



ENCINA
WASTEWATER
AUTHORITY

Comprehensive Annual Financial Report

Years Ended June 30, 2016 and 2015





ENCINA
WASTEWATER
AUTHORITY

MISSION STATEMENT

AS AN ENVIRONMENTAL LEADER, EWA PROVIDES RELIABLE AND FISCALLY RESPONSIBLE WATER RESOURCE RECOVERY SERVICES TO THE COMMUNITIES OF NORTHWEST SAN DIEGO COUNTY.

PROUDLY SERVING

CITY OF CARLSBAD

CITY OF VISTA

CITY OF ENCINITAS

VALLECITOS WATER DISTRICT

BUENA SANITATION DISTRICT

LEUCADIA WASTEWATER DISTRICT



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LIST OF OFFICIALS

SERVICE AREA MAP

ORGANIZATIONAL CHART

GOVERNMENT FINANCE OFFICERS ASSOCIATION AWARD

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ENCINA WASTEWATER AUTHORITY

A Public Agency

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December 14, 2016

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, 2016. 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, 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, 2016. We believe that this Report contains all information and disclosures needed to clearly understand EWA's Fiscal Year 2016 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, 2016. The independent auditors' report is located at the front of the financial section of this report.

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

BACKGROUND

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

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

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

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

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, 2016 were:

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

CURRENT SERVICES

EWA's service area is comprised of approximately 123 square miles of coastal north San Diego County with a population of roughly 367,000. 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, 2016, the EWPCF treated, recycled, or disposed of 7.58 billion gallons of wastewater. EWA also enforces industrial pretreatment regulations in the Encina service area. Additionally, EWA produces tactical and business planning documents that ensure the Encina Joint Facilities continue to meet member agency needs in compliance with local, state, and federal regulations.

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

With the Phase V expansion project, a triple-pass rotary drum heat dryer was placed in service. Biosolids from the centrifuges are pumped to the dryer and heated to approximately 200 degrees Fahrenheit. The heat drying process produces pellets that are more than 90% solids and considered Class A biosolids. The system normally operates five days per week and produces about 24 tons per day of Class A biosolids pellets. Class A biosolids have unrestricted use, which provides EWA with more options for reuse of the product. During fiscal year 2016, 77% was sold as PureGreen organic nitrogen fertilizer, 21% to local nurseries for plant application, and the rest was land applied (2%).

The Phase V expansion project also incorporated an upgrade to the Authority's cogeneration facility, including four 1,000hp Caterpillar engines driving 750kW generators. The engines can be fueled by either biogas or natural gas and recovered engine heat is used to heat the plant's anaerobic digesters. These anaerobic digesters produce up to 750,000 cubic feet of digester gas daily to fuel the engine generators. This power system produces over 76% of the electricity used at the EWPCF.

In April 2015, the Alternative Fuel Receiving Facility was completed moving the EWPCF towards energy independence. The project involved the construction of facilities to receive fats, oils and grease (FOG) and other high organic waste products. This material is fed to existing digesters where it is converted into biogas, which is then used to offset natural gas usage in the biosolids dryer. During fiscal year 2016, EWA received 3.24 million gallons of FOG and earned \$167,689 in alternative fuels tipping fees.

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

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

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

MAJOR SERVICE INITIATIVES

EWA's 2020 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. Modernize liquid treatment infrastructure.
2. Develop technical assessment of the local ocean environment.
3. Remain engaged in industry associations and advocacy.
4. Local energy reliability initiative.
5. Collaborate to optimize biosolids program performance.
6. Actively support member agency water recycling programs.
7. Implement technology master plan.
8. CMWD – EWA water reuse strategic plan.
9. EWPCF ocean discharge & air emissions permit renewal.
10. Develop nutrient management plan.
11. Manage the south parcel.
12. Create regional solutions for our partners.
13. Hold annual performance and efficiency summit.
14. Business values and standards based communications.
15. Communications integration.
16. Co-brand with member agencies.
17. Expand use of EWA's comprehensive asset management planning process.
18. Employer of choice initiative.
19. Continue Board of Directors culture and orientation process.

FUTURE PLANS

Water Reuse

EWA completed an Advanced Treatment and Water Use Analysis Report (Analysis). This analysis focused on evaluating the feasibility of indirect potable reuse through groundwater replenishment as well as direct potable reuse. In addition, the analysis evaluated non-potable recycled water production using pasteurization and the use of the non-potable recycled water for beneficial wetlands. Looking forward, EWA is studying the best path to full beneficial use of EWA's current and future effluent that is now discharged through the ocean outfall. This project is currently in a study phase and will result in a portfolio of options which may include, if feasible, a potable reuse or recycled water facility.

Heat Drying

The dewatering centrifuges and rotary drum heat dryer are used to process digester sludge and create the PureGreen fertilizer pellets as a Class A biosolids. Sales revenue from this source was \$83,957 during fiscal year 2016. Two duty and one standby centrifuge are currently used to produce a dewatered cake with approximately 22 percent solids concentration. Attempts to increase the solids concentration or speed have previously resulted in excessive polymer consumption or poor pellet formation in the heat dryer. Based on operating data, the heat dryer is operating near capacity and is expected to reach capacity in the near future.

Short term operating modifications can be implemented in order to extend the dryer capacity but the desired pellet quality and safety concerns of handling the product must be considered. Long term alternatives to increase dryer capacity were identified and evaluated in EWA's 2016 Process Master Plan and installation of a second rotary drum heat dryer is the preferred alternative. The dryer should be installed within the next five years along with operational modifications in order to avoid running out of capacity.

Primary Treatment Rehabilitation

There are ten Primary Sedimentation Basins (PSB) at the EWPCF. These are high value assets which provide significant treatment at a low operating cost. Enhancements to the PSBs are planned to improve asset useful life and to improve efficiency. Rehabilitation projects have been broken down into three construction phases. Phase 1 includes structural repairs to the PSB influent channel, replacing PSB influent gates and finger baffles, replacing PSB effluent trough support beams, and replacing the PSB 3WHP piping. This project is in the design phase.

Phase 2 includes repairs to the PSB primary effluent channel, PSB effluent junction box, and the primary effluent pipeline and primary effluent equalization box. Phase 3 includes PSB concrete repair and lining, replacing sludge collectors and scum skimmers, repairing the scum pipeline, adding centrate return line, repairing effluent weirs, and rerouting some foul air ducting.

Efficiency improvements have been recommended to install sludge blanket level measurement in the PSB, install primary sludge density meters on the primary sludge pumps, and improve the sludge pumping control strategy to provide better blanket management and reduce staff time associated with managing the blankets and flow distribution to each PSB.

Digester Mixing Improvements

There are six digesters at EWPCF. Installation of submersible mixers is planned to improve mixing reliability and reduce energy demand. The mixers are also compatible with the modified recuperative thickening as a means to increase digester capacity and allow additional fats, oils, grease and food waste.

Energy and Emissions

The Energy and Emissions Strategic Plan (EESP) identifies projects that will move the EWPCF toward further energy independence. The 2011 EESP led to the Alternative Fuel Receiving Facility which was completed in 2015. This facility receives fats, oils, grease (FOG) and other high organic waste products that are converted into biogas to offset natural gas usage in the biosolids dryer. Future energy independence projects may include the installation of gas conditioning systems and engine generator exhaust catalyst to lower emissions, thus enabling increased engine run time, and the production of more site-generated electricity. EWA anticipates issuing an updated EESP in the near future.

Monitoring, Control and Business Technology Upgrades

EWA recently completed a Technology Master Plan that addresses process monitoring and control, and business management systems. Both hardware and software needs were assessed and upgrades 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 has been initiated to design and implement modern hardware and software, and increase the level of process control automation.

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

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

Cash Management

EWA retrospectively bills member agencies and maintains appropriate cash reserves in accordance with the Financial Reserve Policy adopted by Resolution No. 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.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to EWA for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

This report has been a joint effort by each of EWA's sixty-eight staff 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 Brad Silva, Neil Glass and Mike Zizzi from Leaf & Cole, LLP; LeeAnn Warchol, EWA's Administrative Services Manager; Joseph Spence, EWA's Management Analyst; the Member Agency Finance Officers; and David Forman, 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.



Michael Steinlicht
General Manager

LIST of OFFICIALS

BOARD OF DIRECTORS AND OFFICERS

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

MANAGEMENT

- Michael Steinlicht**, 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

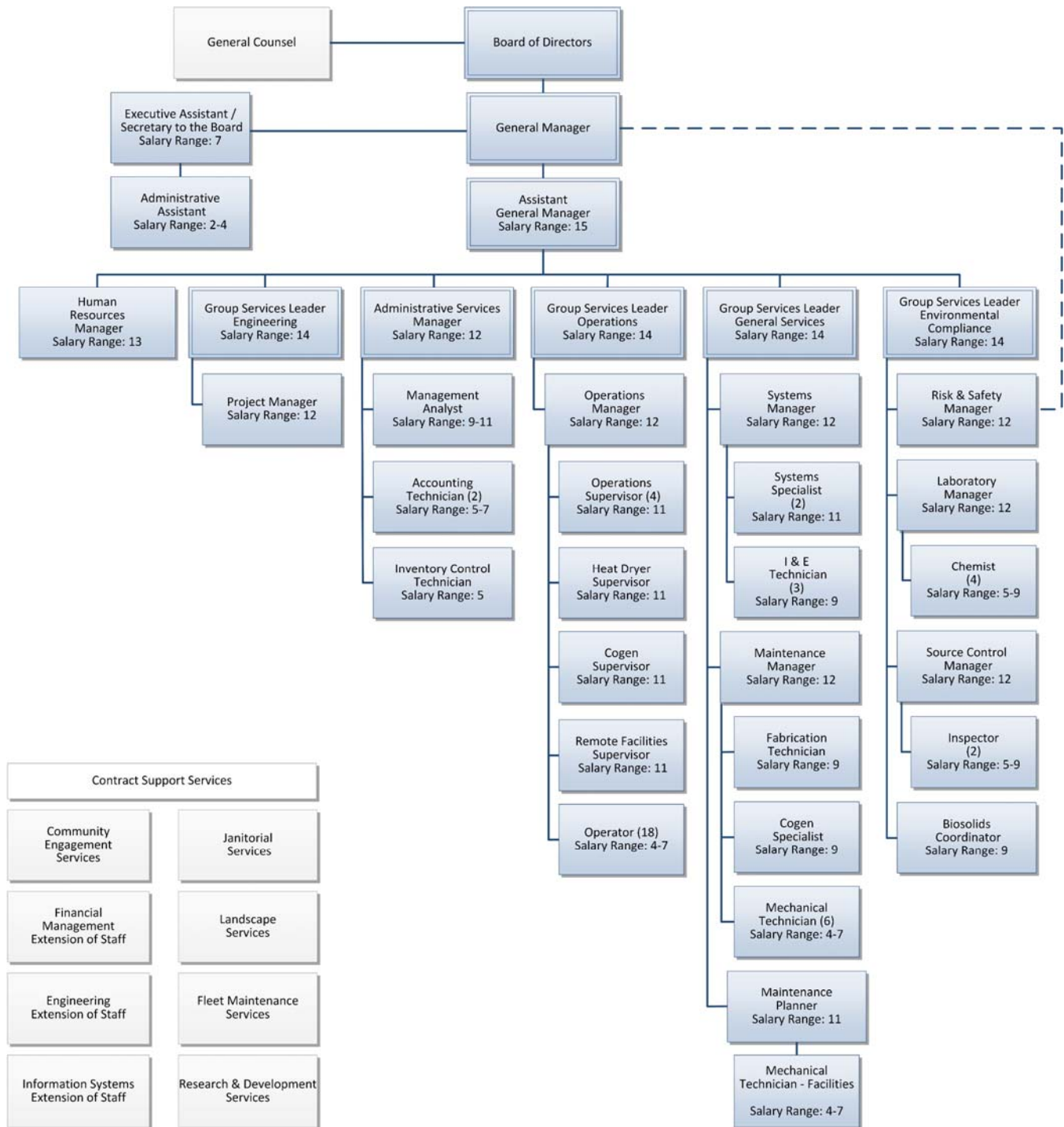
For additional information visit our website at www.encinajpa.com

SERVICE AREA



Fiscal Year 2016 Organization Chart

(68 FTE'S)





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Encina Wastewater Authority
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY SCHEDULES

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The logo for White Nelson Diehl Evans LLP is centered in a dark blue rectangular box. The company name "WHITE NELSON DIEHL EVANS LLP" is written in a large, white, serif font. Below the company name, the text "Certified Public Accountants & Consultants" is written in a smaller, white, sans-serif font. The background of the box is a dark blue color, and the text is white, creating a high-contrast, professional appearance.

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Encina Wastewater Authority
Carlsbad, California

Report on the Financial Statements

We have audited the accompanying financial statements of Encina Wastewater Authority (the Authority) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 opinions.

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Offices located in Orange and San Diego Counties

Opinions

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, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, 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, the Schedules of Plan's Proportionate Share of the Net Pension Liability, and the Schedules of Plan Contributions, 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 opinions 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, the statistical section and the budget performance 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 supplementary information in the financial section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in the financial section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters (Continued):*Other Information (Continued)*

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

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 6, 2016, 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.



Carlsbad, California
December 6, 2016

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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, 2016. 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 difference reported as net position. Net position may be displayed in three categories:

- Investment in Capital Assets
- Restricted Net Position
- Unrestricted Net Position

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

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

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

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

This statement differs from the statement of revenues, expenses and changes in net position because the statement of cash flows only accounts for transactions that result in cash receipts or cash disbursements.

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

FINANCIAL HIGHLIGHTS

- The Authority's net position decreased by \$3,945,591 to \$118,767,186 for the year ended June 30, 2016. This decrease was the result of depreciation expense exceeding the year's additions to capital assets.
- The Authority's operating revenues increased from \$13,950,886 for the year ended June 30, 2015, to \$14,307,834 for the year ended June 30, 2016, primarily as a result of increased alternative fuel tipping fees and laboratory services, as well as a one-time \$150,000 award from SDG&E.
- The Authority's operating expenses increased from \$21,854,728 for the year ended June 30, 2015, to \$22,351,291 for the year ended June 30, 2016. The increase is driven by utilities and other non-personnel 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>2016</u>	<u>2015</u>	<u>2014⁽¹⁾</u>
<u>Assets:</u>			
Current and other assets	\$ 20,639,018	\$ 22,480,117	\$ 11,023,519
Capital assets	109,764,177	113,689,724	111,134,272
Total Assets	<u>\$ 130,403,195</u>	<u>\$ 136,169,841</u>	<u>\$ 122,157,791</u>
<u>Deferred Outflows of Resources</u>	<u>\$ 3,553,614</u>	<u>\$ 1,399,418</u>	<u>\$ -</u>
<u>Liabilities:</u>			
Current liabilities	1,512,301	1,996,184	1,967,921
Noncurrent liabilities	12,406,263	10,877,302	1,076,691
Total Liabilities	<u>\$ 13,918,564</u>	<u>\$ 12,873,486</u>	<u>\$ 3,044,612</u>
<u>Deferred Inflows of Resources</u>	<u>\$ 1,271,059</u>	<u>\$ 1,982,996</u>	<u>\$ -</u>
<u>Net Position:</u>			
Investment in capital assets	109,764,177	113,689,724	111,134,272
Restricted for capital program	7,003,009	7,023,053	5,978,907
Unrestricted	2,000,000	2,000,000	2,000,000
Total Net Position	<u>\$ 118,767,186</u>	<u>\$ 122,712,777</u>	<u>\$ 119,113,179</u>

- ⁽¹⁾ 2014 figures have not been restated as the deferred outflows of resources and the deferred inflows of resources resulting from the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" were not available for the year ended June 30, 2014.

FINANCIAL ANALYSIS OF THE AUTHORITY (CONTINUED)

Net Position (Continued)

As you can see from the table above, net position decreased by \$3,945,591 from fiscal year 2015 to 2016. Investment in capital assets decreased \$3,925,547 as a result of depreciation expense and the discontinued projects, studies and assessments, exceeding the amount spent on capital improvements. Restricted net position decreased \$20,044, primarily as a result of the Authority expenditures for capital improvements exceeding capital contributions.

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>	

Revenues, Expenses and Changes in Net Position

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

	<u>2016</u>	<u>2015</u>	<u>2014⁽¹⁾</u>
Operating revenue	\$ 14,307,834	\$ 13,950,886	\$ 13,446,624
Nonoperating revenue	17,129	5,436	8,227
Total Revenues	<u>14,324,963</u>	<u>13,956,322</u>	<u>13,454,851</u>
Depreciation	8,043,457	7,903,842	7,724,810
Unit I - EWPCF usage costs	6,356,005	6,219,094	6,288,600
Unit I - EWPCF ownership costs	4,335,206	4,277,609	4,138,478
Pump station facilities	2,072,493	1,997,362	1,769,918
Other operating expense	1,544,130	1,456,821	1,249,628
Nonoperating expense	2,327,189	1,574,957	1,585,605
Total Expenses	<u>24,678,480</u>	<u>23,429,685</u>	<u>22,757,039</u>
Loss Before Contributions and Distributions	(10,353,517)	(9,473,363)	(9,302,188)
Capital Contributions	<u>6,407,926</u>	<u>13,072,961</u>	<u>4,480,135</u>
Change in Net Position	(3,945,591)	3,599,598	(4,822,053)
Total Net Position at Beginning of Year	<u>122,712,777</u>	<u>119,113,179</u>	<u>123,935,232</u>
Total Net Position at End of Year	<u>\$ 118,767,186</u>	<u>\$ 122,712,777</u>	<u>\$ 119,113,179</u>

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

- ⁽¹⁾ 2014 figures have not been restated as the deferred outflows of resources and the deferred inflows of resources resulting from the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" were not available for the year ended June 30, 2014.

A closer examination of the source of changes in net position reveals the Authority's operating revenues increased by \$356,948 in fiscal year 2016. Operating revenues represent assessments to member agencies for reimbursement of operating expenses, as well as revenues from laboratory services, alternative fuel tipping fees, PureGreen Sales and other environmental compliance activities. The fluctuation in operating revenues is primarily driven by operating costs.

Operating costs, exclusive of depreciation, increased \$356,948 in fiscal year 2016 as a result of increased personnel, primarily salaries, and other non-personnel costs including planned repairs and maintenance.

A loss on disposal of capital assets results when capital items are replaced before they are fully depreciated. Discontinued projects, studies, and assessments result when capital funds have been used towards early development or construction of a capital project but management has subsequently determined to discontinue the project or has determined there is no future value to the funds expended and must expense the capital project in accordance with generally accepted accounting principles (GAAP). For the years ended June 30, 2016 and 2015, discontinued projects, studies, and assessments totaled \$2,327,189 and \$1,574,957, respectively. The fiscal year 2016 discontinued projects, studies, and assessments includes the Process Master Plan, Secondary Scum Pit Roof Removal, Laboratory Information Management System Enhancements, and other various capital designs, studies and Plant Rehabilitation Projects.

Capital contributions decreased by \$6,665,035 in fiscal year 2016. The decreased contributions result from the liquid process improvements and an increase in capital reserves, both occurring in the prior year.

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 does not reflect a deterioration of EWA's financial position.

