



ENCINA
WASTEWATER
AUTHORITY

Comprehensive Annual Financial Report

Years Ended June 30, 2017 and 2016





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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ORGANIZATIONAL CHART

GOVERNMENT FINANCE OFFICERS ASSOCIATION AWARD

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ENCINA WASTEWATER AUTHORITY

A Public Agency

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December 13, 2017

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, 2017. 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. Vasquez & Company LLP independently audited the financial statements and related notes. Nonetheless, EWA bears the responsibility for the accuracy of all data presented in this Report. We, EWA's chief executive and financial officers, assume the responsibility for the Report's completeness and fairness of presentation including all disclosures. We affirm that, to the best of our knowledge and belief, information in this Report provides an accurate and fair representation of EWA's financial position and the status of its operations during the fiscal year ended June 30, 2017. We believe that this Report contains all information and disclosures needed to clearly understand EWA's Fiscal Year 2017 financial activities.

Vasquez & Company LLP has issued an unmodified ("clean") opinion on EWA's financial statements for the fiscal year ended June 30, 2017. 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, 2017 were:

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

CURRENT SERVICES

EWA's service area is comprised of approximately 123 square miles of coastal north San Diego County with a population of roughly 372,000. 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, 2017, the EWPCF treated, recycled, or disposed of 7.93 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.

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

In April 2015, the Alternative Fuel Receiving Facility was completed moving the EWPCF towards energy independence. The project involved the construction of facilities to receive fats, oils and grease (FOG) 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 2017, EWA received 3.65 million gallons of FOG and earned \$216,909 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 Class A biosolids. Sales revenue from this source was \$57,925 during fiscal year 2017. Two duty and one standby centrifuge are currently used to produce a dewatered cake with approximately 22-24 percent solids concentration. Attempts to increase the solids concentration in the centrifuges have previously resulted in excessive polymer consumption or poor pellet formation in the heat dryer. Based on operating data, the heat dryer is operating near 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.

Biosolids, Energy and Emissions

The Biosolids, Energy and Emissions Strategic Plan (BEE Project) identifies a comprehensive update to previously developed plans and will include:

- Technology Evaluations for Biosolids Handling – Identification and evaluation of alternative technologies for increasing on-site biosolids treatment capacity to meet projected loads and provide a comprehensive analysis of favorable technologies that can be integrated into the existing EWPCF footprint and processes.
- Technology Evaluations for Alternative Power Production – Identification and evaluation of favorable alternative technologies for increasing on-site energy production powered by alternative or renewable fuels, that would enable EWA to move further toward energy independence.
- Technology Evaluations for Biogas Production – The Alternative Fuels Receiving Facility (AFRF) was constructed at the EWPCF and has been in service since April 2015. This task will identify the AFRF impact on biogas production and develop recommendations for improvements and expansion of the EWPCF's capability to receive additional fats, oils, greases (FOG), and other organic food waste streams.
- Air Emissions – Evaluation of alternative emissions and permitting models considering EWPCF energy demands and probable future energy production strategies.
- Grant and Incentive Programs - Provide an overview of available funding and incentive opportunities that may offset capital costs associated with improvements that would either reduce energy demand or enhance production of electricity at the EWPCF.

This project is currently in a conceptual design phase with an anticipated completion date by the end of Fiscal Year 2018.

Primary Area Improvement 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 expansion of the grit and screenings building, replacing motor control centers, replacement of tank and channel isolation gates, replacing PSB effluent trough support beams, replacing the PSB 3WHP piping, and structural repairs to the PSB influent channel. This project is completing 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.

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. 2017-06. Any temporarily idle cash is invested in accordance with the California Government Code and a conservative formal investment policy that is annually reviewed and adopted by the Board of Directors. During the fiscal year, all temporarily idle funds were invested in either the State of California's Local Agency Investment Fund or California Asset Management Program.

Independent Audit

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

Human Resources

Federal and state law, EWA ordinance and resolution establish employee wages, hours and working conditions. EWA contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, and death benefits to plan members and

beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. In addition, EWA offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is optional and EWA has no fiduciary responsibility for the deferred compensation plan.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to EWA for its comprehensive annual financial report for the fiscal year ended June 30, 2016. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

This report has been a joint effort by each of EWA's sixty-eight staff through unwavering dedication to their profession and by helping to create an environment that stimulates and values teamwork. Together, *we are* a model of excellence and innovation. Additionally, a special note of appreciation goes to EWA's Administrative Services Manager, LeeAnn Warchol; EWA's Management Analyst, Joseph Spence; Neil Glass and Mike Zizzi from Leaf & Cole, LLP; the Member Agency Finance Officers; and Peggy McBride from Vasquez & Company LLP for their assistance and counsel. Finally, this Report would not be possible without the continuing support of EWA's Board of Directors whose leadership and commitment serve as the foundation for our accomplishments.



Michael Steinlicht
General Manager

LIST of OFFICIALS

BOARD OF DIRECTORS AND OFFICERS

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

MANAGEMENT

Michael Steinlicht, General Manager
Scott McClelland, Assistant General Manager
Debra Biggs, Director of Operations
Garry Parker, MBA, Director of General Services
Doug Campbell, Director of Environmental Compliance
Debbie Allen, MLRHR, Human Resources Manager
LeeAnn Warchol, Administrative Services Manager

GENERAL COUNSEL

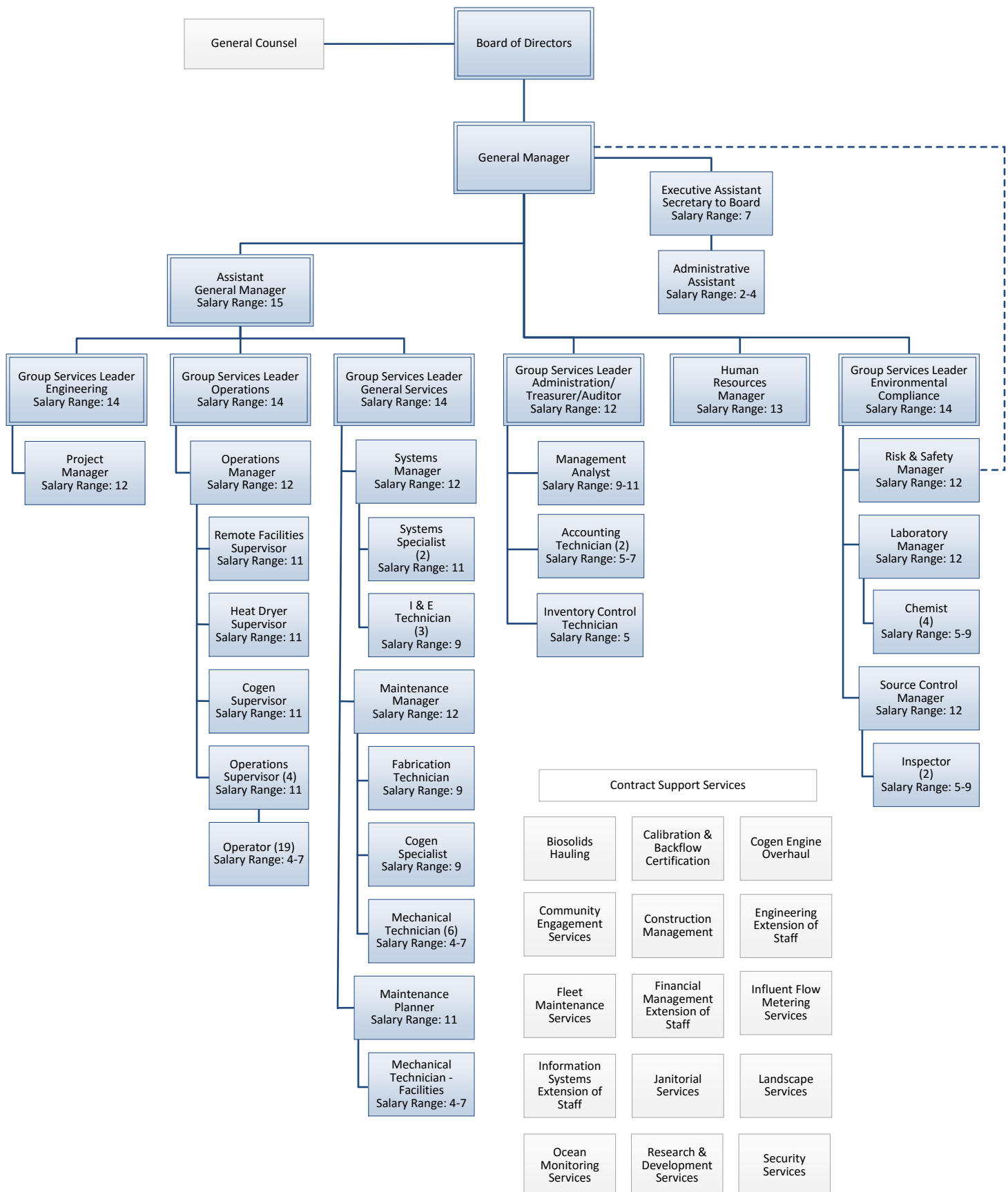
Gregory V. Moser, Procopio Cory Hargreaves & Savitch, LLP

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

SERVICE AREA



FISCAL YEAR 2017 ORGANIZATION CHART (68 FTEs)





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, 2016

A handwritten signature in dark ink, reading "Jeffrey R. Enen", is positioned above the title of the signatory.

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SUPPLEMENTARY SCHEDULES (UNAUDITED)

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Report of Independent Auditors

The Honorable Members of the Board of Directors Encina Wastewater Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Encina Wastewater Authority (the Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2017, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of Plan's Proportionate Share of the Net Pension Liability and the Schedules of Plan Contributions on pages 19 through 24 and 61 through 62 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.

2016 Financial Statements

The financial statements of the Authority, as of and for the year ended June 30, 2016, were audited by other auditors, whose report, dated December 6, 2016, expressed an unmodified opinion on those statements.

Other Information

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

The supplementary schedules in the financial section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules in the financial section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017 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 *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Vargas + Company LLP

Los Angeles, California
December 5, 2017

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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, 2017. 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 statement 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
- Unrestricted

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

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

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

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

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

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

FINANCIAL HIGHLIGHTS

- The Authority's net position increased by \$2,390,504 to \$121,157,690 for the year ended June 30, 2017. This increase was the result of depreciation expense being exceeded by the year's additions to capital assets.
- The Authority's operating revenues decreased from \$14,307,834 for the year ended June 30, 2016, to \$14,174,321 for the year ended June 30, 2017, primarily as a result of a one-time \$150,000 award from SDG&E received during the year ended June 30, 2016.
- The Authority's operating expenses decreased from \$22,351,291 for the year ended June 30, 2016, to \$22,081,457 for the year ended June 30, 2017. The decrease is driven by reduced depreciation, energy efficiencies and chemical contract savings.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

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

	<u>2017</u>	<u>2016</u>
<u>Assets:</u>		
Current and other assets	\$ 21,689,929	\$ 20,639,018
Capital assets	112,047,443	109,764,177
Total Assets	<u>\$ 133,737,372</u>	<u>\$ 130,403,195</u>
<u>Deferred Outflows of Resources</u>	<u>\$ 6,393,492</u>	<u>\$ 3,553,614</u>
<u>Liabilities:</u>		
Current liabilities	\$ 1,119,924	\$ 845,669
Noncurrent liabilities	17,331,454	13,072,895
Total Liabilities	<u>\$ 18,451,378</u>	<u>\$ 13,918,564</u>
<u>Deferred Inflows of Resources</u>	<u>\$ 521,796</u>	<u>\$ 1,271,059</u>
<u>Net Position:</u>		
Investment in capital assets	112,047,443	109,764,177
Restricted for capital program	7,010,247	7,003,009
Unrestricted	2,100,000	2,000,000
Total Net Position	<u>\$ 121,157,690</u>	<u>\$ 118,767,186</u>

FINANCIAL ANALYSIS OF THE AUTHORITY (CONTINUED)**Net Position (Continued)**

As you can see from the table above, net position increased by \$2,390,504 from fiscal year 2016 to 2017. Investment in capital assets increased \$2,283,266 as a result of the amount spent on capital improvements, exceeding depreciation expense and the discontinued projects, studies and assessments. Restricted net position increased \$7,238 primarily as a result of capital contributions exceeding the Authority's expenditures for capital improvements.

Unrestricted net position (those that can be used to finance day-to-day operations) increased by \$100,000 and, in accordance with the Authority's financial reserve policy, is assigned as follows:

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

Revenues, Expenses and Changes in Net Position

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

	<u>2017</u>	<u>2016</u>
Operating revenue	\$ 14,174,321	\$ 14,307,834
Nonoperating revenue	126,694	17,129
Total Revenues	<u>14,301,015</u>	<u>14,324,963</u>
Depreciation	7,907,136	8,043,457
Unit I - EWPCF usage costs	6,019,867	6,356,005
Unit I - EWPCF ownership costs	4,404,856	4,335,206
Pump station facilities	2,214,636	2,072,493
Other operating expense	1,534,962	1,544,130
Nonoperating expense	1,285,325	2,327,189
Total Expenses	<u>23,366,782</u>	<u>24,678,480</u>
Loss Before Contributions and Distributions	(9,065,767)	(10,353,517)
Capital Contributions	<u>11,456,271</u>	<u>6,407,926</u>
Change in Net Position	2,390,504	(3,945,591)
Total Net Position at Beginning of Year	<u>118,767,186</u>	<u>122,712,777</u>
Total Net Position at End of Year	<u>\$ 121,157,690</u>	<u>\$ 118,767,186</u>

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

A closer examination of the source of changes in net position reveals the Authority's revenues decreased by \$23,948 in fiscal year 2017. Total revenues represent assessments to Member Agencies for reimbursement of operating expenses, as well as revenues from laboratory services, alternative fuel tipping fees, PureGreen sales and other environmental compliance activities. In 2017, nonoperating revenue includes a \$100,000 increase to the remote facility reserve. The fluctuation in total revenues is primarily driven by operating costs.

Operating costs, exclusive of depreciation, decreased \$135,513 in fiscal year 2017 as a result of decreased energy consumption and chemical contract savings.

A loss on disposal of capital assets results when capital items are replaced before they are fully depreciated. Discontinued projects, studies, and assessments result when capital funds have been used towards early development or construction of a capital project but management has subsequently determined to discontinue the project or has determined there is no future value to the funds expended and must therefore expense the capital project in accordance with generally accepted accounting principles (GAAP). For the years ended June 30, 2017 and 2016, discontinued projects, studies, and assessments totaled \$1,285,325 and \$2,327,189, respectively. The fiscal year 2017 discontinued projects, studies, and assessments includes the potable reuse study, the secondary efficient high pressure water (3WHP) emergency pipeline repair, the process master plan, and other various capital designs, studies and Plant Rehabilitation Projects.

