

# ENCINA WASTEWATER AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014



# 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 VISTA

CITY OF CARLSBAD

CITY OF ENCINITAS

VALLECITOS WATER DISTRICT

BUENA SANITATION DISTRICT

LEUCADIA WASTEWATER DISTRICT

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# INTRODUCTORY SECTION

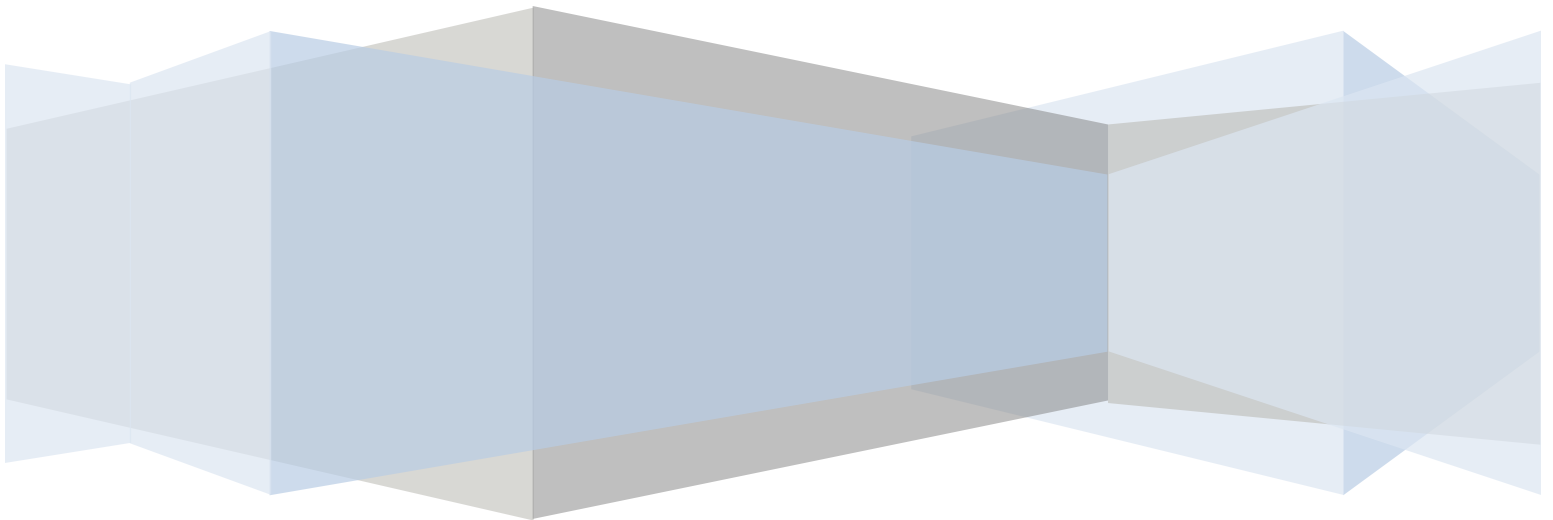
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LETTER OF TRANSMITTAL

LIST OF OFFICIALS

SERVICE AREA MAP

ORGANIZATION CHART



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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, 2014

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, 2014. 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 and related notes. Nonetheless, EWA bears the responsibility for the accuracy of all data presented in this Report. We, EWA's chief executive and financial officers, assume the responsibility for the Report's completeness and fairness of presentation, including all disclosures. We affirm that, to the best of our knowledge and belief, information in this Report provides an accurate and fair representation of EWA's financial position and the status of its operations during the fiscal year ended June 30, 2014. We believe that this Report contains all information and disclosures needed to clearly understand EWA's Fiscal Year 2014 financial activities.

White Nelson Diehl Evans LLP has issued an unmodified ("clean") opinion on EWA's financial statements for the fiscal year ended June 30, 2014. The independent auditors' report is located at the front of the financial section of this report.

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

### BACKGROUND

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

From 1963 to 1979, the County of San Diego managed the JPA. In 1963, the partners acquired a twenty-five acre site in south Carlsbad near the confluence of the Pacific Ocean and Encinas Creek. The partners completed construction of the Encina Water Pollution Control Facility (EWPCF) in 1965 including a 4.5 million gallon per day (MGD) treatment plant and

ocean outfall. By 1971, the Phase I expansion increased treatment capacity to 6.75 MGD. In 1975, the Phase II expansion extended the Encina Ocean Outfall and increased capacity to 13.75 MGD.

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

In 1988, the partners amended the Basic Agreement through a Revised Basic Agreement (RBA). A short time later, 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.

**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, 2014 were:

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

**CURRENT SERVICES**

EWA’s 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, 2014, the EWPCF treated, recycled, or disposed of 8.08 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 22% solids, is considered Class B biosolids. Uses for Class B biosolids are restricted by U.S. Environmental Protection Agency (EPA) regulations.

With the Phase V expansion project, a triple-pass rotary drum heat dryer was placed in service. Biosolids from the centrifuges are pumped to the dryer and heated to approximately 200 degrees Fahrenheit. The heat drying process produces pellets that are more than 90% solids and considered Class A biosolids. The 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 2014, 11% of class A biosolids pellets was sold to CEMEX for use as biofuel, 73% was sold as PureGreen® organic nitrogen fertilizer, and the rest was land applied (16%).

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 75% of electricity used at the EWPCF.

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

EWA's Laboratory conducts approximately 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.
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 will be used to offset natural gas usage in the biosolids dryer and engine-generators. Future energy independence projects may include the installation of gas conditioning systems and engine generator exhaust catalysts 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 conducting condition assessments of major assets to determine the necessary rehabilitation or replacement needs. A condition assessment of the 3 large biosolids digesters determined that the internal protective coating needed to be replaced. This project is currently in design with re-coating scheduled to occur 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 the aeration air delivery system thereby reducing electricity usage. 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.

### **Primary Sedimentation Basin Rehabilitation**

Primary sedimentation basins are high value assets which provide a significant treatment at low operating cost. Condition assessments have determined that the tanks are in need of mechanical equipment replacement, structural repairs and re-coating. This project is currently in a study phase with design and construction scheduled in the near future.

**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 five 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 \$131,141 during fiscal year 2014 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.

**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 Program.

**Independent Audit**

EWA's financial accounts and records are independently audited each year in conformance with requirements prescribed by the State Controller for special districts and accounting principles generally accepted in the United States of America. EWA

has met this requirement and the opinion and report of its independent auditor, 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-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. In addition, EWA offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is optional and EWA has no fiduciary responsibility for the deferred compensation plan.

**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

# LIST of OFFICIALS

## BOARD OF DIRECTORS AND OFFICERS

- Jim Poltl**, Chair, Vallecitos Water District
- Elaine Sullivan**, Vice Chair, Leucadia Wastewater District
- Keith Blackburn**, City of Carlsbad
- Lorraine Wood**, City of Carlsbad
- Kristin Gaspar**, City of Encinitas
- Mark Muir**, City of Encinitas
- Jim Hernandez**, Vallecitos Water 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**, MPA, JD, General Manager
- Michael F. Steinlicht**, Assistant General Manager
- Debra Biggs**, Director of Operations
- 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

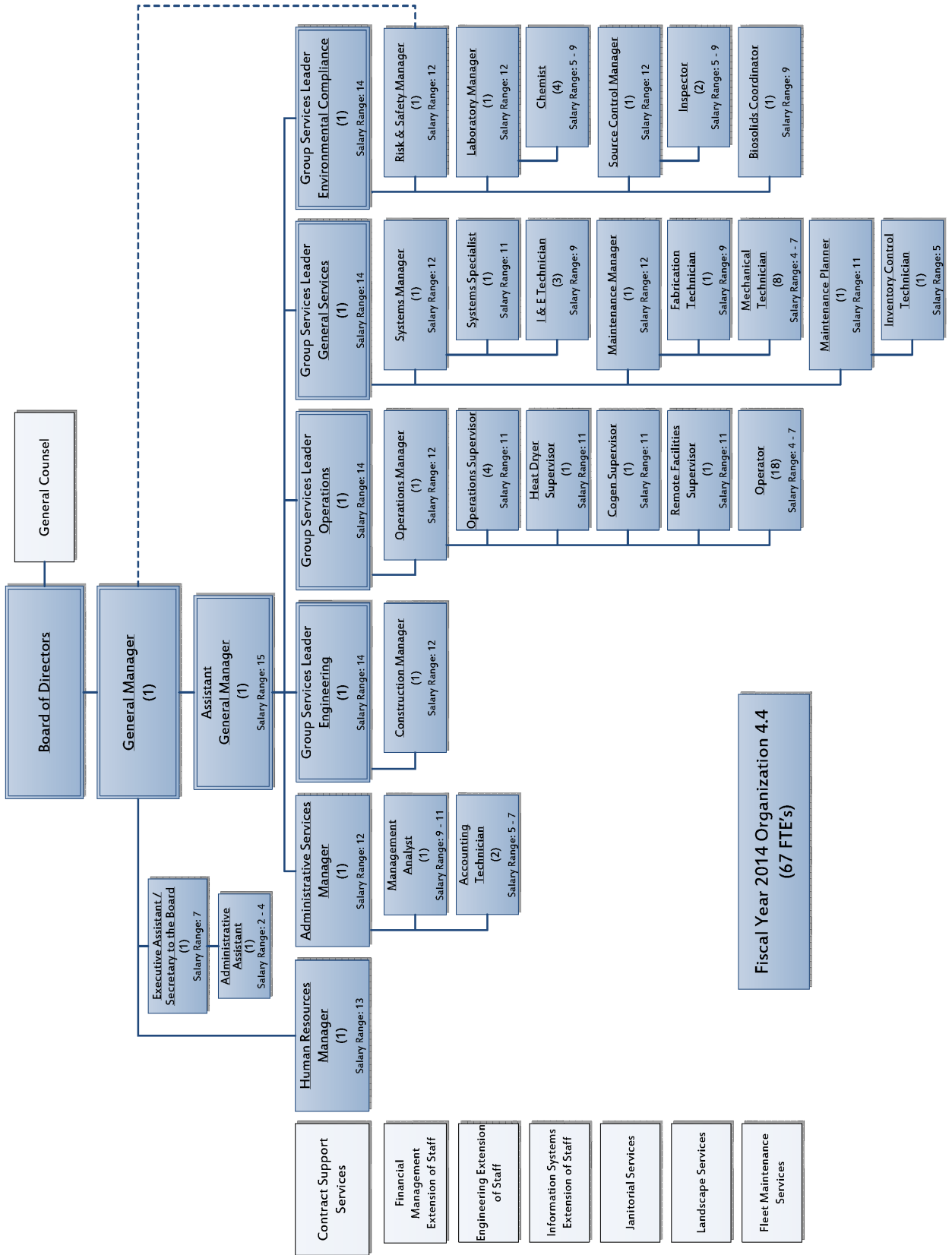
- Gregory V. Moser**, Procopio Cory Hargreaves & Savitch, LLP

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

# SERVICE AREA



# ORG CHART



Fiscal Year 2014 Organization 4.4  
(67 FTE's)





The Government Finance Officers Association  
of the United States and Canada

presents this

# AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

**Office of The General Manager**  
Encina Wastewater Authority, California



*The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.*

Executive Director

Date June 30, 2014

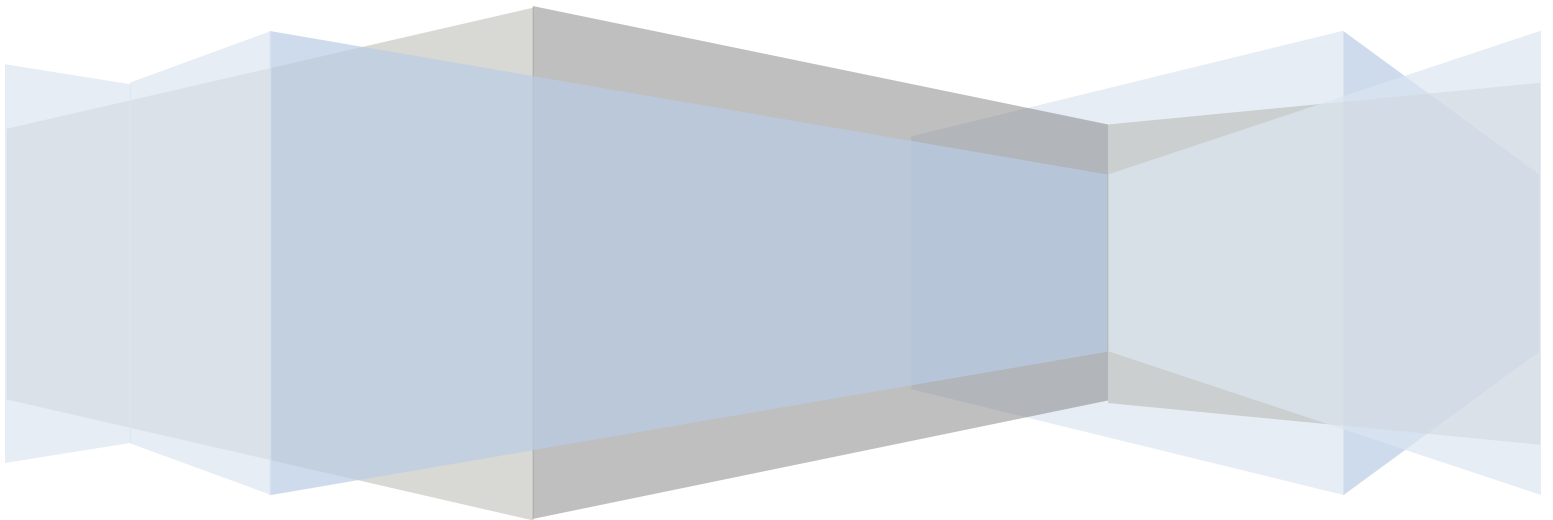
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# FINANCIAL SECTION

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



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**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, 2014 and 2013, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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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2965 Roosevelt Street, Carlsbad, CA 92008-2389 • Tel: 760.729.2343 • Fax: 760.729.2234

*Offices located in Orange and San Diego Counties*

**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, 2014 and 2013, and the 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.

**Other Matters:***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 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 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 25, 2014, 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*

Carlsbad, California  
November 25, 2014

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# MANAGEMENT'S DISCUSSION *and* ANALYSIS

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, 2014. 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:

- 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.

**FINANCIAL HIGHLIGHTS**

- The Authority’s net position decreased by \$4,822,053 to \$119,113,179 for the year ended June 30, 2014. Nearly half of this decrease was the result of a \$2,295,184 capital distribution to refund Phase V Reserves to the Member Agencies.
- The Authority’s total revenues increased from \$13,003,666 for the year ended June 30, 2013, to \$13,454,851 for the year ended June 30, 2014, primarily as a result of increased member agency assessments.
- The Authority’s total expenses increased from \$22,238,234 for the year ended June 30, 2013, to \$22,757,039 for the year ended June 30, 2014. The increase is driven by operating costs, such as utilities 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>2014</u>	<u>2013</u>	<u>2012</u>
<u>Assets:</u>			
Current and other assets	\$ 11,023,519	\$ 12,599,771	\$ 12,605,406
Capital assets	111,134,272	113,943,637	113,893,325
Total Assets	<u>\$ 122,157,791</u>	<u>\$ 126,543,408</u>	<u>\$ 126,498,731</u>
<u>Liabilities:</u>			
Noncurrent liabilities	\$ 1,076,691	\$ 1,078,580	\$ 1,084,963
Other liabilities	1,967,921	1,529,596	1,896,466
Total Liabilities	<u>\$ 3,044,612</u>	<u>\$ 2,608,176</u>	<u>\$ 2,981,429</u>
<u>Net Position:</u>			
Investment in capital assets	\$ 111,134,272	\$ 113,943,637	\$ 113,893,325
Restricted for capital program	5,978,907	7,991,595	7,623,977
Unrestricted	2,000,000	2,000,000	2,000,000
Total Net Position	<u>\$ 119,113,179</u>	<u>\$ 123,935,232</u>	<u>\$ 123,517,302</u>

As you can see from the table above, net position decreased by \$4,822,053 from fiscal year 2013 to 2014. Investment in capital assets decreased \$2,809,365 as a result of depreciation expense and the discontinued projects exceeding the amount spent on capital improvements. Restricted net position decreased \$2,012,688, primarily as a result of the Authority refunding to the Member Agencies \$2,295,184 of Phase V capital reserves.