FINANCIAL ANALYSIS OF THE AUTHORITY (CONTINUED)

Capital Assets

Capital assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Capital Assets Not Being Depreciated:</u>			
Land	\$ 3,598,173	\$ 3,598,173	\$ 3,598,173
Construction-in-progress	<u>1,555,579</u>	<u>157,990</u>	<u>2,025,302</u>
Total Capital Assets Not Being Depreciated	<u>5,153,752</u>	<u>3,756,163</u>	<u>5,623,475</u>
<u>Capital Assets Being Depreciated:</u>			
Joint wastewater treatment (Unit I)	219,644,465	219,293,160	212,138,613
Joint ocean outfall (Unit J)	14,115,650	14,115,650	14,115,650
Furnishings and office equipment	4,236,888	3,900,554	3,328,489
Pump station facilities	7,235,023	7,069,872	7,026,591
Flow metering system	<u>340,489</u>	<u>314,269</u>	<u>314,269</u>
Total Capital Assets Being Depreciated	<u>245,572,515</u>	<u>244,693,505</u>	<u>236,923,612</u>
Less: Accumulated depreciation	<u>(140,962,090)</u>	<u>(134,759,944)</u>	<u>(131,412,815)</u>
Net Capital Assets Being Depreciated	<u>104,610,425</u>	<u>109,933,561</u>	<u>105,510,797</u>
Net Capital Assets	<u>\$ 109,764,177</u>	<u>\$ 113,689,724</u>	<u>\$ 111,134,272</u>

The total additions of capital assets being depreciated for fiscal year 2016, net of removed assets, totaled \$879,010. Capital asset additions consisted of engine top-end overhauls, pellet storage facility improvement, SCADA network project, heat dryer safety equipment replacement and other major plant rehabilitation projects, planned asset replacement projects and minor capital acquisitions.

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 2017 operating budget is \$15,606,355, an increase of approximately 2.6% from fiscal year 2016. The fiscal year 2017 budget reflects EWA's continuing commitment to provide sustainable and fiscally responsible wastewater services to the communities it serves. The fiscal year 2017 operating budget amount includes \$250,000 in contingency funding for EWA's operations as part of their annual budgeting processes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

The Capital Improvement Program for fiscal year 2017 is budgeted at \$13,165,897, with an additional \$14,635,594 in appropriations continued from fiscal year 2016 for on-going projects, for a total fiscal year 2017 capital budget of \$27,801,491.

The fiscal year 2017 budgets reflect 68 authorized positions supporting EWA facilities and five regional facilities totaling more than \$250 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.

STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

ASSETS	<u>2016</u>	<u>2015</u>
<u>Current Assets:</u> (Notes 1, 2 and 3)		
Unrestricted Assets:		
Cash equivalents - operating	\$ 200,000	\$ 200,000
Member receivables - operating billed	2,505,806	2,224,045
Other receivables	91,004	417,408
Prepaid expenses	52,953	56,714
Inventory	1,033,769	1,245,751
Total unrestricted assets	<u>3,883,532</u>	<u>4,143,918</u>
Restricted Assets:		
Cash equivalents - capital program	4,120,063	2,491,912
Member receivables - capital program	3,545,464	5,683,882
Interest receivable - capital program	4,114	1,346
Total restricted assets	<u>7,669,641</u>	<u>8,177,140</u>
Total Current Assets	<u>11,553,173</u>	<u>12,321,058</u>
<u>Noncurrent Assets:</u> (Notes 1 and 4)		
Capital Assets:		
Nondepreciable	5,153,752	3,756,163
Depreciable, net of accumulated depreciation	104,610,425	109,933,561
Total Capital Assets, Net	<u>109,764,177</u>	<u>113,689,724</u>
Other Assets:		
Member receivable - pension	9,085,845	10,159,059
Total Noncurrent Assets	<u>118,850,022</u>	<u>123,848,783</u>
TOTAL ASSETS	<u>130,403,195</u>	<u>136,169,841</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u> (Notes 1, 7 and 12)		
Deferred outflows related to contributions	1,543,996	1,398,994
Deferred outflows related to pensions	2,009,618	424
Total deferred outflows of resources	<u>3,553,614</u>	<u>1,399,418</u>

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

STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2016 AND 2015

LIABILITIES	<u>2016</u>	<u>2015</u>
<u>Current Liabilities:</u> (Notes 1 and 5)		
Accounts payable - operating	\$ 395,436	\$ 394,371
Accounts payable - capital program, payable from restricted assets	642,237	1,028,792
Retentions payable - capital program, payable from restricted assets	24,395	125,295
Accrued liabilities	319,102	283,731
Amounts due to member agencies - operating	2,810	24,449
Net OPEB obligation	578	-
Compensated absences	127,743	139,546
Total Current Liabilities	<u>1,512,301</u>	<u>1,996,184</u>
<u>Noncurrent Liabilities:</u> (Notes 1, 5, 6 and 7)		
Net pension liability	11,368,400	9,575,481
Net OPEB obligation	-	307,469
Compensated absences	1,037,863	994,352
Total Noncurrent Liabilities	<u>12,406,263</u>	<u>10,877,302</u>
TOTAL LIABILITIES	<u>13,918,564</u>	<u>12,873,486</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u> (Notes 1, 7 and 12)		
Deferred inflows related to pensions	<u>1,271,059</u>	<u>1,982,996</u>
<u>Commitments and Contingencies</u> (Note 9)		
<u>NET POSITION:</u> (Notes 1, 4 and 12)		
Investment in capital assets	109,764,177	113,689,724
Restricted for capital program	7,003,009	7,023,053
Unrestricted	2,000,000	2,000,000
TOTAL NET POSITION	<u>\$ 118,767,186</u>	<u>\$ 122,712,777</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>Operating Revenues:</u>		
Member agency assessments	\$ 13,515,144	\$ 13,637,230
Other operating revenues	792,690	313,656
Total Operating Revenues	<u>14,307,834</u>	<u>13,950,886</u>
<u>Operating Expenses:</u>		
Depreciation	8,043,457	7,903,842
Unit I - EWPCF usage costs	6,356,005	6,219,094
Unit I - EWPCF ownership costs	4,335,206	4,277,609
Unit J - Encina ocean outfall	522,526	523,026
Directors meetings	52,183	73,808
Flow metering	331,721	272,007
Source control	637,700	587,980
Agua Hedionda pump station	302,966	286,446
Buena Vista pump station	438,134	406,595
Buena Creek pump station	328,200	310,637
Carlsbad water reclamation facility	830,701	810,972
Raceway Basin pump station	172,492	182,712
Total Operating Expenses	<u>22,351,291</u>	<u>21,854,728</u>
Operating (Loss)	<u>(8,043,457)</u>	<u>(7,903,842)</u>
<u>Nonoperating Revenues (Expenses):</u>		
Investment & other capital income	17,129	5,436
Discontinued projects, studies and assessments	(2,327,189)	(1,574,957)
Total Nonoperating Revenues (Expenses)	<u>(2,310,060)</u>	<u>(1,569,521)</u>
Loss Before Capital Contributions	(10,353,517)	(9,473,363)
<u>Capital Contributions:</u>		
Capital Contributions	6,407,926	12,072,961
Capital Reserve Contribution	-	1,000,000
Total Capital Contributions	<u>6,407,926</u>	<u>13,072,961</u>
Changes in Net Position	(3,945,591)	3,599,598
Total Net Position at Beginning of Year	<u>122,712,777</u>	<u>119,113,179</u>
TOTAL NET POSITION AT END OF YEAR	<u>\$ 118,767,186</u>	<u>\$ 122,712,777</u>

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>Cash Flows From Operating Activities:</u>		
Cash received from Member Agencies	\$ 13,211,744	\$ 13,801,243
Cash received from other operating activities	1,119,094	353,530
Cash payments to suppliers for goods and services	(8,694,990)	(8,813,452)
Cash payments to employees for services	<u>(5,635,848)</u>	<u>(5,341,321)</u>
Net Cash Provided by Operating Activities	<u>-</u>	<u>-</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(6,932,554)	(11,991,395)
Capital contributions	<u>8,546,344</u>	<u>11,532,881</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>1,613,790</u>	<u>(458,514)</u>
<u>Cash Flows From Investing Activities:</u>		
Investment income	<u>14,361</u>	<u>5,422</u>
Net Cash Provided by Investing Activities	<u>14,361</u>	<u>5,422</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,628,151	(453,092)
Cash and Cash Equivalents at Beginning of Year	<u>2,691,912</u>	<u>3,145,004</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,320,063</u>	<u>\$ 2,691,912</u>

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

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>Reconciliation of Operating Loss to Net</u>		
<u>Cash Provided by Operating Activities:</u>		
Operating (loss)	\$ (8,043,457)	\$ (7,903,842)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	8,043,457	7,903,842
Change in current assets and liabilities:		
Member receivables - operating billed	(281,761)	85,651
Amounts due from member agencies - operating unbilled	-	53,913
Member receivables - pensions	1,073,214	320,654
Other receivables	326,404	(331,226)
Prepaid expenses	3,761	(9,943)
Deferred outflows related to contributions	(145,002)	(97,310)
Deferred outflows related to pensions	(2,009,194)	(424)
Inventory	211,982	(8,932)
Accounts payable - operating	1,065	(122,553)
Accrued liabilities	35,371	95,192
Amounts due to member agencies - operating	(21,639)	24,449
Net pension liability	1,792,919	(2,205,916)
Net OPEB obligation	(306,891)	67,916
Compensated absences	31,708	145,533
Deferred inflows related to pensions	(711,937)	1,982,996
Net Cash Provided by Operating Activities	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
<u>Cash and Cash Equivalents:</u>		
<u>Financial Statement Classification:</u>		
Cash and cash equivalents	\$ 200,000	\$ 200,000
Restricted cash and cash equivalents	4,120,063	2,491,912
Total Cash and Cash Equivalents	\$ <u><u>4,320,063</u></u>	\$ <u><u>2,691,912</u></u>
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Net effect of acquisition and construction of capital assets held in accounts payable	\$ <u><u>(386,555)</u></u>	\$ <u><u>(24,357)</u></u>
Net effect of acquisition and construction of capital assets held in retention payable	\$ <u><u>(100,900)</u></u>	\$ <u><u>67,213</u></u>
Net effect of change in receivable related to capital contributions	\$ <u><u>2,138,418</u></u>	\$ <u><u>(540,080)</u></u>

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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.

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

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

Significant Accounting Policies

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

Method of Accounting

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

Significant Accounting Policies (Continued)

Method of Accounting (Continued)

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

Estimates

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

Revenue Recognition

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

Investments

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

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all accounts receivable were fully collectible; therefore no allowance for doubtful accounts was recorded at June 30, 2016 and 2015.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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

Significant Accounting Policies (Continued)

Member Receivable - Pension

The Revised Basic Agreement 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 awarded by EWA for the performance of budgeted operations and maintenance work, or capital improvement projects and the salaries and wages of employees. Under this agreement the participants are required to fund the net pension liability. Because the allocation of the funding of the pension liability is contingent upon future events (i.e.: strength and volume of flows), it does not qualify as a “Special Funding Situation” as defined by the Governmental Accounting Standards Board. As such EWA has recorded a member receivable - pension equal to the net pension liability net of any related deferred outflows of resources and deferred inflows of resources. The member receivable - pension totaled \$9,085,845 and \$10,159,059 at June 30, 2016 and 2015, respectively.

Inventory

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

Capital Assets

Capital assets purchased or acquired with a cost exceeding \$5,000 and an estimated useful life of more than one year are reported at historical cost. Contributed assets are recorded at 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)	3 - 50 years
Joint ocean outfall (Unit J)	5 - 75 years
Furnishings and office equipment	3 - 15 years
Pump station facilities	3 - 40 years
Flow metering system	5 - 15 years

Depreciation totaled \$8,043,457 and \$7,903,842 for the years ended June 30, 2016 and 2015, respectively.

Classification of Liabilities

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

Significant Accounting Policies (Continued)

Compensated Absences

Accumulated and unpaid vacation and sick leave totaling \$1,165,606 and \$1,133,898 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2016 and 2015, respectively.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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 \$316,088 and \$367,935, for the years ended June 30, 2016 and 2015, 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, 2016, 2015 and 2014.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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

Significant Accounting Policies (Continued)

Pensions

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

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Measurement Period	June 30, 2014 to June 30, 2015

Fair Value Measurements

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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

Allocation of Costs

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

Reserves

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

The Reserve Policy was amended on July 23, 2008 and provides the following:

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

Significant Accounting Policies (Continued)

Reserves (Continued)

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

<u>Member Agency</u>	<u>Operating Reserve</u>	<u>Remote Facility Reserve</u>	<u>Inventory Reserve</u>	<u>Capital Reserve</u>	<u>Total 2016</u>	<u>Total 2015</u>
City of Carlsbad	\$ 242,400	\$ 50,000	\$ 206,040	\$ 1,696,800	\$ 2,195,240	\$ 2,195,240
City of Vista	252,000	50,000	214,200	1,764,000	2,280,200	2,280,200
Buena Agency	70,900	50,000	60,265	496,300	677,465	677,465
Vallecitos Water District	224,200	-	190,570	1,569,400	1,984,170	1,984,170
Leucadia Wastewater District	168,000	-	142,800	1,176,000	1,486,800	1,486,800
City of Encinitas	42,500	-	36,125	297,500	376,125	376,125
Total Reserves	<u>\$ 1,000,000</u>	<u>\$ 150,000</u>	<u>\$ 850,000</u>	<u>\$ 7,000,000</u>	<u>\$ 9,000,000</u>	<u>\$ 9,000,000</u>

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 December 6, 2016, the date the financial statements were available to be issued. See also subsequent events discussed in Note 10.

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 - CASH AND INVESTMENTS: (CONTINUED)

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

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

	Maturity in Years		
	<u>1 Year or Less</u>	<u>2016</u>	
Petty cash	\$ 1,000	\$ 1,000	\$ 1,000
California Local Agency Investment Fund (LAIF)	2,662,339	2,662,339	1,828,381
California Asset Management Program (CAMP)	1,384,196	1,384,196	616,793
Deposits with financial institutions	272,528	272,528	245,738
Total Cash and Investments	<u>\$ 4,320,063</u>	<u>\$ 4,320,063</u>	<u>\$ 2,691,912</u>
Financial Statement Classification:			
Current:			
Cash equivalents - operating	\$ 200,000	\$ 200,000	\$ 200,000
Restricted:			
Cash equivalents - capital program	4,120,063	4,120,063	2,491,912
Total Cash and Investments	<u>\$ 4,320,063</u>	<u>\$ 4,320,063</u>	<u>\$ 2,691,912</u>

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, 2016.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 2 - CASH AND INVESTMENTS: (CONTINUED)

Disclosures Relating to Credit Risk

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

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

Concentration of Credit Risk

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

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code, except that the Authority's investment policy restricts the Authority to only investing in the 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, 2016.

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, 2016 and 2015, \$71,572 and \$31,247, respectively, of the Authority's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 - CASH AND INVESTMENTS: (CONTINUED)

Investment in State Investment Pool

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

Investment in California Asset Management Program (CAMP)

The Authority invests in this investment trust, which is similar to a money market mutual fund. The fund invests primarily in certificates of deposit, commercial paper, and U.S. Government and Agency obligations. The Authority is a volunteer participant in the investment pool.

The CAMP Cash Reserve Portfolio (the Pool) is exempt from registration with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940, but operates in a manner consistent with SEC Rule 15c7, “Money Market Funds”, of that Act. Accordingly, the Pool meets the definition of a “2a7-like pool” set forth in GASB Statement No. 31, “Accounting and Financial Reporting for Certain Investments and External Investment Pools”. While the Pool itself is exempt from SEC registration, the Pool’s investment advisor and administrator, PFM Asset Management, LLC, is registered with the SEC as an investment advisor under the Investment Advisor Act of 1940. PFM Asset Management, LLC has also filed a notice with the California Department of Corporations, as well as various other states, as an investment advisor under state securities laws. In addition, the Pool also meets the definition of “Municipal Fund Securities” outlined by Municipal Securities Rulemaking Board (MSRB) Rule 0-12, therefore contracts with prospective investors relating to shares of the Pool are conducted through PFM Asset Management’s wholly-owned subsidiary, PFMAM, Inc., a broker-dealer which is registered with the SEC and MSRB, and is a member of the National Association of Securities Dealers (NASD). The Pool also files an income tax return annually with the Internal Revenue Service, though the net income of the Pool is generally exempt from federal income tax.

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

	<u>2016</u>	<u>2015</u>
California Local Agency Investment Fund (LAIF)	\$ 2,662,339	\$ 1,828,381
California Asset Management Program (CAMP)	1,384,196	616,793
Deposits with financial institutions	272,528	245,738
Petty cash	1,000	1,000
Total	\$ 4,320,063	\$ 2,691,912

See accompanying independent auditors’ report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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>2016</u>	<u>2015</u>
Capital contributions from member agencies and interest earnings	Capital program	\$ <u>7,669,641</u>	\$ <u>8,177,140</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:

	2016			
	Balance at June 30, 2015	Additions	Deletions	
Capital Assets Not Being Depreciated:				
Land	\$ 3,598,173	\$ -	\$ -	\$ 3,598,173
Construction in progress	157,990	4,457,535	(3,059,946)	1,555,579
Total Capital Assets Not Being Depreciated	<u>3,756,163</u>	<u>4,457,535</u>	<u>(3,059,946)</u>	<u>5,153,752</u>
Capital Assets Being Depreciated:				
Joint wastewater treatment (Unit I)	219,293,160	2,051,280	(1,699,975)	219,644,465
Joint ocean outfall (Unit J)	14,115,650	-	-	14,115,650
Furnishings and office equipment	3,900,554	336,334	-	4,236,888
Pump station facilities	7,069,872	268,952	(103,801)	7,235,023
Flow metering system	314,269	63,755	(37,535)	340,489
Total Capital Assets Being Depreciated	<u>244,693,505</u>	<u>2,720,321</u>	<u>(1,841,311)</u>	<u>245,572,515</u>
Less Accumulated Depreciation For:				
Joint wastewater treatment (Unit I)	(114,761,983)	(6,883,038)	1,699,975	(119,945,046)
Joint wastewater treatment (Unit J)	(12,255,113)	(245,846)	-	(12,500,959)
Furnishings and office equipment	(2,717,086)	(472,646)	-	(3,189,732)
Pump station facilities	(4,736,603)	(430,092)	103,801	(5,062,894)
Flow metering system	(289,159)	(11,835)	37,535	(263,459)
Total Accumulated Depreciation	<u>(134,759,944)</u>	<u>(8,043,457)</u>	<u>1,841,311</u>	<u>(140,962,090)</u>
Net Capital Assets Being Depreciated	<u>109,933,561</u>	<u>(5,323,136)</u>	<u>-</u>	<u>104,610,425</u>
Net Capital Assets	<u>\$ 113,689,724</u>	<u>\$ (865,601)</u>	<u>\$ (3,059,946)</u>	<u>\$ 109,764,177</u>

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 4 - CAPITAL ASSETS: (CONTINUED)

	2015			Balance at June 30, 2015
	Balance at June 30, 2014	Additions	Deletions	
Capital Assets Not Being Depreciated:				
Land	\$ 3,598,173	\$ -	\$ -	\$ 3,598,173
Construction in progress	2,025,302	9,776,092	(11,643,404)	157,990
Total Capital Assets Not Being Depreciated	<u>5,623,475</u>	<u>9,776,092</u>	<u>(11,643,404)</u>	<u>3,756,163</u>
Capital Assets Being Depreciated:				
Joint wastewater treatment (Unit I)	212,138,613	11,635,173	(4,480,626)	219,293,160
Joint ocean outfall (Unit J)	14,115,650	-	-	14,115,650
Furnishings and office equipment	3,328,489	572,065	-	3,900,554
Pump station facilities	7,026,591	119,368	(76,087)	7,069,872
Flow metering system	314,269	-	-	314,269
Total Capital Assets Being Depreciated	<u>236,923,612</u>	<u>12,326,606</u>	<u>(4,556,713)</u>	<u>244,693,505</u>
Less Accumulated Depreciation For:				
Joint wastewater treatment (Unit I)	(112,447,204)	(6,795,405)	4,480,626	(114,761,983)
Joint wastewater treatment (Unit J)	(11,958,556)	(296,557)	-	(12,255,113)
Furnishings and office equipment	(2,259,827)	(457,259)	-	(2,717,086)
Pump station facilities	(4,463,528)	(349,162)	76,087	(4,736,603)
Flow metering system	(283,700)	(5,459)	-	(289,159)
Total Accumulated Depreciation	<u>(131,412,815)</u>	<u>(7,903,842)</u>	<u>4,556,713</u>	<u>(134,759,944)</u>
Net Capital Assets Being Depreciated	<u>105,510,797</u>	<u>4,422,764</u>	<u>-</u>	<u>109,933,561</u>
Net Capital Assets	<u>\$ 111,134,272</u>	<u>\$ 14,198,856</u>	<u>\$ (11,643,404)</u>	<u>\$ 113,689,724</u>

NOTE 5 - NONCURRENT LIABILITIES:

Noncurrent liabilities consist of the following at June 30:

	2016				Amount due within one year
	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016	
Net pension liability (Note 7)	\$ 9,575,481	\$ 3,191,913	\$ (1,398,994)	\$ 11,368,400	\$ -
Net OPEB obligation (Note 6)	307,469	72,076	(378,967)	578	578
Compensated absences (Note 1)	1,133,898	755,619	(723,911)	1,165,606	127,743
Total Noncurrent Liabilities	<u>\$ 11,016,848</u>	<u>\$ 4,019,608</u>	<u>\$ (2,501,872)</u>	<u>\$ 12,534,584</u>	<u>\$ 128,321</u>
	2015				Amount due within one year
	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015	
Net pension liability (Note 7)	\$ 11,781,397	\$ 1,730,588	\$ (3,936,504)	\$ 9,575,481	\$ -
Net OPEB obligation (Note 6)	239,553	70,567	(2,651)	307,469	-
Compensated absences (Note 1)	988,365	767,662	(622,129)	1,133,898	139,546
Total Noncurrent Liabilities	<u>\$ 13,009,315</u>	<u>\$ 2,568,817</u>	<u>\$ (4,561,284)</u>	<u>\$ 11,016,848</u>	<u>\$ 139,546</u>

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 6 - POST EMPLOYMENT 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 \$50 per retiree who elects to continue coverage. There are seven and five retirees receiving the monthly contribution for the years ended June 30, 2016 and 2015, respectively. The monthly contribution is adjusted annually to reflect changes in the medical component of the Consumer Price Index.