Capital contributions increased by \$5,048,345 in fiscal year 2017. The increased contributions result from increased liquid process improvements, solids process improvements, and engineering services.

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

FINANCIAL ANALYSIS OF THE AUTHORITY (CONTINUED)

Capital Assets

Capital assets consist of the following at June 30:

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

The total additions of capital assets being depreciated for fiscal year 2017, net of removed assets, totaled \$8,889,233. Capital asset additions consisted of aeration basin rehab construction, digester settlement mitigation, drying safety upgrades Phase II and III, centrifuge rotating assembly, primary area improvements project and 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 2018 operating budget is \$15,793,515, an increase of approximately 1.20% from fiscal year 2017. The fiscal year 2018 budget reflects EWA's continuing commitment to provide sustainable and fiscally responsible wastewater services to the communities it serves. The fiscal year 2018 operating budget amount includes \$250,000 in contingency funding for EWA's operations as part of its annual budgeting processes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

The Capital Improvement Program for fiscal year 2018 is budgeted at \$14,882,012, with an additional \$15,983,488 in appropriations continued from fiscal year 2017 for on-going projects, for a total fiscal year 2018 capital budget of \$30,865,500.

The fiscal year 2018 budgets reflect 70 authorized positions supporting EWA facilities and five regional facilities totaling more than \$260 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, 2017 AND 2016

ASSETS	<u>2017</u>	<u>2016</u>
<u>Current Assets:</u> (Notes 1, 2 and 3)		
Unrestricted Assets:		
Cash equivalents - operating	\$ 200,000	\$ 200,000
Member receivables - operating billed	3,103,049	2,505,806
Amounts due from Member Agencies - operating unbilled	5,384	-
Other receivables	109,029	91,004
Prepaid expenses	50,080	52,953
Inventory	878,233	1,033,769
Total unrestricted assets	<u>4,345,775</u>	<u>3,883,532</u>
Restricted Assets:		
Cash equivalents - capital program	3,877,840	4,120,063
Member receivables - capital program	5,777,556	3,545,464
Interest receivable - capital program	5,344	4,114
Total restricted assets	<u>9,660,740</u>	<u>7,669,641</u>
Total Current Assets	<u>14,006,515</u>	<u>11,553,173</u>
<u>Noncurrent Assets:</u> (Notes 1 and 4)		
Capital Assets:		
Nondepreciable	12,714,270	5,153,752
Depreciable, net of accumulated depreciation	99,333,173	104,610,425
Total capital assets, net	<u>112,047,443</u>	<u>109,764,177</u>
Other Assets:		
Member receivable - pension	7,683,414	9,085,845
Total Noncurrent Assets	<u>119,730,857</u>	<u>118,850,022</u>
TOTAL ASSETS	<u>133,737,372</u>	<u>130,403,195</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u> (Notes 1 and 7)		
Deferred outflows related to contributions	2,339,966	1,543,996
Deferred outflows related to pensions	4,053,526	2,009,618
Total deferred outflows of resources	<u>6,393,492</u>	<u>3,553,614</u>

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

STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2017 AND 2016

LIABILITIES	2017	2016
Current Liabilities: (Notes 1 and 5)		
Accounts payable - operating	\$ 639,051	\$ 395,436
Accrued liabilities	356,285	319,102
Amounts due to Member Agencies - operating	-	2,810
Net OPEB obligation	-	578
Compensated absences	124,588	127,743
Total Current Liabilities	<u>1,119,924</u>	<u>845,669</u>
Noncurrent Liabilities: (Notes 1, 5, 6 and 7)		
Liabilities Payable From Restricted Assets:		
Accounts payable - capital program, payable from restricted assets	2,441,688	642,237
Retentions payable - capital program, payable from restricted assets	208,805	24,395
Total liabilities payable from restricted assets	<u>2,650,493</u>	<u>666,632</u>
Other Noncurrent Liabilities		
Net pension liability	13,555,110	11,368,400
Compensated absences	1,125,851	1,037,863
Total other noncurrent liabilities	<u>14,680,961</u>	<u>12,406,263</u>
Total Noncurrent Liabilities	<u>17,331,454</u>	<u>13,072,895</u>
TOTAL LIABILITIES	<u>18,451,378</u>	<u>13,918,564</u>
DEFERRED INFLOWS OF RESOURCES: (Notes 1 and 7)		
Deferred inflows related to pensions	<u>521,796</u>	<u>1,271,059</u>
Commitments and Contingencies (Note 9)		
NET POSITION: (Notes 1 and 4)		
Investment in capital assets	112,047,443	109,764,177
Restricted for capital program	7,010,247	7,003,009
Unrestricted	2,100,000	2,000,000
TOTAL NET POSITION	<u>\$ 121,157,690</u>	<u>\$ 118,767,186</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Operating Revenues:</u>		
Member Agency assessments	\$ 13,613,755	\$ 13,515,144
Other operating revenues	560,566	792,690
Total Operating Revenues	<u>14,174,321</u>	<u>14,307,834</u>
<u>Operating Expenses:</u>		
Depreciation	7,907,136	8,043,457
Unit I - EWPCF usage costs	6,019,867	6,356,005
Unit I - EWPCF ownership costs	4,404,856	4,335,206
Unit J - Encina ocean outfall	495,292	522,526
Directors meetings	56,801	52,183
Flow metering	295,191	331,721
Source control	687,678	637,700
Agua Hedionda pump station	297,059	302,966
Buena Vista pump station	427,136	438,134
Buena Creek pump station	329,876	328,200
Carlsbad water reclamation facility	978,967	830,701
Raceway Basin pump station	181,598	172,492
Total Operating Expenses	<u>22,081,457</u>	<u>22,351,291</u>
Operating (Loss)	<u>(7,907,136)</u>	<u>(8,043,457)</u>
<u>Nonoperating Revenues (Expenses):</u>		
Investment & other capital income	26,694	17,129
Discontinued projects, studies and assessments	(1,285,325)	(2,327,189)
Remote Facility Reserve Contribution	100,000	-
Total Nonoperating Revenues (Expenses)	<u>(1,158,631)</u>	<u>(2,310,060)</u>
Loss Before Capital Contributions	<u>(9,065,767)</u>	<u>(10,353,517)</u>
<u>Capital Contributions:</u>		
Capital Contributions	11,456,271	6,407,926
Total Capital Contributions	<u>11,456,271</u>	<u>6,407,926</u>
Changes in Net Position	2,390,504	(3,945,591)
Total Net Position at Beginning of Year	<u>118,767,186</u>	<u>122,712,777</u>
TOTAL NET POSITION AT END OF YEAR	<u><u>\$ 121,157,690</u></u>	<u><u>\$ 118,767,186</u></u>

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Cash Flows From Operating Activities:</u>		
Cash received from Member Agencies	\$ 13,008,318	\$ 13,211,744
Cash received from other operating activities	542,541	1,119,094
Cash payments to suppliers for goods and services	(7,991,205)	(8,694,990)
Cash payments to employees for services	(5,659,654)	(5,635,848)
Net Cash Used in Operating Activities	<u>(100,000)</u>	<u>-</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(9,491,866)	(6,932,554)
Capital contributions	9,324,179	8,546,344
Net Cash (Used in) Provided by Capital and Related Financing Activities	<u>(167,687)</u>	<u>1,613,790</u>
<u>Cash Flows From Investing Activities:</u>		
Investment income	25,464	14,361
Net Cash Provided by Investing Activities	<u>25,464</u>	<u>14,361</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(242,223)	1,628,151
Cash and Cash Equivalents at Beginning of Year	<u>4,320,063</u>	<u>2,691,912</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,077,840</u>	<u>\$ 4,320,063</u>

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

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Reconciliation of Operating Loss to Net</u>		
<u>Cash Used in Operating Activities:</u>		
Operating (loss)	\$ (7,907,136)	\$ (8,043,457)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	7,907,136	8,043,457
Change in current assets and liabilities:		
Member receivables - operating billed	(597,243)	(281,761)
Amounts due from Member Agencies - operating unbilled	(5,384)	-
Member receivables - pensions	1,402,431	1,073,214
Other receivables	(18,025)	326,404
Prepaid expenses	2,873	3,761
Deferred outflows related to contributions	(795,970)	(145,002)
Deferred outflows related to pensions	(2,043,908)	(2,009,194)
Inventory	155,536	211,982
Accounts payable - operating	243,615	1,065
Accrued liabilities	37,183	35,371
Amounts due to Member Agencies - operating	(2,810)	(21,639)
Net pension liability	2,186,710	1,792,919
Net OPEB obligation	(578)	(306,891)
Compensated absences	84,833	31,708
Deferred inflows related to pensions	(749,263)	(711,937)
Net Cash Used in Operating Activities	<u>\$ (100,000)</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	3,877,840	4,120,063
Total Cash and Cash Equivalents	<u>\$ 4,077,840</u>	<u>\$ 4,320,063</u>
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Net effect of acquisition and construction of capital assets held in accounts payable	<u>\$ (1,799,451)</u>	<u>\$ (386,555)</u>
Net effect of acquisition and construction of capital assets held in retention payable	<u>\$ (184,410)</u>	<u>\$ (100,900)</u>
Net effect of change in receivable related to capital contributions	<u>\$ (2,232,092)</u>	<u>\$ 2,138,418</u>

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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.

See accompanying independent auditors’ report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017 and 2016.

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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 the Authority only the actual costs of materials and supplies used or purchased for the operation, maintenance, administration, or capital improvement of the joint system, contracts awarded by the Authority for the performance of budgeted operations and maintenance work, or capital improvement projects and the salaries and wages of employees. Under this agreement the participants are required to fund the net pension liability. 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 the Authority 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 \$7,683,414 and \$9,085,845 at June 30, 2017 and 2016, 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. Donated capital assets, donated works of art and similar items, and capital assets received in service concession agreements are reported at acquisition value. Depreciation is calculated on the straight-line method over the following estimated useful lives:

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

Depreciation totaled \$7,907,136 and \$8,043,457 for the years ended June 30, 2017 and 2016, respectively.

See accompanying independent auditors’ report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Significant Accounting Policies (Continued)

Classification of Liabilities

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

Compensated Absences

Accumulated and unpaid vacation and sick leave totaling \$1,250,439 and \$1,165,606 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2017 and 2016, 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 Authority that is applicable to a future period and an acquisition of net assets by the Authority that is applicable to a future reporting period respectively. Deferred outflows of resources and deferred inflows of resources related to pensions are more fully described in Note 7.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a member of the California Sanitation Risk Management Authority (CSRMA), a public entity risk pool. The Authority pays a deposit to cover estimated losses for a fiscal year. CSRMA also serves as a joint insurance purchasing entity with respect to certain coverage. Based on pool performance, CSRMA makes additional assessments or refunds excess pool deposits to its members based on a retrospective risk rating adjustment.

At June 30, 2017, the Authority participated in CSRMA as follows:

Property Loss - Insured up to \$1,000,000,000 per occurrence with a total insurable value \$269,895,643 with \$50,000 deductible.

General Liability - Insured up to \$15,500,000 with a \$25,000 deductible. Excess insurance of \$10,000,000 has been purchased.

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

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Significant Accounting Policies (Continued)

Risk Management (Continued)

- Public Official's Liability - Insured up to \$100,000; the Authority currently has seven (7) public official bonds in place for officials.
- Worker's Compensation - Insured up to \$1,000,000 with no deductible. CSRMA has a self-insured retention of \$750,000 and excess insurance for workers' compensation statutory limits have been purchased.

The Authority pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of the adjustments cannot be estimated and are charged to expense as invoiced. The Authority's insurance expense and workers compensation insurance expense was \$324,037 and \$316,088, for the years ended June 30, 2017 and 2016, respectively. There were no instances in the past two 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, 2017 and 2016.

Pensions

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

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

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	June 30, 2015 to June 30, 2016

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Significant Accounting Policies (Continued)

Fair Value Measurements

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

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

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

Allocation of Costs

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

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.

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Significant Accounting Policies (Continued)

Reserves (Continued)

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 a remote facility operated and maintained by the Authority based on ownership percentage.
- Inventory reserve amount of \$850,000 allocated on the basis of Weighted Unit I Ownership.
- Capital reserve amount not to exceed \$10,000,000 or less than \$3,000,000 as established in the annual budget appropriation resolution.

The total operating, remote facility, and inventory reserve of \$2,100,000 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 2017</u>	<u>Total 2016</u>
City of Carlsbad	\$ 242,400	\$ 70,650	\$ 206,040	\$ 1,696,800	\$ 2,215,890	\$ 2,195,240
City of Vista	252,000	129,350	214,200	1,764,000	2,359,550	2,280,200
Buena Sanitation District	70,900	50,000	60,265	496,300	677,465	677,465
Vallecitos Water District	224,200	-	190,570	1,569,400	1,984,170	1,984,170
Leucadia Wastewater District	168,000	-	142,800	1,176,000	1,486,800	1,486,800
City of Encinitas	42,500	-	36,125	297,500	376,125	376,125
Total Reserves	<u>\$ 1,000,000</u>	<u>\$ 250,000</u>	<u>\$ 850,000</u>	<u>\$ 7,000,000</u>	<u>\$ 9,100,000</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.

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Significant Accounting Policies (Continued)

Budgetary Controls

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

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

Cash and Cash Equivalents

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

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through December 5, 2017, the date the financial statements were available to be issued. See also subsequent events discussed in Note 10.

NOTE 2 - CASH AND INVESTMENTS:

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

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

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 2 - CASH AND INVESTMENTS: (CONTINUED)

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

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

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

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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		
	1 Year or Less	2017	2016
Petty cash	\$ 1,000	\$ 1,000	\$ 1,000
California Local Agency Investment Fund (LAIF)	2,246,547	2,246,547	2,662,339
California Asset Management Program (CAMP)	1,542,453	1,542,453	1,384,196
Deposits with financial institutions	287,840	287,840	272,528
Total Cash and Investments	<u>\$ 4,077,840</u>	<u>\$ 4,077,840</u>	<u>\$ 4,320,063</u>
Financial Statement Classification:			
Current:			
Cash equivalents - operating	\$ 200,000	\$ 200,000	\$ 200,000
Restricted:			
Cash equivalents - capital program	3,877,840	3,877,840	4,120,063
Total Cash and Investments	<u>\$ 4,077,840</u>	<u>\$ 4,077,840</u>	<u>\$ 4,320,063</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, 2017.

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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</u> <u>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 Program 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, 2017.