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>	



## FINANCIAL ANALYSIS OF THE AUTHORITY (CONTINUED)

## 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>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenue	\$ 13,446,624	\$ 12,993,314	\$ 12,649,520
Nonoperating revenue	8,227	10,352	16,791
Total Revenues	<u>13,454,851</u>	<u>13,003,666</u>	<u>12,666,311</u>
Depreciation	7,724,810	7,916,713	7,899,653
Unit I - EWPCF usage costs	6,288,600	5,909,835	5,904,095
Unit I - EWPCF ownership costs	4,138,478	3,935,587	3,754,456
Pump station facilities	1,769,918	1,933,315	1,729,971
Other operating expense	1,249,628	1,214,577	1,260,998
Nonoperating expense	1,585,605	1,328,207	840,705
Total Expenses	<u>22,757,039</u>	<u>22,238,234</u>	<u>21,389,878</u>
Loss Before Contributions and Distributions	(9,302,188)	(9,234,568)	(8,723,567)
Capital Contributions	6,775,319	9,652,498	7,806,170
Capital Distributions	<u>(2,295,184)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(4,822,053)	417,930	(917,397)
Total Net Position at Beginning of Year	<u>123,935,232</u>	<u>123,517,302</u>	<u>124,434,699</u>
Total Net Position at End of Year	<u>\$ 119,113,179</u>	<u>\$ 123,935,232</u>	<u>\$ 123,517,302</u>

A closer examination of the source of changes in net position reveals the Authority's operating revenues increased by \$453,310 in fiscal year 2014. 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 \$453,310 in fiscal year 2014 as a result of increased utilities and other non-personnel costs.

A loss on disposal of capital assets results when capital items are replaced before they are fully depreciated. Discontinued projects result when capital funds have been used towards early development or construction of a capital project but management has subsequently determined to discontinue the project or has determined there is no future value to the funds expended and must expense the capital project in accordance with generally accepted accounting principles (GAAP). For the years ended June 30, 2014 and 2013, the loss on disposal of capital assets was \$-0-. For the years ended June 30, 2014 and 2013, discontinued projects totaled \$1,585,605 and \$1,328,207, respectively. The fiscal year 2014 discontinued projects includes the 2040 Facility Master Plan Study, IT Technology Master Plan Update, Electronic Operating & Maintenance Manual and Document Management Update, and other various capital designs, studies and Plant Rehabilitation Projects.

## FINANCIAL ANALYSIS OF THE AUTHORITY (CONTINUED)

**Revenues, Expenses and Changes in Net Position (continued)**

Capital contributions decreased by \$2,877,179 in fiscal year 2014. Current year contributions principally supported the major plant rehabilitation program and the planned asset replacement. In fiscal year 2014, the Authority distributed \$2,295,184 to refund the Member Agencies for Phase V capital reserves.

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.

**Capital Assets**

Capital assets consist of the following at June 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b><u>Capital Assets Not Being Depreciated:</u></b>			
Land	\$ 3,598,173	\$ 3,598,173	\$ 3,598,173
Construction-in-progress	2,025,302	3,075,422	4,054,328
Total Capital Assets Not Being Depreciated	<u>5,623,475</u>	<u>6,673,595</u>	<u>7,652,501</u>
<b><u>Capital Assets Being Depreciated:</u></b>			
Joint wastewater treatment (Unit I)	212,138,613	209,110,243	202,104,971
Joint ocean outfall (Unit J)	14,115,650	14,115,650	14,102,005
Furnishings and office equipment	3,328,489	2,821,468	2,341,392
Pump station facilities	7,026,591	6,860,710	6,749,955
Flow metering system	314,269	314,269	299,059
Total Capital Assets Being Depreciated	<u>236,923,612</u>	<u>233,222,340</u>	<u>225,597,382</u>
Less: Accumulated depreciation	<u>(131,412,815)</u>	<u>(125,952,298)</u>	<u>(119,356,558)</u>
Net Capital Assets Being Depreciated	<u>105,510,797</u>	<u>107,270,042</u>	<u>106,240,824</u>
Net Capital Assets	<u>\$ 111,134,272</u>	<u>\$ 113,943,637</u>	<u>\$ 113,893,325</u>

The net additions of capital assets being depreciated for fiscal year 2014 totaled \$3,701,272. Capital asset additions consisted of Influent Junction Structure Improvements and other fiscal year 2013 and fiscal year 2014 Major Plant Rehabilitation Projects.

**FINANCIAL ANALYSIS OF THE AUTHORITY (CONTINUED)****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 2015 operating budget is \$14,533,886, an increase of approximately (3.9%) from fiscal year 2014. The fiscal year 2015 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 (\$294,598); Electricity and Natural Gas (\$121,000); and Dewatering Polymer Chemical (\$63,000). The fiscal year 2015 operating budget amount includes \$264,000 in contingency funding for EWA's operations as part of their annual budgeting processes. The fiscal year 2015 Appropriation Resolution #2014-01 requires Board of Directors approval to expend the recommended contingency account.

The Capital Improvement Program for fiscal year 2015 is budgeted at \$10,862,818, with an additional \$7,764,867 in appropriations continued from fiscal year 2014 for on-going projects, for a total fiscal year 2015 capital budget of \$18,627,685.

The fiscal year 2015 budgets reflect 67 authorized positions supporting EWA facilities and five regional facilities totaling more than \$237 million in investments in regional clean water infrastructure. EWA employees' proven ability to provide sustainable wastewater services in a cost effective manner demonstrates their commitment to maintain a workplace based on excellence and innovation.

**Contacting the Authority**

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

**STATEMENTS OF NET POSITION**  
**JUNE 30, 2014 AND 2013**

<b>ASSETS</b>	<u>2014</u>	<u>2013</u>
<b><u>Current Assets:</u></b> (Notes 1, 2 and 3)		
<b>Unrestricted Assets:</b>		
Cash equivalents - operating	\$ 200,000	\$ 200,000
Member receivables - operating billed	2,309,696	2,179,011
Amounts due from member agencies - operating unbilled	53,913	285,391
Other receivables	86,182	40,814
Prepaid expenses	46,771	52,659
Inventory	<u>1,236,819</u>	<u>1,182,006</u>
Total unrestricted assets	3,933,381	3,939,881
<b>Restricted Assets:</b>		
Cash equivalents - capital program	2,945,004	4,830,795
Member receivables - capital program	4,143,802	3,827,777
Interest receivable - capital program	<u>1,332</u>	<u>1,318</u>
Total restricted assets	<u>7,090,138</u>	<u>8,659,890</u>
Total Current Assets	<u>11,023,519</u>	<u>12,599,771</u>
<b><u>Noncurrent Assets:</u></b>		
<b>Capital Assets:</b> (Notes 1 and 4)		
Nondepreciable	5,623,475	6,673,595
Depreciable, net of accumulated depreciation	<u>105,510,797</u>	<u>107,270,042</u>
Total Capital Assets, Net	<u>111,134,272</u>	<u>113,943,637</u>
<b>TOTAL ASSETS</b>	<u>122,157,791</u>	<u>126,543,408</u>
<b>LIABILITIES</b>		
<b><u>Current Liabilities:</u></b> (Notes 1 and 5)		
Accounts payable - operating	516,924	560,434
Accounts payable - capital program, payable from restricted assets	1,053,149	485,822
Retentions payable - capital program, payable from restricted assets	58,082	182,473
Accrued liabilities	188,539	162,775
Compensated absences	<u>151,227</u>	<u>138,092</u>
Total Current Liabilities	<u>1,967,921</u>	<u>1,529,596</u>
<b><u>Noncurrent Liabilities:</u></b> (Notes 1, 5 and 6)		
Net OPEB obligation	239,553	167,907
Compensated absences	<u>837,138</u>	<u>910,673</u>
Total Noncurrent Liabilities	<u>1,076,691</u>	<u>1,078,580</u>
<b>TOTAL LIABILITIES</b>	<u>3,044,612</u>	<u>2,608,176</u>
<b>NET POSITION</b> (Notes 1 and 4)		
Investment in capital assets	111,134,272	113,943,637
Restricted for capital program	5,978,907	7,991,595
Unrestricted	<u>2,000,000</u>	<u>2,000,000</u>
<b>TOTAL NET POSITION</b>	<u>\$ 119,113,179</u>	<u>\$ 123,935,232</u>

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

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b><u>Operating Revenues:</u></b>		
Member agency assessments	\$ 13,004,951	\$ 12,646,345
Other operating revenues	<u>441,673</u>	<u>346,969</u>
Total Operating Revenues	<u>13,446,624</u>	<u>12,993,314</u>
<b><u>Operating Expenses:</u></b>		
Depreciation	7,724,810	7,916,713
Unit I - EWPCF usage costs	6,288,600	5,909,835
Unit I - EWPCF ownership costs	4,138,478	3,935,587
Unit J - Encina ocean outfall	267,542	265,247
Directors meetings	56,800	64,766
Flow metering	261,078	264,084
Source control	664,208	620,480
Agua Hedionda pump station	269,050	259,394
Buena Vista pump station	395,014	386,485
Buena sanitation district facilities	297,139	296,435
Carlsbad water reclamation facilities	650,499	843,994
Raceway basin pump station	<u>158,216</u>	<u>147,007</u>
Total Operating Expenses	<u>21,171,434</u>	<u>20,910,027</u>
Operating (Loss)	<u>(7,724,810)</u>	<u>(7,916,713)</u>
<b><u>Nonoperating Revenues (Expenses):</u></b>		
Investment & other capital income	8,227	10,352
Discontinued projects	<u>(1,585,605)</u>	<u>(1,328,207)</u>
Total Nonoperating Revenues (Expenses)	<u>(1,577,378)</u>	<u>(1,317,855)</u>
Loss Before Capital Contributions and Distributions	(9,302,188)	(9,234,568)
Capital Contributions	6,775,319	9,652,498
Capital Distributions	<u>(2,295,184)</u>	<u>-</u>
Change in Net Position	(4,822,053)	417,930
Total Net Position at Beginning of Year	<u>123,935,232</u>	<u>123,517,302</u>
<b>TOTAL NET POSITION AT END OF YEAR</b>	<b>\$ <u>119,113,179</u></b>	<b>\$ <u>123,935,232</u></b>

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

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Cash received from Member Agencies	\$ 13,105,744	\$ 12,798,036
Cash received from other operating activities	396,305	318,541
Cash payments to suppliers for goods and services	(8,440,637)	(7,987,441)
Cash payments to employees for services	<u>(5,061,412)</u>	<u>(5,129,136)</u>
Net Cash Provided by (Used in) Operating Activities	<u>-</u>	<u>-</u>
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>		
Acquisition and construction of capital assets	(6,058,114)	(9,519,193)
Capital contributions	6,459,294	9,447,552
Capital distributions	<u>(2,295,184)</u>	<u>-</u>
Net Cash Used in Capital and Related Financing Activities	<u>(1,894,004)</u>	<u>(71,641)</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment income	<u>8,213</u>	<u>13,566</u>
Net Cash Provided by Investing Activities	<u>8,213</u>	<u>13,566</u>
Net Decrease in Cash and Cash Equivalents	(1,885,791)	(58,075)
Cash and Cash Equivalents at Beginning of Year	<u>5,030,795</u>	<u>5,088,870</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 3,145,004</u></b>	<b><u>\$ 5,030,795</u></b>

**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b><u>Reconciliation of Operating Loss to Net</u></b>		
<b><u>Cash Provided by (Used in) Operating Activities:</u></b>		
Operating (loss)	\$ (7,724,810)	\$ (7,916,713)
<b>Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:</b>		
Depreciation	7,724,810	7,916,713
<b>Change in current assets and liabilities:</b>		
Member receivables - operating billed	(130,685)	(194)
Amounts due from member agencies - operating unbilled	231,478	151,885
Other receivables	(45,368)	(28,428)
Prepaid expenses	5,888	9,138
Inventory	(54,813)	16,891
Accounts payable - operating	(43,510)	(127,452)
Accrued liabilities	25,764	(77,605)
Net OPEB obligation	71,646	56,268
Compensated absences	(60,400)	(503)
Net Cash Provided by (Used In) Operating Activities	\$ -	\$ -
 <b><u>Cash and Cash Equivalents:</u></b>		
<b><u>Financial Statement Classification:</u></b>		
Cash and cash equivalents	\$ 200,000	\$ 200,000
Restricted cash and cash equivalents	2,945,004	4,830,795
Total Cash and Cash Equivalents	\$ 3,145,004	\$ 5,030,795
 <b><u>Supplemental Disclosures of Cash Flow Information:</u></b>		
Acquisition and construction of capital assets held in accounts payable	\$ 567,327	\$ (247,017)
Acquisition and construction of capital assets held in retention payable	\$ (124,391)	\$ 23,056

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

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# NOTES *to the* FINANCIAL STATEMENTS

## 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.

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

**Significant Accounting Policies (continued)**

**Estimates**

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

**Revenue Recognition**

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

**Investments**

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

**Allowance for Doubtful Accounts**

Management believes that all receivables were fully collectible; therefore no allowance for doubtful accounts was recorded as of June 30, 2014 and 2013.

**Inventory**

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

**Capital Assets**

Capital assets purchased or acquired with a cost exceeding \$5,000 and an estimated useful life of more than one year are reported at historical cost. Contributed assets are recorded at 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 (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 \$7,724,810 and \$7,916,713 for the years ended June 30, 2014 and 2013, respectively.

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Significant Accounting Policies (continued)****Classification of Liabilities**

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

**Compensated Absences**

Accumulated unpaid vacation and sick leave totaling \$988,365 and \$1,048,765 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2014 and 2013, respectively.

**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 \$10,000,000 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 \$341,896 and \$324,858, for the years ended June 30, 2014 and 2013, 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, 2014, 2013 and 2012.

**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.

**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 on October 22, 2014, effective July 1, 2013, and provides the following:

- Operating reserve amount of \$1,000,000 allocated on the basis of Weighted Unit I Ownership (see Note 8).

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

**Significant Accounting Policies (continued)**

**Reserves (continued)**

- 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. Refer to the Supplementary Schedule of Net Position Restricted by Member Agency - Capital Improvement Program.

<u>Member Agency</u>	<u>Operating Reserve</u>	<u>Remote Facility Reserve</u>	<u>Inventory Reserve</u>	<u>Capital Reserve</u>	<u>Total 2014</u>	<u>Total 2013</u>
Buena Agency	\$ 70,900	\$ 50,000	\$ 60,265	\$ 425,400	\$ 606,565	\$ 413,810
City of Carlsbad	242,400	50,000	206,040	1,454,400	1,952,840	1,833,591
City of Encinitas	42,500	-	36,125	255,000	333,625	246,792
Leucadia Wastewater District	168,000	-	142,800	1,008,000	1,318,800	906,849
Vallecitos Water District	224,200	-	190,570	1,345,200	1,759,970	2,116,726
City of Vista	252,000	50,000	214,200	1,512,000	2,028,200	2,482,232
<b>Total Reserves</b>	<b>\$ 1,000,000</b>	<b>\$ 150,000</b>	<b>\$ 850,000</b>	<b>\$ 6,000,000</b>	<b>\$ 8,000,000</b>	<b>\$ 8,000,000</b>

**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 25, 2014, the date the financial statements were available to be issued. See also subsequent events discussed in Note 10.