In April, 2016, the Authority established an irrevocable trust fund through the California Employers’ Retiree Benefits Trust (CERBT), an agent multiple-employer postemployment healthcare trust administered by CalPERS.

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

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, 2016 and 2015, the amount actually contributed to the Plan including benefits paid to retirees, and changes in the Authority’s net OPEB obligation:

	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 77,096	\$ 61,031
Interest on net OPEB obligation	12,936	11,978
Adjustment to annual required contribution	<u>(17,956)</u>	<u>(2,442)</u>
Annual OPEB cost	72,076	70,567
Contributions (including benefits paid)	<u>(378,967)</u>	<u>(2,651)</u>
Increase (Decrease) in net OPEB obligation	(306,891)	67,916
Net OPEB obligation - Beginning of Year	<u>307,469</u>	<u>239,553</u>
Net OPEB obligation - End of Year	<u>\$ 578</u>	<u>\$ 307,469</u>

See accompanying independent auditors’ report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 6 - POST EMPLOYMENT BENEFITS: (CONTINUED)

Funding Policy and Annual OPEB Costs (Continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2016 and the five preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 37,559	0.9%	\$ 73,469
June 30, 2012	38,822	1.7%	111,639
June 30, 2013	57,608	2.3%	67,907
June 30, 2014	59,278	3.1%	239,553
June 30, 2015	70,567	3.8%	307,469
June 30, 2016	72,076	525.78%	578

Funding Status and Funding Progress

In May and June, 2016, the Authority sent \$358,000 and \$18,000, respectively, to the CERBT trust account and made benefit payments of \$2,967 for a total contribution of \$378,967.

As of July 1, 2015, the most recent actuarial valuation date, the Plan was not yet funded. The Authority's actuarial accrued liability for benefits at July 1, 2015 was \$676,967 and the covered payroll (annual payroll of active employees covered by the Plan) was \$6,579,668, with a ratio of the UAAL to the covered payroll of 10.29%. The normal cost payments made during the year ended June 30, 2016 of \$2,968 funded 3.8% of the annual required contribution (ARC) leaving a net OPEB obligation of \$578.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Status (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll [(B-A)/C]</u>
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%
July 1, 2015	N/A	676,967	676,967	0.0%	6,579,668	10.29%

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. Through CERBT, the Authority is required to perform an actuarial valuation every two years.

See accompanying independent auditors' report.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 6 - POST EMPLOYMENT BENEFITS: (CONTINUED)

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 4.5 percent investment rate of return, which is the expected long-term investment return on plan assets, a projected salary increase assumption rate of 3.0 percent, an inflation rate of 2.75 percent, and an annual healthcare cost trend rate of 5 to 7 percent. The UAAL is being amortized as a level percentage of projected payroll over 30 years.

NOTE 7 - DEFINED BENEFIT PENSION PLAN:

General Information About the Pension Plan

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

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.5%
Required employer contribution rates	24.939%	6.414%

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

Contribution Description - Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The Plans actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (measurement date), the active employee contribution rate for employees hired prior to January 1, 2013 is 8.0% of annual payroll and the employer’s contribution rate is 24.939% of annual payroll. The active employee contribution rate for those employees hired on or after January 1, 2013 is 6.50% of annual pay, and the employer contribution rate is 6.414% of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any employer paid member contributions or situations where members are paying a portion of the employer contribution.

The Authority’s contribution to the Plan for the year ended June 30, 2016 were as follows:

Contributions - Employer	\$ <u>1,543,996</u>
Contributions - Employee (Paid by Employer)	\$ <u> -</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability determined in the June 30, 2014 actuarial valuation. The June 30, 2015 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using 2010 CalPERS’ experience study for the period 1997 - 2007
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

See accompanying independent auditors’ report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expenses. The discount rate was changed from 7.50 percent (net of administrative expenses in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed that the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

Discount Rate (Continued)

The table below reflects long-term expected real rate of return by asset class.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11 + ²</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

¹ An expected inflation of 2.5% used for this period.

² An expected inflation of 3.0% used for this period.

Allocation of Net Pension Liability and Pension Expense to Individual Employers

The following table shows the Authority’s proportionate share of the net pension liability over the measurement period.

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Pension</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(c) = (a) - (b)</u>
Balance at June 30, 2014	\$ 41,344,504	\$ 31,769,023	\$ 9,575,481
Balance at June 20, 2015	43,435,543	32,067,143	11,368,400
Net Changes During 2014 - 2015	<u>\$ 2,091,039</u>	<u>\$ 298,120</u>	<u>\$ 1,792,919</u>

The net pension liability of the plan is measured as of June 30, 2015, and the total pension liability for the plan used to calculate the net pension liabilities was determined by an actuarial valuation of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The proportion of the net pension liability was based on a projection of the Authority’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Authority’s proportionate share of the net pension liability for the plan as of June 30, 2014 and 2015 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2014	0.387438%
Proportion - June 30, 2015	0.318454%
Change - Increase (Decrease)	<u>0.068984%</u>

See accompanying independent auditors’ report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Current Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Plan's Net Pension Liability	\$ <u>17,283,742</u>	\$ <u>11,368,400</u>	\$ <u>6,484,598</u>

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

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

Net difference between projected and actual earnings on pension plan investment	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected remaining service lifetime (EARSL) of all members that are provided with pensions (active, inactive, and retired) as of the beginning of the measurement period

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the schedule of collective pension amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

Amortization of Deferred Outflows and Deferred Inflows of Resources (Continued)

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the Plan for the June 30, 2015 measurement date is 3.8 years, which was obtained by dividing the total service years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

For the years ended June 30, 2016 and 2015, the Authority recognized a pension expense of \$802,244 and \$1,078,340, respectively for the Plan. As of June 30, 2016 and 2015, the Authority reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 1,543,996	\$ -
Differences between actual contributions made and proportionate share of contributions	423,162	-
Differences between expected and actual experience	89,487	-
Changes of assumptions	-	846,632
Net difference between projected and actual earnings on pension plan investments	-	424,427
Adjustment due to difference in proportions	1,496,969	-
Total	\$ 3,553,614	\$ 1,271,059
	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 1,398,994	\$ -
Differences between actual contributions made and proportionate share of contributions	424	126,950
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,182,170
Adjustment due to difference in proportions	-	(326,124)
Total	\$ 1,399,418	\$ 1,982,996

See accompanying independent auditors' report.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continue)

\$1,543,996 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources in the previous chart will be recognized in future pension expense as follows:

<u>Measurement Period Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2016	\$ 309,245
2017	309,245
2018	226,175
2019	<u>(106,106)</u>
Total	<u>\$ 738,559</u>

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:

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

See accompanying independent auditors’ report.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 8 - OWNERSHIP AND USAGE ALLOCATIONS: (CONTINUED)

Phase V Ownership (Continued)

Allocation of Unit I - Encina plant ownership costs are based on the above two percentages weighted by the design engineers' replacement value breakdown, at 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 <u>Percentages</u>
City of Carlsbad	24.24%
City of Vista	25.20%
Buena Sanitation District	7.09%
Vallecitos Water District	22.42%
Leucadia Wastewater District	16.80%
City of Encinitas	4.25%
	<hr/> 100.00% <hr/>

Wastewater Flow and Usage Allocation - Unit I Treatment Plant

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

Wastewater flow usage is averaged on an annual basis. The usage and percentage of total flow by member agency for the fiscal year ended June 30, 2016 and 2015 are as follows:

<u>Agency</u>	MGD ADF UNIT I					
	<u>2016</u>		<u>2015</u>		<u>Increase (Decrease)</u>	
	<u>MGD</u>	<u>% of Total</u>	<u>MGD</u>	<u>% of Total</u>	<u>MGD</u>	<u>%</u>
Carlsbad	5.90	28.41 %	6.17	29.55 %	(0.27)	(4.38) %
Vista	5.36	25.83	5.45	26.11	(0.09)	(1.65)
Buena	1.48	7.13	1.51	7.24	(0.03)	(1.99)
Vallecitos	3.32	15.99	2.85	13.66	0.47	16.49
Leucadia	3.75	18.06	3.91	18.74	(0.16)	(4.09)
Encinitas	0.95	4.58	0.98	4.70	(0.03)	(3.06)
Total	<hr/> 20.76 <hr/>	<hr/> 100.00 % <hr/>	<hr/> 20.87 <hr/>	<hr/> 100.00 % <hr/>	<hr/> (0.11) <hr/>	<hr/> (0.53) % <hr/>

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 8 - OWNERSHIP AND USAGE ALLOCATIONS: (CONTINUED)

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

Biochemical oxygen demand usage is averaged on a three year basis. The usage and percentage of total BOD by member agency for the fiscal years ended June 30, 2016 and 2015 are as follows:

Agency	BOD LBS/DAY UNIT I					
	2016		2015		Increase (Decrease)	
	BOD	% of Total	BOD	% of Total	BOD	%
Carlsbad	15,776	25.19 %	14,492	25.42 %	1,284	8.86 %
Vista	14,835	23.68	13,430	23.56	1,405	10.46
Buena	6,287	10.04	5,861	10.28	426	7.27
Vallecitos	13,939	22.25	11,609	20.37	2,330	20.07
Leucadia	8,595	13.72	8,496	14.90	99	1.17
Encinitas	3,207	5.12	3,116	5.47	91	2.92
Total	<u>62,639</u>	<u>100.00 %</u>	<u>57,004</u>	<u>100.00 %</u>	<u>5,635</u>	<u>9.89 %</u>

Suspended solids are averaged on a three year basis. The usage and percentage of total SS by member agency for the fiscal years ended June 30, 2016 and 2015 are as follows:

Agency	SS LBS/Day Unit I					
	2016		2015		Increase (Decrease)	
	SS	% of Total	SS	% of Total	SS	%
Carlsbad	19,624	30.71 %	20,130	32.11 %	(506)	(2.51) %
Vista	10,817	16.94	10,515	16.77	302	2.87
Buena	3,994	6.25	4,039	6.44	(45)	(1.11)
Vallecitos	17,996	28.16	16,460	26.25	1,536	9.33
Leucadia	7,875	12.32	8,005	12.77	(130)	(1.62)
Encinitas	3,591	5.62	3,551	5.66	40	1.13
Total	<u>63,897</u>	<u>100.00 %</u>	<u>62,700</u>	<u>100.00 %</u>	<u>1,197</u>	<u>1.63 %</u>

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 8 - OWNERSHIP AND USAGE ALLOCATIONS: (CONTINUED)

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

Treated wastewater flow discharged through Unit J is averaged on an annual basis. The change for the fiscal years ended June 30, 2016 and 2015 for Unit J are as follows:

Agency	Outfall MGD ADF Unit J					
	2016		2015		Increase (Decrease)	
	MGD	% of total	MGD	% of total	MGD	% of total
Carlsbad	4.66	23.89 %	4.79	24.13 %	(0.13)	(2.71) %
Vista	5.36	27.46	5.45	27.45	(0.09)	(1.64)
Buena	1.48	7.59	1.52	7.66	(0.04)	(2.63)
Vallecitos	3.63	18.61	3.46	17.41	0.17	5.04
Leucadia	3.43	17.58	3.65	18.41	(0.22)	(6.14)
Encinitas	.95	4.87	.98	4.94	(0.03)	(3.14)
Total	<u>19.51</u>	<u>100.00 %</u>	<u>19.85</u>	<u>100.00 %</u>	<u>(0.34)</u>	<u>(1.72) %</u>

Other Cost Allocations

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 9 - COMMITMENTS AND CONTINGENCIES:

Construction Commitments

The Authority had contractual agreements with outside firms for capital program construction and professional services as follows at June 30, 2016:

Design Build Documents for SCADA Network Design Project	\$	350,912
Fiscal Year Major Plant Rehabilitation Construction Management		341,141
Aeration Basin Piping and Diffuser Replacement		96,700
Fiscal Year 2016 Capital Program Implementation Engineering Services		95,068
Odor Reduction Facility No. 1 Carbon Replacement		44,980
General Process Improvements Engineering Services		31,174
2015 Process Master Plan Engineering Services		29,102
Aeration and Concepts Study		24,860
Dryer Safety Improvements Phase II and III		18,761
Review Pretreatment Ordinances		10,457
APCD Air Permitting Support		8,900
Total Construction Commitments	\$	1,052,055

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 2017 Budget

On July 26, 2016, the Board of Directors adopted Resolution 2016-10 to appropriate funds for fiscal year 2017 Operating \$(15,606,355) and Capital Improvement Program \$(13,165,897) budgets. Unexpended fiscal year 2016 capital improvement projects of \$14,635,594 were also appropriated in fiscal year 2017.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11 - NEW GOVERNMENTAL ACCOUNTING STANDARDS:

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. This pronouncement did not effect net position at June 30, 2014.

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 effects of this pronouncement on the financial statements of the Authority are included in the explanation of GASB 68 above.

GASB No. 72

In February 2015, The Governmental Accounting Standards Board issued Statement No. 72, "Fair Value Measurement and Application." This pronouncement provides guidance for determining fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Governments are required to use valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value. Required disclosures include the level of fair value hierarchy and valuation techniques and should be organized by type of asset or liability. This pronouncement is effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the Authority in the year of implementation.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11 - NEW GOVERNMENTAL ACCOUNTING STANDARDS: (CONTINUED)

GASB No. 73

In June 2015, The Governmental Accounting Standards Board issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." This pronouncement establishes requirements for defined benefit pension plans that are not with the scope of Statement No. 68, as well as assets accumulated for purposes of providing those pensions. It establishes requirements for defined contribution pension plans that are not within the scope of Statement No. 68 and amends certain provisions of Statement No. 67. The pronouncement extends the approach to accounting and financial reporting established in Statement 68 to all pensions with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in the notes and required supplementary information by all similarly situated employers and nonemployer contributing entities. The requirements of this statement addressing accounting and financial reporting for employers that are not within the scope of GASB 68 are effective for financial statements for fiscal years beginning after June 15, 2016. All other provisions are effective for periods beginning after June 15, 2015. This pronouncement is not anticipated to have a material effect on the financial statements of the Authority.

GASB No. 74

In June 2015, the Governmental Accounting Standards Board issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans." This pronouncement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This pronouncement replaces Statement No. 42 and Statement No. 57. It also includes requirements for defined contributions OPEB plans that replace the requirements for those OPEB plans in Statement No.25, Statement No. 43 and Statement No. 50. This pronouncement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This pronouncement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The Authority has not yet determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11 - NEW GOVERNMENTAL ACCOUNTING STANDARDS: (CONTINUED)

GASB No. 75

In June 2015, the Government Accounting Standards Board issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension". This pronouncement replaces the requirements of Statement No. 45, and Statement No. 57. Statement No 74 establishes new accounting and financial reporting requirements for OPEB plans. This pronouncement addresses accounting and financial report for OPEB that is provided to the employees of state and local governmental employers. It also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For define benefit OPEB, this pronouncement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This pronouncement also addresses note disclosure and required supplementary information about defined benefit OPEB. This Statement is effective for financial statements for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The Authority has not yet determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

GASB No. 76

In June 2015, the Government Accounting Standards Board issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". The objective of this pronouncement is to identify in the context of the current governmental financial reporting environment the hierarchy of generally accepted accounting principles (GAAP). This pronouncement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This pronouncement supersedes Statement No. 55. The requirement of this pronouncement are effective for financial statements for period beginning after June 15, 2015 and should be applied retroactively. This pronouncement did not have a material effect on the financial statements of the Authority in the year of implementation.

GASB No. 77

In August 2015, the Governmental Accounting Standards Board issued Statement No. 77, "Tax Abatement Disclosures". This pronouncement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. This pronouncement requires governments that enter into tax abatement agreements to disclose brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients, the gross dollar amount of taxes abated during period and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Authority has not yet determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11 - NEW GOVERNMENTAL ACCOUNTING STANDARDS: (CONTINUED)

GASB No. 78

In December 2015, the Governmental Accounting Standards Board issued Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plan". This pronouncement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local government pension plan, that is used to provide defined benefit pensions both to employees of state or local governmental employers and to employers, and that has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Pronouncement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Pronouncement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The Authority has not yet determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

GASB No. 79

In December 2015, the Governmental Accounting Standards Board issued Statement No. 79, "Certain External Investment Pools and Pool Participants". This pronouncement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This pronouncement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The requirement of this pronouncement are effective for reporting periods beginning after June 15, 2015 except for certain provisions on portfolio quality, custodial credit risk, and shadowing pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the Authority in the year of implementation.