Custodial Credit Risk

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

As of June 30, 2017 and 2016, \$38,926 and \$71,572, 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, 2017 AND 2016

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 1s7, "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>2017</u>	<u>2016</u>
California Local Agency Investment Fund (LAIF)	\$ 2,246,547	\$ 2,662,339
California Asset Management Program (CAMP)	1,542,453	1,384,196
Deposits with financial institutions	287,840	272,528
Petty cash	1,000	1,000
Total	<u>\$ 4,077,840</u>	<u>\$ 4,320,063</u>

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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>2017</u>	<u>2016</u>
Capital contributions from Member Agencies and interest earnings	Capital program	\$ <u>9,660,740</u>	\$ <u>7,669,641</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:

	2017		
	Balance at June 30, 2016	Additions	Deletions
Capital Assets Not Being Depreciated:			
Land	\$ 3,598,173	\$ -	\$ -
Construction in progress	1,555,579	9,606,145	(2,045,627)
Total Capital Assets Not Being Depreciated	<u>5,153,752</u>	<u>9,606,145</u>	<u>(2,045,627)</u>
Capital Assets Being Depreciated:			
Joint wastewater treatment (Unit I)	219,644,465	2,112,825	(1,220,293)
Joint ocean outfall (Unit J)	14,115,650	-	-
Furnishings and office equipment	4,236,888	160,362	-
Pump station facilities	7,235,023	345,306	(73,941)
Flow metering system	340,489	11,391	(6,935)
Total Capital Assets Being Depreciated	<u>245,572,515</u>	<u>2,629,884</u>	<u>(1,301,169)</u>
Less Accumulated Depreciation For:			
Joint wastewater treatment (Unit I)	(119,945,046)	(6,880,709)	1,220,293
Joint wastewater treatment (Unit J)	(12,500,959)	(186,809)	-
Furnishings and office equipment	(3,189,732)	(374,231)	-
Pump station facilities	(5,062,894)	(452,412)	73,941
Flow metering system	(263,459)	(12,975)	6,935
Total Accumulated Depreciation	<u>(140,962,090)</u>	<u>(7,907,136)</u>	<u>1,301,169</u>
Net Capital Assets Being Depreciated	<u>104,610,425</u>	<u>(5,277,252)</u>	<u>-</u>
Net Capital Assets	<u>\$ 109,764,177</u>	<u>\$ 4,328,893</u>	<u>\$ (2,045,627)</u>

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 4 - CAPITAL ASSETS: (CONTINUED)

	2016			Balance 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	3,756,163	4,457,535	(3,059,946)	5,153,752
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	244,693,505	2,720,321	(1,841,311)	245,572,515
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	(134,759,944)	(8,043,457)	1,841,311	(140,962,090)
Net Capital Assets Being Depreciated	109,933,561	(5,323,136)	-	104,610,425
Net Capital Assets	<u>\$ 113,689,724</u>	<u>\$ (865,601)</u>	<u>\$ (3,059,946)</u>	<u>\$ 109,764,177</u>

NOTE 5 - NONCURRENT LIABILITIES:

Noncurrent liabilities consist of the following at June 30:

	2017				Amount due within one year
	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017	
Net pension liability (Note 7)	\$ 11,368,400	\$ 3,730,706	\$ (1,543,996)	\$ 13,555,110	\$ -
Net OPEB obligation (Note 6)	578	23,640	(24,623)	(405)	(405)
Compensated absences (Note 1)	1,165,606	774,854	(690,021)	1,250,439	124,588
Total Noncurrent Liabilities	<u>\$ 12,534,584</u>	<u>\$ 4,529,200</u>	<u>\$ (2,258,640)</u>	<u>\$ 14,805,144</u>	<u>\$ 124,183</u>
	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>

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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 the California Public Employees' Retirement System (CalPERS) on or after age 50, with at least 5 years of service. The Authority's contribution will continue for the lifetime of the retiree and any surviving eligible spouse. The Authority provided a monthly contribution of \$50.00 per retiree who elects to continue coverage and currently provides a monthly contribution of \$57.60. There are seven and five retirees receiving the monthly contribution for the years ended June 30, 2017 and 2016, 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 (ARC) of the Authority, 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, 2017 and 2016, the amount actually contributed to the Plan including benefits paid to retirees, and changes in the Authority's net OPEB (asset)/obligation. The net OPEB asset has been included in prepaid expenses in the statement of net position.

	<u>2017</u>	<u>2016</u>
Annual required contribution	\$ 24,050	\$ 77,096
Interest on net OPEB obligation	768	12,936
Adjustment to annual required contribution	<u>(1,178)</u>	<u>(17,956)</u>
Annual OPEB cost	23,640	72,076
Contributions (including benefits paid)	<u>(24,623)</u>	<u>(378,967)</u>
Increase (Decrease) in net OPEB obligation	(983)	(306,891)
Net OPEB obligation - Beginning of Year	578	307,469
Net OPEB (asset)/obligation - End of Year	<u>\$ (405)</u>	<u>\$ 578</u>

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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 (asset)/obligation for fiscal year 2017 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 (Asset)/ Obligation</u>
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
June 30, 2017	23,640	104.16%	(405)

Funding Status and Funding Progress

The Authority made contributions totaling \$24,623 and \$378,967 for the years ended June 30, 2017 and 2016, respectively:

	<u>2017</u>	<u>2016</u>
CERBT funding	\$ 20,500	\$ 376,000
Benefit payments	4,123	2,967
	<u>\$ 24,623</u>	<u>\$ 378,967</u>

As of July 1, 2017, the most recent actuarial valuation date, the Authority's total OPEB liability for benefits at July 1, 2017 was \$868,757, and the covered payroll (annual payroll of active employees covered by the Plan) was \$6,681,223, with a ratio of the net OPEB liability (NOL) previously referred as the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll of 6.37%. The normal cost payments made during the year ended June 30, 2017 of \$24,623 funded 102.38% of the annual required contribution (ARC) leaving a net OPEB obligation (prepayment) of \$(405).

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Total OPEB Liability (TOL) (B)</u>	<u>Net OPEB Liability (NOL) (B-A)</u>	<u>Funded Status (A/B)</u>	<u>Covered Payroll (C)</u>	<u>NOL as a Percentage of Covered Payroll [(B-A)/C]</u>
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%	6,523,691	10.38%
July 1, 2017	443,105	868,757	425,652	51.0%	6,549,482	6.50%

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 - POST EMPLOYMENT BENEFITS: (CONTINUED)

Funding Status and Funding Progress (Continued)

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

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 Entry Age Normal Cost Method. The actuarial assumptions included an increase in the discount rate from 4.5% to 7.0% to reflect prefunding through the CERBT Investment Strategy 1, a liability for the implicit rate subsidy, 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 NOL is being amortized as a level percentage of projected payroll over 20 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, a cost-sharing multiple employer defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

General Information About the Pension Plan (Continued)

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, 2017, are summarized as follows:

	Miscellaneous	
	Prior to <u>January 1, 2013</u>	On or After <u>January 1, 2013</u>
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	11.973%	6.647%

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, 2016 (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 11.973% of annual payroll plus an additional contribution of \$901,262. 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 6.647% of annual payroll plus \$71. 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 contributions to the Plan for the year ended June 30, 2017 were as follows:

Contributions - Employer	\$ 1,639,996
Contributions - Employee (Paid by Employer)	\$ -

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial valuation. The June 30, 2016 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 CalPERS' Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS' website

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 expense 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. There were no changes of assumptions during the measurement period ended June 30, 2016. Deferred inflows of resources for changes of assumptions represents the unamortized portion of the changes of assumptions related to prior measurement periods.

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

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.

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 - 10</u>	<u>Real Return Years 11 +</u>
Growth	61.0%	5.4%	7.2%
Income	20.0	7.1	7.2
Real Assets	12.0	(0.1)	7.3
Liquidity	1.0	1.7	3.0
Inflation	6.0	N/A	N/A
	<u>100.0%</u>		

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

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.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2015	\$ 43,435,543	\$ 32,067,143	\$ 11,368,400
Balance at June 20, 2016	46,178,072	32,622,962	13,555,110
Net Changes During 2015 - 2016	<u>\$ 2,742,529</u>	<u>\$ 555,819</u>	<u>\$ 2,186,710</u>

The net pension liability of the plan is measured as of June 30, 2016, and the total pension liability for the plan used to calculate the net pension liabilities was determined by an actuarial valuation of June 30, 2015 rolled forward to June 30, 2016 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, 2015 and 2016 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2015	0.318454%
Proportion - June 30, 2016	<u>0.320740%</u>
Change - Increase (Decrease)	<u>0.002286%</u>

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>19,772,117</u>	\$ <u>13,555,110</u>	\$ <u>8,417,062</u>

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

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.

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, 2016 measurement date is 3.7 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.

See accompanying independent auditors’ report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

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

For the years ended June 30, 2017 and 2016, the Authority recognized pension expense of \$1,666,735 and \$1,509,655, respectively for the Plan. As of June 30, 2017 and 2016, the Authority reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 2,339,966	\$ -
Differences between actual contributions made and proportionate share of contributions	470,620	-
Differences between expected and actual experience	42,516	-
Changes of assumptions	-	521,796
Net difference between projected and actual earnings on pension plan investments	2,715,775	-
Adjustment due to difference in proportions	824,615	-
Total	<u>\$ 6,393,492</u>	<u>\$ 521,796</u>

	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	<u>\$ 3,553,614</u>	<u>\$ 1,271,059</u>

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

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

\$2,339,966 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:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2018	\$ 859,416
2019	726,253
2020	1,242,644
2021	703,417
2022	-
Total	<u>\$ 3,531,730</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:

Agency	UNIT I - Treatment Plant				UNIT J - Ocean Outfall	
	Liquids		Solids		Disposal	
	MGD	%	MGD	%	MGD	%
Carlsbad	10.26	25.33	10.26	23.68	10.26	23.69
Vista	10.67	26.34	10.67	24.64	10.67	24.63
Buena	3.00	7.41	3.00	6.93	3.00	6.93
Vallecitos	7.67	18.93	10.47	24.17	10.47	24.17
Leucadia	7.11	17.55	7.11	16.42	7.11	16.42
Encinitas	1.80	4.44	1.80	4.16	1.80	4.16
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, 2017 AND 2016

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 Percentages
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%
	<u>100.00%</u>

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, 2017 and 2016 are as follows:

Agency	MGD ADF UNIT I					
	2017		2016		Increase (Decrease)	
	MGD	% of Total	MGD	% of Total	MGD	%
Carlsbad	6.32	29.06 %	5.90	28.41 %	0.42	0.65 %
Vista	5.31	24.41	5.36	25.83	(0.05)	(1.42)
Buena	1.91	8.78	1.48	7.13	0.43	1.65
Vallecitos	3.42	15.73	3.32	15.99	0.10	(0.26)
Leucadia	3.81	17.54	3.75	18.06	0.06	(0.52)
Encinitas	0.97	4.48	0.95	4.58	0.02	(0.10)
Total	<u>21.74</u>	<u>100.00 %</u>	<u>20.76</u>	<u>100.00 %</u>	<u>0.98</u>	

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017 and 2016 are as follows:

Agency	BOD LBS/DAY UNIT I					
	2017		2016		Increase (Decrease)	
	BOD	% of Total	BOD	% of Total	BOD	%
Carlsbad	19,441	28.2 %	15,776	25.19 %	3,665	3.01 %
Vista	14,972	21.8	14,835	23.68	137	(1.88)
Buena	8,267	12.0	6,287	10.04	1,980	1.96
Vallecitos	13,529	19.7	13,939	22.25	(410)	(2.55)
Leucadia	9,127	13.3	8,595	13.72	532	(.42)
Encinitas	3,432	5.0	3,207	5.12	225	(0.12)
Total	68,768	100.00 %	62,639	100.00 %	6,129	

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, 2017 and 2016 are as follows:

Agency	SS LBS/Day Unit I					
	2017		2016		Increase (Decrease)	
	SS	% of Total	SS	% of Total	SS	%
Carlsbad	20,898	32.3 %	19,624	30.71 %	1,274	1.59 %
Vista	10,670	16.5	10,817	16.94	(147)	(0.44)
Buena	5,213	8.1	3,994	6.25	1,219	1.85
Vallecitos	16,298	25.2	17,996	28.16	(1,698)	(2.96)
Leucadia	8,080	12.5	7,875	12.32	205	0.18
Encinitas	3,499	5.4	3,591	5.62	(92)	(0.22)
Total	64,658	100.00 %	63,897	100.00 %	761	

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 8 - OWNERSHIP AND USAGE ALLOCATIONS: (CONTINUED)

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

Treated wastewater flow discharged through Unit J is averaged on an annual basis. The changes for the fiscal years ended June 30, 2017 and 2016 for Unit J are as follows:

Agency	Outfall MGD ADF Unit J					
	2017		2016		Increase (Decrease)	
	MGD	% of Total	MGD	% of Total	MGD	%
Carlsbad	4.73	23.03 %	4.66	23.89 %	0.07	(0.86) %
Vista	5.57	27.12	5.36	27.46	0.21	(0.34)
Buena	1.65	8.03	1.48	7.59	0.17	.44
Vallecitos	4.13	20.11	3.63	18.61	0.50	1.50
Leucadia	3.49	16.99	3.43	17.58	0.06	(.59)
Encinitas	.97	4.72	.95	4.87	0.02	(.15)
Total	20.54	100.00 %	19.51	100.00 %	1.03	

Other Cost Allocations

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

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017:

Fiscal Year 2015 Major Plant Rehabilitation Project	\$ 9,982,216
Primary Area Improvement Project	730,215
Digester Area Settlement Mitigation Project	326,136
Fiscal Year 2018 E-Camp Update	143,461
Fiscal Year 2017 Conditions Assessments	114,025
SCADA Network Design Building Project	90,946
Water Reuse Feasibility Project Engineering Services	83,294
Electronic Ops Manual and Document Management	52,291
EWPCF Septage Waste Receiving Facility Concept Study	48,914
Parking Lot and Chemical Storage Tank Pad Design Services	46,461
Remote Facility Asset Management Plan Development	45,544
Optimal Digester Loading Preliminary Evaluation	33,471
Remote Facility O & M Manual Development	24,366
Aeration and Treatment Study	22,080
EWPCF Equipment Decommissioning Protocol Development	21,956
RTO Replacement Project Engineering Services	20,586
Settlement Monitoring Project	6,370
Building Climate Control Improvements	3,750
Total Construction Commitments	<u>\$ 11,796,082</u>

Contingencies

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

NOTE 10 - SUBSEQUENT EVENTS:

Fiscal Year 2018 Budget

On July 26, 2017, the Board of Directors adopted Resolution 2017-07 to appropriate funds for fiscal year 2018 Operating (\$15,793,515) and Capital Improvement Program (\$14,882,012) budgets. Unexpended fiscal year 2017 capital improvement projects funds of \$15,983,489 were also appropriated in fiscal year 2018.