## NOTE 2 - CASH AND INVESTMENTS

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

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

**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

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

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

**Investments 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.

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

	Maturity in Years		2013 Total
	1 Year or Less	2014 Total	
Petty cash	\$ 600	\$ 600	\$ 600
California Local Agency Investment Fund (LAIF)	1,888,404	1,888,404	2,026,125
California Asset Management Program (CAMP)	861,348	861,348	2,744,413
Deposits with financial institutions	394,652	394,652	259,657
<b>Total Cash and Investments</b>	<b>\$ 3,145,004</b>	<b>\$ 3,145,004</b>	<b>\$ 5,030,795</b>
Financial Statement Classification:			
Current:			
Cash equivalents - operating		\$ 200,000	\$ 200,000
Restricted:			
Cash equivalents - capital program		2,945,004	4,830,795
<b>Total Cash and Investments</b>		<b>\$ 3,145,004</b>	<b>\$ 5,030,795</b>

**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, 2014.

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year end for each investment type.

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

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)****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, 2014.

**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, 2014 and 2013, \$324,815 and \$894,049, respectively, of the Authority's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

**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.

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**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>2014</u>	<u>2013</u>
California Local Agency Investment Fund (LAIF)	\$ 1,888,404	\$ 2,026,125
California Asset Management Program (CAMP)	861,348	2,744,413
Deposits with financial institutions	394,652	259,657
Petty cash	600	600
Total	<u>\$ 3,145,004</u>	<u>\$ 5,030,795</u>

**NOTE 3 - RESTRICTED ASSETS**

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

<u>Funding Source</u>	<u>Use</u>	<u>2014</u>	<u>2013</u>
Capital contributions from member agencies and interest earnings	Capital program	<u>\$ 7,090,138</u>	<u>\$ 8,659,890</u>

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.



## NOTE 4 - CAPITAL ASSETS

Capital assets consist of the following at June 30:

	2014			
	Balance at June 30, 2013	Additions	Deletions	
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 3,598,173	\$ -	\$ -	\$ 3,598,173
Construction in progress	3,075,422	4,747,884	(5,798,004)	2,025,302
Total Capital Assets Not Being Depreciated	<u>6,673,595</u>	<u>4,747,884</u>	<u>(5,798,004)</u>	<u>5,623,475</u>
<b>Capital Assets Being Depreciated:</b>				
Joint wastewater treatment (Unit I)	209,110,243	5,252,382	(2,224,012)	212,138,613
Joint ocean outfall (Unit J)	14,115,650	-	-	14,115,650
Furnishings and office equipment	2,821,468	507,021	-	3,328,489
Pump station facilities	6,860,710	206,162	(40,281)	7,026,591
Flow metering system	314,269	-	-	314,269
Total Capital Assets Being Depreciated	<u>233,222,340</u>	<u>5,965,565</u>	<u>(2,264,293)</u>	<u>236,923,612</u>
<b>Less Accumulated Depreciation For:</b>				
Joint wastewater treatment (Unit I)	(107,959,090)	(6,712,126)	2,224,012	(112,447,204)
Joint wastewater treatment (Unit J)	(11,661,999)	(296,557)	-	(11,958,556)
Furnishings and office equipment	(1,867,882)	(391,945)	-	(2,259,827)
Pump station facilities	(4,185,086)	(318,723)	40,281	(4,463,528)
Flow metering system	(278,241)	(5,459)	-	(283,700)
Total Accumulated Depreciation	<u>(125,952,298)</u>	<u>(7,724,810)</u>	<u>2,264,293</u>	<u>(131,412,815)</u>
Net Capital Assets Being Depreciated	<u>107,270,042</u>	<u>(1,759,245)</u>	<u>-</u>	<u>105,510,797</u>
<b>Net Capital Assets</b>	<u>\$ 113,943,637</u>	<u>\$ 2,988,639</u>	<u>\$ (5,798,004)</u>	<u>\$ 111,134,272</u>

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	2013			Balance at June 30, 2013
	Balance at June 30, 2012	Additions	Deletions	
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 3,598,173	\$ -	\$ -	\$ 3,598,173
Construction in progress	4,054,328	7,390,964	(8,369,870)	3,075,422
<b>Total Capital Assets Not Being Depreciated</b>	<b>7,652,501</b>	<b>7,390,964</b>	<b>(8,369,870)</b>	<b>6,673,595</b>
<b>Capital Assets Being Depreciated:</b>				
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
<b>Total Capital Assets Being Depreciated</b>	<b>225,597,382</b>	<b>8,945,931</b>	<b>(1,320,973)</b>	<b>233,222,340</b>
<b>Less Accumulated Depreciation For:</b>				
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)
<b>Total Accumulated Depreciation</b>	<b>(119,356,558)</b>	<b>(7,916,713)</b>	<b>1,320,973</b>	<b>(125,952,298)</b>
<b>Net Capital Assets Being Depreciated</b>	<b>106,240,824</b>	<b>1,029,218</b>	<b>-</b>	<b>107,270,042</b>
<b>Net Capital Assets</b>	<b>\$ 113,893,325</b>	<b>\$ 8,420,182</b>	<b>\$ (8,369,870)</b>	<b>\$ 113,943,637</b>

## NOTE 5 - NONCURRENT LIABILITIES

Noncurrent liabilities consist of the following at June 30:

	2014				
	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014	Amount due within one year
Net OPEB obligation (Note 6)	167,907	76,431	(4,785)	239,553	-
Compensated absences	1,048,765	738,968	(799,368)	988,365	151,227
Total Noncurrent Liabilities	<u>\$ 1,216,672</u>	<u>\$ 815,399</u>	<u>\$ (804,153)</u>	<u>\$ 1,227,918</u>	<u>\$ 151,227</u>
	2013				
	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013	Amount due within one year
Net OPEB obligation (Note 6)	111,639	66,003	(9,735)	167,907	-
Compensated absences	1,049,268	964,056	(964,559)	1,048,765	138,092
Total Noncurrent Liabilities	<u>\$ 1,160,907</u>	<u>\$ 1,030,059</u>	<u>\$ (974,294)</u>	<u>\$ 1,216,672</u>	<u>\$ 138,092</u>

**NOTE 6 - POSTEMPLOYMENT 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 \$35.70 per retiree who elects to continue coverage. There are seven and five retirees receiving the monthly contribution for the years ended June 30, 2014 and 2013, 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) over a period not to exceed thirty years using the level-dollar method on a closed-basis. 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, 2014 and 2013, the amount actually contributed to the Plan including benefits paid to retirees, and changes in the Authority’s net OPEB obligation:

	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 59,278	\$ 57,608
Interest on net OPEB obligation	17,153	8,395
Adjustment to annual required contribution	(2,924)	(8,395)
Annual OPEB cost	<u>73,507</u>	<u>57,608</u>
Contributions (including benefits paid)	(1,861)	(1,340)
Increase in net OPEB obligation	<u>71,646</u>	<u>56,268</u>
Net OPEB obligation - Beginning of Year	167,907	111,639
Net OPEB obligation - End of Year	<u>\$ 239,553</u>	<u>\$ 167,907</u>

The Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 38,822	1.7%	\$ 111,639
June 30, 2013	57,608	2.3%	167,907
June 30, 2014	73,507	2.5%	239,553

**NOTE 6 - POSTEMPLOYMENT BENEFITS (CONTINUED)**

**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, 2014 of \$1,861 funded 3.1% of the annual required contribution (ARC) leaving a net OPEB obligation of \$239,553.

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%

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%, an inflation rate of 3%, 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.

**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, 2014, the Authority elected to make contributions on behalf of its employees at 1% for the miscellaneous 2.7% at 55 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, 2014 and 2013, the required employer contribution rates were 22.692% and 21.850%, respectively, for the miscellaneous 2.7% at 55 pool and 6.5% and 6.5%, 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, 2014, 2013 and 2012 were \$1,737,971, \$1,672,785 and \$1,665,688 respectively, which were equal to the required contributions each year. Total contributions for the 2% at 62 pool for the year ended June 30, 2014 and 2013 was \$27,771 and \$3,129, respectively, which was equal to the required contribution. A summary of principal assumptions and methods used to determine the contractually required contributions is shown below.

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	19 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

**NOTE 8 - OWNERSHIP AND USAGE ALLOCATIONS**

**Phase V Ownership**

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

Agency	UNIT I - Treatment Plant				UNIT J - Ocean Outfall	
	Liquids		Solids		Disposal	
	MGD	%	MGD	%	MGD	%
Vista	10.67	26.34	10.67	24.64	10.67	24.63
Carlsbad	10.26	25.33	10.26	23.68	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
<b>Total</b>	<b>40.51</b>	<b>100.00</b>	<b>43.31</b>	<b>100.00</b>	<b>43.31</b>	<b>100.00</b>

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

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>

**NOTE 8 - OWNERSHIP AND USAGE ALLOCATIONS (CONTINUED)**

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

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

Wastewater flow usage is averaged on an annual basis. The usage and percentage of total flow by member agency for the fiscal years ended June 30, 2014 and 2013 are as follows:

Agency	MGD ADF UNIT I					
	Usage			Flow Percentage		
	2014	2013	Change	2014	2013	Change
Vista	5.42	5.35	0.07	25.85 %	24.21 %	1.64
Carlsbad	5.90	6.53	(0.63)	28.13	29.54	(1.41)
Buena	1.56	1.63	(0.07)	7.44	7.38	0.06
Vallecitos	2.99	3.44	(0.45)	14.26	15.57	(1.31)
Leucadia	4.08	4.10	(0.02)	19.46	18.55	0.91
Encinitas	1.02	1.05	(0.03)	4.86	4.75	0.11
<b>Total</b>	<b>20.97</b>	<b>22.10</b>	<b>(1.13)</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>0.00</b>

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, 2014 and 2013 are as follows:

Agency	BOD LBS/DAY UNIT I					
	2014	2013	BOD	BOD %	BOD %	BOD %
			Change	2014	2013	Change
Vista	12,554	12,313	241	22.84 %	21.57 %	1.27 %
Carlsbad	14,114	15,580	(1,466)	25.69	27.30	(1.61)
Buena	5,770	5,820	(50)	10.50	10.20	0.30
Vallecitos	11,036	11,715	(679)	20.08	20.52	(0.44)
Leucadia	8,463	8,645	(182)	15.40	15.14	0.26
Encinitas	3,017	3,009	8	5.49	5.27	0.22
<b>Total</b>	<b>54,954</b>	<b>57,082</b>	<b>(2,128)</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>0.00 %</b>



**NOTE 8 - OWNERSHIP AND USAGE ALLOCATIONS (CONTINUED)**

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

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, 2014 and 2013 are as follows:

<u>Agency</u>	<u>2014</u>	<u>2013</u>	<u>Solids Change</u>	<u>SS Lbs/ Day %</u> <u>2014</u>	<u>SS Lbs/ Day %</u> <u>2013</u>	<u>Solids % Change</u>
Vista	10,095	9,643	452	16.96 %	16.30 %	0.66 %
Carlsbad	17,494	17,417	77	29.38	29.43	(0.05)
Buena	4,051	4,039	12	6.81	6.83	(0.02)
Vallecitos	16,013	16,248	(235)	26.90	27.46	(0.56)
Leucadia	8,457	8,619	(162)	14.21	14.57	(0.36)
Encinitas	3,416	3,199	217	5.74	5.41	0.33
<b>Total</b>	<b>59,526</b>	<b>59,165</b>	<b>361</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>(0.00) %</b>

Treated wastewater flow discharged through Unit J is averaged on an annual basis. The change for the fiscal years ended June 30, 2014 and 2013 for Unit J are as follows:

<u>Agency</u>	<u>2014</u>		<u>2013</u>		<u>Increase (Decrease)</u>	
	<u>MGD</u>	<u>% of total</u>	<u>MGD</u>	<u>% of total</u>	<u>MGD</u>	<u>% of total</u>
Vista	5.42	27.69 %	5.35	25.62 %	0.07	(5.34) %
Carlsbad	4.61	23.56	5.49	26.29	(0.88)	67.18
Buena	1.56	7.97	1.63	7.81	(0.07)	5.34
Vallecitos	3.25	16.61	3.61	17.29	(0.36)	27.48
Leucadia	3.71	18.96	3.75	17.96	(0.04)	3.05
Encinitas	1.02	5.21	1.05	5.03	(0.03)	2.29
<b>Total</b>	<b>19.57</b>	<b>100.000 %</b>	<b>20.88</b>	<b>100.00 %</b>	<b>(1.31)</b>	<b>100.00 %</b>

**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 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, 2014:

Fiscal Year 2012 Major Plant Rehabilitation Project	\$ 3,416,254
Alternative Fuel Receiving Facilities	2,140,852
2012 Major Plant Rehabilitation Engineering Services	233,924
Fiscal Year 2013 Major Plant Rehabilitation	189,000
Drying Safety Project Engineering	125,000
Energy Program Support	83,678
Fiscal Year 2013 Major Plant Rehabilitation	35,229
Initial Study Negative Declaration	29,534
Fiscal Year 2014 Engineering Services	27,944
Alternative Fuel Receiving Project	16,000
2040 Master Plan Project	2,655
Total Construction Commitments	<u>\$ 6,300,070</u>

**Contingencies**

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

**NOTE 10 - SUBSEQUENT EVENTS**

**Fiscal Year 2015 Budget**

On July 25, 2014, the Board of Directors adopted Resolution 2014-01 to appropriate funds for fiscal year 2015 Operating \$(14,553,886) and Capital Improvement Program \$(10,862,818) budgets. Unexpended fiscal year 2014 capital improvement projects of \$7,764,867 were also appropriated in fiscal year 2015.

**NOTE 11 - NEW GOVERNMENTAL ACCOUNTING STANDARDS****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 did not have a material effect on the financial statements of the Authority in the year of implementation.

**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. This pronouncement did not have a material effect on the financial statements of the Authority 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, 2014. 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 determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

**NOTE 11 - NEW GOVERNMENTAL ACCOUNTING STANDARDS (CONTINUED)****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.

**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. The Authority has not extended any nonexchange financial guarantees at the date of these financial statements.

**GASB No. 71**

In November 2013, The Governmental Accounting Standards Board issue Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68. This pronouncement is effective simultaneously with the implementation of Statement 68. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Authority has not determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.



**SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM BUDGET PERFORMANCE  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>\$ Variance</u>	<u>% Actual to Budget</u>
<b>Revenues:</b>					
Member Assessments	\$13,641,793	\$13,723,744	\$13,004,951	\$718,793	94.8%
Other	254,448	254,448	441,673	(187,225)	173.6%
<b>Total Revenues</b>	<u>\$13,896,241</u>	<u>\$13,978,192</u>	<u>\$13,446,624</u>	<u>\$531,568</u>	<u>96.2%</u>
<b>Expenses:</b>					
Personnel Expense	\$7,365,016	\$7,369,824	\$7,248,435	\$121,389	98.4%
Chemicals	1,306,823	1,259,393	1,214,614	44,779	96.4%
Biosolids	243,671	282,378	282,316	62	100.0%
Utilities	1,914,446	1,998,523	2,090,927	(92,404)	104.6%
Other	2,802,285	2,901,619	2,610,332	291,287	90.0%
Contingency	264,000	166,455	-	166,455	0.0%
<b>Total Expenses</b>	<u>\$13,896,241</u>	<u>\$13,978,192</u>	<u>\$13,446,624</u>	<u>\$531,568</u>	<u>96.2%</u>

See accompanying independent auditors' report.

**SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES BY MAJOR CATEGORY  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>\$ Variance</u>	<u>% Variance</u>
Personnel Expense	\$7,248,435	\$7,260,703	(\$12,268)	-0.2%
Chemicals	1,214,614	1,302,397	(87,783)	-6.7%
Biosolids	282,316	274,563	7,753	2.8%
Utilities	2,090,927	1,764,688	326,239	18.5%
Other Non-Personnel	2,610,332	2,390,963	219,369	9.2%
<b>Total</b>	<u>\$13,446,624</u>	<u>\$12,993,314</u>	<u>\$453,310</u>	<u>3.5%</u>

See accompanying independent auditors' report.

**SUPPLEMENTARY SUMMARY SCHEDULE OF  
OPERATING PROGRAM AMOUNT DUE FROM/(TO) MEMBER AGENCIES  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
OPERATING REVENUES		
Member Assessments Billed	\$ 12,951,038	\$ 12,360,954
CSRMA Dividends (Unit I Ownership)	81,042	80,662
PureGreen® Sales:		
Tier I - Cemex	4,537	20,924
Tier II	126,604	54,722
Lab Contract Services Receipts (Unit I Ownership)	207,365	163,918
Environmental Enforcement Receipts (Jurisdiction)	10,731	12,888
Miscellaneous Receipts (Unit I Ownership)	11,394	13,855
	<u>13,392,711</u>	<u>12,707,923</u>
TOTAL OPERATING REVENUES - BILLED		
OPERATING EXPENSES INCURRED		
Encina Water Pollution Control Facilities		
Unit I - Treatment Plant Usage	6,288,598	5,909,835
Unit I - Treatment Plant Ownership	4,138,477	3,935,587
Unit J - Ocean Outfall	267,542	265,247
Board of Directors	56,802	64,766
Flow Metering	261,079	264,084
Encina Wastewater Pollution Control Facilities Sub-Total	<u>11,012,498</u>	<u>10,439,519</u>
Source Control	664,209	620,480
Agua Hedionda Pump Station	269,050	259,394
Buena Vista Pump Station	395,013	386,485
Buena Sanitation District Facilities	297,139	296,435
Carlsbad Water Recycling Facility	650,499	843,994
Raceway Basin Pump Station	158,216	147,007
	<u>13,446,624</u>	<u>12,993,314</u>
TOTAL OPERATING EXPENSES INCURRED		
OPERATING REVENUES BILLED (OVER) UNDER EXPENSES INCURRED DUE FROM/(TO) MEMBER AGENCIES	<u>\$ 53,913</u>	<u>\$ 285,391</u>
AMOUNT DUE FROM/(TO) MEMBER AGENCIES END OF YEAR	<u>\$ 53,913</u>	<u>\$ 285,391</u>

**SUPPLEMENTARY DETAIL SCHEDULE OF OPERATING PROGRAM AMOUNT DUE FROM/(TO) MEMBER AGENCIES  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014**

	Totals	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas
<b>Operating Revenues - Billed</b>							
Member Assessments Billed	\$12,951,038	\$3,228,592	\$3,721,433	\$1,294,027	\$2,486,860	\$1,677,873	\$542,253
CSRMA Dividends (Unit I Ownership)	81,042	20,422	19,645	5,746	18,170	13,615	3,444
PureGreen® Sales (Unit I SS Usage)	131,141	22,240	38,541	8,925	35,278	18,631	7,526
Lab Contract Services Billed (Unit I Ownership)	207,365	52,257	50,265	14,702	46,491	34,837	8,813
Environmental Enforcement Actions Billed (Jurisdiction)	10,731	4,381	3,550	-	1,700	-	1,100
Miscellaneous Receipts (Unit I Ownership)	11,394	2,872	2,762	808	2,554	1,914	484
<b>Total Operating Revenues - Billed</b>	<b>\$13,392,711</b>	<b>\$3,330,764</b>	<b>\$3,836,196</b>	<b>\$1,324,208</b>	<b>\$2,591,053</b>	<b>\$1,746,870</b>	<b>\$563,620</b>
<b>Operating Expenses</b>							
Encina Water Pollution Control Facilities							
Plant-Unit I Usage	\$6,288,598	\$1,337,242	\$1,694,354	\$578,923	\$1,368,993	\$961,559	\$347,527
Plant-Unit I Ownership	4,138,477	1,042,896	1,003,167	293,418	927,847	695,264	175,885
Outfall-Unit J	267,542	74,089	63,916	21,298	43,789	50,494	13,956
Board of Directors	56,802	5,433	11,251	5,433	11,861	10,907	11,917
Flow Metering	261,079	67,606	54,484	50,218	36,467	35,282	17,022
<b>Encina Water Pollution Control Facilities Sub-Total</b>	<b>\$11,012,498</b>	<b>\$2,527,266</b>	<b>\$2,827,172</b>	<b>\$949,290</b>	<b>\$2,388,957</b>	<b>\$1,753,506</b>	<b>\$566,307</b>
Source Control	\$664,209	\$190,050	\$199,818	\$91,964	\$110,450	\$51,009	\$20,918
Agua Hedionda Pump Station	269,050	185,914	83,136	-	-	-	-
Buena Vista Pump Station	395,013	353,932	41,081	-	-	-	-
Buena Sanitation District Facilities	297,139	-	-	297,139	-	-	-
Carlsbad Water Recycling Facility	650,499	-	650,499	-	-	-	-
Raceway Basin Pump Station	158,216	158,216	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$13,446,624</b>	<b>\$3,415,378</b>	<b>\$3,801,706</b>	<b>\$1,338,393</b>	<b>\$2,499,407</b>	<b>\$1,804,515</b>	<b>\$587,225</b>
<b>DUE FROM (TO) MEMBER AGENCIES JUNE 30, 2014</b>	<b>\$53,913</b>	<b>\$84,614</b>	<b>(\$34,490)</b>	<b>\$14,185</b>	<b>(\$91,646)</b>	<b>\$57,645</b>	<b>\$23,605</b>

See accompanying independent auditors' report.



**SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY MEMBER AGENCY  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

<b>CITY OF VISTA</b>	<b>June 30, 2014</b>	<b>% of Total</b>	<b>June 30, 2013</b>	<b>Change \$</b>	<b>Change %</b>
Unit I Encina Treatment Plant Usage	\$1,337,242	39.2%	\$1,192,150	\$145,092	12.2%
Unit I Encina Treatment Plant Ownership	1,042,896	30.5%	850,480	192,416	22.6%
Unit J Encina Ocean Outfall	74,089	2.2%	68,877	5,212	7.6%
Board of Directors	5,433	0.2%	6,943	(1,510)	-21.7%
Flow Metering	67,606	2.0%	67,851	(245)	-0.4%
Source Control	190,050	5.6%	169,397	20,653	12.2%
Agua Hedionda Pump Station	185,914	5.4%	179,241	6,673	3.7%
Buena Vista Pump Station	353,932	10.4%	346,291	7,641	2.2%
Raceway Basin Pump Station	158,216	4.6%	147,007	11,209	7.6%
<b>TOTALS</b>	<b>\$3,415,378</b>	<b>100.0%</b>	<b>\$3,028,237</b>	<b>\$387,141</b>	<b>12.8%</b>
<b>CITY OF CARLSBAD</b>					
Unit I Encina Treatment Plant Usage	\$1,694,354	44.6%	\$1,659,545	\$34,809	2.1%
Unit I Encina Treatment Plant Ownership	1,003,167	26.4%	976,420	26,747	2.7%
Unit J Encina Ocean Outfall	63,916	1.7%	70,355	(6,439)	-9.2%
Board of Directors	11,251	0.3%	13,448	(2,197)	-16.3%
Flow Metering	54,484	1.4%	55,208	(724)	-1.3%
Source Control	199,818	5.3%	190,073	9,745	5.1%
Agua Hedionda Pump Station	83,136	2.2%	80,153	2,983	3.7%
Buena Vista Pump Station	41,081	1.1%	40,194	887	2.2%
Carlsbad Water Recycling Facility	650,499	17.1%	843,994	(193,495)	-22.9%
<b>TOTALS</b>	<b>\$3,801,706</b>	<b>100.0%</b>	<b>\$3,929,390</b>	<b>(\$127,684)</b>	<b>-3.2%</b>

**Continued**

See accompanying independent auditors' report.

**SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY MEMBER AGENCY (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	June 30, 2014	% of Total	June 30, 2013	Change \$	Change %
<b>BUENA SANITATION DISTRICT</b>					
Unit I Encina Treatment Plant Usage	\$578,923	43.3%	\$532,265	\$46,658	8.8%
Unit I Encina Treatment Plant Ownership	293,418	21.9%	321,144	(27,726)	-8.6%
Unit J Encina Ocean Outfall	21,298	1.6%	20,922	376	1.8%
Board of Directors	5,433	0.4%	6,963	(1,530)	-22.0%
Flow Metering	50,218	3.8%	51,153	(935)	-1.8%
Source Control	91,964	6.9%	80,082	11,882	14.8%
Buena Sanitation District Facilities	297,139	22.2%	296,435	704	0.2%
<b>TOTALS</b>	<b>\$1,338,393</b>	<b>100.0%</b>	<b>\$1,308,964</b>	<b>\$29,429</b>	<b>2.2%</b>
<b>VALLECITOS WATER DISTRICT</b>					
Unit I Encina Treatment Plant Usage	\$1,368,993	54.8%	\$1,315,889	\$53,104	4.0%
Unit I Encina Treatment Plant Ownership	927,847	37.1%	796,563	131,284	16.5%
Unit J Encina Ocean Outfall	43,789	1.8%	44,028	(239)	-0.5%
Board of Directors	11,861	0.5%	11,391	470	4.1%
Flow Metering	36,467	1.5%	36,217	250	0.7%
Source Control	110,450	4.4%	124,374	(13,924)	-11.2%
<b>TOTALS</b>	<b>\$2,499,407</b>	<b>100.0%</b>	<b>\$2,328,462</b>	<b>\$170,945</b>	<b>7.3%</b>

**Continued**

See accompanying independent auditors' report.

**SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY MEMBER AGENCY (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	June 30, 2014	% of Total	June 30, 2013	Change \$	Change %
<b>LEUCADIA WASTEWATER DISTRICT</b>					
Unit I Encina Treatment Plant Usage	\$961,559	53.3%	\$898,088	\$63,471	7.1%
Unit I Encina Treatment Plant Ownership	695,264	38.5%	800,498	(105,234)	-13.1%
Unit J Encina Ocean Outfall	50,494	2.8%	47,645	2,849	6.0%
Board of Directors	10,907	0.6%	12,602	(1,695)	-13.5%
Flow Metering	35,282	2.0%	36,347	(1,065)	-2.9%
Source Control	51,009	2.8%	39,156	11,853	30.3%
<b>TOTALS</b>	<b>\$1,804,515</b>	<b>100.0%</b>	<b>\$1,834,336</b>	<b>(\$29,821)</b>	<b>-1.6%</b>
<b>CITY OF ENCINITAS</b>					
Unit I Encina Treatment Plant Usage	\$347,527	59.2%	\$311,898	\$35,629	11.4%
Unit I Encina Treatment Plant Ownership	175,885	30.0%	190,482	(14,597)	-7.7%
Unit J Encina Ocean Outfall	13,956	2.4%	13,420	536	4.0%
Board of Directors	11,917	2.0%	13,419	(1,502)	-11.2%
Flow Metering	17,022	2.9%	17,308	(286)	-1.7%
Source Control	20,918	3.6%	17,398	3,520	20.2%
<b>TOTALS</b>	<b>\$587,225</b>	<b>100.0%</b>	<b>\$563,925</b>	<b>\$23,300</b>	<b>4.1%</b>
<b>Total Operating Expense All Member Agencies</b>	<b>\$13,446,624</b>		<b>\$12,993,314</b>	<b>\$453,310</b>	<b>3.5%</b>

See accompanying independent auditors' report.

**SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	June 30, 2014	% of Total	June 30, 2013	Change \$	Change %
<b>UNIT I: ENCINA TREATMENT PLANT USAGE</b>					
City of Vista	\$ 1,337,242	21.3%	\$ 1,192,150	\$145,092	12.2%
City of Carlsbad	1,694,354	26.9%	1,659,545	34,809	2.1%
Buena Sanitation District	578,923	9.2%	532,265	46,658	8.8%
Vallejitos Water District	1,368,993	21.8%	1,315,889	53,104	4.0%
Leucadia Wastewater District	961,559	15.3%	898,088	63,471	7.1%
City of Encinitas	347,527	5.5%	311,898	35,629	11.4%
<b>TOTALS</b>	<b>\$6,288,598</b>	<b>100.0%</b>	<b>\$5,909,835</b>	<b>\$378,763</b>	<b>6.4%</b>
<b>UNIT I: ENCINA TREATMENT PLANT OWNERSHIP</b>					
City of Vista	\$1,042,896	25.2%	\$850,480	\$192,416	22.6%
City of Carlsbad	1,003,167	24.2%	976,420	26,747	2.7%
Buena Sanitation District	293,418	7.1%	321,144	(27,726)	-8.6%
Vallejitos Water District	927,847	22.4%	796,563	131,284	16.5%
Leucadia Wastewater District	695,264	16.8%	800,498	(105,234)	-13.1%
City of Encinitas	175,885	4.2%	190,482	(14,597)	-7.7%
<b>TOTALS</b>	<b>\$4,138,477</b>	<b>100.0%</b>	<b>\$3,935,587</b>	<b>\$202,890</b>	<b>5.2%</b>
<b>UNIT J: ENCINA OCEAN OUTFALL</b>					
City of Vista	\$74,089	27.7%	\$68,877	\$5,212	7.6%
City of Carlsbad	63,916	23.9%	70,355	(6,439)	-9.2%
Buena Sanitation District	21,298	8.0%	20,922	376	1.8%
Vallejitos Water District	43,789	16.4%	44,028	(239)	-0.5%
Leucadia Wastewater District	50,494	18.9%	47,645	2,849	6.0%
City of Encinitas	13,956	5.2%	13,420	536	4.0%
<b>TOTALS</b>	<b>\$267,542</b>	<b>100.0%</b>	<b>\$265,247</b>	<b>\$2,295</b>	<b>0.9%</b>

**Continued**

See accompanying independent auditors' report.

**SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	June 30, 2014	% of Total	June 30, 2013	Change \$	Change %
<b>BOARD OF DIRECTORS</b>					
City of Vista	\$5,433	9.6%	\$6,943	(\$1,510)	-21.7%
City of Carlsbad	11,251	19.8%	13,448	(2,197)	-16.3%
Buena Sanitation District	5,433	9.6%	6,963	(1,530)	-22.0%
Vallecitos Water District	11,861	20.9%	11,391	470	4.1%
Leucadia Wastewater District	10,907	19.2%	12,602	(1,695)	-13.5%
City of Encinitas	11,917	21.0%	13,419	(1,502)	-11.2%
<b>TOTALS</b>	<b>\$56,802</b>	<b>100.0%</b>	<b>\$64,766</b>	<b>(\$7,964)</b>	<b>-12.3%</b>
<b>FLOW METERING PROGRAM</b>					
City of Vista	67,606	25.9%	67,851	(\$245)	-0.4%
City of Carlsbad	54,484	20.9%	55,208	(724)	-1.3%
Buena Sanitation District	50,218	19.2%	51,153	(935)	-1.8%
Vallecitos Water District	36,467	14.0%	36,217	250	0.7%
Leucadia Wastewater District	35,282	13.5%	36,347	(1,065)	-2.9%
City of Encinitas	17,022	6.5%	17,308	(286)	-1.7%
<b>TOTALS</b>	<b>\$261,079</b>	<b>100.0%</b>	<b>\$264,084</b>	<b>(\$3,005)</b>	<b>-1.1%</b>
<b>TOTAL ENCINA WATER POLLUTION CONTROL FACILITIES</b>					
City of Vista	\$2,527,266	22.9%	\$2,186,301	\$340,965	15.6%
City of Carlsbad	2,827,172	25.7%	2,774,976	52,196	1.9%
Buena Sanitation District	949,290	8.6%	932,447	16,843	1.8%
Vallecitos Water District	2,388,957	21.7%	2,204,088	184,869	8.4%
Leucadia Wastewater District	1,753,506	15.9%	1,795,180	(41,674)	-2.3%
City of Encinitas	566,307	5.1%	546,527	19,780	3.6%
<b>TOTALS</b>	<b>\$11,012,498</b>	<b>100.0%</b>	<b>\$10,439,519</b>	<b>\$572,979</b>	<b>5.5%</b>

**Continued**

See accompanying independent auditors' report.

**SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	June 30, 2014	% of Total	June 30, 2013	Change \$	Change %
<b>SOURCE CONTROL PROGRAM</b>					
City of Vista	\$190,050	28.6%	\$169,397	\$20,653	12.2%
City of Carlsbad	199,818	30.1%	190,073	9,745	5.1%
Buena Sanitation District	91,964	13.8%	80,082	11,882	14.8%
Vallecitos Water District	110,450	16.6%	124,374	(13,924)	-11.2%
Leucadia Wastewater District	51,009	7.7%	39,156	11,853	30.3%
City of Encinitas	20,918	3.1%	17,398	3,520	20.2%
<b>TOTALS</b>	<b>\$664,209</b>	<b>100.0%</b>	<b>\$620,480</b>	<b>\$43,729</b>	<b>7.0%</b>
<b>AGUA HEDIONDA PUMP STATION</b>					
City of Vista	\$185,914	69.1%	\$179,241	\$6,673	3.7%
City of Carlsbad	83,136	30.9%	80,153	2,983	3.7%
<b>TOTALS</b>	<b>\$269,050</b>	<b>100.0%</b>	<b>\$259,394</b>	<b>\$9,656</b>	<b>3.7%</b>
<b>BUENA VISTA PUMP STATION</b>					
City of Vista	\$353,932	89.6%	\$346,291	\$7,641	2.2%
City of Carlsbad	41,081	10.4%	40,194	887	2.2%
<b>TOTALS</b>	<b>\$395,013</b>	<b>100.0%</b>	<b>\$386,485</b>	<b>\$8,528</b>	<b>2.2%</b>
<b>BUENA SANITATION DISTRICT FACILITIES</b>					
Buena Sanitation District	\$297,139	100.0%	\$296,435	\$704	0.2%
<b>TOTALS</b>	<b>\$297,139</b>	<b>100.0%</b>	<b>\$296,435</b>	<b>\$704</b>	<b>0.2%</b>

Continued

See accompanying independent auditors' report.

**SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	June 30, 2014	% of Total	June 30, 2013	Change \$	Change %
<b>CARLSBAD WATER RECYCLING FACILITY</b>					
City of Carlsbad	\$650,499	100.0%	\$843,994	(\$193,495)	-22.9%
<b>TOTALS</b>	<b>\$650,499</b>	<b>100.0%</b>	<b>\$843,994</b>	<b>(\$193,495)</b>	<b>-22.9%</b>
<b>RACEWAY BASIN PUMP STATION</b>					
City of Vista	\$158,216	100.0%	\$147,007	\$11,209	7.6%
<b>TOTALS</b>	<b>\$158,216</b>	<b>100.0%</b>	<b>\$147,007</b>	<b>\$11,209</b>	<b>7.6%</b>
<b>TOTAL OPERATING EXPENSE</b>					
City of Vista	\$3,415,378	25.4%	\$3,028,237	\$387,141	12.8%
City of Carlsbad	3,801,706	28.3%	3,929,390	(127,684)	-3.2%
Buena Sanitation District	1,338,393	10.0%	1,308,964	29,429	2.2%
Vallecitos Water District	2,499,407	18.6%	2,328,462	170,945	7.3%
Leucadia Wastewater District	1,804,515	13.4%	1,834,336	(29,821)	-1.6%
City of Encinitas	587,225	4.4%	563,925	23,300	4.1%
<b>TOTALS</b>	<b>\$13,446,624</b>	<b>100.0%</b>	<b>\$12,993,314</b>	<b>\$453,310</b>	<b>3.5%</b>

**SUPPLEMENTARY SCHEDULE OF CHANGES IN NET POSITION**  
**CAPITAL IMPROVEMENT PROGRAM**  
**AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
CAPITAL CONTRIBUTIONS		
Member Assessments	\$ 6,775,319	\$ 9,652,498
TOTAL CAPITAL CONTRIBUTIONS	<u>6,775,319</u>	<u>9,652,498</u>
 CAPITAL EXPENSES (CREDITS)		
Encina Water Pollution Control Facility (EWPCF) Capital Acquisitions	393,164	431,033
Agua Hedionda Pump Station (AHPS) Capital Acquisitions	24,886	76,548
Buena Vista Pump Station (BVPS) Capital Acquisitions	34,312	72,831
Buena Sanitation District (BSD) Capital Acquisitions	101,257	48,037
Carlsbad Water Reclamation Facility (CWRP) Capital Acquisitions	45,064	24,093
Raceway Basin Pump Station (RBPS) Capital Acquisitions	18,020	19,677
EWPCF Planned Asset Replacement	1,136,463	1,232,050
EWPCF Major Plant Rehabilitation Program		
Liquid Process Improvements	1,619,310	622,861
Outfall	-	-
Solids Process Improvements	170,321	2,733,221
Energy Management	-	249,979
General Improvements	419,339	877,953
Engineering Services	1,893,755	2,623,272
Remotes	-	-
Financial Enterprise Software	-	31,216
Professional Services	645,159	252,461
TOTAL CAPITAL EXPENSES	<u>6,501,050</u>	<u>9,295,232</u>
 CAPITAL CONTRIBUTIONS OVER (UNDER) CAPITAL EXPENSES	274,269	357,266
 NONOPERATING INCOME (EXPENSE)		
Investment Income & Other	8,227	10,352
Capital Distribution	(2,295,184)	-
TOTAL NONOPERATING INCOME (EXPENSE)	<u>(2,286,957)</u>	<u>10,352</u>
 NET POSITION RESTRICTED FOR CIP, BEGINNING OF FISCAL YEAR	<u>7,991,595</u>	<u>7,623,977</u>
 NET POSITION RESTRICTED FOR CIP, END OF FISCAL YEAR	<u>\$ 5,978,907</u>	<u>\$ 7,991,595</u>



**SUPPLEMENTARY SCHEDULE OF NET POSITION RESTRICTED BY PROJECT - CAPITAL IMPROVEMENT PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>PROJECTS</b>	<b>Balance 6/30/2013</b>	<b>Member Billings</b>	<b>Income</b>	<b>Capital Expenses/Refunds</b>	<b>Balance 6/30/2014</b>
<u>CONTINUING PROJECTS</u>					
PHASE V EXPANSION	\$ 2,295,184	-	\$ -	\$ (2,295,184)	\$ - *
EWPCF MAJOR PLANT REHABILITATION PROGRAM					
LIQUID PROCESS IMPROVEMENTS	-	1,619,310	-	(1,619,310)	-
SOLIDS PROCESS IMPROVEMENTS	-	170,321	-	(170,321)	-
GENERAL IMPROVEMENTS	(233,832)	623,851	-	(419,339)	(29,320) *
ENGINEERING SERVICES	-	1,893,755	-	(1,893,755)	-
PROFESSIONAL SERVICES	-	645,159	-	(645,159)	-
<b>SUB TOTAL CONTINUING PROJECTS</b>	<b>2,061,352</b>	<b>4,952,396</b>	<b>-</b>	<b>(7,043,068)</b>	<b>(29,320)</b>
<u>OTHER</u>					
CAPITAL ACQUISITIONS	(29,669)	646,372	-	(616,703)	-
PLANNED ASSET REPLACEMENT	(50,440)	1,186,903	-	(1,136,463)	-
CAPITAL RESERVE	6,000,000	-	-	-	6,000,000
INCOME ON CAPITAL RESERVE FUNDS	10,352	(10,352)	8,227	-	8,227 *
<b>SUB TOTAL OTHER</b>	<b>5,930,243</b>	<b>1,822,923</b>	<b>8,227</b>	<b>(1,753,166)</b>	<b>6,008,227</b>
<b>TOTAL CAPITAL IMPROVEMENT PROGRAM</b>	<b>\$ 7,991,595</b>	<b>\$ 6,775,319</b>	<b>\$ 8,227</b>	<b>\$ (8,796,234)</b>	<b>\$ 5,978,907</b>

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

**SUPPLEMENTARY SCHEDULE OF NET POSITION RESTRICTED BY MEMBER AGENCY - CAPITAL IMPROVEMENT PROGRAM  
AS OF JUNE 30, 2014**

<u>PROJECTS</u>	<u>Vista</u>	<u>Carlsbad</u>	<u>Buena</u>	<u>Vallecitos</u>	<u>Leucadia</u>	<u>Encinitas</u>	<u>Balance 6/30/2014</u>
<u>CONTINUING PROJECTS</u>							
MAJOR PLANT REHABILITATION PROGRAM							
GENERAL IMPROVEMENTS	\$ (7,389)	\$ (7,106)	\$ (2,079)	\$ (6,574)	\$ (4,926)	\$ (1,246)	\$ (29,320) *
SUB TOTAL CONTINUING PROJECTS	<u>(7,389)</u>	<u>(7,106)</u>	<u>(2,079)</u>	<u>(6,574)</u>	<u>(4,926)</u>	<u>(1,246)</u>	<u>(29,320)</u>
<u>OTHER</u>							
CAPITAL RESERVE	1,512,000	1,454,400	425,400	1,345,200	1,008,000	255,000	6,000,000
INCOME ON CAPITAL RESERVE FUNDS	2,073	1,995	583	1,844	1,382	350	8,227 *
SUB TOTAL OTHER	<u>1,514,073</u>	<u>1,456,395</u>	<u>425,983</u>	<u>1,347,044</u>	<u>1,009,382</u>	<u>255,350</u>	<u>6,008,227</u>
TOTAL CAPITAL IMPROVEMENT PROGRAM	<u>\$1,506,684</u>	<u>\$1,449,289</u>	<u>\$ 423,904</u>	<u>\$1,340,470</u>	<u>\$1,004,456</u>	<u>\$ 254,104</u>	<u>\$5,978,907</u>
* Indicates amounts due (from)/to Member Agencies	\$ (5,316)	\$ (5,111)	\$ (1,496)	\$ (4,730)	\$ (3,544)	\$ (896)	\$ (21,093) *

See accompanying independent auditors' report.

**SUPPLEMENTARY SCHEDULE OF CONTINUING CAPITAL IMPROVEMENT PROGRAM APPROPRIATIONS  
FOR THE YEAR ENDED JUNE 30, 2014**

BY PROJECT	CONTINUING APPROPRIATIONS		FY 2014 NEW APPROPRIATIONS	TRANSFERS IN(OUT)	ALLOCATED PERSONNEL EXPENSE	TOTAL CAPITAL EXPENSES	APPROPRIATION BALANCES ON JUNE 30, 2014	CONTINUING APPROPRIATIONS JULY 1, 2014
	BEGINNING OF YEAR REPORTED	REPORTED						
SALARIES & BENEFITS	\$ -	\$ -	\$ 1,933,584	\$ -	\$ (1,845,206)	\$ -	\$ 88,378	\$ -
EWPCF CAPITAL ACQUISITIONS	93,829	93,829	390,215	67,699	-	(393,164)	158,579	8,694
AHPS CAPITAL ACQUISITIONS	22,776	22,776	34,000	(3,638)	-	(24,886)	28,252	-
BVPS CAPITAL ACQUISITIONS	34,218	34,218	61,500	3,639	-	(34,312)	65,045	-
BSD CAPITAL ACQUISITIONS	56,851	56,851	134,500	-	-	(101,257)	90,094	-
CWRF CAPITAL ACQUISITIONS	8,041	8,041	48,000	-	-	(45,064)	10,977	-
RBPS CAPITAL ACQUISITIONS	16,323	16,323	27,000	-	-	(18,020)	25,303	-
PLANNED ASSET REPLACEMENT	412,508	412,508	781,150	(117,566)	503,279	(1,136,463)	442,908	163,492
MAJOR PLANT REHAB PROGRAM								
Liquid Process Improvements	2,192,000	2,192,000	4,945,000	267,388	457,677	(1,619,310)	6,242,755	6,242,755
Solids Process Improvements	249,498	249,498	-	(127,015)	48,139	(170,321)	301	301
General Improvements	287,381	287,381	80,000	(41,576)	118,520	(419,339)	24,986	24,986
Engineering Services	1,114,729	1,114,729	1,442,000	(80,219)	535,245	(1,893,755)	1,118,000	1,118,000
Financial Enterprise Software	15,037	15,037	-	(15,037)	-	-	-	-
Professional Services	16,127	16,127	607,000	46,325	182,346	(645,159)	206,639	206,639
Total Major Plant Rehab Program	3,874,772	3,874,772	7,074,000	49,866	1,341,927	(4,747,884)	7,592,681	7,592,681
TOTAL	\$ 4,519,318	\$ 4,519,318	\$ 10,483,949	\$ -	\$ -	\$ (6,501,050)	\$ 8,502,217	\$ 7,764,867

Continued

See accompanying independent auditors' report.

**SUPPLEMENTARY SCHEDULE OF CONTINUING CAPITAL IMPROVEMENT PROGRAM APPROPRIATIONS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

BY MEMBER AGENCY	VISTA	CARLSBAD	BUENA	VALLECITOS	LEUCADIA	ENCINITAS	TOTAL
EWPCF CAPITAL ACQUISITIONS	\$ 2,191	\$ 2,108	\$ 616	\$ 1,949	\$ 1,461	\$ 369	\$ 8,694
PLANNED ASSET REPLACEMENT	41,200	39,630	11,592	36,655	27,467	6,948	163,492
MAJOR PLANT REHAB PROGRAM							
Liquid Process Improvements	1,573,174	1,513,244	442,611	1,399,626	1,048,783	265,317	6,242,755
Solids Process Improvements	76	73	21	67	51	13	301
General Improvements	6,296	6,056	1,772	5,602	4,198	1,062	24,986
Engineering Services	281,736	271,003	79,266	250,656	187,824	47,515	1,118,000
Professional Services	52,073	50,090	14,651	46,328	34,715	8,782	206,639
	<u>1,913,355</u>	<u>1,840,466</u>	<u>538,321</u>	<u>1,702,279</u>	<u>1,275,571</u>	<u>322,689</u>	<u>7,592,681</u>
TOTAL	\$ <u>1,956,746</u>	\$ <u>1,882,204</u>	\$ <u>550,529</u>	\$ <u>1,740,883</u>	\$ <u>1,304,499</u>	\$ <u>330,006</u>	\$ <u>7,764,867</u>

See accompanying independent auditors' report.