GASB No. 80

In January 2016, the Government Accounting Standards Board issued Statement No. 80, "Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14". This pronouncement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units including in the financial reporting entity pursuant to the provision of Statement No. 39. The requirements of this pronouncement are effective for reporting period beginning after June 15, 2016. Earlier application is encouraged. The Authority has not yet determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11 - NEW GOVERNMENTAL ACCOUNTING STANDARDS: (CONTINUED)

GASB No. 81

In March 2016, the Governmental Accounting Standards Board issued Statement No. 81, “Irrevocable Split-Interest Agreements”. This Pronouncement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Pronouncement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Pronouncement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Pronouncement are effective for financial statements for period beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The Authority has not yet determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

GASB No. 82

In March 2016, the Governmental Accounting Standards Board issued Statement No. 82, “Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73”. This Pronouncement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Pronouncement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The requirements of this Pronouncement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The Authority has not yet determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

**REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

**SCHEDULES OF PLAN’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS ***

	Measurement Date <u>June 30, 2015</u>	Measurement Date <u>June 30, 2014</u>
Proportion of the Collective Net Pension Liability	0.318454%	0.387438%
Proportionate Share of the Collective Net Pension Liability	11,368,400	9,575,481
Covered-Employee Payroll	6,078,845	5,879,239
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	187.02%	162.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.83%	76.84%

Notes to Schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (aka Golden Handshakes).

Changes of Assumptions - The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

*Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

**REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

**SCHEDULES OF PLAN CONTRIBUTIONS
LAST TEN YEARS ***

	Fiscal Year <u>2015 - 2016</u>	Fiscal Year <u>2014 - 2015</u>
Actuarial Determined Contribution	\$ 1,543,996	\$ 1,398,994
Contributions in Relation to the Actuarially Determined Contribution	<u>1,543,996</u>	<u>1,398,994</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>
Covered Payroll	\$ <u>6,523,691</u>	\$ <u>6,078,845</u>
Contributions as a Percentage of Covered-Employee Payroll	23.67%	23.01%

Notes to Schedule:

Fiscal Year End	June 30, 2016	June 30, 2015
Valuation Date	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Asset Valuation Method	Market Value	Market Value
Discount Rate	7.65%	7.50%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%

*Fiscal year 2015 was the first year of implementation; therefore, only two years are shown.

**SUPPLEMENTARY SCHEDULE OF INVESTMENT IN CAPITAL ASSETS
AT JUNE 30, 2016**

ASSET	TOTAL						MEMBER AGENCY OWNERSHIP AT COST							
	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	June 30, 2016	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	
PLANT														
Joint Wastewater Treatment (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	\$ 219,644,465	\$ 51,889,490	\$ 59,425,459	\$ 13,476,547	\$ 52,940,439	\$ 33,426,964	\$ 8,485,566	
Joint Wastewater Disposal (Unit J)	23.69%	24.63%	6.93%	24.17%	16.42%	4.16%	14,115,650	3,432,926	2,989,695	1,304,286	2,800,545	2,919,116	669,082	
Furnishings and Office Equipment (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	4,236,888	1,043,104	966,405	330,585	888,402	811,678	196,714	
Buena Vista Pump Station (BVPS)	10.40%	89.60%	-	-	-	-	4,158,477	432,481	3,725,996	-	-	-	-	
Agua Hedionda Pump Station (AHPS)	30.90%	69.10%	-	-	-	-	2,129,383	657,979	1,471,404	-	-	-	-	
Carlsbad Water Reclamation Facility (CWRF)	100.00%	-	-	-	-	-	405,080	405,080	-	-	-	-	-	
Buena Creek Pump Station (BCPS)	-	-	100.00%	-	-	-	350,406	-	-	350,406	-	-	-	
Raceway Basin Pump Station (RBPS)	-	100.00%	-	-	-	-	191,677	-	191,677	-	-	-	-	
Flow Metering System							(Based on Type and Location of Required Meters)	340,489	65,682	130,557	61,597	22,942	23,130	36,581
							SUB-TOTAL: PLANT	245,572,515	57,926,742	68,901,193	15,523,421	56,652,328	37,180,888	9,387,943
REAL PROPERTY														
South Parcel (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	3,412,173	846,560	737,371	278,433	690,624	694,036	165,149	
Encina Water Pollution Control Facilities (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	186,000	46,147	40,195	15,178	37,646	37,832	9,002	
							SUB-TOTAL: REAL PROPERTY	3,598,173	892,707	777,566	293,611	728,270	731,868	174,151
CONSTRUCTION IN PROGRESS														
Major Plant Rehab (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	1,555,579	377,072	392,006	110,291	348,761	261,337	66,112	
							SUB-TOTAL: CONSTRUCTION IN PROGRESS	1,555,579	377,072	392,006	110,291	348,761	261,337	66,112
TOTAL INVESTMENT IN CAPITAL ASSETS							250,726,267	59,196,521	70,070,765	15,927,323	57,729,359	38,174,093	9,628,206	
ACCUMULATED DEPRECIATION														
Joint Wastewater Treatment (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	\$ (119,945,046)	\$ (29,280,081)	\$ (28,115,890)	\$ (8,970,992)	\$ (25,834,803)	\$ (22,331,822)	\$ (5,411,458)	
Joint Wastewater Disposal (Unit J)	23.69%	24.63%	6.93%	24.17%	16.42%	4.16%	(12,500,959)	(3,040,234)	(2,647,701)	(1,155,089)	(2,480,191)	(2,585,198)	(592,546)	
Furnishings and Office Equipment (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	(3,189,732)	(787,630)	(712,878)	(253,254)	(659,919)	(625,543)	(150,508)	
Buena Vista Pump Station (BVPS)	10.40%	89.60%	-	-	-	-	(2,476,550)	(257,560)	(2,218,990)	-	-	-	-	
Agua Hedionda Vista Pump Station (AHPS)	30.90%	69.10%	-	-	-	-	(1,914,260)	(591,506)	(1,322,754)	-	-	-	-	
Carlsbad Water Reclamation Facility (CWRF)	100.00%	-	-	-	-	-	(305,366)	(305,366)	-	-	-	-	-	
Buena Creek Pump Station (BCPS)	-	-	100.00%	-	-	-	(267,482)	-	-	(267,482)	-	-	-	
Raceway Basin Pump Station (RBPS)	-	100.00%	-	-	-	-	(99,236)	-	(99,236)	-	-	-	-	
Flow Metering System							(Based on Type and Location of Required Meters)	(263,459)	(55,167)	(87,363)	(51,638)	(19,234)	(19,391)	(30,666)
							TOTAL ACCUMULATED DEPRECIATION	(140,962,090)	(34,317,544)	(35,204,812)	(10,698,455)	(28,994,147)	(25,561,954)	(6,185,178)
INVESTMENT IN CAPITAL ASSETS							\$ 109,764,177	\$ 24,878,977	\$ 34,865,953	\$ 5,228,868	\$ 28,735,212	\$ 12,612,139	\$ 3,443,028	

See accompanying independent auditor's report.

**SUPPLEMENTARY SUMMARY SCHEDULE OF
OPERATING PROGRAM AMOUNT DUE FROM/(TO) MEMBER AGENCIES
AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	June 30, 2016	June 30, 2015
OPERATING REVENUES		
Member Assessments Billed	\$ 13,517,955	\$ 13,661,679
CSRMA Dividends (Unit I Ownership)	62,204	47,202
PureGreen Sales	83,956	84,138
Alternative Fuels Tipping Fees	167,689	14,806
Lab Contract Services Receipts (Unit I Ownership)	253,526	131,738
Environmental Enforcement Receipts (Jurisdiction)	12,150	9,150
Miscellaneous Receipts (Unit I Ownership)	213,164	26,622
TOTAL OPERATING REVENUES - BILLED	\$ 14,310,644	\$ 13,975,335
OPERATING EXPENSES INCURRED		
Encina Water Pollution Control Facilities		
Unit I - Treatment Plant Usage	6,356,004	6,219,094
Unit I - Treatment Plant Ownership	4,335,206	4,277,609
Unit J - Ocean Outfall	522,526	523,026
Board of Directors	52,183	73,808
Flow Metering	331,721	272,007
Encina Wastewater Pollution Control Facilities Sub-Total	\$ 11,597,640	\$ 11,365,544
Source Control	637,701	587,980
Agua Hedionda Pump Station	302,966	286,446
Buena Vista Pump Station	438,134	406,595
Buena Creek Pump Station	328,200	310,637
Carlsbad Water Recycling Facility	830,701	810,972
Raceway Basin Pump Station	172,492	182,712
TOTAL OPERATING EXPENSES INCURRED	\$ 14,307,834	\$ 13,950,886
OPERATING REVENUES BILLED (OVER)/UNDER EXPENSES INCURRED	\$ (2,810)	\$ (24,449)
 AMOUNT DUE FROM/(TO) MEMBER AGENCIES END OF YEAR	 \$ (2,810)	 \$ (24,449)

See accompanying independent auditor's report.

**SUPPLEMENTARY DETAIL SCHEDULE OF OPERATING PROGRAM AMOUNT DUE FROM/(TO) MEMBER AGENCIES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Totals</u>	<u>Carlsbad</u>	<u>Vista</u>	<u>Buena</u>	<u>Vallecitos</u>	<u>Leucadia</u>	<u>Encinitas</u>
OPERATING REVENUES - BILLED							
Member Assessments Billed	\$13,517,955	\$3,922,418	\$3,486,291	\$1,309,315	\$2,554,253	\$1,664,550	\$581,128
CSRMA Dividends (Unit I Ownership)	62,204	15,078	15,676	4,410	13,946	10,450	2,644
PureGreen Sales	83,956	25,785	14,212	5,248	23,646	10,347	4,718
Alternative Fuels Tipping Fees	167,689	40,648	42,257	11,889	37,596	28,172	7,127
Lab Contract Services Billed (Unit I Ownership)	253,526	61,455	63,889	17,975	56,840	42,592	10,775
Environmental Enforcement Actions Billed (Jurisdiction)	12,150	1,000	9,550	-	1,600	-	-
Miscellaneous Receipts (Unit I Ownership)	213,164	51,671	53,717	15,114	47,792	35,811	9,059
TOTAL OPERATING REVENUES - BILLED	<u>\$14,310,644</u>	<u>\$4,118,055</u>	<u>\$3,685,592</u>	<u>\$1,363,951</u>	<u>\$2,735,673</u>	<u>\$1,791,922</u>	<u>\$615,451</u>
OPERATING EXPENSES							
Encina Water Pollution Control Facilities							
Plant-Unit I Usage	\$6,356,004	\$1,717,613	\$1,384,732	\$555,390	\$1,503,912	\$861,418	\$332,939
Plant-Unit I Ownership	4,335,206	1,050,854	1,092,472	307,366	971,953	728,315	184,246
Outfall-Unit J	522,526	124,808	143,524	39,667	97,157	92,020	25,350
Board of Directors	52,183	11,498	5,621	5,647	8,984	10,945	9,488
Flow Metering	331,721	69,226	85,898	63,806	46,334	44,829	21,628
Encina Water Pollution Control Facilities Sub-Total	<u>\$11,597,640</u>	<u>\$2,973,999</u>	<u>\$2,712,247</u>	<u>\$971,876</u>	<u>\$2,628,340</u>	<u>\$1,737,527</u>	<u>\$573,651</u>
Source Control							
Agua Hedionda Pump Station	\$637,701	\$187,690	\$192,520	\$63,159	\$101,329	\$51,776	\$41,227
Buena Vista Pump Station	302,966	93,616	209,350	-	-	-	-
Buena Creek Pump Station	438,134	45,566	392,568	-	-	-	-
Carlsbad Water Recycling Facility	328,200	-	-	328,200	-	-	-
Raceway Basin Pump Station	830,701	830,701	-	-	-	-	-
	172,492	-	172,492	-	-	-	-
TOTAL OPERATING EXPENSES	<u>\$14,307,834</u>	<u>\$4,131,572</u>	<u>\$3,679,177</u>	<u>\$1,363,235</u>	<u>\$2,729,669</u>	<u>\$1,789,303</u>	<u>\$614,878</u>
DUE FROM (TO) MEMBER AGENCIES JUNE 30, 2016	<u>(\$2,810)</u>	<u>\$13,517</u>	<u>(\$6,415)</u>	<u>(\$716)</u>	<u>(\$6,004)</u>	<u>(\$2,619)</u>	<u>(\$573)</u>

See accompanying independent auditor's report.

**SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY MEMBER AGENCY
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

CITY OF CARLSBAD	June 30, 2016	% of Total	June 30, 2015	Change \$	Change %
Unit I Encina Treatment Plant Usage	\$1,717,613	41.6%	\$1,720,876	(\$3,263)	-0.2%
Unit I Encina Treatment Plant Ownership	1,050,854	25.4%	1,036,893	13,961	1.3%
Unit J Encina Ocean Outfall	124,808	3.0%	126,159	(1,351)	-1.1%
Board of Directors	11,498	0.3%	14,422	(2,924)	-20.3%
Flow Metering	69,226	1.7%	56,765	12,461	22.0%
Source Control	187,690	4.5%	184,902	2,788	1.5%
Agua Hedionda Pump Station	93,616	2.3%	88,512	5,104	5.8%
Buena Vista Pump Station	45,566	1.1%	42,286	3,280	7.8%
Carlsbad Water Recycling Facility	830,701	20.1%	810,972	19,729	2.4%
TOTALS	\$4,131,572	100.0%	\$4,081,787	\$49,785	1.2%
CITY OF VISTA					
Unit I Encina Treatment Plant Usage	\$1,384,732	37.6%	\$1,350,417	\$34,315	2.5%
Unit I Encina Treatment Plant Ownership	1,092,472	29.7%	1,077,958	14,514	1.3%
Unit J Encina Ocean Outfall	143,524	3.9%	143,582	(58)	0.0%
Board of Directors	5,621	0.2%	7,627	(2,006)	-26.3%
Flow Metering	85,898	2.3%	70,435	15,463	22.0%
Source Control	192,520	5.2%	168,201	24,319	14.5%
Agua Hedionda Pump Station	209,350	5.7%	197,934	11,416	5.8%
Buena Vista Pump Station	392,568	10.7%	364,309	28,259	7.8%
Raceway Basin Pump Station	172,492	4.7%	182,712	(10,220)	-5.6%
TOTALS	\$3,679,177	100.0%	\$3,563,175	\$116,002	3.3%

Continued

See accompanying independent auditor's report.

**SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY MEMBER AGENCY (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

BUENA SANITATION DISTRICT	June 30, 2016	% of Total	June 30, 2015	Change \$	Change %
Unit I Encina Treatment Plant Usage	\$555,390	40.8%	\$556,404	(\$1,014)	-0.2%
Unit I Encina Treatment Plant Ownership	307,366	22.5%	303,282	4,084	1.3%
Unit J Encina Ocean Outfall	39,667	2.9%	39,988	(321)	-0.8%
Board of Directors	5,647	0.4%	7,445	(1,798)	-24.2%
Flow Metering	63,806	4.7%	52,320	11,486	22.0%
Source Control	63,159	4.6%	69,046	(5,887)	-8.5%
Buena Creek Pump Station	328,200	24.1%	310,637	17,563	5.7%
TOTALS	\$1,363,235	100.0%	\$1,339,122	\$24,113	1.8%

VALLECITOS WATER DISTRICT					
Unit I Encina Treatment Plant Usage	\$1,503,912	55.1%	\$1,347,938	\$155,974	11.6%
Unit I Encina Treatment Plant Ownership	971,953	35.6%	959,040	12,913	1.3%
Unit J Encina Ocean Outfall	97,157	3.6%	91,137	6,020	6.6%
Board of Directors	8,984	0.3%	15,040	(6,056)	-40.3%
Flow Metering	46,334	1.7%	37,993	8,341	22.0%
Source Control	101,329	3.7%	97,554	3,775	3.9%
TOTALS	\$2,729,669	100.0%	\$2,548,702	\$180,967	7.1%

Continued

See accompanying independent auditor's report.

**SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY MEMBER AGENCY (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>June 30, 2016</u>	<u>% of Total</u>	<u>June 30, 2015</u>	<u>Change \$</u>	<u>Change %</u>
LEUCADIA WASTEWATER DISTRICT					
Unit I Encina Treatment Plant Usage	\$861,418	48.2%	\$902,979	(\$41,561)	-4.6%
Unit I Encina Treatment Plant Ownership	728,315	40.7%	718,638	9,677	1.3%
Unit J Encina Ocean Outfall	92,020	5.1%	96,322	(4,302)	-4.5%
Board of Directors	10,945	0.6%	15,752	(4,807)	-30.5%
Flow Metering	44,829	2.5%	36,759	8,070	22.0%
Source Control	51,776	2.9%	52,079	(303)	-0.6%
TOTALS	\$1,789,303	100.0%	\$1,822,529	(\$33,226)	-1.8%
CITY OF ENCINITAS					
Unit I Encina Treatment Plant Usage	\$332,939	54.2%	\$340,480	(\$7,541)	-2.2%
Unit I Encina Treatment Plant Ownership	184,246	30.0%	181,798	2,448	1.3%
Unit J Encina Ocean Outfall	25,350	4.1%	25,838	(488)	-1.9%
Board of Directors	9,488	1.5%	13,522	(4,034)	-29.8%
Flow Metering	21,628	3.5%	17,735	3,893	22.0%
Source Control	41,227	6.7%	16,198	25,029	154.5%
TOTALS	\$614,878	100.0%	\$595,571	\$19,307	3.2%
Total Operating Expense All Member Agencies	\$14,307,834		\$13,950,886	\$356,948	2.6%

See accompanying independent auditor's report.

SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>	<u>% of Total</u>	<u>June 30, 2015</u>	<u>Change \$</u>	<u>Change %</u>
UNIT I: ENCINA TREATMENT PLANT USAGE					
City of Carlsbad	\$ 1,717,613	27.0%	\$ 1,720,876	(\$3,263)	-0.2%
City of Vista	1,384,732	21.8%	1,350,417	34,315	2.5%
Buena Sanitation District	555,390	8.7%	556,404	(1,014)	-0.2%
Vallecitos Water District	1,503,912	23.7%	1,347,938	155,974	11.6%
Leucadia Wastewater District	861,418	13.6%	902,979	(41,561)	-4.6%
City of Encinitas	332,939	5.2%	340,480	(7,541)	-2.2%
TOTALS	<u>\$ 6,356,004</u>	<u>100.0%</u>	<u>\$ 6,219,094</u>	<u>136,910</u>	<u>2.2%</u>
UNIT I: ENCINA TREATMENT PLANT OWNERSHIP					
City of Carlsbad	\$1,050,854	24.2%	\$1,036,893	\$13,961	1.3%
City of Vista	1,092,472	25.3%	1,077,958	14,514	1.3%
Buena Sanitation District	307,366	7.1%	303,282	4,084	1.3%
Vallecitos Water District	971,953	22.4%	959,040	12,913	1.3%
Leucadia Wastewater District	728,315	16.8%	718,638	9,677	1.3%
City of Encinitas	184,246	4.2%	181,798	2,448	1.3%
TOTALS	<u>\$4,335,206</u>	<u>100.0%</u>	<u>\$4,277,609</u>	<u>\$57,597</u>	<u>1.3%</u>
UNIT J: ENCINA OCEAN OUTFALL					
City of Carlsbad	\$124,808	23.8%	\$126,159	(\$1,351)	-1.1%
City of Vista	143,524	27.5%	143,582	(58)	0.0%
Buena Sanitation District	39,667	7.6%	39,988	(321)	-0.8%
Vallecitos Water District	97,157	18.6%	91,137	6,020	6.6%
Leucadia Wastewater District	92,020	17.6%	96,322	(4,302)	-4.5%
City of Encinitas	25,350	4.9%	25,838	(488)	-1.9%
TOTALS	<u>522,526</u>	<u>100.0%</u>	<u>523,026</u>	<u>(500)</u>	<u>-0.1%</u>
BOARD OF DIRECTORS					
City of Carlsbad	\$11,498	22.0%	\$14,422	(\$2,924)	-20.3%
City of Vista	5,621	10.8%	7,627	(2,006)	-26.3%
Buena Sanitation District	5,647	10.8%	7,445	(1,798)	-24.2%
Vallecitos Water District	8,984	17.2%	15,040	(6,056)	-40.3%
Leucadia Wastewater District	10,945	21.0%	15,752	(4,807)	-30.5%
City of Encinitas	9,488	18.2%	13,522	(4,034)	-29.8%
TOTALS	<u>52,183</u>	<u>100.0%</u>	<u>73,808</u>	<u>(21,625)</u>	<u>-29.3%</u>

Continued

See accompanying independent auditor's report.

SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>	<u>% of Total</u>	<u>June 30, 2015</u>	<u>Change \$</u>	<u>Change %</u>
FLOW METERING PROGRAM					
City of Carlsbad	\$69,226	20.9%	\$56,765	\$12,461	22.0%
City of Vista	85,898	25.9%	70,435	15,463	22.0%
Buena Sanitation District	63,806	19.2%	52,320	11,486	22.0%
Vallecitos Water District	46,334	14.0%	37,993	8,341	22.0%
Leucadia Wastewater District	44,829	13.5%	36,759	8,070	22.0%
City of Encinitas	21,628	6.5%	17,735	3,893	22.0%
TOTALS	<u>\$331,721</u>	<u>100.0%</u>	<u>\$272,007</u>	<u>\$59,714</u>	<u>22.0%</u>
TOTAL ENCINA WATER POLLUTION CONTROL FACILITIES					
City of Carlsbad	\$2,973,999	25.6%	\$2,955,115	\$18,884	0.6%
City of Vista	2,712,247	23.4%	2,650,019	62,228	2.3%
Buena Sanitation District	971,876	8.4%	959,439	12,437	1.3%
Vallecitos Water District	2,628,340	22.7%	2,451,148	177,192	7.2%
Leucadia Wastewater District	1,737,527	15.0%	1,770,450	(32,923)	-1.9%
City of Encinitas	573,651	4.9%	579,373	(5,722)	-1.0%
TOTALS	<u>\$11,597,640</u>	<u>100.0%</u>	<u>\$11,365,544</u>	<u>\$232,096</u>	<u>2.0%</u>
SOURCE CONTROL PROGRAM					
City of Carlsbad	\$187,690	29.5%	\$184,902	\$2,788	1.5%
City of Vista	192,520	30.1%	168,201	24,319	14.5%
Buena Sanitation District	63,159	9.9%	69,046	(5,887)	-8.5%
Vallecitos Water District	101,329	15.9%	97,554	3,775	3.9%
Leucadia Wastewater District	51,776	8.1%	52,079	(303)	-0.6%
City of Encinitas	41,227	6.5%	16,198	25,029	154.5%
TOTALS	<u>\$637,701</u>	<u>100.0%</u>	<u>\$587,980</u>	<u>\$49,721</u>	<u>8.5%</u>
AGUA HEDIONDA PUMP STATION					
City of Carlsbad	\$93,616	30.9%	\$88,512	\$5,104	5.8%
City of Vista	209,350	69.1%	197,934	11,416	5.8%
TOTALS	<u>\$302,966</u>	<u>100.0%</u>	<u>\$286,446</u>	<u>\$16,520</u>	<u>5.8%</u>

Continued

See accompanying independent auditor's report.

SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>	<u>% of Total</u>	<u>June 30, 2015</u>	<u>Change \$</u>	<u>Change %</u>
BUENA VISTA PUMP STATION					
City of Carlsbad	\$45,566	10.4%	\$42,286	\$3,280	7.8%
City of Vista	392,568	89.6%	364,309	28,259	7.8%
TOTALS	<u>438,134</u>	<u>100.0%</u>	<u>406,595</u>	<u>31,539</u>	<u>7.8%</u>
BUENA CREEK PUMP STATION					
Buena Sanitation District	\$328,200	100.0%	\$310,637	\$17,563	5.7%
TOTALS	<u>\$328,200</u>	<u>100.0%</u>	<u>\$310,637</u>	<u>\$17,563</u>	<u>5.7%</u>
CARLSBAD WATER RECYCLING FACILITY					
City of Carlsbad	\$830,701	100.0%	\$810,972	\$19,729	2.4%
TOTALS	<u>\$830,701</u>	<u>100.0%</u>	<u>\$810,972</u>	<u>\$19,729</u>	<u>2.4%</u>
RACEWAY BASIN PUMP STATION					
City of Vista	\$172,492	100.0%	\$182,712	(\$10,220)	-5.6%
TOTALS	<u>\$172,492</u>	<u>100.0%</u>	<u>\$182,712</u>	<u>(\$10,220)</u>	<u>-5.6%</u>
TOTAL OPERATING EXPENSE					
City of Carlsbad	\$4,131,572	28.9%	\$4,081,787	\$49,785	1.2%
City of Vista	3,679,177	25.7%	3,563,175	116,002	3.3%
Buena Sanitation District	1,363,235	9.5%	1,339,122	24,113	1.8%
Vallecitos Water District	2,729,669	19.1%	2,548,702	180,967	7.1%
Leucadia Wastewater District	1,789,303	12.5%	1,822,529	(33,226)	-1.8%
City of Encinitas	614,878	4.3%	595,571	19,307	3.2%
TOTALS	<u>\$14,307,834</u>	<u>100.0%</u>	<u>\$13,950,886</u>	<u>\$356,948</u>	<u>2.6%</u>

See accompanying independent auditor's report.

**SUPPLEMENTARY SCHEDULE OF CHANGES IN NET POSITION RESTRICTED -
CAPITAL IMPROVEMENT PROGRAM
AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
CAPITAL CONTRIBUTIONS		
Member Assessments	\$ 6,407,926	\$ 12,072,961
Capital Reserve Contribution	-	1,000,000
TOTAL CAPITAL CONTRIBUTIONS	<u>6,407,926</u>	<u>13,072,961</u>
CAPITAL EXPENSES (CREDITS)		
Encina Water Pollution Control Facility (EWPCF) Capital Acquisitions	519,086	523,401
Agua Hedionda Pump Station (AHPS) Capital Acquisitions	16,417	45,953
Buena Vista Pump Station (BVPS) Capital Acquisitions	95,931	64,821
Buena Creek Pump Station (BCPS) Capital Acquisitions	42,846	49,570
Carlsbad Water Reclamation Facility (CWRF) Capital Acquisitions	31,541	7,547
Raceway Basin Pump Station (RBPS) Capital Acquisitions	84,466	-
EWPCF Planned Asset Replacement	1,197,277	1,566,867
EWPCF Major Plant Rehabilitation Program		
Liquid Process Improvements	936,214	4,467,756
Outfall	41,283	162,628
Solids Process Improvements	458,897	-
Energy Management	384,590	3,318,212
General Improvements	311,946	15,503
Engineering Services	2,324,605	1,759,537
Professional Services	-	52,456
TOTAL CAPITAL EXPENSES	<u>6,445,099</u>	<u>12,034,251</u>
CAPITAL CONTRIBUTIONS OVER (UNDER) CAPITAL EXPENSES	(37,173)	1,038,710
NON-OPERATING INCOME (EXPENSE)		
Investment Income & Other	17,129	5,436
TOTAL NON-OPERATING INCOME (EXPENSE)	<u>17,129</u>	<u>5,436</u>
NET POSITION RESTRICTED FOR CIP, BEGINNING OF FISCAL YEAR	<u>7,023,053</u>	<u>5,978,907</u>
NET POSITION RESTRICTED FOR CIP, END OF FISCAL YEAR	<u>\$ 7,003,009</u>	<u>\$ 7,023,053</u>

See accompanying independent auditor's report.

**SUPPLEMENTARY SCHEDULE OF NET POSITION RESTRICTED BY PROJECT - CAPITAL IMPROVEMENT PROGRAM
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

<u>PROJECTS</u>	<u>Balance June 30, 2015</u>	<u>Member Billings</u>	<u>Income</u>	<u>Capital Expenses</u>	<u>Balance June 30, 2016</u>
<u>CONTINUING PROJECTS</u>					
EWPCF MAJOR PLANT REHABILITATION PROGRAM					
LIQUID PROCESS IMPROVEMENTS	\$ -	\$ (936,214)	\$ -	\$ 936,214	\$ -
OUTFALL	162,628	(162,628)	-	41,283	41,283 *
SOLIDS PROCESS IMPROVEMENTS	-	(458,897)	-	458,897	-
ENERGY MANAGEMENT	-	(384,590)	-	384,590	-
GENERAL IMPROVEMENTS	(184,196)	(168,301)	-	311,946	(40,551) *
ENGINEERING SERVICES	-	(2,324,605)	-	2,324,605	-
SUB TOTAL CONTINUING PROJECTS	<u>(21,568)</u>	<u>(4,435,235)</u>	<u>-</u>	<u>4,457,535</u>	<u>732</u>
<u>OTHER</u>					
CAPITAL ACQUISITIONS					
EWPCF	-	(519,086)	-	519,086	-
REMOTE FACILITIES	-	(271,201)	-	271,201	-
PLANNED ASSET REPLACEMENT	3,951	(1,187,840)	-	1,197,277	13,388 *
CAPITAL RESERVE	(7,000,000)	-	-	-	(7,000,000)
INCOME ON CAPITAL RESERVE FUNDS	(5,436)	5,436	(17,129)	-	(17,129) *
SUB TOTAL OTHER	<u>(7,001,485)</u>	<u>(1,972,691)</u>	<u>(17,129)</u>	<u>1,987,564</u>	<u>(7,003,741)</u>
TOTAL CAPITAL IMPROVEMENT PROGRAM	<u>\$ (7,023,053)</u>	<u>\$ (6,407,926)</u>	<u>\$ (17,129)</u>	<u>\$ 6,445,099</u>	<u>\$ (7,003,009)</u>

* Indicates amounts due from/(to) Member Agencies \$ (3,009) *

See accompanying independent auditor's report.

SUPPLEMENTARY SCHEDULE OF NET POSITION RESTRICTED BY MEMBER AGENCY - CAPITAL IMPROVEMENT PROGRAM
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

<u>PROJECTS</u>	<u>Carlsbad</u>	<u>Vista</u>	<u>Buena</u>	<u>Vallecitos</u>	<u>Leucadia</u>	<u>Encinitas</u>	<u>Balance June 30, 2016</u>
<u>CONTINUING PROJECTS</u>							
MAJOR PLANT REHABILITATION PROGRAM							
OUTFALL	\$ 9,780	\$ 10,168	\$ 2,861	\$ 9,978	\$ 6,779	\$ 1,717	41,283 *
GENERAL IMPROVEMENTS	(9,829)	(10,219)	(2,875)	(9,092)	(6,813)	(1,723)	(40,551) *
SUB TOTAL CONTINUING PROJECTS	<u>(49)</u>	<u>(51)</u>	<u>(14)</u>	<u>886</u>	<u>(34)</u>	<u>(6)</u>	<u>732</u>
<u>OTHER</u>							
PLANNED ASSET REPLACEMENT	3,245	3,374	949	3,002	2,249	569	13,388 *
CAPITAL RESERVE	(1,696,800)	(1,764,000)	(496,300)	(1,569,400)	(1,176,000)	(297,500)	(7,000,000)
INCOME ON CAPITAL RESERVE FUNDS	(4,152)	(4,317)	(1,214)	(3,840)	(2,878)	(728)	(17,129) *
SUB TOTAL OTHER	<u>(1,697,707)</u>	<u>(1,764,943)</u>	<u>(496,565)</u>	<u>(1,570,238)</u>	<u>(1,176,629)</u>	<u>(297,659)</u>	<u>(7,003,741)</u>
TOTAL CAPITAL IMPROVEMENT PROGRAM	<u>\$ (1,697,756)</u>	<u>\$ (1,764,994)</u>	<u>\$ (496,579)</u>	<u>\$ (1,569,352)</u>	<u>\$ (1,176,663)</u>	<u>\$ (297,665)</u>	<u>(7,003,009)</u>
REFUND OF MEMBER AGENCY BILLING	\$ (956)	\$ (994)	\$ (279)	\$ 48	\$ (663)	\$ (165)	(3,009) *
	<u>\$ (956)</u>	<u>\$ (994)</u>	<u>\$ (279)</u>	<u>\$ 48</u>	<u>\$ (663)</u>	<u>\$ (165)</u>	<u>\$ (3,009)</u>

* Indicates amounts due from/(to) Member Agencies

See accompanying independent auditor's report.