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 10 - SUBSEQUENT EVENTS: (CONTINUED)

Fiscal Year 2018 Budget (Continued)

Subsequent to year end, the Authority billed the Member Agencies \$950,000 collectively to pay down its net pension liability. At the request of the Member Agencies, \$925,000 of the amount assessed was applied to the net pension liability. The Authority will credit each Member Agency with their respective share of the difference. The following is a detail of the assessment, its application and the resulting credit.

<u>Member Agency</u>	<u>Billed and Collected</u>	<u>Applied to CalPERS Liability</u>	<u>Due to Member Agency</u>
City of Carlsbad	\$ (282,101)	\$ 274,678	\$ (7,423)
City of Vista	(235,718)	229,517	(6,201)
Buena Sanitation District	(89,127)	86,781	(2,346)
Vallecitos	(178,772)	174,067	(4,705)
Leucadia Wastewater District	(124,723)	121,439	(3,284)
City of Encinitas	(39,559)	38,518	(1,041)
	<u>\$ (950,000)</u>	<u>\$ 925,000</u>	<u>\$ (25,000)</u>

NOTE 11 - NEW GOVERNMENTAL ACCOUNTING STANDARDS:

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." 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 did not have a material effect on the financial statements of the Authority in the year of implementation.

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 is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the Authority in the year of implementation.

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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 Pensions". 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. 77

In August 2015, the Governmental Accounting Standards Board issued Statement No. 77, "Tax Abatement Disclosures". The requirements of this Statement are effective for financial statements for 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. 78

In December 2015, the Governmental Accounting Standards Board issued Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans". The requirements of this Statement 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". The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. 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. 81

In March 2016, the Governmental Accounting Standards Board issued Statement No. 81, "Irrevocable Split-Interest Agreements". The requirements of this Statement are effective for financial statements for period beginning after December 15, 2016, and should be applied retroactively. 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, 2017 AND 2016

NOTE 11 - NEW GOVERNMENTAL ACCOUNTING STANDARDS: (CONTINUED)

GASB No. 82

In March 2016, the Governmental Accounting Standards Board issued Statement No. 82, "Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73". The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. 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. 83

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

GASB No. 84

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

GASB No. 85

In March 2017, the Governmental Accounting Standards Board issued Statement No. 85 "Omnibus 2017". The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Authority has not determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

GASB No. 86

In May 2017, the Governmental Accounting Standards Board issued Statement No. 86 "Certain Debt Extinguishment Issues". The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The Authority has not determined the effects of this pronouncement on the financial statements of the Authority in the year of implementation.

See accompanying independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 11 - NEW GOVERNMENTAL ACCOUNTING STANDARDS: (CONTINUED)

GASB No. 87

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

See accompanying independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

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

	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>	Measurement Date <u>June 30, 2014</u>
Proportion of the Collective Net Pension Liability	0.320740%	0.318454%	0.387438%
Proportionate Share of the Collective Net Pension Liability	\$ 13,555,110	\$ 11,368,400	\$ 9,575,481
Covered-Employee Payroll	\$ 6,523,691	\$ 6,078,845	\$ 5,879,239
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	207.78%	187.02%	162.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	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, 2015 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 - For the measurement date June 30, 2015 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 2014 was the first year of implementation, therefore only three years are shown.

See accompanying independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

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

	Fiscal Year <u>2016 - 2017</u>	Fiscal Year <u>2015 - 2016</u>	Fiscal Year <u>2014 - 2015</u>
Actuarial Determined Contribution	\$ 2,339,966	\$ 1,543,996	\$ 1,398,994
Contributions in Relation to the Actuarially Determined Contribution	<u>2,339,966</u>	<u>1,543,996</u>	<u>1,398,994</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	<u>\$ 6,549,482</u>	<u>\$ 6,523,691</u>	<u>\$ 6,078,845</u>
Contributions as a Percentage of Covered-Employee Payroll	35.73%	23.67%	23.01%

Notes to Schedule:

Fiscal Year End	June 30, 2017	June 30, 2016	June 30, 2015
Valuation Date	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Asset Valuation Method	Market Value	Market Value	Market Value
Discount Rate	7.65%	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	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%	2.75%	2.75%
Payroll Growth	3.00%	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%	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 three years are shown.

See accompanying independent auditors' report.

SUPPLEMENTARY SCHEDULE OF INVESTMENT IN CAPITAL ASSETS
AT JUNE 30, 2017

ASSET							TOTAL		MEMBER AGENCY OWNERSHIP AT COST					
	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	June 30, 2017	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	
PLANT														
Joint Wastewater Treatment (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	\$ 220,536,997	\$ 52,127,283	\$ 59,565,855	\$ 13,575,049	\$ 53,075,324	\$ 33,654,052	\$ 8,539,434	
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%	4,397,250	1,081,976	1,006,816	341,955	924,356	838,618	203,529	
Buena Vista Pump Station (BVPS)	10.40%	89.60%	-	-	-	-	4,180,091	434,729	3,745,362	-	-	-	-	
Agua Hedionda Pump Station (AHPS)	30.90%	69.10%	-	-	-	-	2,144,397	662,619	1,481,778	-	-	-	-	
Carlsbad Water Reclamation Facility (CWRF)	100.00%	-	-	-	-	-	531,755	531,755	-	-	-	-	-	
Buena Creek Pump Station (BCPS)	-	-	100.00%	-	-	-	412,224	-	-	412,224	-	-	-	
Raceway Basin Pump Station (RBPS)	-	100.00%	-	-	-	-	237,921	-	237,921	-	-	-	-	
Flow Metering System	(Based on Type and Location of Required Meters)						344,945	66,542	132,266	62,403	23,242	23,433	37,059	
SUB-TOTAL: PLANT							246,901,230	58,337,830	69,159,693	15,695,917	56,823,467	37,435,219	9,449,104	
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%	9,116,097	2,209,742	2,297,257	646,331	2,043,829	1,531,504	387,434	
SUB-TOTAL: CONSTRUCTION IN PROGRESS							9,116,097	2,209,742	2,297,257	646,331	2,043,829	1,531,504	387,434	
TOTAL INVESTMENT IN CAPITAL ASSETS							259,615,500	61,440,279	72,234,516	16,635,859	59,595,566	39,698,591	10,010,689	
ACCUMULATED DEPRECIATION														
Joint Wastewater Treatment (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	(125,605,462)	(30,602,881)	(29,725,403)	(9,292,479)	(27,250,056)	(23,117,852)	(5,616,791)	
Joint Wastewater Disposal (Unit J)	23.69%	24.63%	6.93%	24.17%	16.42%	4.16%	(12,687,768)	(3,085,666)	(2,687,269)	(1,172,349)	(2,517,253)	(2,623,831)	(601,400)	
Furnishings and Office Equipment (Unit I)	24.24%	25.20%	7.09%	22.42%	16.80%	4.25%	(3,563,963)	(879,184)	(801,884)	(281,368)	(740,603)	(693,640)	(167,284)	
Buena Vista Pump Station (BVPS)	10.40%	89.60%	-	-	-	-	(2,667,292)	(277,398)	(2,389,894)	-	-	-	-	
Agua Hedionda Vista Pump Station (AHPS)	30.90%	69.10%	-	-	-	-	(1,944,101)	(600,726)	(1,343,375)	-	-	-	-	
Carlsbad Water Reclamation Facility (CWRF)	100.00%	-	-	-	-	-	(363,607)	(363,607)	-	-	-	-	-	
Buena Creek Pump Station (BCPS)	-	-	100.00%	-	-	-	(313,304)	-	-	(313,304)	-	-	-	
Raceway Basin Pump Station (RBPS)	-	100.00%	-	-	-	-	(153,061)	-	(153,061)	-	-	-	-	
Flow Metering System	(Based on Type and Location of Required Meters)						(269,499)	(56,431)	(89,366)	(52,822)	(19,675)	(19,836)	(31,369)	
TOTAL ACCUMULATED DEPRECIATION							(147,568,057)	(35,865,893)	(37,190,252)	(11,112,322)	(30,527,587)	(26,455,159)	(6,416,844)	
INVESTMENT IN CAPITAL ASSETS							\$ 112,047,443	\$ 25,574,386	\$ 35,044,264	\$ 5,523,537	\$ 29,067,979	\$ 13,243,432	\$ 3,593,845	

See accompanying independent auditors' report.

**SUPPLEMENTARY SUMMARY SCHEDULE OF
OPERATING PROGRAM AMOUNT DUE FROM/(TO) MEMBER AGENCIES
AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
OPERATING REVENUES		
Member Assessments Billed	\$ 13,608,371	\$ 13,517,955
CSRMA Dividends (Unit I Ownership)	43,057	62,204
PureGreen Sales	57,925	83,956
Alternative Fuels Tipping Fees	216,909	167,689
Lab Contract Services Receipts (Unit I Ownership)	207,972	253,526
Environmental Enforcement Receipts (Jurisdiction)	9,150	12,150
Miscellaneous Receipts (Unit I Ownership)	<u>25,553</u>	<u>213,164</u>
TOTAL OPERATING REVENUES - BILLED	<u>\$ 14,168,937</u>	<u>\$ 14,310,644</u>
OPERATING EXPENSES INCURRED		
Encina Water Pollution Control Facilities		
Unit I - Treatment Plant Usage	\$ 6,019,867	\$ 6,356,004
Unit I - Treatment Plant Ownership	4,404,856	4,335,206
Unit J - Ocean Outfall	495,292	522,526
Board of Directors	56,801	52,183
Flow Metering	<u>295,191</u>	<u>331,721</u>
Encina Water Pollution Control Facilities Sub-Total	<u>\$ 11,272,007</u>	<u>\$ 11,597,640</u>
Source Control	\$ 687,678	\$ 637,701
Agua Hedionda Pump Station	297,059	302,966
Buena Vista Pump Station	427,136	438,134
Buena Creek Pump Station	329,876	328,200
Carlsbad Water Recycling Facility	978,967	830,701
Raceway Basin Pump Station	<u>181,598</u>	<u>172,492</u>
TOTAL OPERATING EXPENSES INCURRED	<u>\$ 14,174,321</u>	<u>\$ 14,307,834</u>
OPERATING REVENUES BILLED (OVER)/UNDER EXPENSES INCURRED	<u>\$ 5,384</u>	<u>\$ (2,810)</u>
AMOUNT DUE FROM/(TO) MEMBER AGENCIES END OF YEAR	<u>\$ 5,384</u>	<u>\$ (2,810)</u>

See accompanying independent auditors' report.

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

	Totals	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas
OPERATING REVENUES - BILLED							
Member Assessments Billed	\$13,608,371	\$4,232,864	\$3,357,942	\$1,404,975	\$2,398,280	\$1,645,340	\$568,970
CSRMA Dividends (Unit I Ownership)	43,057	10,437	10,851	3,053	9,653	7,233	1,830
PureGreen Sales	57,925	18,722	9,558	4,670	14,601	7,239	3,135
Alternative Fuels Tipping Fees	216,909	52,579	54,660	15,379	48,631	36,441	9,219
Lab Contract Services Billed (Unit I Ownership)	207,972	50,412	52,410	14,745	46,627	34,939	8,839
Environmental Enforcement Actions Billed (Jurisdiction)	9,150	3,700	4,900	-	550	-	-
Miscellaneous Receipts (Unit I Ownership)	25,553	6,194	6,439	1,812	5,729	4,293	1,086
TOTAL OPERATING REVENUES - BILLED	\$14,168,937	\$4,374,908	\$3,496,760	\$1,444,634	\$2,524,071	\$1,735,485	\$593,079
OPERATING EXPENSES							
Encina Water Pollution Control Facilities							
Plant-Unit I Usage	\$6,019,867	\$1,777,736	\$1,224,557	\$641,087	\$1,270,728	\$799,538	\$306,221
Plant-Unit I Ownership	4,404,856	1,067,737	1,110,024	312,304	987,569	740,016	187,206
Outfall-Unit J	495,292	113,989	134,360	39,657	99,665	84,096	23,525
Board of Directors	56,801	12,563	6,409	6,408	9,875	11,621	9,925
Flow Metering	295,191	61,638	76,423	56,627	41,358	39,928	19,217
Encina Water Pollution Control Facilities Sub-Total	\$11,272,007	\$3,033,663	\$2,551,773	\$1,056,083	\$2,409,195	\$1,675,199	\$546,094
Source Control	\$687,678	\$227,423	\$176,287	\$59,362	\$116,213	\$61,074	\$47,319
Agua Hedionda Pump Station	297,059	91,791	205,268	-	-	-	-
Buena Vista Pump Station	427,136	44,422	382,714	-	-	-	-
Buena Creek Pump Station	329,876	-	-	329,876	-	-	-
Carlsbad Water Recycling Facility	978,967	978,967	-	-	-	-	-
Raceway Basin Pump Station	181,598	-	181,598	-	-	-	-
TOTAL OPERATING EXPENSES	\$14,174,321	\$4,376,266	\$3,497,640	\$1,445,321	\$2,525,408	\$1,736,273	\$593,413
DUE FROM (TO) MEMBER AGENCIES JUNE 30, 2017	\$5,384	\$1,358	\$880	\$687	\$1,337	\$788	\$334

See accompanying independent auditors' report.

**SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY MEMBER AGENCY
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

CITY OF CARLSBAD	June 30, 2017	% of Total	June 30, 2016	Change \$	Change %
Unit I Encina Treatment Plant Usage	\$1,777,736	40.6%	\$1,717,613	\$60,123	3.5%
Unit I Encina Treatment Plant Ownership	1,067,737	24.4%	1,050,854	16,883	1.6%
Unit J Encina Ocean Outfall	113,989	2.6%	124,808	(10,819)	-8.7%
Board of Directors	12,563	0.3%	11,498	1,065	9.3%
Flow Metering	61,638	1.4%	69,226	(7,588)	-11.0%
Source Control	227,423	5.2%	187,690	39,733	21.2%
Agua Hedionda Pump Station	91,791	2.1%	93,616	(1,825)	-1.9%
Buena Vista Pump Station	44,422	1.0%	45,566	(1,144)	-2.5%
Carlsbad Water Recycling Facility	978,967	22.4%	830,701	148,266	17.8%
TOTALS	\$4,376,266	100.0%	\$4,131,572	\$244,694	5.9%
CITY OF VISTA					
Unit I Encina Treatment Plant Usage	\$1,224,557	35.1%	\$1,384,732	(\$160,175)	-11.6%
Unit I Encina Treatment Plant Ownership	1,110,024	31.7%	1,092,472	17,552	1.6%
Unit J Encina Ocean Outfall	134,360	3.8%	143,524	(9,164)	-6.4%
Board of Directors	6,409	0.2%	5,621	788	14.0%
Flow Metering	76,423	2.2%	85,898	(9,475)	-11.0%
Source Control	176,287	5.0%	192,520	(16,233)	-8.4%
Agua Hedionda Pump Station	205,268	5.9%	209,350	(4,082)	-1.9%
Buena Vista Pump Station	382,714	10.9%	392,568	(9,854)	-2.5%
Raceway Basin Pump Station	181,598	5.2%	172,492	9,106	5.3%
TOTALS	\$3,497,640	100.0%	\$3,679,177	(\$181,537)	-4.9%

Continued

See accompanying independent auditors' report.

SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY MEMBER AGENCY
(CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

BUENA SANITATION DISTRICT	June 30, 2017	% of Total	June 30, 2016	Change \$	Change %
Unit I Encina Treatment Plant Usage	\$641,087	44.5%	\$555,390	\$85,697	15.4%
Unit I Encina Treatment Plant Ownership	312,304	21.6%	307,366	4,938	1.6%
Unit J Encina Ocean Outfall	39,657	2.7%	39,667	(10)	0.0%
Board of Directors	6,408	0.4%	5,647	761	13.5%
Flow Metering	56,627	3.9%	63,806	(7,179)	-11.3%
Source Control	59,362	4.1%	63,159	(3,797)	-6.0%
Buena Creek Pump Station	329,876	22.8%	328,200	1,676	0.5%
TOTALS	\$1,445,321	100.0%	\$1,363,235	\$82,086	6.0%
VALLECITOS WATER DISTRICT					
Unit I Encina Treatment Plant Usage	\$1,270,728	50.4%	\$1,503,912	(\$233,184)	-15.5%
Unit I Encina Treatment Plant Ownership	987,569	39.1%	971,953	15,616	1.6%
Unit J Encina Ocean Outfall	99,665	3.9%	97,157	2,508	2.6%
Board of Directors	9,875	0.4%	8,984	891	9.9%
Flow Metering	41,358	1.6%	46,334	(4,976)	-10.7%
Source Control	116,213	4.6%	101,329	14,884	14.7%
TOTALS	\$2,525,408	100.0%	\$2,729,669	(\$204,261)	-7.5%

Continued

See accompanying independent auditors' report.

SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY MEMBER AGENCY
(CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

LEUCADIA WASTEWATER DISTRICT	June 30, 2017	% of Total	June 30, 2016	Change \$	Change %
Unit I Encina Treatment Plant Usage	\$799,538	46.1%	\$861,418	(\$61,880)	-7.2%
Unit I Encina Treatment Plant Ownership	740,016	42.6%	728,315	11,701	1.6%
Unit J Encina Ocean Outfall	84,096	4.8%	92,020	(7,924)	-8.6%
Board of Directors	11,621	0.7%	10,945	676	6.2%
Flow Metering	39,928	2.3%	44,829	(4,901)	-10.9%
Source Control	61,074	3.5%	51,776	9,298	18.0%
TOTALS	\$1,736,273	100.0%	\$1,789,303	(\$53,030)	-3.0%
CITY OF ENCINITAS					
Unit I Encina Treatment Plant Usage	\$306,221	51.7%	\$332,939	(\$26,718)	-8.0%
Unit I Encina Treatment Plant Ownership	187,206	31.5%	184,246	2,960	1.6%
Unit J Encina Ocean Outfall	23,525	4.0%	25,350	(1,825)	-7.2%
Board of Directors	9,925	1.7%	9,488	437	4.6%
Flow Metering	19,217	3.2%	21,628	(2,411)	-11.1%
Source Control	47,319	8.0%	41,227	6,092	14.8%
TOTALS	\$593,413	100.0%	\$614,878	(\$21,465)	-3.5%
Total Operating Expense All Member Agencies	\$14,174,321		\$14,307,834	(\$133,513)	-0.9%

See accompanying independent auditors' report.

SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>% of Total</u>	<u>June 30, 2016</u>	<u>Change \$</u>	<u>Change %</u>
UNIT I: ENCINA TREATMENT PLANT USAGE					
City of Carlsbad	\$1,777,736	29.6%	\$1,717,613	\$60,123	3.5%
City of Vista	1,224,557	20.3%	1,384,732	(160,175)	-11.6%
Buena Sanitation District	641,087	10.6%	555,390	85,697	15.4%
Vallecitos Water District	1,270,728	21.1%	1,503,912	(233,184)	-15.5%
Leucadia Wastewater District	799,538	13.3%	861,418	(61,880)	-7.2%
City of Encinitas	306,221	5.1%	332,939	(26,718)	-8.0%
TOTALS	<u>\$6,019,867</u>	<u>100.0%</u>	<u>\$6,356,004</u>	<u>(\$336,137)</u>	<u>-5.3%</u>
UNIT I: ENCINA TREATMENT PLANT OWNERSHIP					
City of Carlsbad	\$1,067,737	24.2%	\$1,050,854	\$16,883	1.6%
City of Vista	1,110,024	25.3%	1,092,472	17,552	1.6%
Buena Sanitation District	312,304	7.1%	307,366	4,938	1.6%
Vallecitos Water District	987,569	22.4%	971,953	15,616	1.6%
Leucadia Wastewater District	740,016	16.8%	728,315	11,701	1.6%
City of Encinitas	187,206	4.2%	184,246	2,960	1.6%
TOTALS	<u>\$4,404,856</u>	<u>100.0%</u>	<u>\$4,335,206</u>	<u>\$69,650</u>	<u>1.6%</u>
UNIT J: ENCINA OCEAN OUTFALL					
City of Carlsbad	\$113,989	23.0%	\$124,808	(\$10,819)	-8.7%
City of Vista	134,360	27.2%	143,524	(9,164)	-6.4%
Buena Sanitation District	39,657	8.0%	39,667	(10)	0.0%
Vallecitos Water District	99,665	20.1%	97,157	2,508	2.6%
Leucadia Wastewater District	84,096	17.0%	92,020	(7,924)	-8.6%
City of Encinitas	23,525	4.7%	25,350	(1,825)	-7.2%
TOTALS	<u>\$495,292</u>	<u>100.0%</u>	<u>\$522,526</u>	<u>(\$27,234)</u>	<u>-5.2%</u>
BOARD OF DIRECTORS					
City of Carlsbad	\$12,563	22.1%	\$11,498	\$1,065	9.3%
City of Vista	6,409	11.3%	5,621	788	14.0%
Buena Sanitation District	6,408	11.3%	5,647	761	13.5%
Vallecitos Water District	9,875	17.4%	8,984	891	9.9%
Leucadia Wastewater District	11,621	20.5%	10,945	676	6.2%
City of Encinitas	9,925	17.5%	9,488	437	4.6%
TOTALS	<u>\$56,801</u>	<u>100.0%</u>	<u>\$52,183</u>	<u>\$4,618</u>	<u>8.8%</u>

Continued

See accompanying independent auditors' report.

SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>% of Total</u>	<u>June 30, 2016</u>	<u>Change \$</u>	<u>Change %</u>
FLOW METERING PROGRAM					
City of Carlsbad	\$61,638	20.9%	\$69,226	(\$7,588)	-11.0%
City of Vista	76,423	25.9%	85,898	(9,475)	-11.0%
Buena Sanitation District	56,627	19.2%	63,806	(7,179)	-11.3%
Vallecitos Water District	41,358	14.0%	46,334	(4,976)	-10.7%
Leucadia Wastewater District	39,928	13.5%	44,829	(4,901)	-10.9%
City of Encinitas	19,217	6.5%	21,628	(2,411)	-11.1%
TOTALS	<u>\$295,191</u>	<u>100.0%</u>	<u>\$331,721</u>	<u>(\$36,530)</u>	<u>-11.0%</u>
TOTAL ENCINA WATER POLLUTION CONTROL FACILITIES					
City of Carlsbad	\$3,033,663	26.9%	\$2,973,999	\$59,664	2.0%
City of Vista	2,551,773	22.6%	2,712,247	(160,474)	-5.9%
Buena Sanitation District	1,056,083	9.4%	971,876	84,207	8.7%
Vallecitos Water District	2,409,195	21.4%	2,628,340	(219,145)	-8.3%
Leucadia Wastewater District	1,675,199	14.9%	1,737,527	(62,328)	-3.6%
City of Encinitas	546,094	4.8%	573,651	(27,557)	-4.8%
TOTALS	<u>\$11,272,007</u>	<u>100.0%</u>	<u>\$11,597,640</u>	<u>(\$325,633)</u>	<u>-2.8%</u>
SOURCE CONTROL PROGRAM					
City of Carlsbad	\$227,423	33.2%	\$187,690	\$39,733	21.2%
City of Vista	176,287	25.5%	192,520	(16,233)	-8.4%
Buena Sanitation District	59,362	8.6%	63,159	(3,797)	-6.0%
Vallecitos Water District	116,213	16.9%	101,329	14,884	14.7%
Leucadia Wastewater District	61,074	8.9%	51,776	9,298	18.0%
City of Encinitas	47,319	6.9%	41,227	6,092	14.8%
TOTALS	<u>\$687,678</u>	<u>100.0%</u>	<u>\$637,701</u>	<u>\$49,977</u>	<u>7.8%</u>
AGUA HEDIONDA PUMP STATION					
City of Carlsbad	\$91,791	30.9%	\$93,616	(\$1,825)	-1.9%
City of Vista	205,268	69.1%	209,350	(4,082)	-1.9%
TOTALS	<u>\$297,059</u>	<u>100.0%</u>	<u>\$302,966</u>	<u>(\$5,907)</u>	<u>-1.9%</u>

Continued

See accompanying independent auditors' report.

SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>% of Total</u>	<u>June 30, 2016</u>	<u>Change \$</u>	<u>Change %</u>
BUENA VISTA PUMP STATION					
City of Carlsbad	\$44,422	10.4%	\$45,566	(\$1,144)	-2.5%
City of Vista	382,714	89.6%	392,568	(9,854)	-2.5%
TOTALS	<u>427,136</u>	<u>100.0%</u>	<u>438,134</u>	<u>(10,998)</u>	<u>-2.5%</u>
 BUENA CREEK PUMP STATION					
Buena Sanitation District	\$329,876	100.0%	\$328,200	\$1,676	0.5%
TOTALS	<u>\$329,876</u>	<u>100.0%</u>	<u>\$328,200</u>	<u>\$1,676</u>	<u>0.5%</u>
 CARLSBAD WATER RECYCLING FACILITY					
City of Carlsbad	\$978,967	100.0%	\$830,701	\$148,266	17.8%
TOTALS	<u>\$978,967</u>	<u>100.0%</u>	<u>\$830,701</u>	<u>\$148,266</u>	<u>17.8%</u>
 RACEWAY BASIN PUMP STATION					
City of Vista	\$181,598	100.0%	\$172,492	\$9,106	5.3%
TOTALS	<u>\$181,598</u>	<u>100.0%</u>	<u>\$172,492</u>	<u>\$9,106</u>	<u>5.3%</u>
 TOTAL OPERATING EXPENSE					
City of Carlsbad	\$4,376,266	30.9%	\$4,131,572	\$244,694	5.9%
City of Vista	3,497,640	24.7%	3,679,177	(181,537)	-4.9%
Buena Sanitation District	1,445,321	10.2%	1,363,235	82,086	6.0%
Vallecitos Water District	2,525,408	17.8%	2,729,669	(204,261)	-7.5%
Leucadia Wastewater District	1,736,273	12.2%	1,789,303	(53,030)	-3.0%
City of Encinitas	593,413	4.2%	614,878	(21,465)	-3.5%
TOTALS	<u>\$14,174,321</u>	<u>100.0%</u>	<u>\$14,307,834</u>	<u>(\$133,513)</u>	<u>-0.9%</u>

See accompanying independent auditors' report.

**SUPPLEMENTARY SCHEDULE OF CHANGES IN NET POSITION RESTRICTED -
CAPITAL IMPROVEMENT PROGRAM
AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
CAPITAL CONTRIBUTIONS		
Member Assessments	\$ 11,456,271	\$ 6,407,926
TOTAL CAPITAL CONTRIBUTIONS	<u>11,456,271</u>	<u>6,407,926</u>
CAPITAL EXPENDITURES (CREDITS)		
Encina Water Pollution Control Facility		
(EWPCF) Capital Acquisitions	207,360	519,086
Agua Hedionda Pump Station (AHPS) Capital Acquisitions	46,395	16,417
Buena Vista Pump Station (BVPS) Capital Acquisitions	65,249	95,931
Buena Creek Pump Station (BCPS) Capital Acquisitions	67,526	42,846
Carlsbad Water Reclamation Facility (CWRF) Capital Acquisitions	135,875	31,541
Raceway Basin Pump Station (RBPS) Capital Acquisitions	52,377	84,466
EWPCF Planned Asset Replacement	1,294,802	1,197,277
EWPCF Major Plant Rehabilitation Program		
Liquid Process Improvements	4,486,599	936,214
Outfall	58	41,283
Solids Process Improvements	1,497,300	458,897
Energy Management	416,535	384,590
General Improvements	488,620	311,946
Engineering Services	2,676,383	2,324,605
Remotes	40,648	-
TOTAL CAPITAL EXPENDITURES	<u>11,475,727</u>	<u>6,445,099</u>
CAPITAL CONTRIBUTIONS OVER (UNDER) CAPITAL EXPENDITURES	(19,456)	(37,173)
NON-OPERATING INCOME (EXPENSE)		
Investment Income & Other	26,694	17,129
TOTAL NON-OPERATING INCOME (EXPENSE)	<u>26,694</u>	<u>17,129</u>
NET POSITION RESTRICTED FOR CIP, BEGINNING OF FISCAL YEAR	<u>7,003,009</u>	<u>7,023,053</u>
NET POSITION RESTRICTED FOR CIP, END OF FISCAL YEAR	<u>\$ 7,010,247</u>	<u>\$ 7,003,009</u>

See accompanying independent auditors' report.

SUPPLEMENTARY SCHEDULE OF NET POSITION RESTRICTED BY PROJECT - CAPITAL IMPROVEMENT PROGRAM
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

PROJECTS	Balance June 30, 2016	Member Billings	Income	Capital Expenditures	Balance June 30, 2017
CONTINUING PROJECTS					
EWPCF MAJOR PLANT REHABILITATION PROGRAM					
LIQUID PROCESS IMPROVEMENTS	\$ -	\$ (4,486,599)	\$ -	\$ 4,486,599	\$ -
OUTFALL	41,283	(41,283)	-	58	58 *
SOLIDS PROCESS IMPROVEMENTS	-	(1,497,300)	-	1,497,300	-
ENERGY MANAGEMENT	-	(416,535)	-	416,535	-
GENERAL IMPROVEMENTS	(40,551)	(472,328)	-	488,620	(24,259) *
ENGINEERING SERVICES	-	(2,676,383)	-	2,676,383	-
REMOTE FACILITIES	-	-	-	40,648	40,648 *
SUB TOTAL CONTINUING PROJECTS	<u>732</u>	<u>(9,590,428)</u>	<u>-</u>	<u>9,606,143</u>	<u>16,447</u>
OTHER					
CAPITAL ACQUISITIONS					
EWPCF	-	(207,360)	-	207,360	-
REMOTE FACILITIES	-	(367,422)	-	367,422	-
PLANNED ASSET REPLACEMENT	13,388	(1,308,190)	-	1,294,802	-
CAPITAL RESERVE	(7,000,000)	-	-	-	(7,000,000)
INCOME ON CAPITAL RESERVE FUNDS	(17,129)	17,129	(26,694)	-	(26,694) *
SUB TOTAL OTHER	<u>(7,003,741)</u>	<u>(1,865,843)</u>	<u>(26,694)</u>	<u>1,869,584</u>	<u>(7,026,694)</u>
TOTAL CAPITAL IMPROVEMENT PROGRAM	<u>\$ (7,003,009)</u>	<u>\$ (11,456,271)</u>	<u>\$ (26,694)</u>	<u>\$ 11,475,727</u>	<u>\$ (7,010,247)</u>
* Indicates amounts due from/(to) Member Agencies					\$ (10,247) *

See accompanying independent auditors' report.