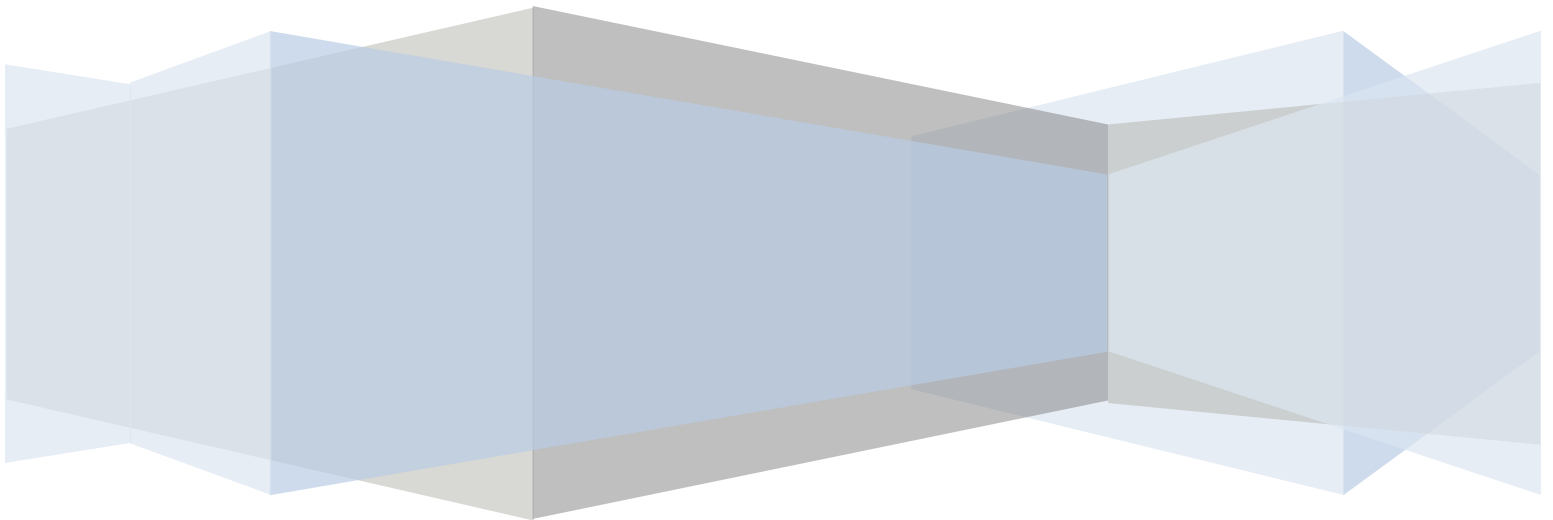
# STATISTICAL SECTION

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FINANCIAL TRENDS

DEMOGRAPHIC AND ECONOMIC INFORMATION

OPERATING INFORMATION



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## STATISTICAL SECTION

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

### Financial Trends

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

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

### Revenue Capacity

The principal source of revenue to the Authority is assessments to Member Agencies for reimbursement of expenses. Therefore, an analysis of revenue capacity is not applicable. Data on sources of revenue 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.

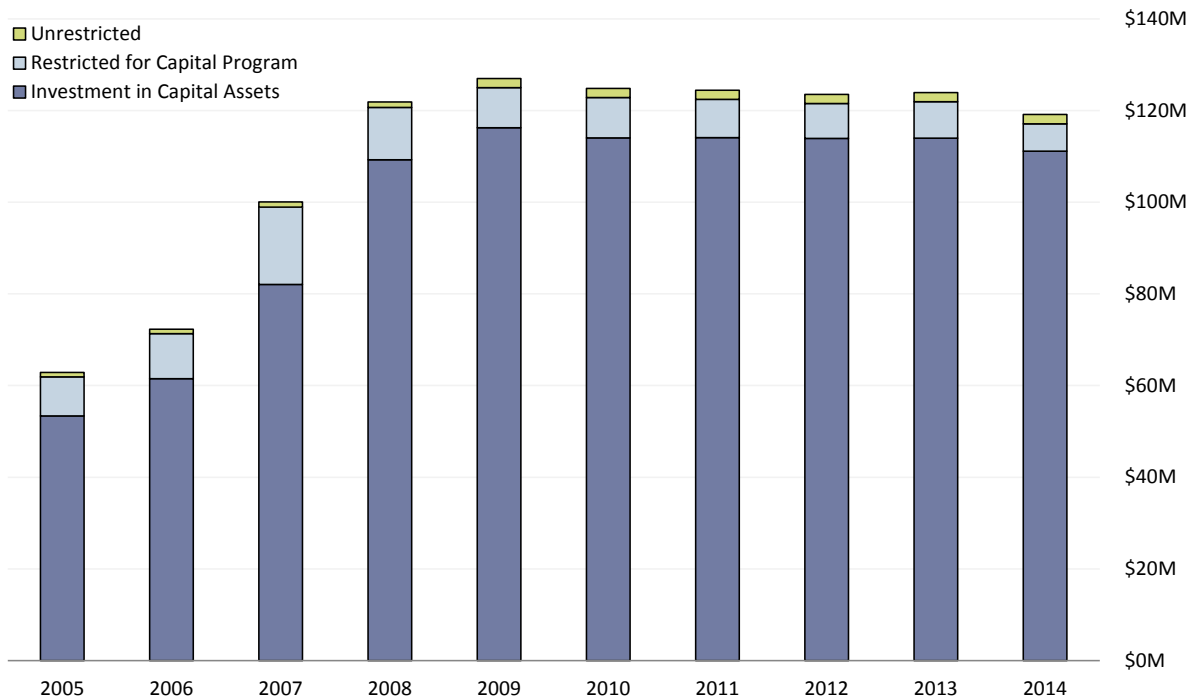
- Facts and Figures
- Full-time Equivalent Employees by Function
- Operating Revenues and Expenses by Major Source and Use
- Operating Revenues and Expenses by Member Agency
- Operating Expenses per Million Gallons

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**NET POSITION  
LAST TEN FISCAL YEARS**

Fiscal Year	Investment in Capital Assets	Restricted for Capital Program	Unrestricted	Total
2014	\$ 111,134,272	\$ 5,978,907	\$ 2,000,000	\$ 119,113,179
2013	113,943,637	7,991,595	2,000,000	123,935,232
2012	113,893,325	7,623,977	2,000,000	123,517,302
2011	114,067,928	8,366,771	2,000,000	124,434,699
2010	114,030,234	8,811,243	2,000,000	124,841,477
2009	116,243,485	8,735,897	2,000,000	126,979,382
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



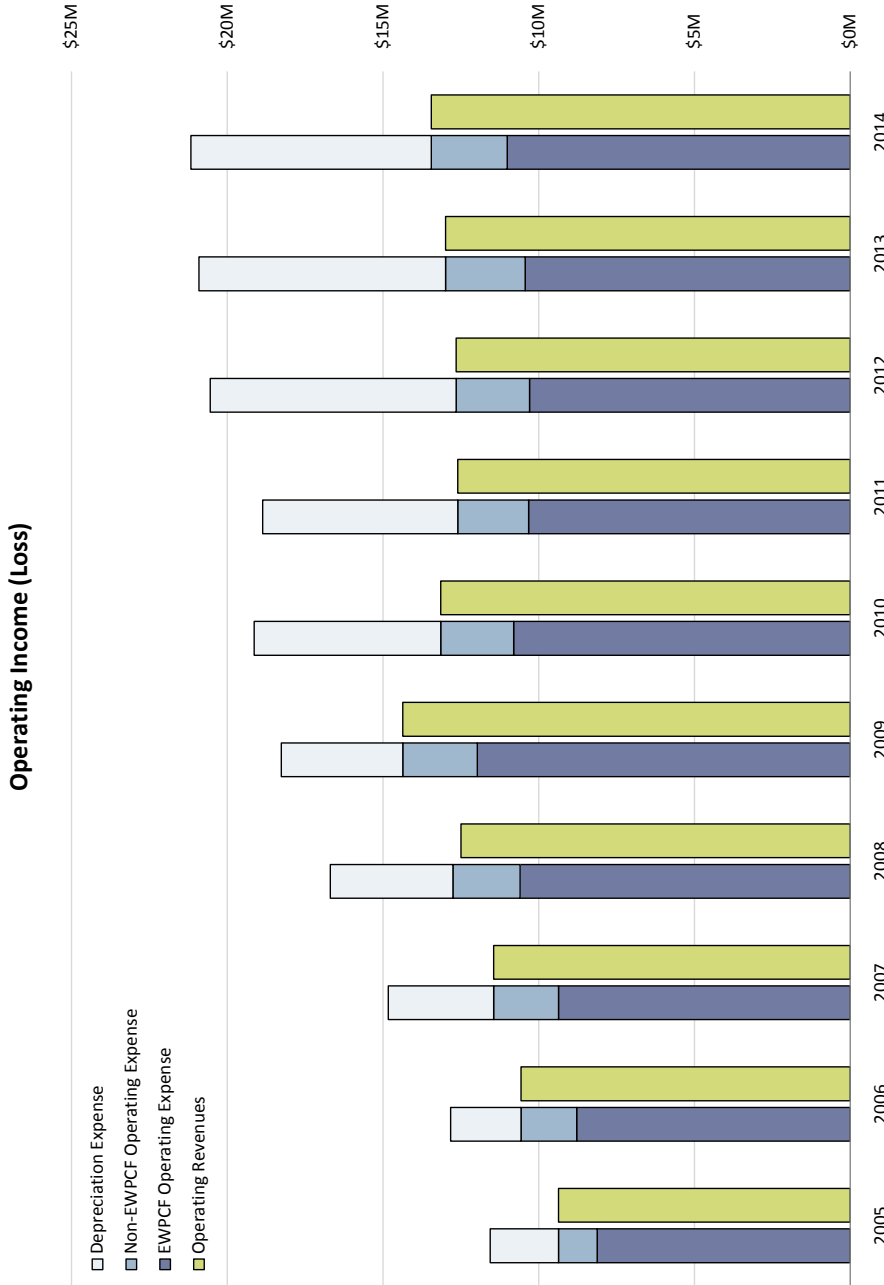
Source: Encina Wastewater Authority

- ▶ 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 2005 reflects Flow Equalization & Phase V Expansion Capital Projects

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Operating Revenues</b>										
Member Agency Assessments	\$ 13,005	\$ 12,646	\$ 12,384	\$ 12,249	\$ 12,863	\$ 14,103	\$ 12,121	\$ 10,958	\$ 10,314	\$ 9,128
Other Operating Revenues	442	347	266	354	286	266	376	492	259	238
<b>Total Operating Revenues</b>	<b>13,447</b>	<b>12,993</b>	<b>12,650</b>	<b>12,603</b>	<b>13,149</b>	<b>14,368</b>	<b>12,497</b>	<b>11,449</b>	<b>10,573</b>	<b>9,366</b>
<b>Operating Expenses</b>										
Unit I - Encina Plant Usage Costs	6,289	5,910	5,904	5,810	5,868	7,157	6,365	5,780	5,344	4,881
Unit I - Encina Plant Ownership Costs	4,138	3,936	3,754	3,800	4,265	4,098	3,560	3,018	3,022	2,888
Unit J - Encina Ocean Outfall	268	265	308	368	357	414	249	233	237	191
Director's Meetings	57	65	57	70	59	61	56	40	40	37
Flow Metering	261	264	273	274	256	246	368	299	141	131
Subtotal Encina Wastewater	11,012	10,440	10,296	10,323	10,805	11,975	10,598	9,369	8,785	8,127
Pollution Control Facilities (EWPCF)										
Source Control	664	620	623	592	588	517	458	383	450	415
Aqua Hedionda Pump Station	269	259	247	202	239	244	207	275	245	187
Buena Vista Pump Station	395	386	348	343	335	370	340	379	294	304
Buena Sanitation District Facilities	297	296	215	314	322	355	321	338	294	279
Carlsbad Water Reclamation Facilities	650	844	772	703	733	740	694	607	506	54
Raceway Basin Pump Station	158	147	147	126	127	167	139	97	-	-
Depreciation	7,725	7,917	7,900	6,260	5,986	3,897	3,938	3,380	2,260	2,191
<b>Total Operating Expenses</b>	<b>21,171</b>	<b>20,910</b>	<b>20,549</b>	<b>18,863</b>	<b>19,135</b>	<b>18,265</b>	<b>16,694</b>	<b>14,829</b>	<b>12,833</b>	<b>11,557</b>
<b>Operating Income (Loss)</b>	<b>(7,725)</b>	<b>(7,917)</b>	<b>(7,900)</b>	<b>(6,260)</b>	<b>(5,986)</b>	<b>(3,897)</b>	<b>(4,197)</b>	<b>(3,380)</b>	<b>(2,260)</b>	<b>(2,191)</b>
<b>Nonoperating Revenues (Expenses)</b>										
Net Gain (Loss) on Disposal of Capital Assets	(1,586)	(1,328)	(841)	(50)	(849)	(281)	75	(172)	(223)	(192)
Investment & Other Capital Income	8	10	17	25	40	146	369	387	172	81
Other Nonoperating Revenues	-	-	-	-	-	850	-	200	-	100
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(1,577)</b>	<b>(1,318)</b>	<b>(824)</b>	<b>(25)</b>	<b>(809)</b>	<b>715</b>	<b>445</b>	<b>415</b>	<b>(51)</b>	<b>(11)</b>
<b>Income (Loss) Before Contributions and Distributions</b>	<b>(9,302)</b>	<b>(9,235)</b>	<b>(8,724)</b>	<b>(6,285)</b>	<b>(6,796)</b>	<b>(3,182)</b>	<b>(3,752)</b>	<b>(2,964)</b>	<b>(2,311)</b>	<b>(2,202)</b>
<b>Capital Contributions and Distributions</b>										
Member Agency Assessments	6,775	9,652	7,806	5,878	4,658	8,318	29,539	30,737	11,757	12,974
Distributions to Member Agencies	(2,295)	-	-	-	-	-	(4,000)	-	-	-
<b>Total Capital Contributions</b>	<b>4,480</b>	<b>9,652</b>	<b>7,806</b>	<b>5,878</b>	<b>4,658</b>	<b>8,318</b>	<b>25,539</b>	<b>30,737</b>	<b>11,757</b>	<b>12,974</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ (4,822)</b>	<b>\$ 418</b>	<b>\$ (917)</b>	<b>\$ (407)</b>	<b>\$ (2,138)</b>	<b>\$ 5,136</b>	<b>\$ 21,786</b>	<b>\$ 27,773</b>	<b>\$ 9,446</b>	<b>\$ 10,772</b>

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



Source: Encina Wastewater Authority

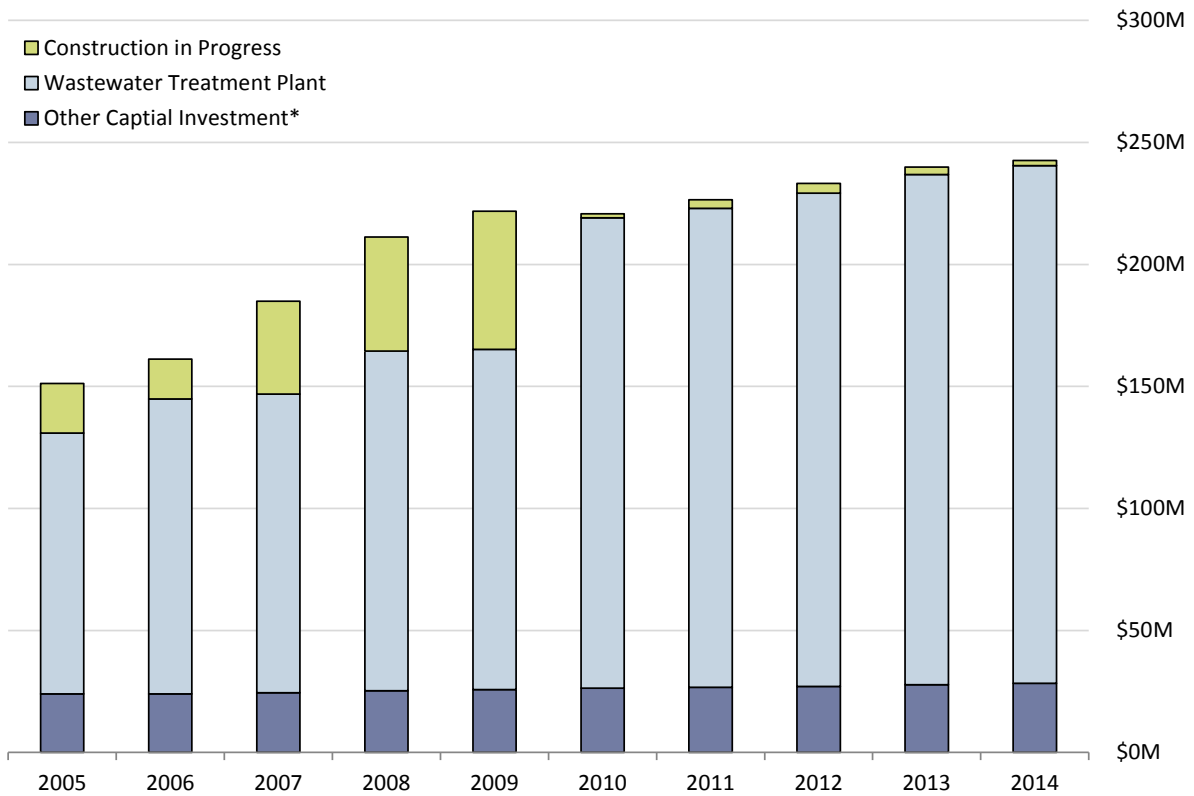
- ▲ FY 2013: Capital expense increased from designs and studies, Energy Strategic Plan, 2040 Facility Master Plan Study and Record Drawings & Manuals Project.
- ▲ FY 2012: Depreciation increased as a result of aeration pipeline infrastructure completion, replacement of a waste digester gas flare system 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 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