STATISTICAL SECTION

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

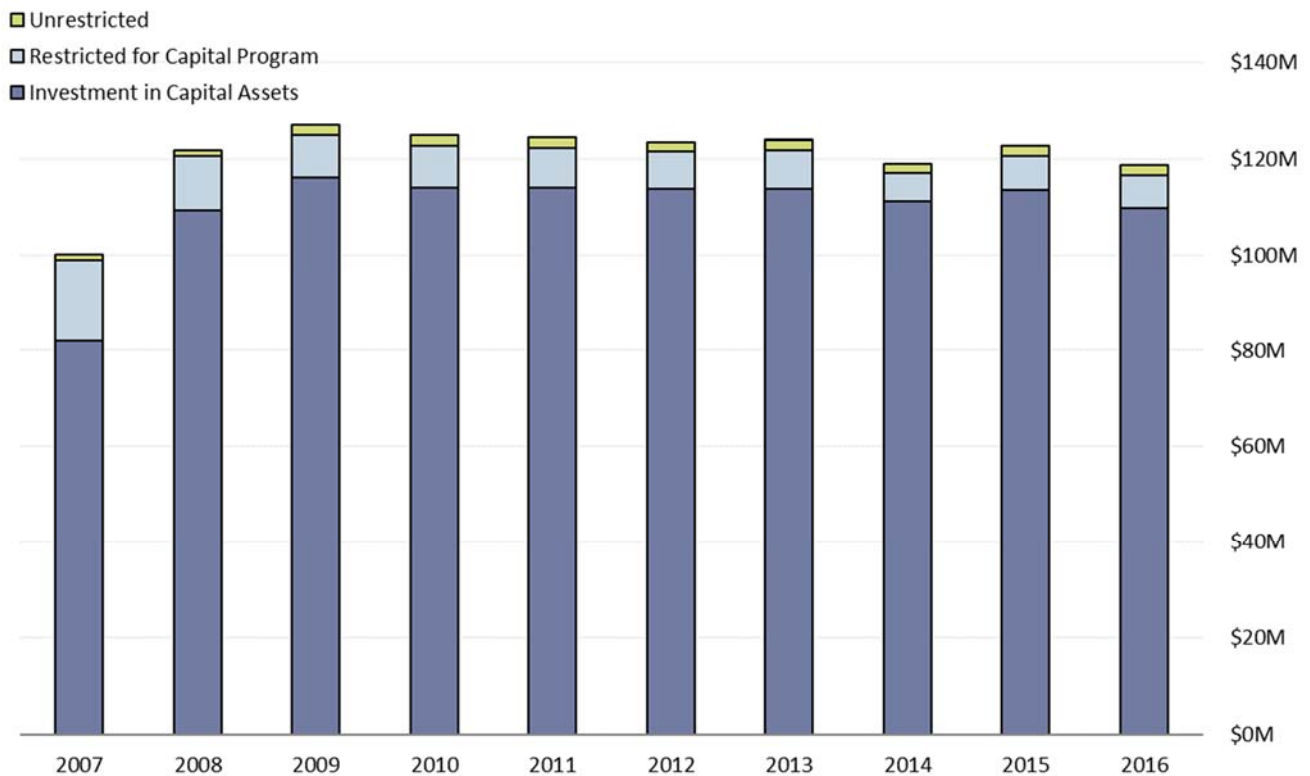
Operating Information

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

NET POSITION
LAST TEN FISCAL YEARS

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



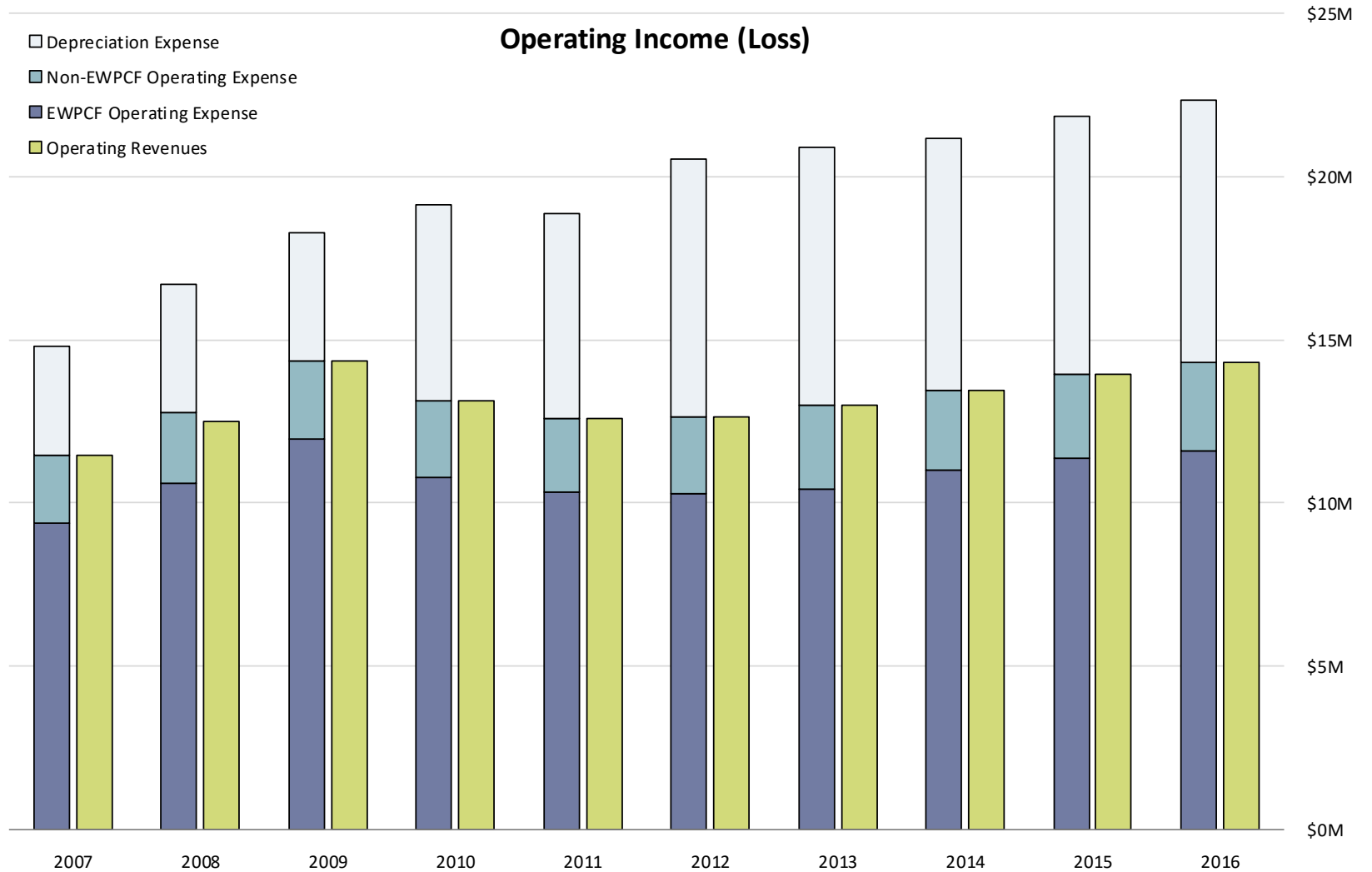
Source: Encina Wastewater Authority

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

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Revenues										
Member Agency Assessments	\$ 13,515	\$ 13,637	\$ 13,005	\$ 12,646	\$ 12,384	\$ 12,249	\$ 12,863	\$ 14,103	\$ 12,121	\$ 10,958
Other Operating Revenues	793	314	442	347	266	354	286	266	376	492
Total Operating Revenues	14,308	13,951	13,447	12,993	12,650	12,603	13,149	14,368	12,497	11,449
Operating Expenses										
Unit I - Encina Plant Usage Costs	6,356	6,219	6,289	5,910	5,904	5,810	5,868	7,157	6,365	5,780
Unit I - Encina Plant Ownership Costs	4,335	4,278	4,138	3,936	3,754	3,800	4,265	4,098	3,560	3,018
Unit J - Encina Ocean Outfall	523	523	268	265	308	368	357	414	249	233
Director's Meetings	52	74	57	65	57	70	59	61	56	40
Flow Metering	332	272	261	264	273	274	256	246	368	299
Subtotal Encina Wastewater Pollution Control Facilities (EWPCF)	11,598	11,366	11,012	10,440	10,296	10,323	10,805	11,975	10,598	9,369
Source Control	638	588	664	620	623	592	588	517	458	383
Aqua Hedionda Pump Station	303	286	269	259	247	202	239	244	207	275
Buena Vista Pump Station	438	407	395	386	348	343	335	370	340	379
Buena Creek Pump Station	328	311	297	296	215	314	322	355	321	338
Carlsbad Water Reclamation Facilities	831	811	650	844	772	703	733	740	694	607
Raceway Basin Pump Station	172	183	158	147	147	126	127	167	139	97
Depreciation	8,043	7,904	7,725	7,917	7,900	6,260	5,986	3,897	3,938	3,380
Total Operating Expenses	22,351	21,855	21,171	20,910	20,549	18,863	19,135	18,265	16,694	14,829
Operating Income (Loss)	(8,043)	(7,904)	(7,725)	(7,917)	(7,900)	(6,260)	(5,986)	(3,897)	(4,197)	(3,380)
Nonoperating Revenues (Expenses)										
Net Gain (Loss) on Disposal of Capital Assets	(2,327)	(1,575)	(1,586)	(1,328)	(841)	(50)	(849)	(281)	75	(172)
Investment & Other Capital Income	17	5	8	10	17	25	40	146	369	387
Other Nonoperating Revenues	-	-	-	-	-	-	-	850	-	200
Total Nonoperating Revenues (Expenses)	(2,310)	(1,569)	(1,577)	(1,318)	(824)	(25)	(809)	715	445	415
Income (Loss) Before Contributions and Distributions	(10,353)	(9,473)	(9,302)	(9,235)	(8,724)	(6,285)	(6,796)	(3,182)	(3,752)	(2,964)
Capital Contributions and Distributions										
Member Agency Assessments	6,408	13,073	6,775	9,652	7,806	5,878	4,658	8,318	29,539	30,737
Distributions to Member Agencies	-	-	(2,295)	-	-	-	-	-	(4,000)	-
Total Capital Contributions	6,408	13,073	4,480	9,652	7,806	5,878	4,658	8,318	25,539	30,737
Increase (Decrease) in Net Position	\$ (3,945)	\$ 3,600	\$ (4,822)	\$ 418	\$ (917)	\$ (407)	\$ (2,138)	\$ 5,136	\$ 21,786	\$ 27,773

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



Source: Encina Wastewater Authority

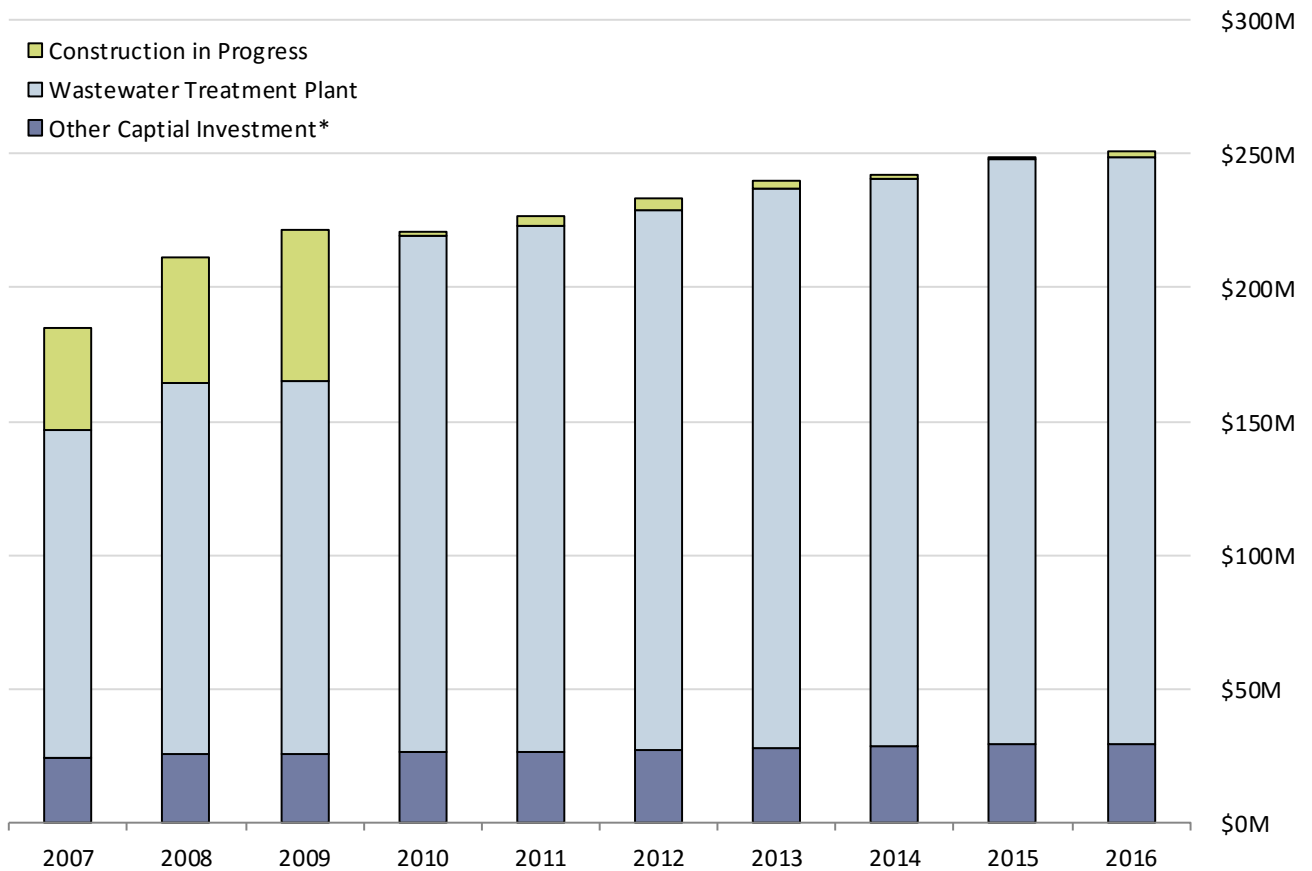
- ▶ FY 2012: Depreciation increased as a result of aeration pipeline infrastructure completion, replacement of a waste digester gas flare system and rehab of aging clarifiers.
- ▶ FY 2010: Depreciation expense doubled from prior years due to capitalization of Phase V Expansion construction.
- ▶ FY 2009: EWPCF operating expense higher than usual due to Phase V Expansion project start-up activities.

**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
2016	\$ 219,644,465	\$ 14,115,650	\$ 7,235,023	\$ 4,236,888	\$ 340,489	\$ 3,598,173	\$ 1,555,579	\$ (140,962,090)	\$ 109,764,177
2015	219,293,160	14,115,650	7,069,872	3,900,554	314,269	3,598,173	157,990	(134,759,944)	113,893,325
2014	212,138,613	14,115,650	7,026,591	3,328,489	314,269	3,598,173	2,025,302	(131,412,815)	114,067,928
2013	209,110,243	14,115,650	6,860,710	2,821,468	314,269	3,598,173	3,075,422	(125,952,298)	114,030,233
2012	202,104,971	14,102,005	6,749,955	2,341,392	299,059	3,598,173	4,054,328	(119,356,558)	116,243,485
2011	196,253,370	14,102,005	6,581,287	2,112,950	299,059	3,598,173	3,509,708	(112,388,624)	109,246,019
2010	192,795,916	14,102,005	6,433,787	1,884,990	299,059	3,598,173	1,658,195	(106,741,892)	82,063,943
2009	139,467,581	13,766,644	6,384,089	1,704,956	299,059	3,598,173	56,596,253	(105,573,270)	61,493,550
2008	139,229,814	13,766,644	6,103,717	1,502,840	299,059	3,598,173	46,749,390	(102,003,617)	53,395,006
2007	122,413,852	13,766,644	5,959,437	815,938	299,059	3,598,173	38,017,368	(102,806,528)	45,048,381

Investment in Capital Assets by Category Excluding Depreciation



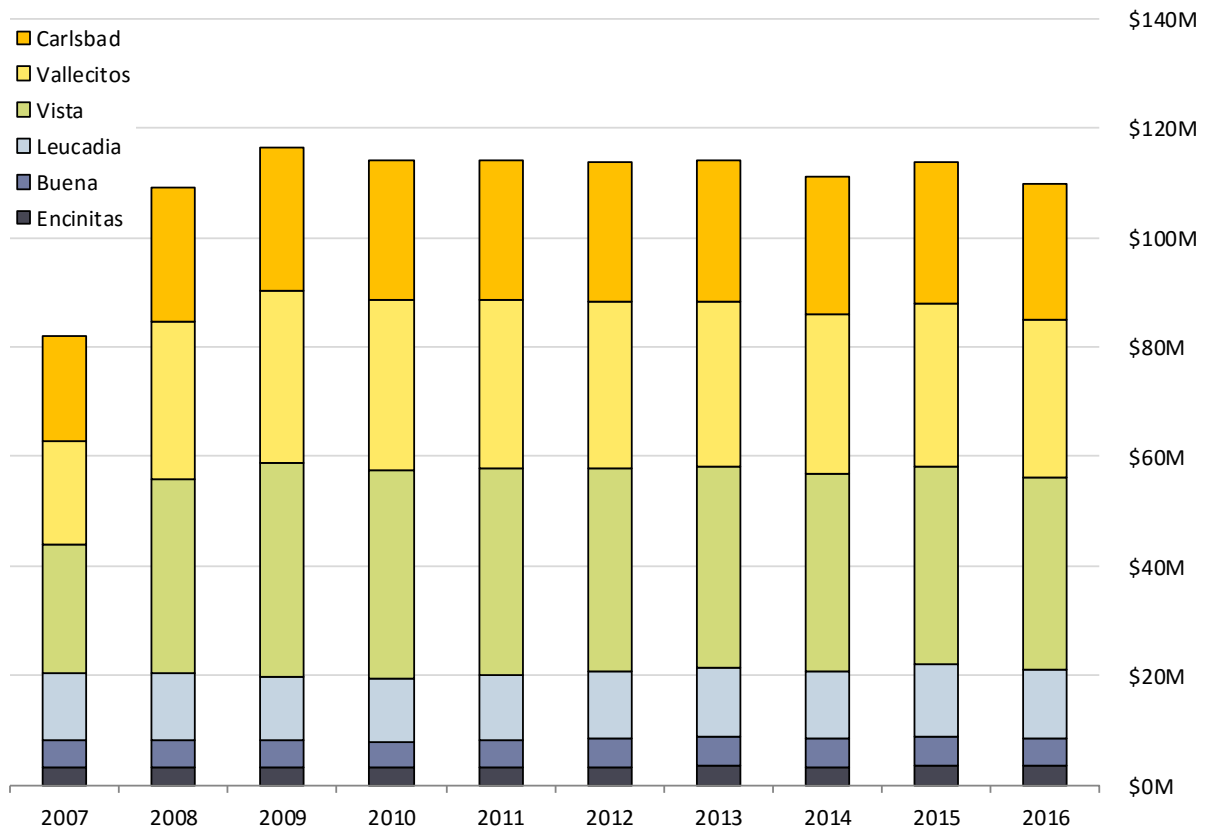
* includes ocean outfall, pump station facilities, furnishings and office equipment, flow metering system, and real property

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

By Member Agency

Fiscal Year	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	Total
2016	\$ 24,878,977	\$ 34,865,953	\$ 5,228,868	\$ 28,735,212	\$ 12,612,139	\$ 3,443,028	\$ 109,764,177
2015	25,777,202	36,102,270	5,435,237	29,783,001	13,036,766	3,555,248	113,689,724
2014	25,096,031	35,757,254	5,181,764	29,347,614	12,360,296	3,391,313	111,134,272
2013	25,726,787	36,685,069	5,255,587	30,063,361	12,731,372	3,481,461	113,943,637
2012	25,612,883	37,154,594	5,084,767	30,362,230	12,285,583	3,393,268	113,893,325
2011	25,537,838	37,687,907	4,915,342	30,714,365	11,893,406	3,319,070	114,067,928
2010	25,445,003	38,173,642	4,709,713	31,017,162	11,451,647	3,233,072	114,030,239
2009	25,916,556	38,917,534	4,832,144	31,571,047	11,704,705	3,301,500	116,243,486
2008	24,557,479	35,362,569	5,011,463	28,745,540	12,229,771	3,339,199	109,246,021
2007	19,146,400	23,457,660	5,007,909	18,900,822	12,369,231	3,111,921	81,993,943

Investment in Capital Assets by Member Agency



Source: Encina Wastewater Authority

Fiscal year 2016 activity captures depreciation expense exceeding the year's additions to investment in capital assets. Investments added include:

- ▶ Construction rehabilitation to the Aeration Basin
- ▶ Engine top-end overhauls
- ▶ Dryer safety upgrades

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)
2015	367,000	1.9%	\$ 18,686	\$ 50,916	4.1%	\$ 61,962
2014	360,000	0.6%	\$ 17,843	\$ 49,565	5.5%	\$ 58,612
2013	358,000	1.0%	\$ 16,950	\$ 47,345	7.0%	\$ 54,186
2012	354,290	0.8%	\$ 16,568	\$ 46,765	8.4%	\$ 52,780
2011	351,348	0.8%	\$ 15,589	\$ 44,368	9.4%	\$ 52,754
2010	348,420	0.1%	\$ 18,356	\$ 52,684	9.6%	\$ 53,488
2009	347,943	0.6%	\$ 18,216	\$ 52,354	9.0%	\$ 54,553
2008	345,880	1.8%	\$ 18,274	\$ 52,833	5.6%	\$ 52,271
2007	339,639	2.1%	\$ 17,410	\$ 51,260	4.3%	\$ 48,335
2006	332,732	2.5%	\$ 16,416	\$ 49,338	3.8%	\$ 42,644

* historical information revised from earlier reports due to more accurate data becoming available

Principal Employers

Employer	Business Category	Number of Employees	Percent of Total Employment**	Member Agency
ViaSat, Inc.	Communications	1,800	2.39%	Carlsbad
Legoland California, LLC	Theme Park Entertainment	1,600	2.12%	Carlsbad
Hunter Industries	Manufacturing	740	1.90%	San Marcos
United Parcel Service	Shipping	484	1.24%	San Marcos
Vista Unified School District	Education	1,724	3.98%	Vista
Watkins Manufacturing Corp.	Manufacturing	609	1.41%	Vista
	(data not available)			Encinitas

** within specified member agency jurisdiction

Principal Property Taxpayers

Taxpayer	2015 Assessed Taxable Value	Member Agency
La Costa Resort & Spa	\$ 252,289,800	Carlsbad
La Costa Glen Retirement Community	238,709,403	Carlsbad
World Premier Investments	141,170,150	San Marcos
Willmark Communities Inc.	90,403,601	San Marcos
Shadowridge Vista Apartments LLC	81,952,189	Vista
Vista Bella Terra LP	72,934,778	Vista
TRC Encinitas Village	94,751,723	Encinitas
Collwood Pine Apartments LP	65,993,312	Encinitas

- ▶ Data presented is a composite of data from FY 2015 CAFRs of EWA Member Agencies or their representative cities
- ▶ Data for the City of Vista is representative of the Buena Sanitation District
- ▶ Data for the City of San Marcos is representative of the Vallecitos Water District
- ▶ Data for the City of Encinitas is representative of the Leucadia Wastewater District
- ▶ Unemployment data was gathered from the U.S. Bureau of Labor Statistics

FACTS & FIGURES

Establishment History

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











Member Agencies

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

Statistics

Encina Wastewater Pollution Control Facility Area	25 acres
System Service Area	123 sq.mi.
Population of Service Area	367,000
Wastewater Treatment & Disposal Capacity (permitted)	43.30 MGD
Average Daily Wastewater Flow	20.71 MGD
Average Daily Biochemical Oxygen Demand (influent)	62,483 PPD
Average Suspended Solids (influent)	63,719 PPD
Average Treated Wastewater Reclaimed	1.87 MGD
Average Treated Wastewater Disposal	18.86 MGD
Average Years of Employee Service	9.30 years

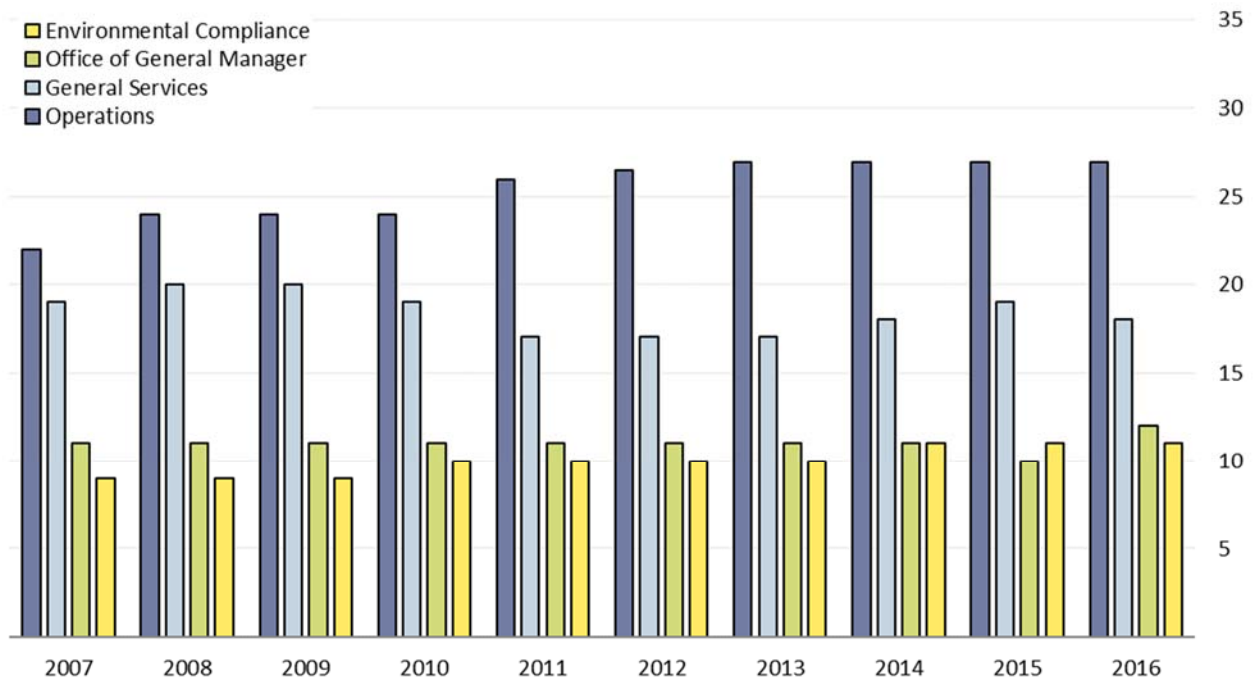
Top 10 Source Permits (Gallons per Day)