SUPPLEMENTARY SCHEDULE OF NET POSITION RESTRICTED BY MEMBER AGENCY - CAPITAL IMPROVEMENT PROGRAM
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

PROJECTS	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	Balance June 30, 2017
<u>CONTINUING PROJECTS</u>							
MAJOR PLANT REHABILITATION PROGRAM							
OUTFALL	\$ 14	\$ 14	\$ 4	\$ 14	\$ 10	\$ 2	\$ 58 *
GENERAL IMPROVEMENTS	(5,880)	(6,113)	(1,720)	(5,439)	(4,076)	(1,031)	(24,259) *
REMOTE FACILITIES	4,698	26,106	9,844	-	-	-	40,648 *
SUB TOTAL CONTINUING PROJECTS	<u>(1,168)</u>	<u>20,007</u>	<u>8,128</u>	<u>(5,425)</u>	<u>(4,066)</u>	<u>(1,029)</u>	<u>16,447</u>
<u>OTHER</u>							
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	<u>(6,470)</u>	<u>(6,727)</u>	<u>(1,893)</u>	<u>(5,985)</u>	<u>(4,485)</u>	<u>(1,134)</u>	<u>(26,694) *</u>
SUB TOTAL OTHER	<u>(1,703,270)</u>	<u>(1,770,727)</u>	<u>(498,193)</u>	<u>(1,575,385)</u>	<u>(1,180,485)</u>	<u>(298,634)</u>	<u>(7,026,694)</u>
 TOTAL CAPITAL IMPROVEMENT PROGRAM	 <u>\$ (1,704,438)</u>	 <u>\$ (1,750,720)</u>	 <u>\$ (490,065)</u>	 <u>\$ (1,580,810)</u>	 <u>\$ (1,184,551)</u>	 <u>\$ (299,663)</u>	 <u>(7,010,247)</u>
 MEMBER AGENCY BILLING, NET	 <u>\$ (7,638)</u>	 <u>\$ 13,280</u>	 <u>\$ 6,235</u>	 <u>\$ (11,410)</u>	 <u>\$ (8,551)</u>	 <u>\$ (2,163)</u>	 <u>\$ (10,247) *</u>
	<u>\$ (7,638)</u>	<u>\$ 13,280</u>	<u>\$ 6,235</u>	<u>\$ (11,410)</u>	<u>\$ (8,551)</u>	<u>\$ (2,163)</u>	<u>\$ (10,247)</u>

* Indicates amounts due from/(to) Member Agencies

See accompanying independent auditors' report.

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STATISTICAL SECTION

(UNAUDITED)

FINANCIAL TRENDS

DEMOGRAPHIC AND ECONOMIC INFORMATION

OPERATING INFORMATION

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STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

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

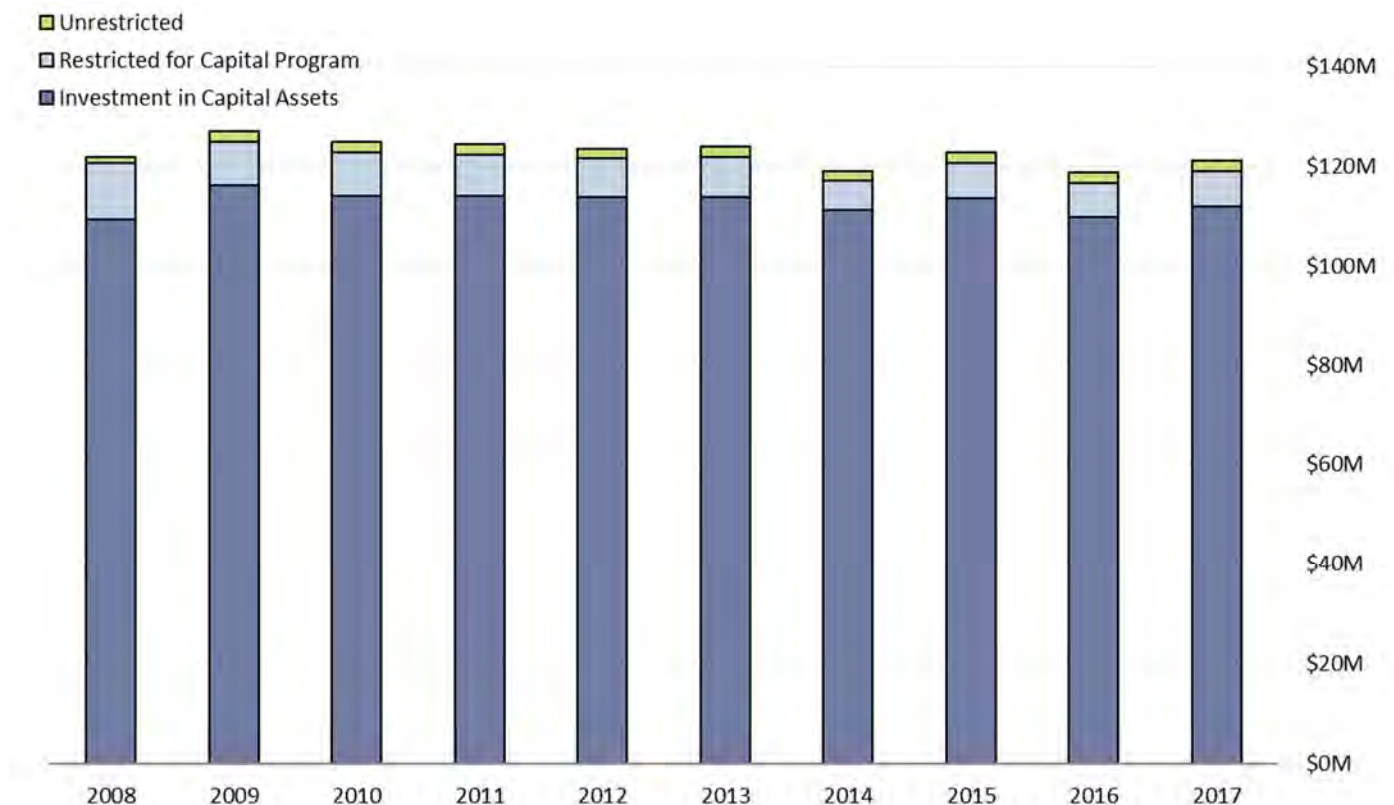
Operating Information

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

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

NET POSITION
LAST TEN FISCAL YEARS

Fiscal Year	Investment in Capital Assets	Restricted for Capital Program	Unrestricted	Total
2017	\$ 112,047,443	\$ 7,010,247	\$ 2,100,000	\$ 121,157,690
2016	109,764,177	7,003,009	2,000,000	118,767,186
2015	113,689,724	7,023,053	2,000,000	122,712,777
2014	111,134,272	5,978,907	2,000,000	119,113,179
2013	113,943,637	7,991,595	2,000,000	123,935,232
2012	113,893,325	7,623,977	2,000,000	123,517,302
2011	114,067,928	8,366,771	2,000,000	124,434,699
2010	114,030,234	8,811,243	2,000,000	124,841,477
2009	116,243,485	8,735,897	2,000,000	126,979,382
2008	109,246,020	11,447,317	1,150,000	121,843,337



Source: Encina Wastewater Authority

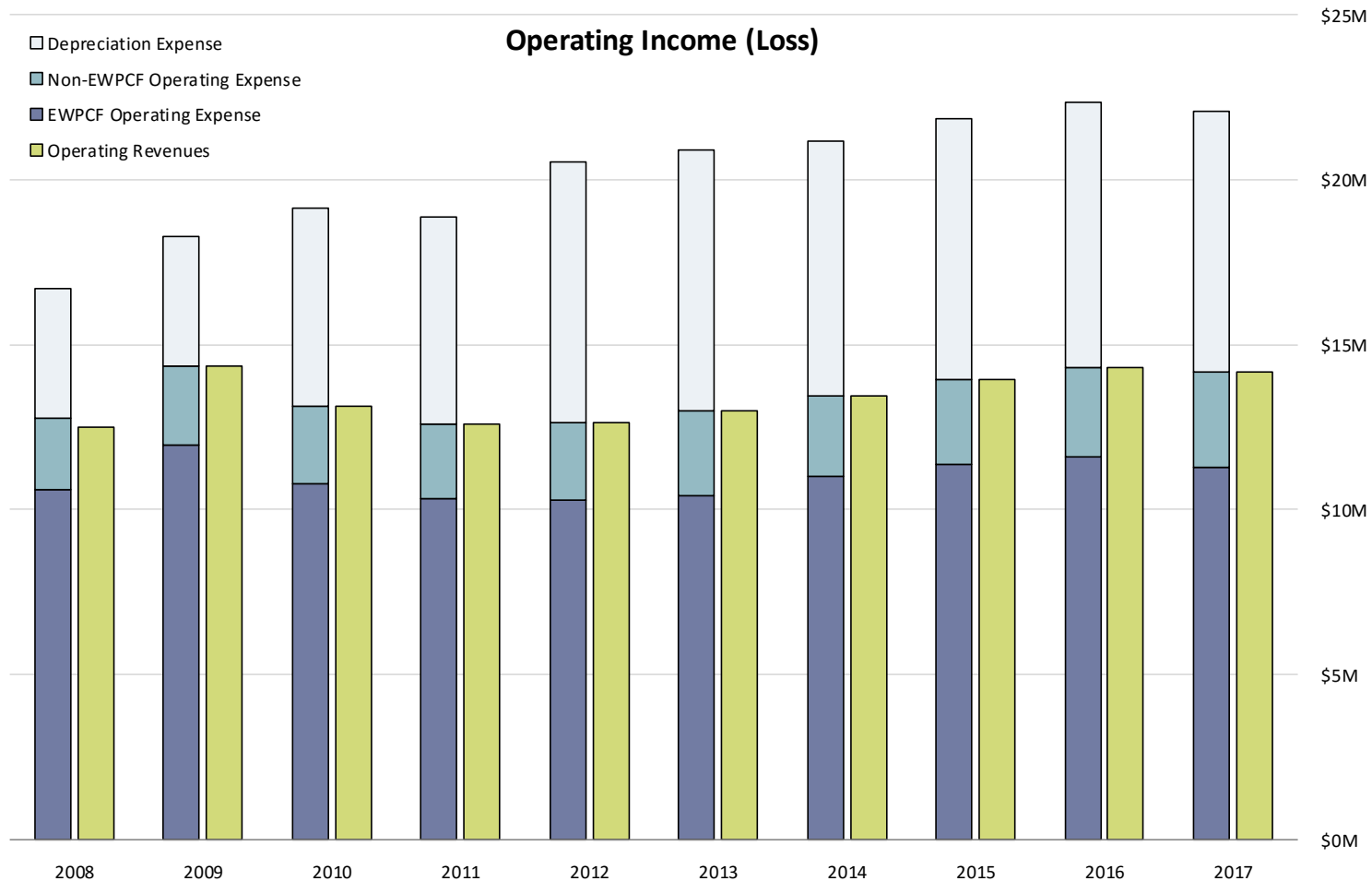
- FY 2017 reflects increased construction in progress activities and a \$100K increase to the Unrestricted - Remote Facility Reserve
- FY 2016 reflects increased depreciation exceeding the year's investment in capital assets and construction in progress.
- FY 2015 reflects significant FY12 major plant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

CHANGES IN NET POSITION (IN THOUSANDS)

LAST TEN FISCAL YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating Revenues										
Member Agency Assessments	\$ 13,614	\$ 13,515	\$ 13,637	\$ 13,005	\$ 12,646	\$ 12,384	\$ 12,249	\$ 12,863	\$ 14,103	\$ 12,121
Other Operating Revenues	561	793	314	442	347	266	354	286	266	376
Total Operating Revenues	14,175	14,308	13,951	13,447	12,993	12,650	12,603	13,149	14,368	12,497
Operating Expenses										
Unit I - Encina Plant Usage Costs	6,020	6,356	6,219	6,289	5,910	5,904	5,810	5,868	7,157	6,365
Unit I - Encina Plant Ownership Costs	4,405	4,335	4,278	4,138	3,936	3,754	3,800	4,265	4,098	3,560
Unit J - Encina Ocean Outfall	495	523	523	268	265	308	368	357	414	249
Directors Meetings	57	52	74	57	65	57	70	59	61	56
Flow Metering	295	332	272	261	264	273	274	256	246	368
Subtotal Encina Wastewater										
Pollution Control Facilities (EWPCF)	11,272	11,598	11,366	11,012	10,440	10,296	10,323	10,805	11,975	10,598
Source Control	688	638	588	664	620	623	592	588	517	458
Aqua Hedionda Pump Station	297	303	286	269	259	247	202	239	244	207
Buena Vista Pump Station	427	438	407	395	386	348	343	335	370	340
Buena Creek Pump Station	330	328	311	297	296	215	314	322	355	321
Carlsbad Water Reclamation Facilities	979	831	811	650	844	772	703	733	740	694
Raceway Basin Pump Station	182	172	183	158	147	147	126	127	167	139
Depreciation	7,907	8,043	7,904	7,725	7,917	7,900	6,260	5,986	3,897	3,938
Total Operating Expenses	22,082	22,351	21,855	21,171	20,910	20,549	18,863	19,135	18,265	16,694
Operating Income (Loss)	(7,907)	(8,043)	(7,904)	(7,725)	(7,917)	(7,900)	(6,260)	(5,986)	(3,897)	(4,197)
Nonoperating Revenues (Expenses)										
Net Gain (Loss) on Disposal of Capital Assets	(1,285)	(2,327)	(1,575)	(1,586)	(1,328)	(841)	(50)	(849)	(281)	75
Investment & Other Capital Income	27	17	5	8	10	17	25	40	146	369
Other Nonoperating Revenues	100	-	-	-	-	-	-	-	850	-
Total Nonoperating Revenues (Expenses)	(1,159)	(2,310)	(1,569)	(1,577)	(1,318)	(824)	(25)	(809)	715	445
Income (Loss) Before Contributions and Distributions	(9,066)	(10,353)	(9,473)	(9,302)	(9,235)	(8,724)	(6,285)	(6,796)	(3,182)	(3,752)
Capital Contributions and Distributions										
Member Agency Assessments	11,456	6,408	13,073	6,775	9,652	7,806	5,878	4,658	8,318	29,539
Distributions to Member Agencies	-	-	-	(2,295)	-	-	-	-	-	(4,000)
Total Capital Contributions	11,456	6,408	13,073	4,480	9,652	7,806	5,878	4,658	8,318	25,539
Increase (Decrease) in Net Position	\$ 2,390	\$ (3,945)	\$ 3,600	\$ (4,822)	\$ 418	\$ (917)	\$ (407)	\$ (2,138)	\$ 5,136	\$ 21,786