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

**By Function**

Fiscal Year	Wastewater Treatment Plant	Ocean Outfall	Pump Station Facilities	Furnishings and Office Equipment	Flow Metering System	Real Property	Construction in Progress	Accumulated Depreciation	Total
2014	\$ 212,138,613	\$ 14,115,650	\$ 7,026,591	\$ 3,328,489	\$ 314,269	\$ 3,598,173	\$ 2,025,302	\$ (131,412,815)	\$ 111,134,272
2013	209,110,243	14,115,650	6,860,710	2,821,468	314,269	3,598,173	3,075,422	(125,952,298)	113,893,325
2012	202,104,971	14,102,005	6,749,955	2,341,392	299,059	3,598,173	4,054,328	(119,356,558)	114,067,928
2011	196,253,370	14,102,005	6,581,287	2,112,950	299,059	3,598,173	3,509,708	(112,388,624)	114,030,233
2010	192,795,916	14,102,005	6,433,787	1,884,990	299,059	3,598,173	1,658,195	(106,741,892)	116,243,485
2009	139,467,581	13,766,644	6,384,089	1,704,956	299,059	3,598,173	56,596,253	(105,573,270)	109,246,019
2008	139,229,814	13,766,644	6,103,717	1,502,840	299,059	3,598,173	46,749,390	(102,003,617)	82,063,943
2007	122,413,852	13,766,644	5,959,437	815,938	299,059	3,598,173	38,017,368	(102,806,528)	61,493,550
2006	120,811,650	13,766,644	5,716,899	701,756	280,466	3,598,173	16,344,456	(99,726,495)	53,395,006
2005	106,916,302	13,766,644	5,618,737	716,150	280,466	3,598,173	20,306,367	(97,807,833)	45,048,381

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



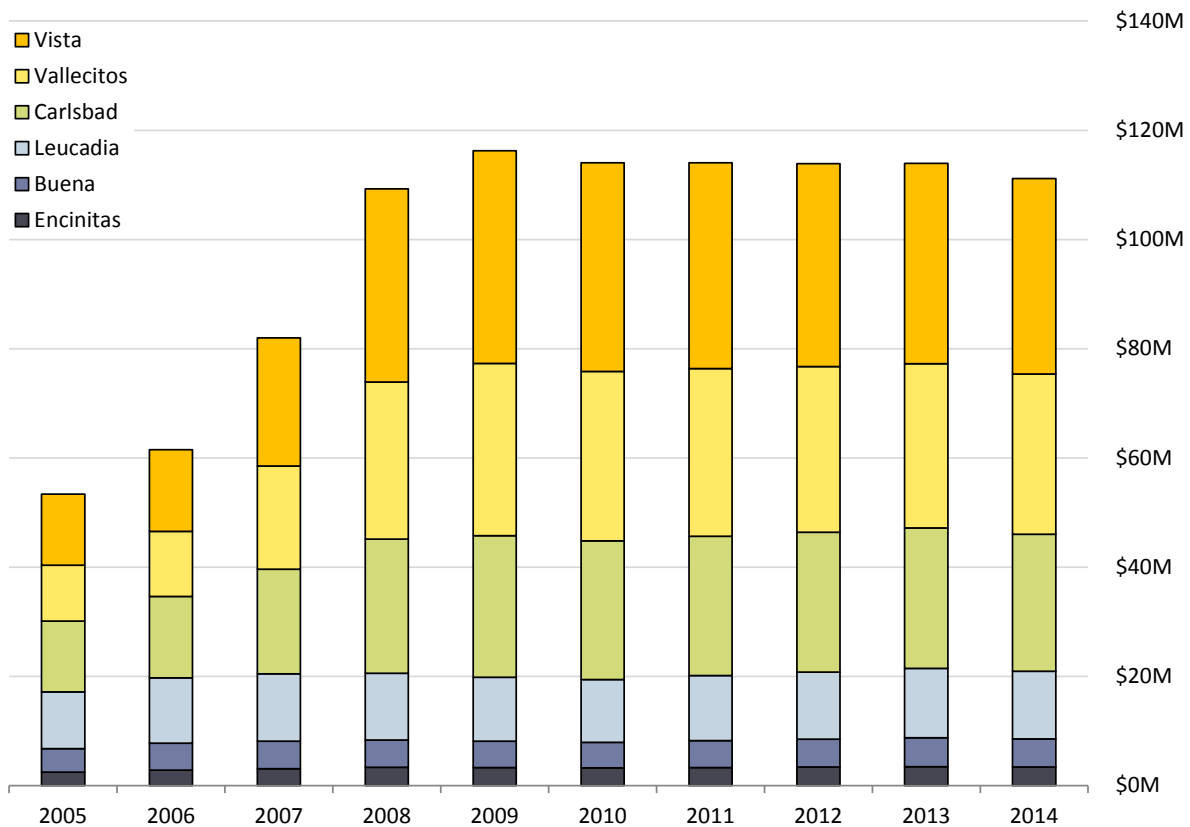
\* includes ocean outfall, pump station facilities, furnishings and office equipment, flow metering system, and real property

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

**By Member Agency**

Fiscal Year	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	Total
2014	\$ 35,757,254	\$ 25,096,031	\$ 5,181,764	\$ 29,347,614	\$ 12,360,296	\$ 3,391,313	\$ 111,134,272
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

**Investment in Capital Assets by Member Agency**



Source: Encina Wastewater Authority

2013 capital assets include:

- ▶ Solids Processing and Blower project, Third Centrifuge Engine, Natural Gas Pipeline, 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.

**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)
2013	358,000	1.0%	\$ 18,319	\$ 51,171	7.0%	\$ 54,612
2012	354,290	0.8%	\$ 17,786	\$ 50,202	8.4%	\$ 53,013
2011	351,348	0.8%	\$ 17,045	\$ 48,512	9.4%	\$ 52,760
2010	348,420	0.1%	\$ 19,976	\$ 57,332	9.6%	\$ 53,504
2009	347,943	0.6%	\$ 19,958	\$ 57,361	9.0%	\$ 54,556
2008	345,880	1.8%	\$ 19,686	\$ 56,917	5.6%	\$ 52,274
2007	339,639	2.1%	\$ 18,814	\$ 55,394	4.3%	\$ 48,166
2006	332,732	2.5%	\$ 17,679	\$ 53,133	3.8%	\$ 42,458
2005	324,505	2.5%	\$ 16,703	\$ 51,473	4.0%	\$ 37,387
2004	316,443	N/A	\$ 15,951	\$ 50,406	4.5%	\$ 33,328

**Principal Employers**

Employer	Business Category	Number of Employees	Percent of Total Employment*	Member Agency
Callaway Golf	Sporting Good Equipment	1,637	2.64%	Carlsbad
Life Technologies	Biotechnology	1,454	2.35%	Carlsbad
Hunter Industries Inc	Manufacturing	725	2.45%	San Marcos
United Parcel Service	Shipping	433	1.46%	San Marcos
Scripps Memorial Hospital	Healthcare	1,200	3.89%	Encinitas
Dudek	Business Services	300	0.97%	Encinitas
Vista Unified School District	Education	2,141	4.28%	Vista
San Diego Superior Court N. Cty	Government	602	1.20%	Vista

\* within specified member agency jurisdiction

**Principal Property Taxpayers**

Taxpayer	2013 Assessed Taxable Value	Member Agency
La Costa Glen Retirement Community	\$ 234,163,899	Carlsbad
The Forum Shopping Center	179,700,000	Carlsbad
World Premier Investments	112,137,009	San Marcos
Hunter Industries Inc.	95,852,083	San Marcos
Shadowridge Vista Apartments LLC	79,982,166	Vista
Vista Bella Terra LP	71,181,525	Vista
TRC Encinitas Village	114,296,675	Encinitas
Belmont Village Tenant LLC	67,914,000	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

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	20.97 MGD
Average Daily Biochemical Oxygen Demand (influent)	54,954 PPD
Average Suspended Solids (influent)	59,526 PPD
Average Treated Wastewater Reclaimed	6.47 MGD
Average Treated Wastewater Disposal	15.17 MGD
Average Years of Employee Service	8.5 years

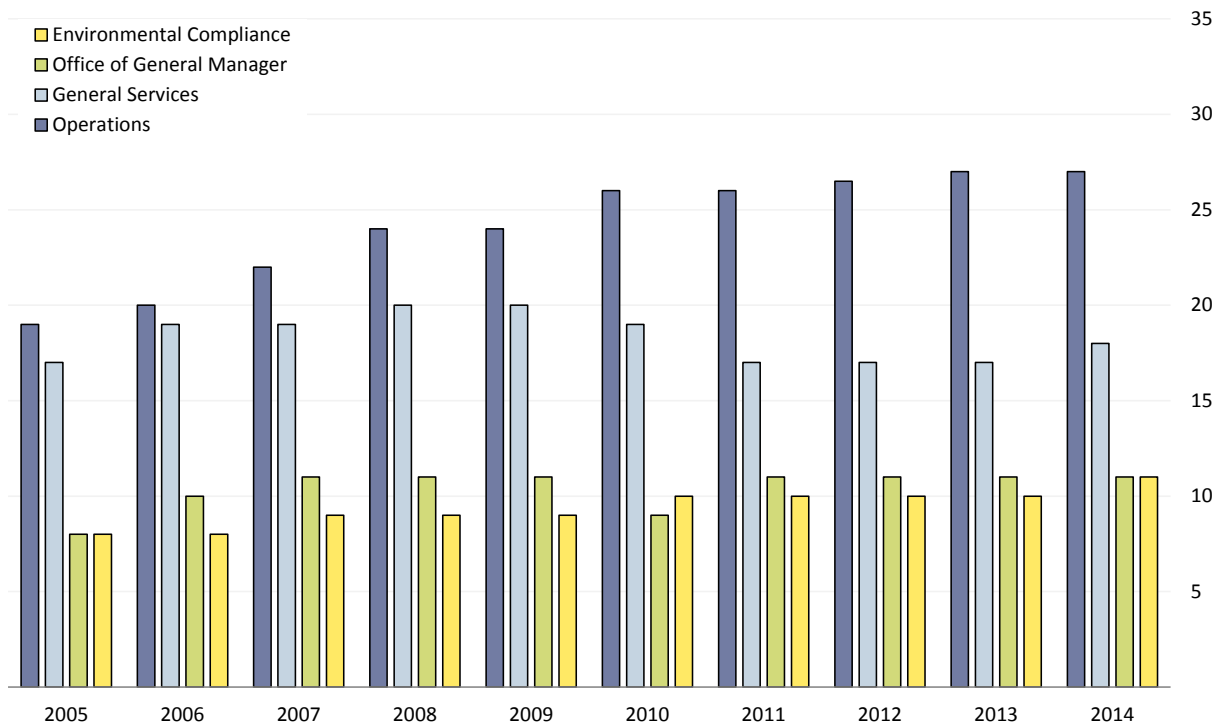
Top 10 Source Permits (Gallons per Day)

Cintas Corporation	Industrial laundry	55,000	
Prudential Overall Supply	Industrial laundry	54,000	
Hollandia Dairy	Beverage producer	38,000	
GE Osmonics, Inc.	Manufacturing	25,000	
Fresh Creative Foods	Food Processing	14,700	
Hughes Circuits, Inc.	Manufacturing	10,000	
J&D Laboratories, Inc.	Manufacturing	6,500	
Vista Industrial Products, Inc.	Manufacturing	3,000	
Select Supplements, Inc.	Manufacturing	2,930	
Natural Alternatives International	Manufacturing	2,860	

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

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

Fiscal Year	Operations	General Services	Office of General Manager	Environmental Compliance	Total FTE
2014	27.00	18.00	11.00	11.00	67.00
2013	27.00	17.00	11.00	10.00	65.00
2012	26.50	17.00	11.00	10.00	64.50
2011	26.00	17.00	11.00	10.00	64.00
2010	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



Source: Encina Wastewater Authority

- ▶ FY 2014 : 1 Mechanical Technician position and 1 Biosolids Coordinator position added
- ▶ FY 2013 : Operator-in-Training converted to Operator FTE
- ▶ FY 2012 : 1 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: 2 Shift Supervisor and 1 Mechanical Technician positions added
- ▶ FY 2007: 1 Chemist, 1 Shift Supervisor, 1 Operator Grade II, 1 Support Specialist positions added
- ▶ FY 2006: 1 Engineering Manager, 1 Financial Services Manager, 1 Maintenance Planner, 1 Electrical Instrumentation Specialist positions added
- ▶ FY 2005: One Operator position added



**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
2014	\$ 3,330,764	\$ 3,836,196	\$ 1,324,208	\$ 2,591,053	\$ 1,746,870	\$ 563,620	\$ 13,392,711	5.4%
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	12,212,243	-2.5%
2011	2,944,497	3,713,809	1,257,548	2,236,119	1,836,606	537,555	12,526,134	-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	14,227,811	13.3%
2008	2,895,678	3,819,522	1,280,944	2,305,224	1,753,873	502,210	12,557,451	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	3.6%

**Operating Expenses, excluding Depreciation**

Fiscal Year	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	Total	YOY Change
2014	\$ 3,415,378	\$ 3,801,706	\$ 1,338,393	\$ 2,499,407	\$ 1,804,515	\$ 587,225	\$ 13,446,624	3.5%
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	3,230,255	1,184,857	2,104,831	1,689,485	414,105	11,449,309	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%

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

Fiscal Year	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	Total
2014	\$ (84,614)	\$ 34,490	\$ (14,185)	\$ 91,646	\$ (57,645)	\$ (23,605)	\$ (53,913)
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	60,891	45,166	36,061	(40,494)	(2,057)	40,787	140,354
2008	71,353	33,869	2,035	28,615	41,204	21,844	198,920
2007	26,905	37,981	14,219	(155,608)	23,287	(168)	(53,384)
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)