Prudential Overall Supply	Industrial laundry	54,000	
Cintas Corporation	Industrial laundry	47,000	
Hollandia Dairy	Beverage producer	35,000	
GE Osmonics, Inc.	Manufacturing	25,000	
Fresh Creative Foods	Food Processing	14,700	
Hughes Circuits, Inc.	Manufacturing	9,200	
Poseidon Resources (Channelside) LP	Desalination plant	8,820	
J&D Laboratories, Inc.	Manufacturing	6,500	
Signet Armorlite, Inc.	Manufacturing	4,475	
Pizza Port Brewing Company	Beverage producer	4,000	

- ▶ 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
2016	27.00	18.00	12.00	11.00	68.00
2015	27.00	19.00	10.00	11.00	67.00
2014	27.00	18.00	11.00	11.00	67.00
2013	27.00	17.00	11.00	10.00	65.00
2012	26.50	17.00	11.00	10.00	64.50
2011	26.00	17.00	11.00	10.00	64.00
2010	24.00	19.00	11.00	10.00	64.00
2009	24.00	20.00	11.00	9.00	64.00
2008	24.00	20.00	11.00	9.00	64.00
2007	22.00	19.00	11.00	9.00	61.00



- ▶ FY 2016 : Director of Engineering position added, Inventory Control Technician moved from GS to OGM
- ▶ FY 2015 : Open Engineer position reorganized to Systems Specialist in GS
- ▶ FY 2014 : One Mechanical Technician position and one Biosolids Coordinator position added
- ▶ FY 2013 : Operator-in-Training converted to Operator FTE
- ▶ FY 2012 : One Receptionist, 0.5 Operator-in-Training added
- ▶ FY 2011 & FY 2010: reclassifications occurred between functions; Administration retitled Office of General Manager
- ▶ FY 2009: Maintenance function retitled General Services
- ▶ FY 2008: Two Shift Supervisor and one Mechanical Technician positions added
- ▶ FY 2007: One Chemist, one Shift Supervisor, one Operator Grade II, one Support Specialist positions added

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

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

Fiscal Year	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	Total	YOY Change
2016	\$ 4,118,055	\$ 3,685,592	\$ 1,363,951	\$ 2,735,673	\$ 1,791,922	\$ 615,451	\$ 14,310,644	2.4%
2015	4,102,472	3,524,984	1,333,738	2,657,520	1,785,125	571,496	13,975,335	4.4%
2014	3,836,196	3,330,764	1,324,208	2,591,053	1,746,870	563,620	13,392,711	5.4%
2013	3,827,257	2,916,646	1,223,734	2,364,992	1,828,803	546,491	12,707,923	4.1%
2012	3,677,363	2,894,508	1,122,452	2,211,874	1,780,750	525,297	12,212,244	-2.5%
2011	3,713,809	2,944,497	1,257,548	2,236,119	1,836,606	537,555	12,526,134	-4.4%
2010	3,961,372	3,042,873	1,322,605	2,260,092	1,929,239	582,692	13,098,873	-7.9%
2009	4,190,425	3,354,891	1,422,809	2,594,083	2,051,872	613,734	14,227,814	13.3%
2008	3,819,522	2,895,678	1,280,944	2,305,224	1,753,873	502,210	12,557,451	9.2%
2007	3,192,274	2,798,871	1,170,638	2,260,439	1,666,198	414,273	11,502,693	

Operating Expenses, excluding Depreciation

Fiscal Year	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	Total	YOY Change
2016	\$ 4,131,572	\$ 3,679,177	\$ 1,363,235	\$ 2,729,669	\$ 1,789,303	\$ 614,878	\$ 14,307,834	2.6%
2015	4,081,787	3,563,175	1,339,122	2,548,702	1,822,529	595,571	13,950,886	3.8%
2014	3,801,706	3,415,378	1,338,393	2,499,407	1,804,515	587,225	13,446,624	3.5%
2013	3,929,390	3,028,237	1,308,964	2,328,462	1,834,336	563,925	12,993,314	2.7%
2012	3,854,579	2,972,735	1,219,645	2,267,470	1,787,779	547,312	12,649,520	0.4%
2011	3,820,570	3,010,991	1,303,867	2,162,596	1,773,223	532,034	12,603,281	-4.1%
2010	3,999,304	3,091,124	1,360,071	2,193,064	1,915,895	589,325	13,148,783	-8.5%
2009	4,235,589	3,415,783	1,458,870	2,553,589	2,049,814	654,522	14,368,167	12.6%
2008	3,853,390	2,967,030	1,282,977	2,333,837	1,795,076	524,056	12,756,366	11.4%
2007	3,230,255	2,825,776	1,184,857	2,104,831	1,689,485	414,105	11,449,309	

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

Fiscal Year	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	Total
2016	\$ 13,517	\$ (6,415)	\$ (716)	\$ (6,004)	\$ (2,619)	\$ (573)	\$ (2,810)
2015	(20,685)	38,191	5,384	(108,818)	37,404	24,075	(24,449)
2014	(34,490)	84,614	14,185	(91,646)	57,645	23,605	53,913
2013	102,133	111,591	85,230	(36,530)	5,533	17,434	285,391
2012	177,216	78,227	97,193	55,596	7,029	22,015	437,276
2011	106,761	66,494	46,319	(73,523)	(63,383)	(5,521)	77,147
2010	37,932	48,251	37,466	(67,028)	(13,344)	6,633	49,910
2009	45,164	60,892	36,061	(40,494)	(2,058)	40,788	140,353
2008	33,868	71,352	2,033	28,613	41,203	21,846	198,915
2007	37,981	26,905	14,219	(155,608)	23,287	(168)	(53,384)

Source: Encina Wastewater Authority

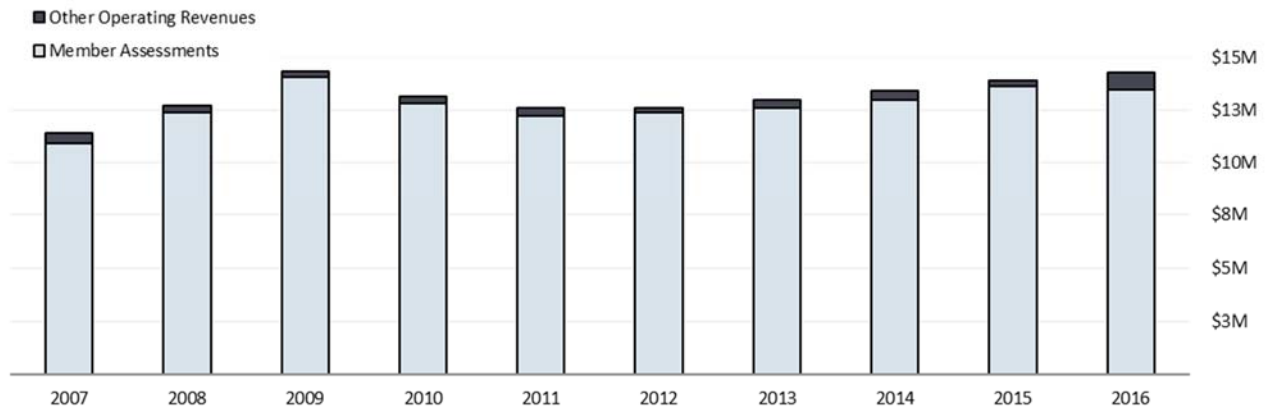
► Amounts Due (To) From arise from the fiscal year's close taking place subsequent to the fiscal year's 4th quarter billing to the Member Agencies.

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

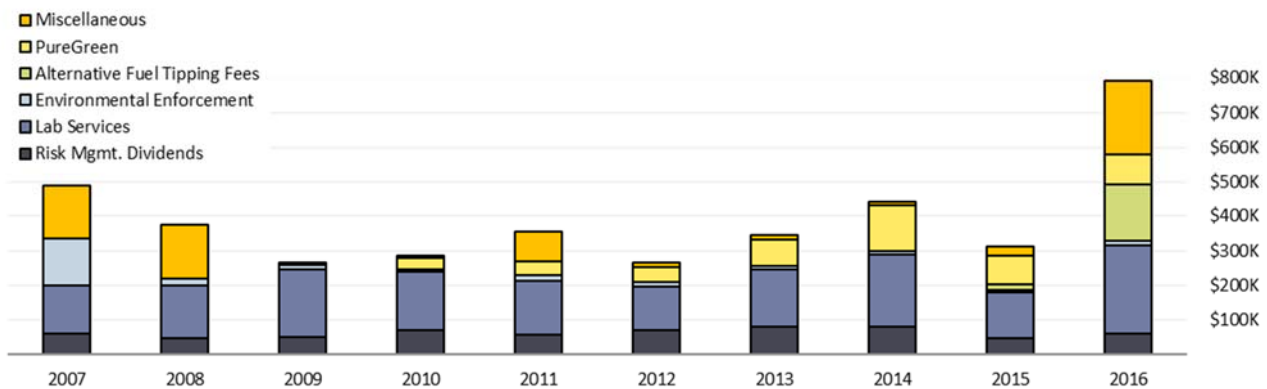
Operating Revenues

Fiscal Year	Member Assessments	Alternative Fuel Tipping Fees	Risk Mgmt. Dividends	PureGreen	Lab Services	Environmental Enforcement	Miscellaneous	Total
2016	\$ 13,517,955	\$ 167,689	\$ 62,204	\$ 83,956	\$ 253,526	\$ 12,150	\$ 213,164	\$ 14,310,644
2015	13,637,230	14,806	47,203	84,138	131,738	9,150	26,621	13,950,886
2014	13,004,951	-	81,042	131,141	207,365	10,731	11,394	13,446,624
2013	12,646,345	-	80,662	75,646	163,918	12,888	13,855	12,993,313
2012	12,383,770	-	70,388	42,937	125,404	14,830	12,191	12,649,520
2011	12,249,355	-	58,772	40,448	154,245	16,970	83,492	12,603,282
2010	12,863,097	-	71,669	31,534	166,648	9,490	6,345	13,148,783
2009	14,102,534	-	52,366	-	193,478	14,985	4,803	14,368,167
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

Total Operating Revenues



Other Operating Revenues



Source: Encina Wastewater Authority

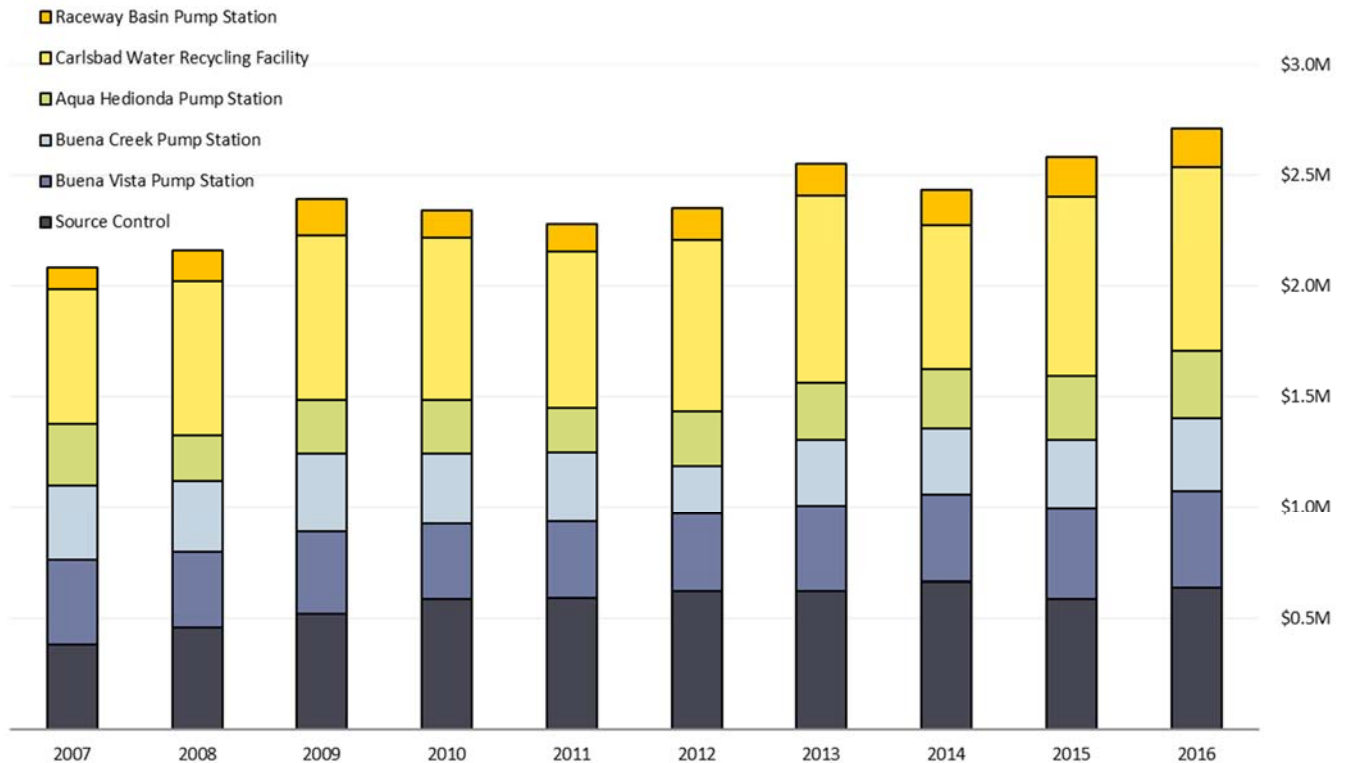
- ▶ FY 2016: First full year of the Alternative Fuel Receiving Facility being live. Misc revenues captures a one-time \$150K award from SDG&E.
- ▶ FY 2015: Alternative fuel tipping fees generated from receipt of fats, oils, grease and other organics into the Alternative Fuel Receiving Facility
- ▶ Miscellaneous 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: PureGreen biosolid fertilizer marketing initiated
- ▶ FY 2008: Non-operating Revenue of \$259,066 was applied to offset Operating Expenses

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

Operating Expenses

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

Other Operating Expenses

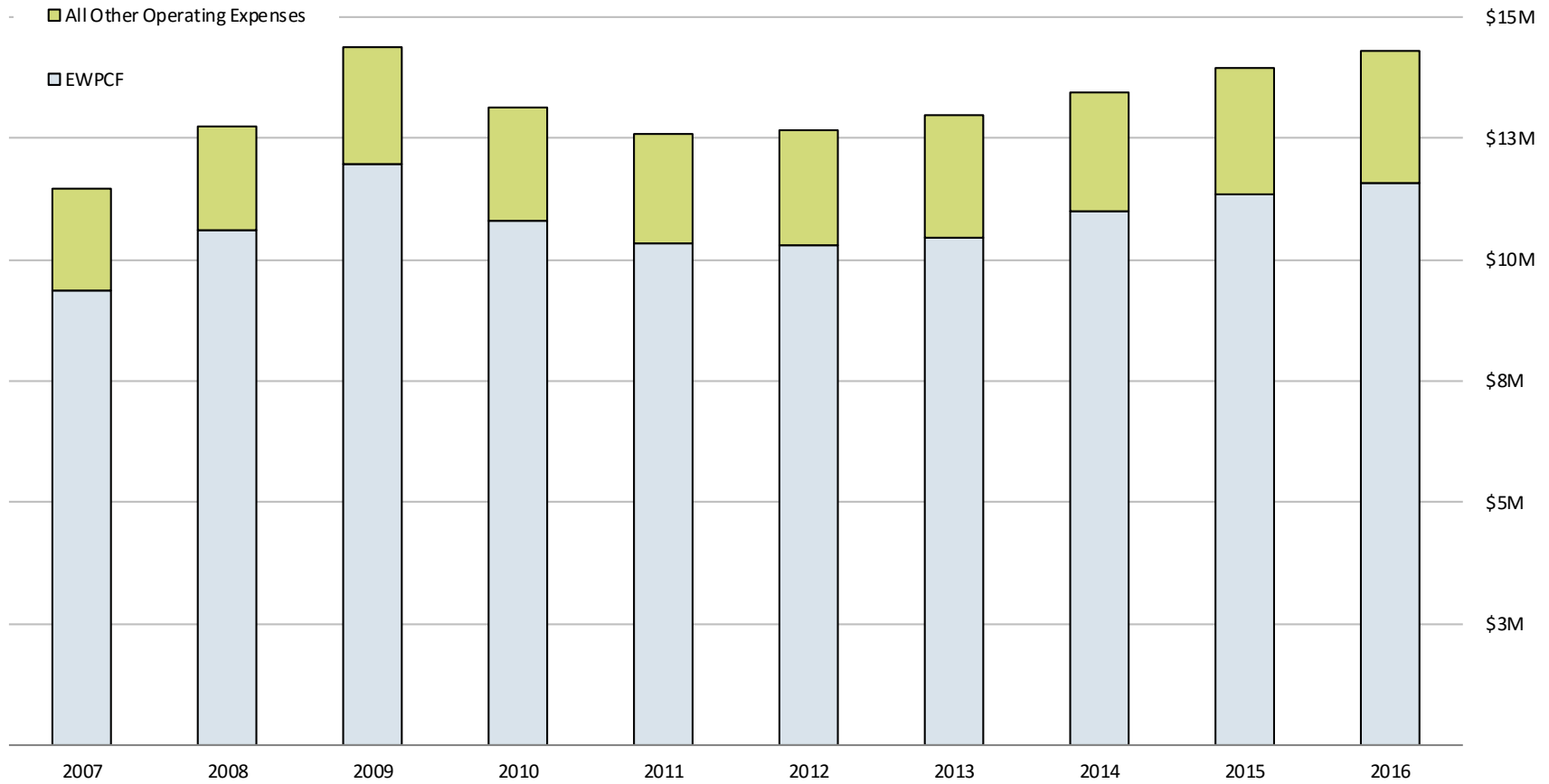


Source: Encina Wastewater Authority

- ▶ 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

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

Operating Expenses



Source: Encina Wastewater Authority

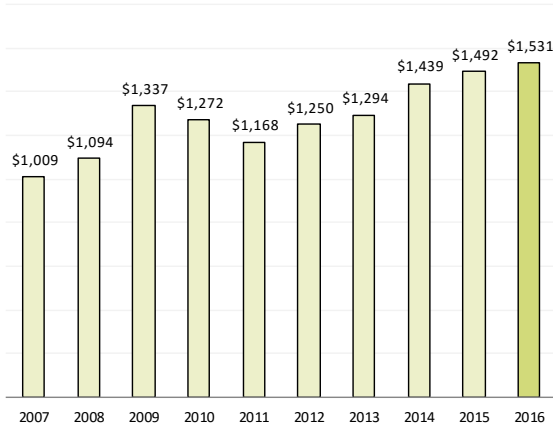
- ▶ Member Agencies are billed the amount of Operating Expenses less Other Operating Revenues
- ▶ FY 2009: Phase V Expansion substantially complete and on-line. Variance in operating costs result of start-up activities
- ▶ FY 2007: EWA assumed operation of City of Vista's Raceway Basin Pump Station Facility