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



Source: Encina Wastewater Authority

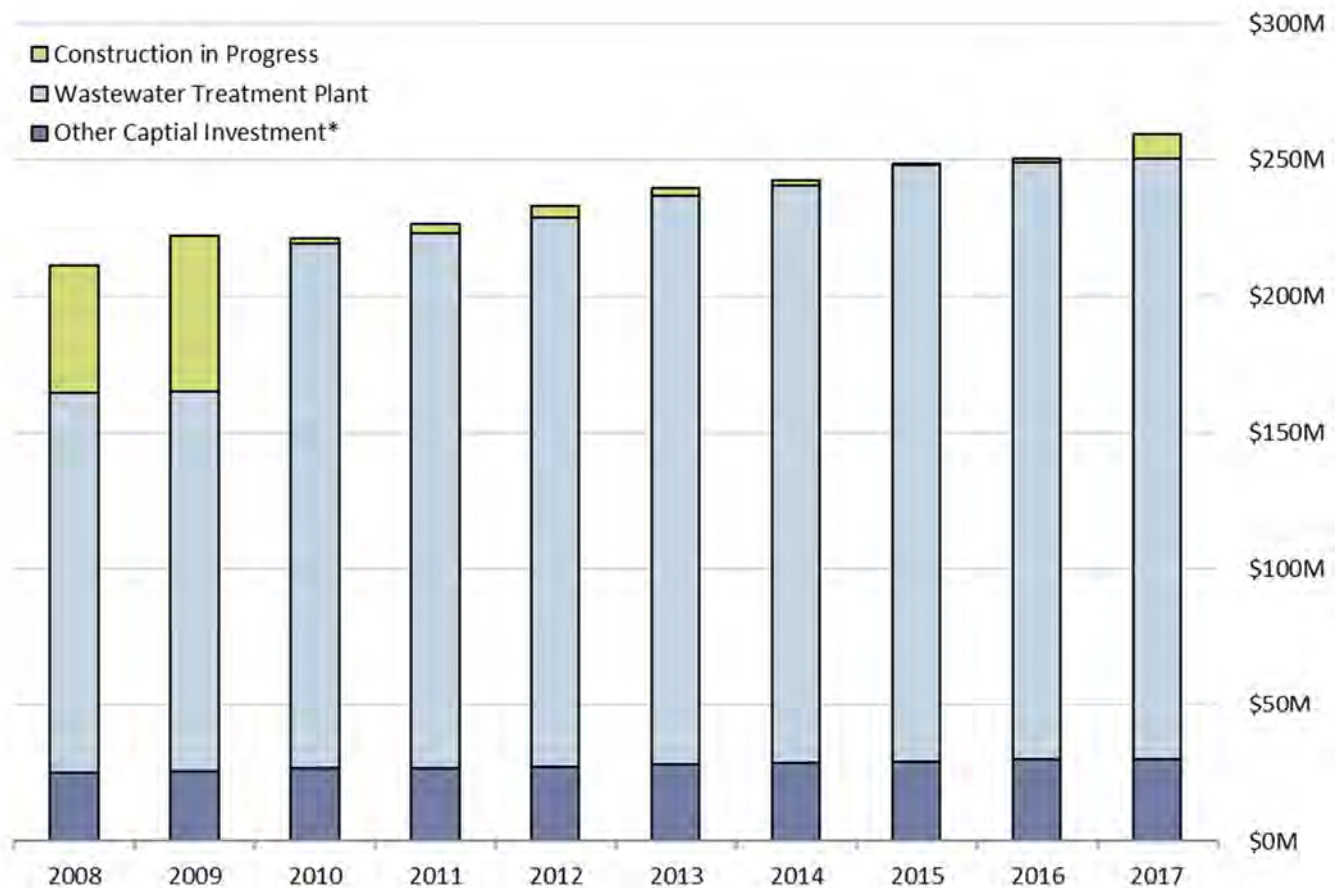
- FY 2017: reflects operational savings through reduced energy consumption, chemical contract negotiations and select services being brought back in-house
- FY 2016: non-EWPCF Operating Expense captures Process Master Plan and increased studies and designs
- FY 2015: reflects significant FY12 major plant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

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
2017	\$ 220,536,997	\$ 14,115,650	\$ 7,506,388	\$ 4,397,250	\$ 344,945	\$ 3,598,173	\$ 9,116,097	\$ (147,568,057)	\$ 112,047,443
2016	219,644,465	14,115,650	7,235,023	4,236,888	340,489	3,598,173	1,555,579	(140,962,090)	109,764,177
2015	219,293,160	14,115,650	7,069,872	3,900,554	314,269	3,598,173	157,990	(134,759,944)	113,689,724
2014	212,138,613	14,115,650	7,026,591	3,328,489	314,269	3,598,173	2,025,302	(131,412,815)	111,134,272
2013	209,110,243	14,115,650	6,860,710	2,821,468	314,269	3,598,173	3,075,422	(125,952,298)	113,943,637
2012	202,104,971	14,102,005	6,749,955	2,341,392	299,059	3,598,173	4,054,328	(119,356,558)	113,893,325
2011	196,253,370	14,102,005	6,581,287	2,112,950	299,059	3,598,173	3,509,708	(112,388,624)	114,067,928
2010	192,795,916	14,102,005	6,433,787	1,884,990	299,059	3,598,173	1,658,195	(106,741,891)	114,030,234
2009	139,467,581	13,766,644	6,384,089	1,704,956	299,059	3,598,173	56,596,253	(105,573,270)	116,243,485
2008	139,229,814	13,766,644	6,103,717	1,502,840	299,059	3,598,173	46,749,390	(102,003,616)	109,246,020

Investment in Capital Assets by Category Excluding Depreciation



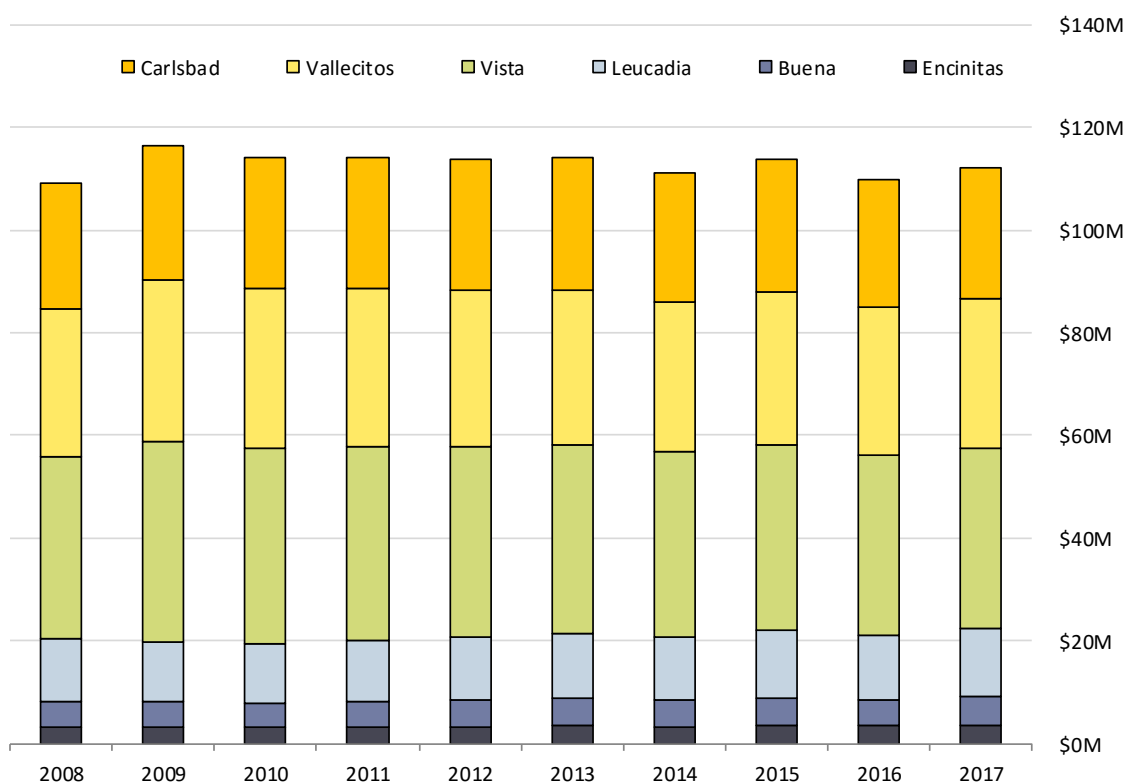
* Includes ocean outfall, pump station facilities, furnishings and office equipment, flow metering system, and real property

INVESTMENT IN CAPITAL ASSETS LAST TEN FISCAL YEARS

By Member Agency

Fiscal Year	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	Total
2017	\$ 25,574,386	\$ 35,044,264	\$ 5,523,537	\$ 29,067,979	\$ 13,243,432	\$ 3,593,845	\$ 112,047,443
2016	24,878,977	34,865,953	5,228,868	28,735,212	12,612,139	3,443,028	109,764,177
2015	25,777,202	36,102,270	5,435,237	29,783,001	13,036,766	3,555,248	113,689,724
2014	25,096,031	35,757,254	5,181,764	29,347,614	12,360,296	3,391,313	111,134,272
2013	25,726,787	36,685,069	5,255,587	30,063,361	12,731,372	3,481,461	113,943,637
2012	25,612,883	37,154,594	5,084,767	30,362,230	12,285,583	3,393,268	113,893,325
2011	25,537,838	37,687,907	4,915,342	30,714,365	11,893,406	3,319,070	114,067,928
2010	25,445,001	38,173,636	4,709,710	31,017,163	11,451,650	3,233,074	114,030,234
2009	25,916,556	38,917,533	4,832,144	31,571,047	11,704,705	3,301,500	116,243,485
2008	24,557,479	35,362,568	5,011,463	28,745,540	12,229,771	3,339,199	109,246,020

Investment in Capital Assets by Member Agency



Source: Encina Wastewater Authority

Fiscal year 2017 activity reflects an increase in construction-in-progress activity, primarily with the following projects:

- ▶ Aeration basin rehabilitation
- ▶ Digester settlement mitigation
- ▶ Drying safety upgrades
- ▶ Centrifuge rotating assembly
- ▶ Primary area improvements
- ▶ Major plant rehabilitation

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)*
2016	372,000	1.4%	\$ 20,101	\$ 54,034	3.2%	\$ 58,929
2015	367,000	1.9%	\$ 18,994	\$ 51,754	4.1%	\$ 55,705
2014	360,000	0.6%	\$ 17,818	\$ 49,494	5.5%	\$ 51,804
2013	358,000	1.0%	\$ 16,865	\$ 47,109	7.0%	\$ 50,235
2012	354,290	0.8%	\$ 16,568	\$ 46,765	8.4%	\$ 49,975
2011	351,348	0.8%	\$ 15,589	\$ 44,368	9.4%	\$ 49,767
2010	348,420	0.1%	\$ 18,356	\$ 52,684	9.6%	\$ 50,259
2009	347,943	0.6%	\$ 18,216	\$ 52,354	9.0%	\$ 51,489
2008	345,880	1.8%	\$ 18,274	\$ 52,833	5.6%	\$ 49,504
2007	339,639	2.1%	\$ 17,410	\$ 51,260	4.3%	\$ 45,698

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

Principal Employers

Employer	Business Category	Number of Employees	Percent of Total Employment**	Member Agency
Legoland California, LLC	Theme Park Entertainment	2,300	2.80%	Carlsbad
ViaSat, Inc.	Communications	1,901	2.32%	Carlsbad
San Marcos Unified School District	Education	2,240	5.59%	San Marcos
Palomar Community College	Education	1,627	4.06%	San Marcos
Vista Unified School District	Education	1,904	4.36%	Vista
Watkins Manufacturing Corp.	Manufacturing	595	1.36%	Vista

** within specified Member Agency jurisdiction

Principal Property Taxpayers

Taxpayer	2016 Assessed Taxable Value	Member Agency
La Costa Resort & Spa	\$ 284,714,679	Carlsbad
La Costa Glen Retirement Community	242,911,018	Carlsbad
World Premier Investments	144,864,721	San Marcos
Urban Villages San Marcos LLC	110,339,490	San Marcos
Shadowridge Vista Apartments LLC	83,589,592	Vista
Vista Bella Terra LP	74,392,013	Vista
TRC Encinitas Village	81,648,417	Encinitas
Collwood Pine Apartments LP	75,997,680	Encinitas

- ▶ Data presented is a composite of data from FY 2016 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	372,000	
Wastewater Treatment & Disposal Capacity (permitted)	43.30	MGD
Average Daily Wastewater Flow	21.75	MGD
Average Daily Biochemical Oxygen Demand (influent)	64,658	PPD
Average Suspended Solids (influent)	64,658	PPD
Average Treated Wastewater Reclaimed	2.79	MGD
Average Treated Wastewater Disposal	18.95	MGD
Average Years of Employee Service	9.60	years

Top 10 Source Permits (Gallons per Day)