Source: Encina Wastewater Authority

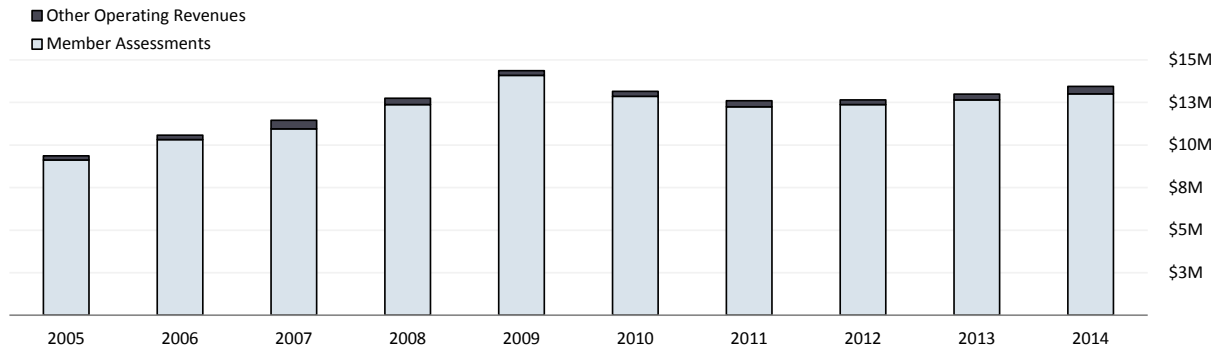
- ▶ Member billing methodology changed from estimated budget to actuals beginning FY 2003.
- ▶ A variance is expected due to fiscal year end accounting for changes in Compensated Absence and Inventory balances

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

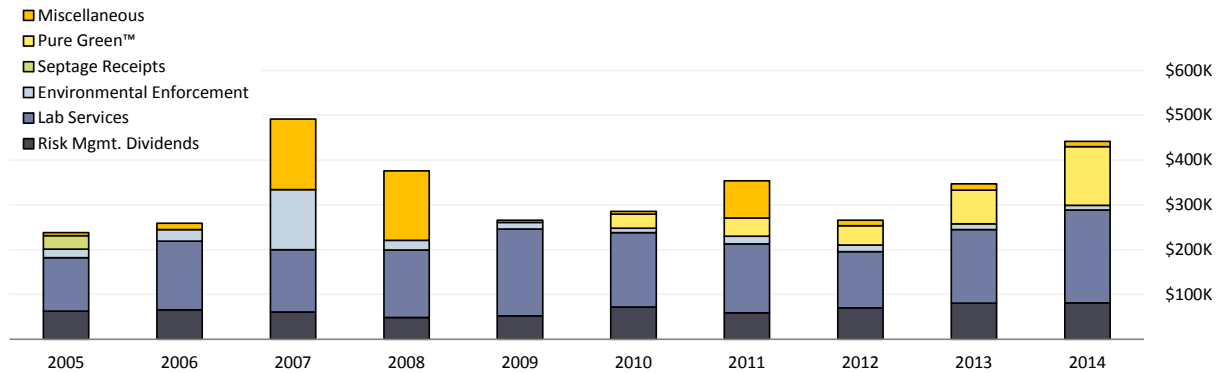
**Operating Revenues**

Fiscal Year	Member Assessments	Septage Receipts	Risk Mgmt. Dividends	Pure Green™	Lab Services	Environmental Enforcement	Miscellaneous	Total
2014	\$ 13,004,951	\$ -	\$ 81,042	\$ 131,141	\$ 207,365	\$ 10,731	\$ 11,394	\$ 13,446,624
2013	12,646,345	-	80,662	75,646	163,918	12,888	13,855	12,993,314
2012	12,383,770	-	70,388	42,937	125,404	14,830	12,191	12,649,520
2011	12,249,355	-	58,772	40,448	154,245	16,970	83,492	12,603,281
2010	12,863,097	-	71,669	31,534	166,648	9,490	6,345	13,148,783
2009	14,102,534	-	52,366	-	193,478	14,985	4,803	14,368,167
2008	12,380,505	-	48,672	-	150,346	21,872	154,971	12,756,366
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

**Total Operating Revenues**



**Other Operating Revenues**



Source: Encina Wastewater Authority

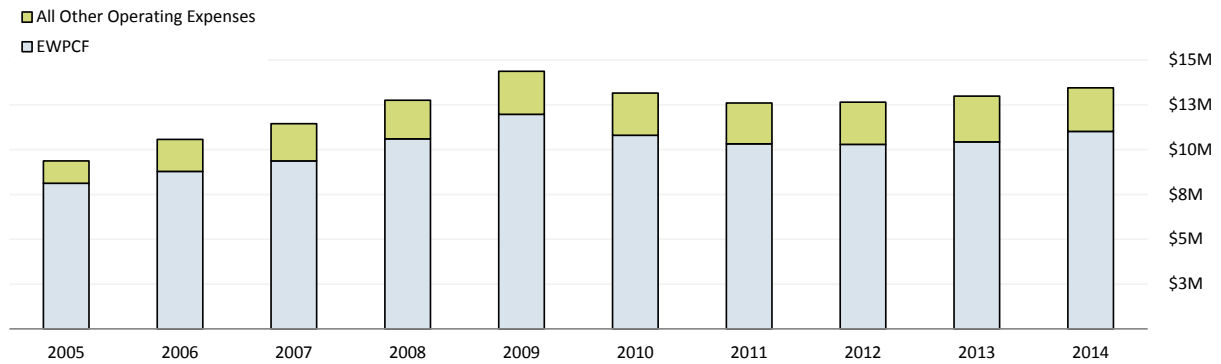
- ▶ Miscellaneous Revenue includes Sale of Scrap, Refunds, and Incentives
- ▶ FY 2011: Miscellaneous Revenue includes \$78k retroactive utility rate adjustment from San Diego Gas & Electric
- ▶ FY 2010: Pure Green™ marketing initiated
- ▶ FY 2008: Non-operating Revenue of \$259,066 was applied to offset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

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

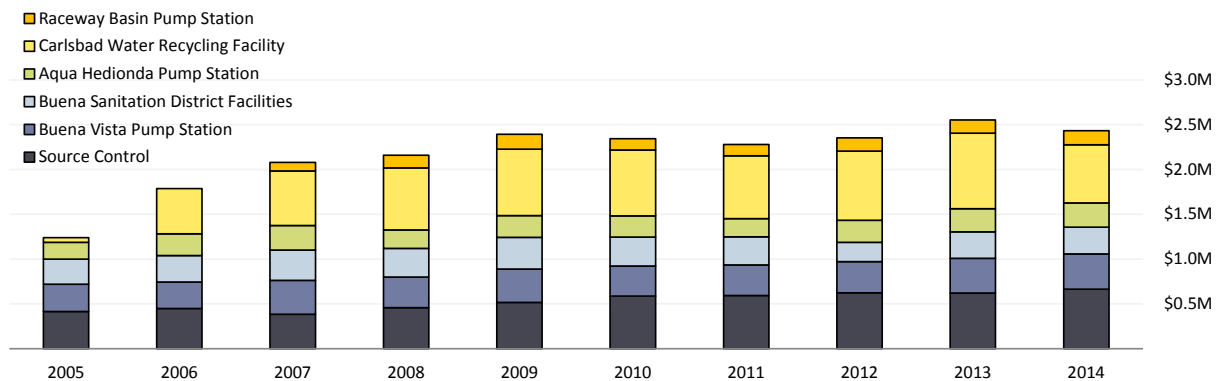
**Operating Expenses**

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
2014	\$ 11,012,498	\$ 664,209	\$ 269,050	\$ 395,013	\$ 297,139	\$ 650,499	\$ 158,216	\$ 13,446,624
2013	10,439,519	620,480	259,394	386,485	296,435	843,994	147,007	12,993,314
2012	10,296,088	623,461	247,392	348,184	215,234	772,107	147,054	12,649,520
2011	10,322,743	591,609	201,953	343,044	314,303	703,253	126,375	12,603,281
2010	10,805,156	587,541	238,499	335,451	321,524	733,358	127,254	13,148,783
2009	11,974,772	517,222	244,177	370,135	354,886	739,851	167,124	14,368,167
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

**Total Operating Expenses**



**Other Operating Expenses**



Source: Encina Wastewater Authority

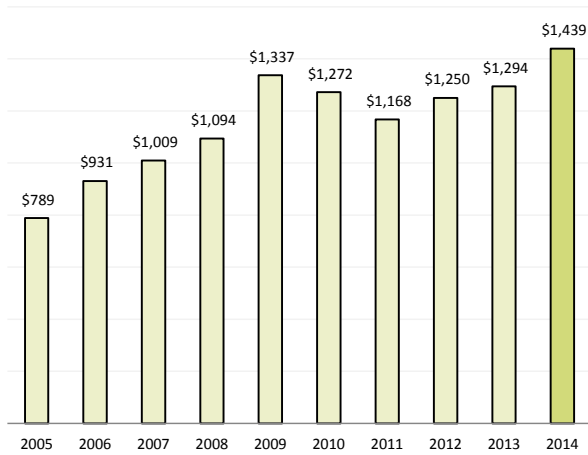
- ▶ Member Agencies are billed the amount of Operating Expenses less Other Operating Revenues
- ▶ FY 2009: Phase V Expansion substantially complete and on-line. Variance in operating costs result of start-up activities
- ▶ FY 2007: EWA assumed operation of City of Vista's Raceway Basin Pump Station Facility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

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

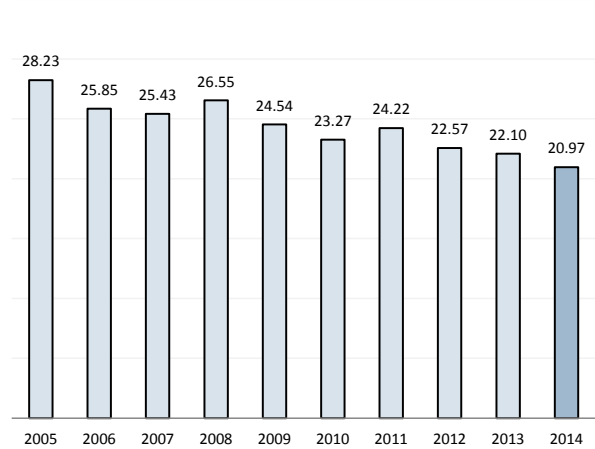
Year Ended	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	EWPCF Totals
<b>June 30, 2014</b>							
Operating Expenses	\$ 2,527,266	\$ 2,827,172	\$ 949,290	\$ 2,388,957	\$ 1,753,506	\$ 566,307	\$ 11,012,498
Avg. Daily Flow in MG	5.42	5.90	1.56	2.99	4.08	1.02	20.97
Annualized Flow in MG	1978.30	2153.50	569.40	1091.35	1489.20	372.30	7654.05
Cost Per MG	\$ 1,277.49	\$ 1,312.83	\$ 1,667.18	\$ 2,188.99	\$ 1,177.48	\$ 1,521.10	\$ 1,438.78
% change from prior year	14.10%	12.76%	6.37%	24.70%	-1.84%	6.67%	11.17%
<b>June 30, 2013</b>							
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%
<b>June 30, 2012</b>							
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	7.95%	7.27%	7.07%	9.87%	2.45%	-1.87%	7.03%
<b>June 30, 2011</b>							
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	2219.20	2763.05	624.15	1328.60	1525.70	379.60	8840.30
Cost Per MG	\$ 1,024.65	\$ 1,030.50	\$ 1,429.58	\$ 1,546.93	\$ 1,137.78	\$ 1,364.80	\$ 1,167.69
% change from prior year	-7.89%	-10.49%	-9.29%	-1.67%	-9.29%	-9.65%	-8.21%
<b>June 30, 2010</b>							
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	2098.75	2591.50	613.20	1324.95	1489.20	375.95	8493.55
Cost Per MG	\$ 1,112.45	\$ 1,151.29	\$ 1,576.00	\$ 1,573.28	\$ 1,254.36	\$ 1,510.61	\$ 1,272.16
% change from prior year	-5.82%	-8.48%	-4.77%	5.17%	-5.77%	-3.41%	-4.84%
<b>June 30, 2009</b>							
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	2182.70	2595.15	635.10	1631.55	1507.45	405.15	8957.10
Cost Per MG	\$ 1,181.18	\$ 1,257.91	\$ 1,655.01	\$ 1,495.99	\$ 1,331.16	\$ 1,563.91	\$ 1,336.90
% change from prior year	21.70%	24.53%	18.55%	24.33%	16.11%	29.99%	22.25%
<b>June 30, 2008</b>							
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	2321.40	2905.40	653.35	1854.20	1533.00	423.40	9690.75
Cost Per MG	\$ 970.60	\$ 1,010.10	\$ 1,396.00	\$ 1,203.20	\$ 1,146.45	\$ 1,203.12	\$ 1,093.60
% change from prior year	10.24%	3.06%	16.00%	5.36%	14.36%	11.17%	8.34%
<b>June 30, 2007</b>							
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%
<b>June 30, 2006</b>							
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%
<b>June 30, 2005</b>							
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

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

**Operating Expense per Million Gallons**

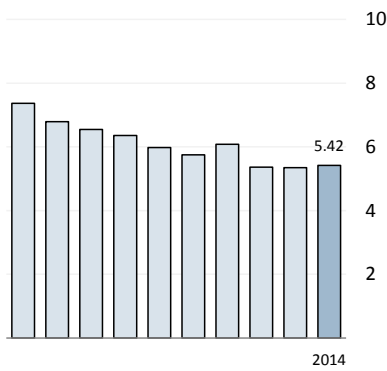


**Total Average Daily Flow (MGD)**

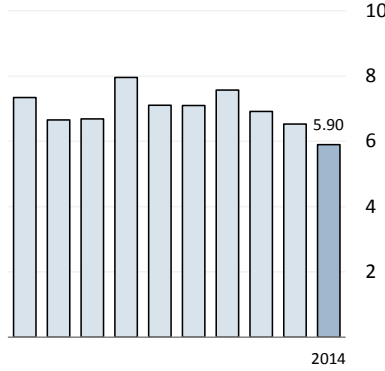


**Average Daily Flow (MGD) by Member Agency**

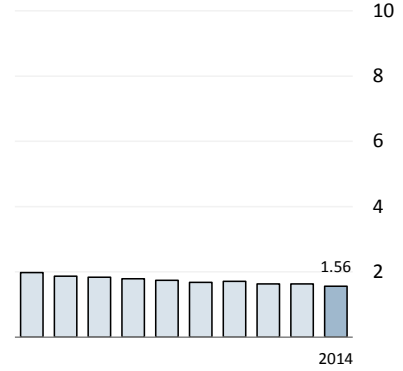
**Vista**



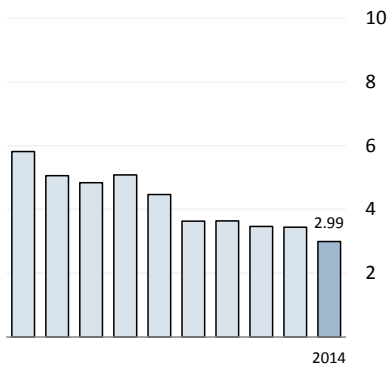
**Carlsbad**



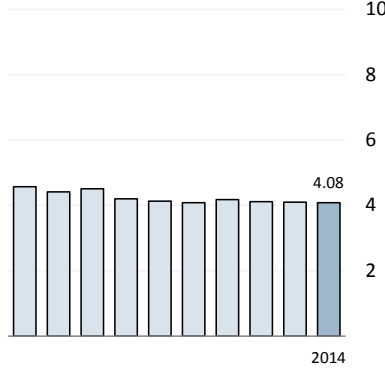
**Buena**



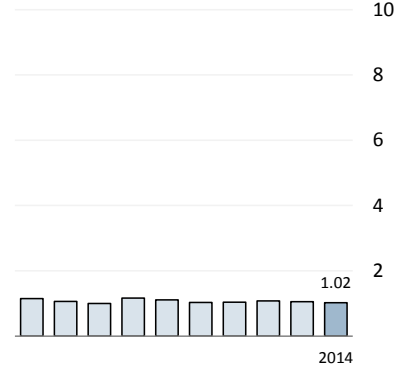
**Vallecitos**



**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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