635.10	1631.55	1507.45	405.15	8493.55
Cost Per MG	\$ 1,181.18	\$ 1,257.91	\$ 1,655.01	\$ 1,495.99	\$ 1,331.16	\$ 1,563.91	\$ 1,272.16
% change from prior year	21.70%	24.53%	18.55%	24.33%	16.11%	29.99%	-4.84%
June 30, 2009							
Operating Expenses	\$ 2,578,159	\$ 3,264,462	\$ 1,051,098	\$ 2,440,780	\$ 2,006,657	\$ 633,616	\$ 11,974,772
Avg. Daily Flow in MG	5.98	7.11	1.74	4.47	4.13	1.11	24.54
Annualized Flow in MG	2321.40	2905.40	653.35	1854.20	1533.00	423.40	8957.10
Cost Per MG	\$ 970.60	\$ 1,010.10	\$ 1,396.00	\$ 1,203.20	\$ 1,146.45	\$ 1,203.12	\$ 1,336.90
% change from prior year	10.24%	3.06%	16.00%	5.36%	14.36%	11.17%	22.25%
June 30, 2008							
Operating Expenses	\$ 2,253,155	\$ 2,934,738	\$ 912,076	\$ 2,230,966	\$ 1,757,509	\$ 509,401	\$ 10,597,845
Avg. Daily Flow in MG	6.36	7.96	1.79	5.08	4.20	1.16	26.55
Annualized Flow in MG	2390.75	2441.85	671.60	1766.60	1646.15	365.00	9690.75
Cost Per MG	\$ 880.45	\$ 980.09	\$ 1,203.42	\$ 1,142.01	\$ 1,002.53	\$ 1,082.23	\$ 1,093.60
% change from prior year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	8.34%
June 30, 2007							
Operating Expenses	\$ 2,104,941	\$ 2,393,225	\$ 808,215	\$ 2,017,472	\$ 1,650,313	\$ 395,013	\$ 9,369,179
Avg. Daily Flow in MG	6.55	6.69	1.84	4.84	4.51	1.00	25.43
Annualized Flow in MG	2390.75	2441.85	671.60	1766.60	1646.15	365.00	9281.95
Cost Per MG	\$ 880.45	\$ 980.09	\$ 1,203.42	\$ 1,142.01	\$ 1,002.53	\$ 1,082.23	\$ 1,009.40
% change from prior year	10.48%	7.26%	15.09%	9.48%	2.04%	14.14%	8.41%
June 30, 2006							
Operating Expenses	\$ 1,975,084	\$ 2,221,305	\$ 713,689	\$ 1,926,565	\$ 1,581,498	\$ 366,828	\$ 8,784,969
Avg. Daily Flow in MG	6.79	6.66	1.87	5.06	4.41	1.06	25.85
Annualized Flow in MG	2478.35	2430.90	682.55	1846.90	1609.65	386.90	9435.25
Cost Per MG	\$ 796.94	\$ 913.78	\$ 1,045.62	\$ 1,043.13	\$ 982.51	\$ 948.12	\$ 931.08
% change from prior year	19.60%	16.06%	14.80%	23.24%	14.66%	17.29%	18.05%
June 30, 2005							
Operating Expenses	\$ 1,792,413	\$ 2,109,384	\$ 658,222	\$ 1,798,095	\$ 1,429,298	\$ 339,314	\$ 8,126,726
Avg. Daily Flow in MG	7.37	7.34	1.98	5.82	4.57	1.15	28.23
Annualized Flow in MG	2690.05	2679.10	722.70	2124.30	1668.05	419.75	10303.95
Cost Per MG	\$ 666.31	\$ 787.35	\$ 910.78	\$ 846.44	\$ 856.87	\$ 808.37	\$ 788.70
% change from prior year	0.23%	1.62%	-1.36%	-4.49%	-1.50%	2.57%	-0.58%
June 30, 2004							
Operating Expenses	\$ 1,615,147	\$ 2,142,316	\$ 633,955	\$ 1,528,538	\$ 1,317,330	\$ 328,588	\$ 7,565,874
Avg. Daily Flow in MG	6.66	7.58	1.88	4.73	4.15	1.14	26.13
Annualized Flow in MG	2429.68	2765.08	686.61	1724.83	1514.34	416.91	9537.45
Cost Per MG	\$ 664.76	\$ 774.78	\$ 923.32	\$ 886.20	\$ 869.90	\$ 788.15	\$ 793.28

ENCINA WASTEWATER AUTHORITY
Operating Expense per Million Gallons (MG)
Last Ten Fiscal Years

Operating Expense per Million Gallons

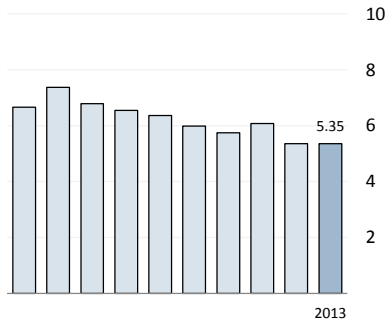


Total Average Daily Flow (MGD)

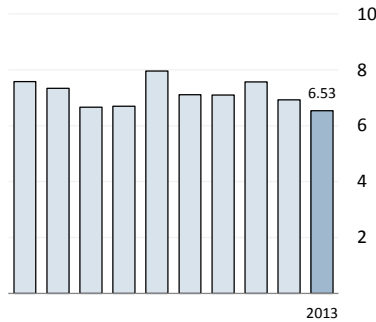


Average Daily Flow (MGD) by Member Agency

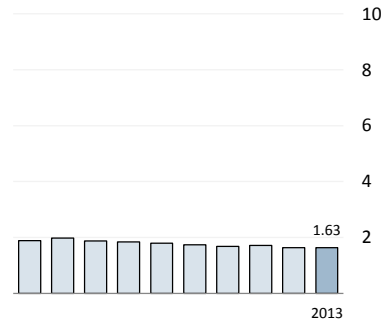
Vista



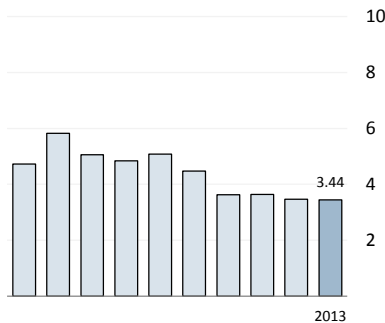
Carlsbad



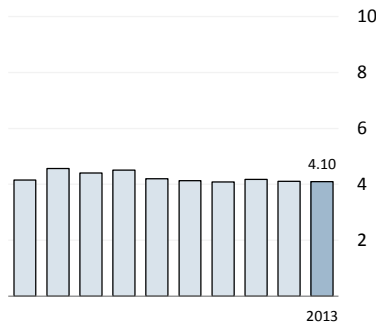
Buena



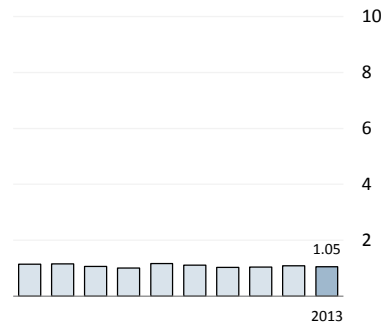
Vallecitos



Leucadia



Encinitas



Source: Encina Wastewater Authority

- ▶ 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.
- ▶ FY 2005 reflects impact of inflow and infiltration caused by high precipitation levels

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