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

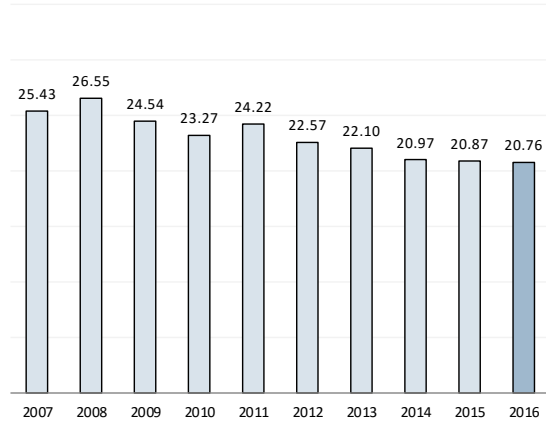
Year Ended	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	EWPCF Totals
June 30, 2016							
Operating Expenses	\$ 2,973,999	\$ 2,712,247	\$ 971,876	\$ 2,628,340	\$ 1,737,527	\$ 573,651	\$ 11,597,640
Avg. Daily Flow in MG	5.90	5.36	1.48	3.32	3.75	0.95	20.76
Annualized Flow in MG	2153.50	1956.40	540.20	1211.80	1368.75	346.75	7577.40
Cost Per MG	\$ 1,381.01	\$ 1,386.35	\$ 1,799.10	\$ 2,168.96	\$ 1,269.43	\$ 1,654.36	\$ 1,530.56
% change from prior year	5.24%	4.07%	3.35%	-7.95%	2.33%	2.14%	2.58%
June 30, 2015							
Operating Expenses	\$ 2,955,115	\$ 2,650,019	\$ 959,439	\$ 2,451,148	\$ 1,770,450	\$ 579,373	\$ 11,365,544
Avg. Daily Flow in MG	6.17	5.45	1.51	2.85	3.91	0.98	20.87
Annualized Flow in MG	2252.05	1989.25	551.15	1040.25	1427.15	357.70	7617.55
Cost Per MG	\$ 1,312.19	\$ 1,332.17	\$ 1,740.79	\$ 2,356.31	\$ 1,240.55	\$ 1,619.72	\$ 1,492.02
% change from prior year	-0.05%	4.28%	4.42%	7.64%	5.36%	6.48%	3.70%
June 30, 2014							
Operating Expenses	\$ 2,827,172	\$ 2,527,266	\$ 949,290	\$ 2,388,957	\$ 1,753,506	\$ 566,307	\$ 11,012,498
Avg. Daily Flow in MG	5.90	5.42	1.56	2.99	4.08	1.02	20.97
Annualized Flow in MG	2153.50	1978.30	569.40	1091.35	1489.20	372.30	7654.05
Cost Per MG	\$ 1,312.83	\$ 1,277.49	\$ 1,667.18	\$ 2,188.99	\$ 1,177.48	\$ 1,521.10	\$ 1,438.78
% change from prior year	12.76%	14.10%	6.37%	24.70%	-1.84%	6.67%	11.17%
June 30, 2013							
Operating Expenses	\$ 2,774,976	\$ 2,186,301	\$ 932,447	\$ 2,204,088	\$ 1,795,180	\$ 546,527	\$ 10,439,519
Avg. Daily Flow in MG	6.53	5.35	1.63	3.44	4.10	1.05	22.10
Annualized Flow in MG	2383.45	1952.75	594.95	1255.60	1496.50	383.25	8066.50
Cost Per MG	\$ 1,164.27	\$ 1,119.60	\$ 1,567.27	\$ 1,755.41	\$ 1,199.59	\$ 1,426.03	\$ 1,294.18
% change from prior year	5.33%	1.22%	2.39%	3.28%	2.91%	6.48%	3.55%
June 30, 2012							
Operating Expenses	\$ 2,792,012	\$ 2,164,079	\$ 910,702	\$ 2,152,635	\$ 1,748,725	\$ 527,935	\$ 10,296,088
Avg. Daily Flow in MG	6.92	5.36	1.63	3.47	4.11	1.08	22.57
Annualized Flow in MG	2525.80	1956.40	594.95	1266.55	1500.15	394.20	8238.05
Cost Per MG	\$ 1,105.40	\$ 1,106.15	\$ 1,530.72	\$ 1,699.61	\$ 1,165.70	\$ 1,339.26	\$ 1,249.82
% change from prior year	7.27%	7.95%	7.07%	9.87%	2.45%	-1.87%	7.03%
June 30, 2011							
Operating Expenses	\$ 2,847,328	\$ 2,273,903	\$ 892,275	\$ 2,055,254	\$ 1,735,905	\$ 518,079	\$ 10,322,744
Avg. Daily Flow in MG	7.57	6.08	1.71	3.64	4.18	1.04	24.22
Annualized Flow in MG	2763.05	2219.20	624.15	1328.60	1525.70	379.60	8840.30
Cost Per MG	\$ 1,030.50	\$ 1,024.65	\$ 1,429.58	\$ 1,546.93	\$ 1,137.78	\$ 1,364.80	\$ 1,167.69
% change from prior year	-10.49%	-7.89%	-9.29%	-1.67%	-9.29%	-9.65%	-8.21%
June 30, 2010							
Operating Expenses	\$ 2,983,569	\$ 2,334,760	\$ 966,403	\$ 2,084,517	\$ 1,867,994	\$ 567,912	\$ 10,805,155
Avg. Daily Flow in MG	7.10	5.75	1.68	3.63	4.08	1.03	23.27
Annualized Flow in MG	2591.50	2098.75	613.20	1324.95	1489.20	375.95	8493.55
Cost Per MG	\$ 1,151.29	\$ 1,112.45	\$ 1,576.00	\$ 1,573.28	\$ 1,254.36	\$ 1,510.61	\$ 1,272.16
% change from prior year	-8.48%	-5.82%	-4.77%	5.17%	-5.77%	-3.41%	-4.84%
June 30, 2009							
Operating Expenses	\$ 3,264,462	\$ 2,578,159	\$ 1,051,098	\$ 2,440,780	\$ 2,006,657	\$ 633,616	\$ 11,974,772
Avg. Daily Flow in MG	7.11	5.98	1.74	4.47	4.13	1.11	24.54
Annualized Flow in MG	2595.15	2182.70	635.10	1631.55	1507.45	405.15	8957.10
Cost Per MG	\$ 1,257.91	\$ 1,181.18	\$ 1,655.01	\$ 1,495.99	\$ 1,331.16	\$ 1,563.91	\$ 1,336.90
% change from prior year	24.53%	21.70%	18.55%	24.33%	16.11%	29.99%	22.25%
June 30, 2008							
Operating Expenses	\$ 2,934,738	\$ 2,253,155	\$ 912,076	\$ 2,230,966	\$ 1,757,509	\$ 509,401	\$ 10,597,845
Avg. Daily Flow in MG	7.96	6.36	1.79	5.08	4.20	1.16	26.55
Annualized Flow in MG	2905.40	2321.40	653.35	1854.20	1533.00	423.40	9690.75
Cost Per MG	\$ 1,010.10	\$ 970.60	\$ 1,396.00	\$ 1,203.20	\$ 1,146.45	\$ 1,203.12	\$ 1,093.60
% change from prior year	3.06%	10.24%	16.00%	5.36%	14.36%	11.17%	8.34%
June 30, 2007							
Operating Expenses	\$ 2,393,225	\$ 2,104,941	\$ 808,215	\$ 2,017,472	\$ 1,650,313	\$ 395,013	\$ 9,369,179
Avg. Daily Flow in MG	6.69	6.55	1.84	4.84	4.51	1.00	25.43
Annualized Flow in MG	2441.85	2390.75	671.60	1766.60	1646.15	365.00	9281.95
Cost Per MG	\$ 980.09	\$ 880.45	\$ 1,203.42	\$ 1,142.01	\$ 1,002.53	\$ 1,082.23	\$ 1,009.40

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

Operating Expense per Million Gallons

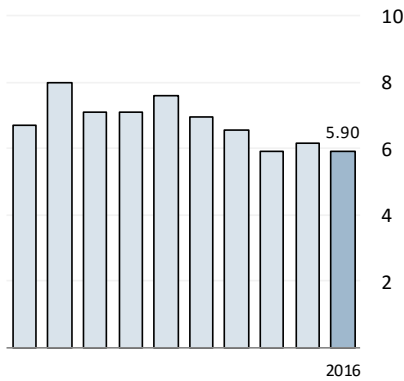


Total Average Daily Flow (MGD)

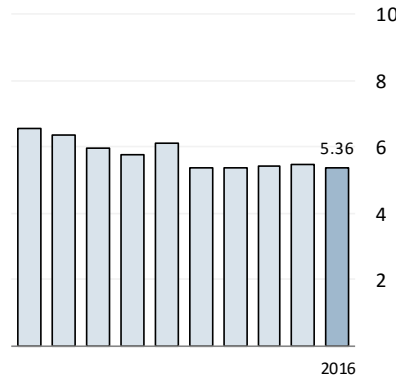


Average Daily Flow (MGD) by Member Agency

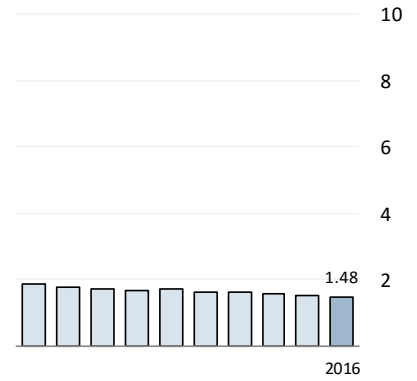
Carlsbad



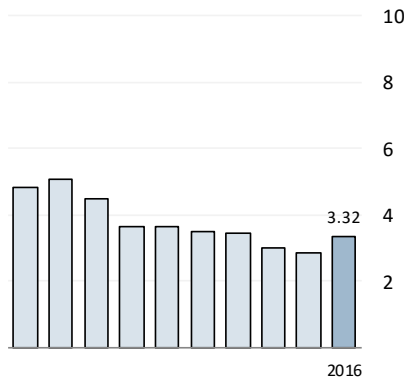
Vista



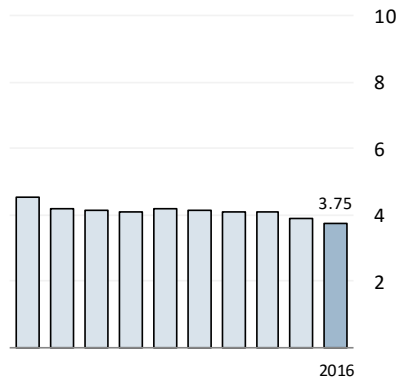
Buena



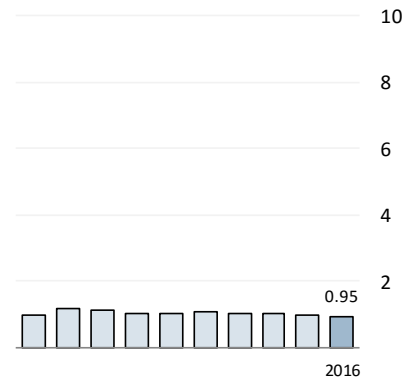
Vallecitos



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.

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BUDGET PERFORMANCE SECTION

OPERATING PROGRAM

PERSONNEL EXPENSES

CAPITAL PROGRAM

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**SCHEDULE OF OPERATING PROGRAM BUDGET PERFORMANCE
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>\$ Variance</u>	<u>% Actual to Budget</u>
Revenues:					
Member Assessments	\$14,558,641	\$14,558,641	\$13,515,144	\$1,043,497	92.8%
Other	646,753	646,754	792,690	(145,936)	122.6%
Total Revenues	<u>\$15,205,394</u>	<u>\$15,205,395</u>	<u>\$14,307,834</u>	<u>\$897,561</u>	<u>94.1%</u>
Expenses:					
Personnel Expense	\$7,890,362	\$8,015,936	\$8,020,489	(\$4,553)	100.1%
Chemicals	1,351,540	1,328,595	1,097,364	231,231	82.6%
Biosolids	248,038	319,952	322,230	(2,278)	100.7%
Utilities	2,282,887	2,235,042	1,964,520	270,522	87.9%
Other Non-Personnel	3,182,568	3,181,445	2,903,231	278,214	91.3%
Contingency	250,000	124,425	-	124,425	0.0%
Total Expenses	<u>\$15,205,395</u>	<u>\$15,205,395</u>	<u>\$14,307,834</u>	<u>\$897,561</u>	<u>94.1%</u>

**SCHEDULE OF OPERATING EXPENSES BY MAJOR CATEGORY
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>\$ Variance</u>	<u>% Variance</u>
Personnel Expense	\$8,020,489	\$7,670,282	\$350,207	4.6%
Chemicals	1,097,364	1,312,423	(215,059)	-16.4%
Biosolids	322,230	379,989	(57,759)	-15.2%
Utilities	1,964,520	1,843,218	121,302	6.6%
Other Non-Personnel	2,903,231	2,744,974	158,257	5.8%
Total	<u>\$14,307,834</u>	<u>\$13,950,886</u>	<u>\$356,948</u>	<u>2.6%</u>

See accompanying independent auditor's report.

**SCHEDULE OF PERSONNEL EXPENSE BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>\$ Variance</u>	<u>% Actual to Budget</u>
Programs					
EWPCF	\$ 6,068,141	\$ 6,193,715	\$ 6,223,873	\$ (30,158)	100.5%
Source Control	647,052	647,052	576,224	70,828	89.1%
Remote Facilities					
Agua Hedionda Pump Station	171,820	171,820	181,751	(9,931)	105.8%
Buena Vista Pump Station	177,853	177,853	189,163	(11,310)	106.4%
Buena Creek Pump Station	176,140	176,140	182,757	(6,617)	103.8%
Carlsbad Water Reclamation Facility	521,657	521,657	537,520	(15,863)	103.0%
Raceway Basin Pump Station	127,699	127,699	129,201	(1,502)	101.2%
Total Remote Facilities	<u>1,175,169</u>	<u>1,175,169</u>	<u>1,220,392</u>	<u>(45,223)</u>	<u>103.8%</u>
Subtotal Operating Program	<u>7,890,362</u>	<u>8,015,936</u>	<u>8,020,489</u>	<u>(4,553)</u>	<u>100.1%</u>
Capital Program	2,049,098	2,154,972	2,017,281	137,691	93.6%
Total Personnel	<u>\$ 9,939,460</u>	<u>\$ 10,170,908</u>	<u>10,037,770</u>	<u>\$ 133,138</u>	<u>98.7%</u>

See accompanying independent auditor's report.

**SCHEDULE OF CONTINUING CAPITAL IMPROVEMENT PROGRAM APPROPRIATIONS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

BY PROJECT	CONTINUING APPROPRIATIONS BEGINNING OF YEAR REPORTED	FY 2016 NEW APPROPRIATIONS	TRANSFERS IN(OUT)	ALLOCATED PERSONNEL EXPENSE	TOTAL CAPITAL EXPENSES	APPROPRIATION BALANCES ON JUNE 30, 2016	CONTINUING APPROPRIATIONS JULY 1, 2016
SALARIES & BENEFITS	\$ -	\$ 2,049,098	\$ 105,874	\$ (2,017,281)	\$ -	\$ 137,691	\$ -
EWPCF CAPITAL ACQUISITIONS		491,500	100,127	-	(519,086)	72,541	72,539
AHPS CAPITAL ACQUISITIONS	-	114,000	-	-	(16,417)	97,583	97,583
BVPS CAPITAL ACQUISITIONS	-	127,000	-	-	(95,931)	31,069	31,069
BCPS CAPITAL ACQUISITIONS	-	76,000	-	-	(42,846)	33,154	33,154
CWRF CAPITAL ACQUISITIONS	-	67,233	-	-	(31,541)	35,692	35,692
RBPS CAPITAL ACQUISITIONS	33,000	55,000	-	-	(84,466)	3,534	3,534
PLANNED ASSET REPLACEMENT	-	776,500	(93,360)	603,555	(1,197,277)	89,418	89,418
MAJOR PLANT REHAB PROGRAM							
Liquid Process Improvements	2,306,429	5,656,000	(1,185,259)	296,924	(936,214)	6,137,880	6,137,880
Outfall	111,902		(50,910)	13,093	(41,283)	32,802	32,802
Solids Process Improvements	301	1,753,000	2,428,901	145,541	(458,897)	3,868,846	3,868,846
Energy Management	60,811	388,000	130,194	121,974	(384,590)	316,389	316,389
General Improvements	4,760	994,000	124,753	98,935	(311,946)	910,502	910,502
Engineering Services	3,457,813	2,549,000	(1,413,281)	737,259	(2,324,605)	3,006,186	3,006,186
Professional Services	147,039	-	(147,039)	-	-	-	-
Total Major Plant Rehab Program	6,089,055	11,340,000	(112,641)	1,413,726	(4,457,535)	14,272,605	14,272,605
TOTAL	\$ 6,122,055	\$ 15,096,331	\$ -	\$ -	\$ (6,445,099)	\$ 14,773,287	\$ 14,635,594

Continued

See accompanying independent auditor's report.

SCHEDULE OF CONTINUING CAPITAL IMPROVEMENT PROGRAM APPROPRIATIONS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

<u>BY MEMBER AGENCY</u>	<u>CARLSBAD</u>	<u>VISTA</u>	<u>BUENA</u>	<u>VALLECITOS</u>	<u>LEUCADIA</u>	<u>ENCINITAS</u>	<u>TOTAL</u>
EWPCF CAPITAL ACQUISITIONS	\$ 17,583	\$ 18,280	\$ 5,143	\$ 16,263	\$ 12,187	\$ 3,083	\$ 72,539
AHPS CAPITAL ACQUISITIONS	30,153	67,430	-	-	-	-	97,583
BVPS CAPITAL ACQUISITIONS	3,231	27,838	-	-	-	-	31,069
BCPS CAPITAL ACQUISITIONS	-	-	33,154	-	-	-	33,154
CWRF CAPITAL ACQUISITIONS	35,692	-	-	-	-	-	35,692
RBPS CAPITAL ACQUISITIONS	-	3,534	-	-	-	-	3,534
PLANNED ASSET REPLACEMENT	21,675	22,533	6,340	20,048	15,022	3,800	89,418
MAJOR PLANT REHAB PROGRAM							
Liquid Process Improvements	1,487,821	1,546,746	435,176	1,376,113	1,031,164	260,860	6,137,880
Outfall	16,217	-	2,326	7,354	5,511	1,394	32,802
Solids Process Improvements	937,809	974,949	274,301	867,395	649,966	164,426	3,868,846
Energy Management	76,693	79,730	22,432	70,934	53,153	13,447	316,389
General Improvements	220,705	229,447	64,555	204,135	152,964	38,696	910,502
Engineering Services	728,699	757,559	213,139	673,987	505,039	127,763	3,006,186
Total Major Plant Rehab Program	3,467,944	3,588,431	1,011,929	3,199,918	2,397,797	606,586	14,272,605
TOTAL	<u>\$ 3,576,278</u>	<u>\$ 3,728,046</u>	<u>\$ 1,056,566</u>	<u>\$ 3,236,229</u>	<u>\$ 2,425,006</u>	<u>\$ 613,469</u>	<u>\$ 14,635,594</u>

See accompanying independent auditor's report.