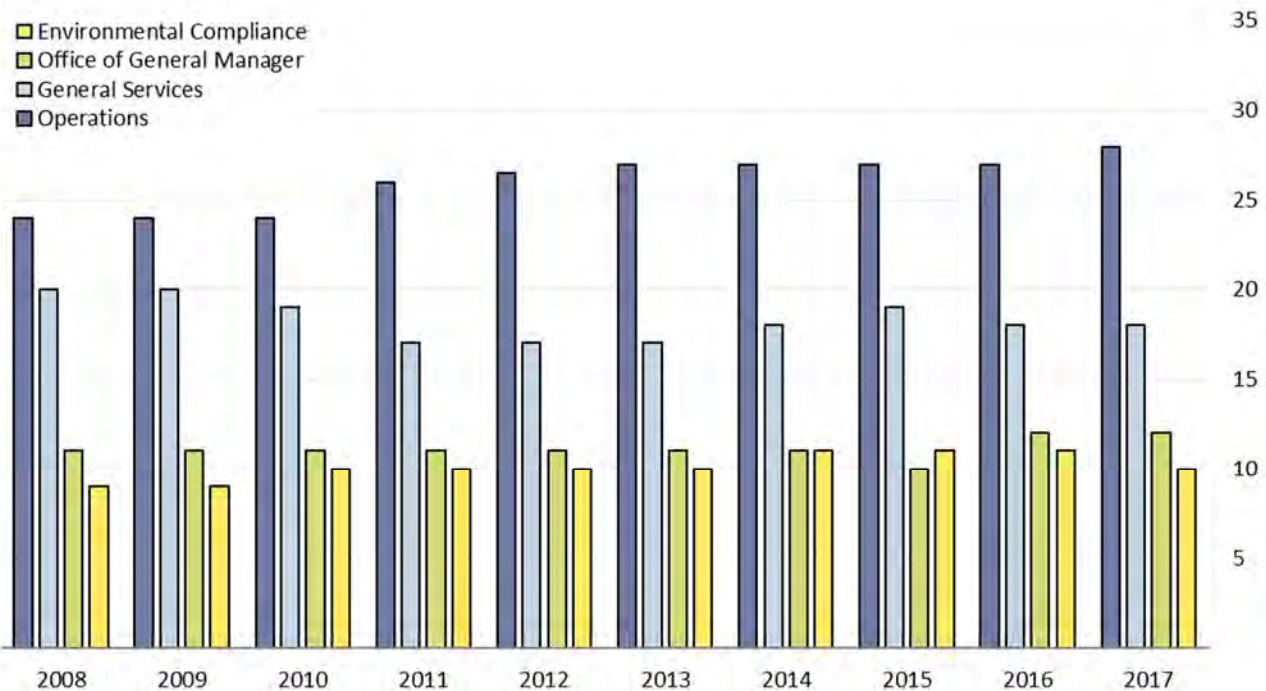
Prudential Overall Supply	Industrial laundry	63,000	
Cintas Corporation	Industrial laundry	60,000	
Hollandia Dairy	Beverage producer	35,000	
Fresh Creative Foods	Food Processing	14,700	
Hughes Circuits, Inc.	Manufacturing	9,200	
Poseidon Resources (Channelside) LP	Desalination plant	8,640	
J&D Laboratories, Inc.	Manufacturing	6,500	
Pizza Port Brewing Company	Beverage producer	4,000	
Jif-Pak Manufacturing, Inc.	Food Processing	3,200	
Select Supplements, Inc.	Manufacturing	2,930	

► 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
2017	28.00	18.00	12.00	10.00	68.00
2016	27.00	18.00	12.00	11.00	68.00
2015	27.00	19.00	10.00	11.00	67.00
2014	27.00	18.00	11.00	11.00	67.00
2013	27.00	17.00	11.00	10.00	65.00
2012	26.50	17.00	11.00	10.00	64.50
2011	26.00	17.00	11.00	10.00	64.00
2010	24.00	19.00	11.00	10.00	64.00
2009	24.00	20.00	11.00	9.00	64.00
2008	24.00	20.00	11.00	9.00	64.00



- FY 2017 : Biosolids Coordinator position converted to Operator
- FY 2016 : Director of Engineering position added, Inventory Control Technician moved from GS to OGM
- FY 2015 : Open Engineer position reorganized to Systems Specialist in GS
- FY 2014 : One Mechanical Technician position and one Biosolids Coordinator position added
- FY 2013 : Operator-in-Training converted to Operator FTE
- FY 2012 : One Receptionist, 0.5 Operator-in-Training added
- FY 2011 & FY 2010: reclassifications occurred between functions; Administration retitled Office of General Manager
- FY 2009: Maintenance function retitled General Services
- FY 2008: Two Shift Supervisor and one Mechanical Technician 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
2017	\$ 4,374,908	\$ 3,496,760	\$ 1,444,634	\$ 2,524,071	\$ 1,735,485	\$ 593,079	\$ 14,168,937	-1.0%
2016	4,118,055	3,685,592	1,363,951	2,735,673	1,791,922	615,451	14,310,644	2.4%
2015	4,102,472	3,524,984	1,333,738	2,657,520	1,785,125	571,496	13,975,335	4.4%
2014	3,836,196	3,330,764	1,324,208	2,591,053	1,746,870	563,620	13,392,711	5.4%
2013	3,827,257	2,916,646	1,223,734	2,364,992	1,828,803	546,491	12,707,923	4.1%
2012	3,677,363	2,894,508	1,122,452	2,211,874	1,780,750	525,297	12,212,244	-2.5%
2011	3,713,809	2,944,497	1,257,548	2,236,119	1,836,606	537,555	12,526,134	-4.4%
2010	3,961,372	3,042,873	1,322,605	2,260,092	1,929,239	582,692	13,098,873	-7.9%
2009	4,190,425	3,354,891	1,422,809	2,594,083	2,051,872	613,734	14,227,814	13.3%
2008	3,819,522	2,895,678	1,280,944	2,305,224	1,753,873	502,210	12,557,451	

Operating Expenses, excluding Depreciation

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

Operating Revenues (Over) Under Operating Expenses

Amount Due (To) From by Member Agency

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

Source: Encina Wastewater Authority

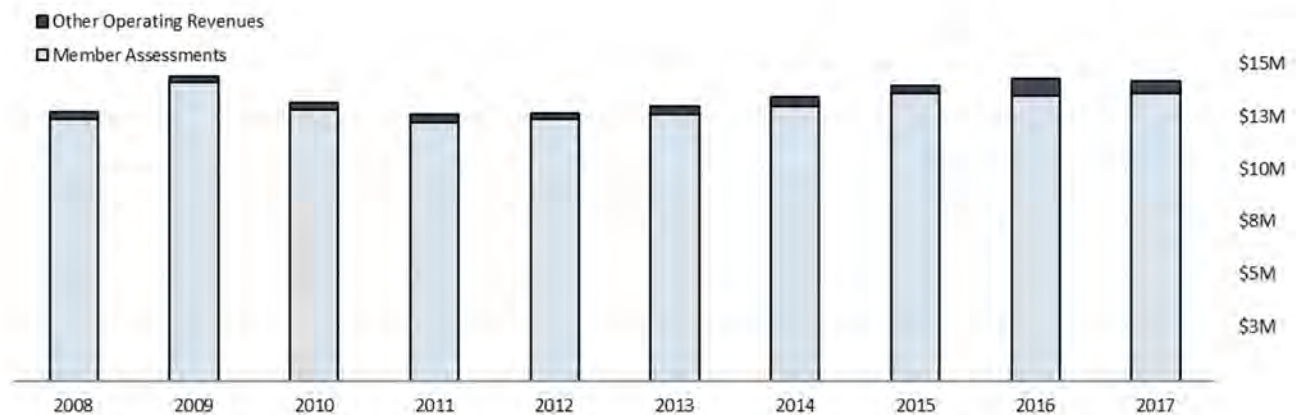
► Amounts Due (To) From arise from the fiscal year's close taking place subsequent to the fiscal year's 4th quarter billing to the Member Agencies.

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

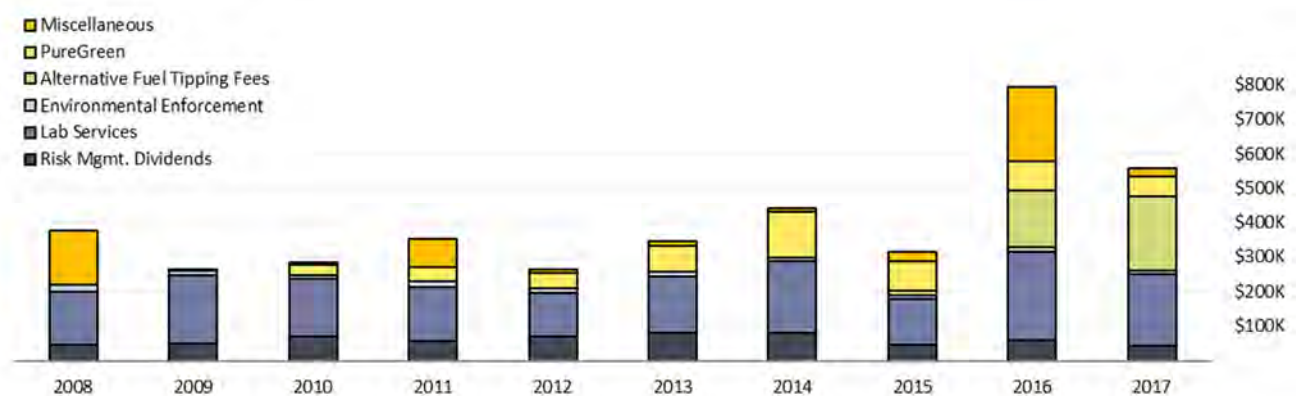
Operating Revenues

Fiscal Year	Member Assessments	Alternative Fuel Tipping Fees	Risk Mgmt. Dividends	PureGreen	Lab Services	Environmental Enforcement	Miscellaneous	Total
2017	\$ 13,613,755	\$ 216,909	\$ 43,057	\$ 57,925	\$ 207,972	\$ 9,150	\$ 25,553	\$ 14,174,321
2016	13,515,144	167,689	62,204	83,956	253,526	12,150	213,165	14,307,834
2015	13,637,230	14,806	47,203	84,138	131,738	9,150	26,621	13,950,886
2014	13,004,951	-	81,042	131,141	207,365	10,731	11,394	13,446,623
2013	12,646,345	-	80,662	75,646	163,918	12,888	13,855	12,993,314
2012	12,383,770	-	70,388	42,937	125,404	14,830	12,191	12,649,520
2011	12,249,355	-	58,772	40,448	154,245	16,970	83,492	12,603,282
2010	12,863,097	-	71,669	31,534	166,648	9,490	6,345	13,148,783
2009	14,102,534	-	52,366	-	193,478	14,985	4,803	14,368,167
2008	12,380,505	-	48,672	-	150,346	21,872	154,971	12,756,366

Total Operating Revenues



Other Operating Revenues



Source: Encina Wastewater Authority

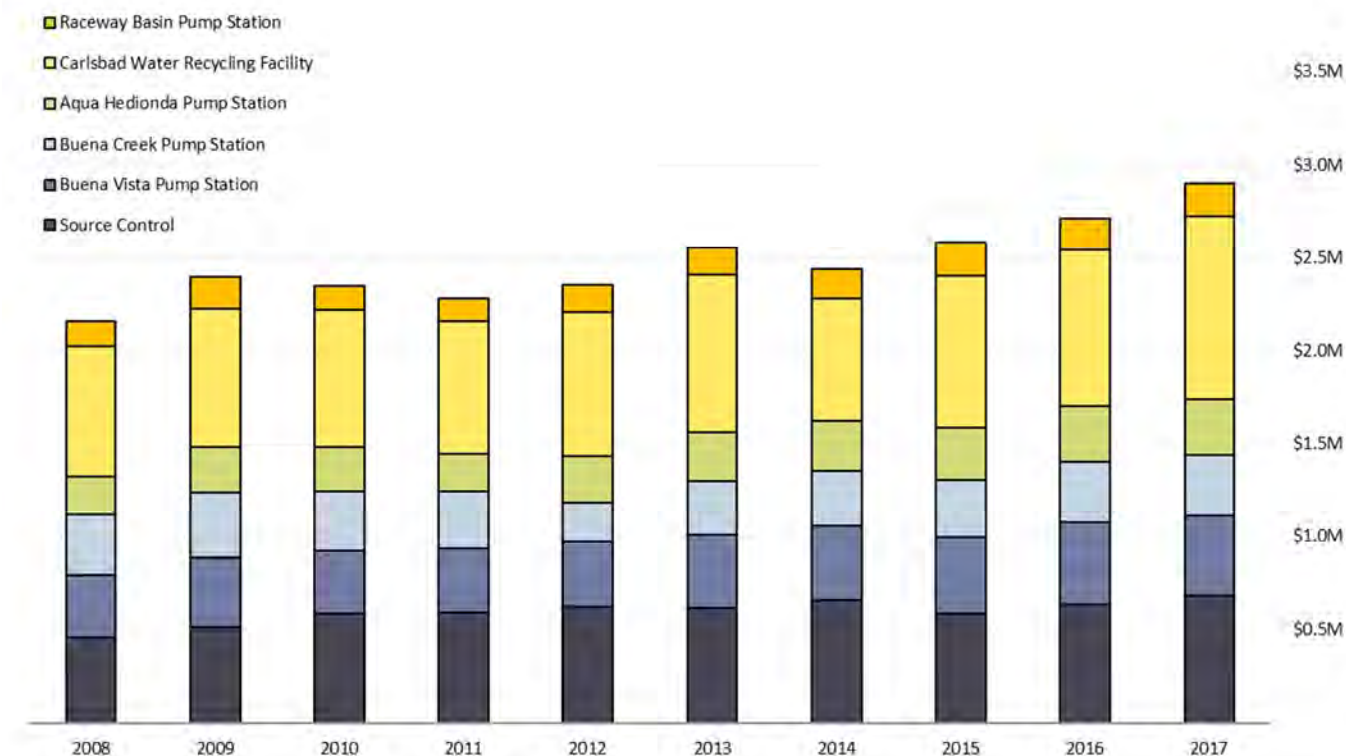
- ▶ FY 2016: First full year of the Alternative Fuel Receiving Facility being live. Misc revenues captures a one-time \$150K award from SDG&E.
- ▶ FY 2015: Alternative fuel tipping fees generated from receipt of fats, oils, grease and other organics into the Alternative Fuel Receiving Facility
- ▶ Miscellaneous 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
2017	\$ 11,272,007	\$ 687,678	\$ 297,059	\$ 427,136	\$ 329,876	\$ 978,967	\$ 181,598	\$ 14,174,321
2016	11,597,641	637,700	302,966	438,134	328,200	830,701	172,492	14,307,834
2015	11,365,544	587,980	286,446	406,595	310,637	810,972	182,712	13,950,886
2014	11,012,498	664,209	269,050	395,013	297,139	650,499	158,216	13,446,624
2013	10,439,519	620,480	259,394	386,485	296,435	843,994	147,007	12,993,314
2012	10,296,088	623,461	247,392	348,184	215,234	772,107	147,054	12,649,520
2011	10,322,743	591,609	201,953	343,044	314,303	703,253	126,375	12,603,280
2010	10,805,156	587,541	238,499	335,451	321,524	733,358	127,254	13,148,783
2009	11,974,772	517,222	244,177	370,135	354,886	739,851	167,124	14,368,167
2008	10,597,845	457,500	206,733	340,290	320,629	693,992	139,377	12,756,366

Other Operating Expenses

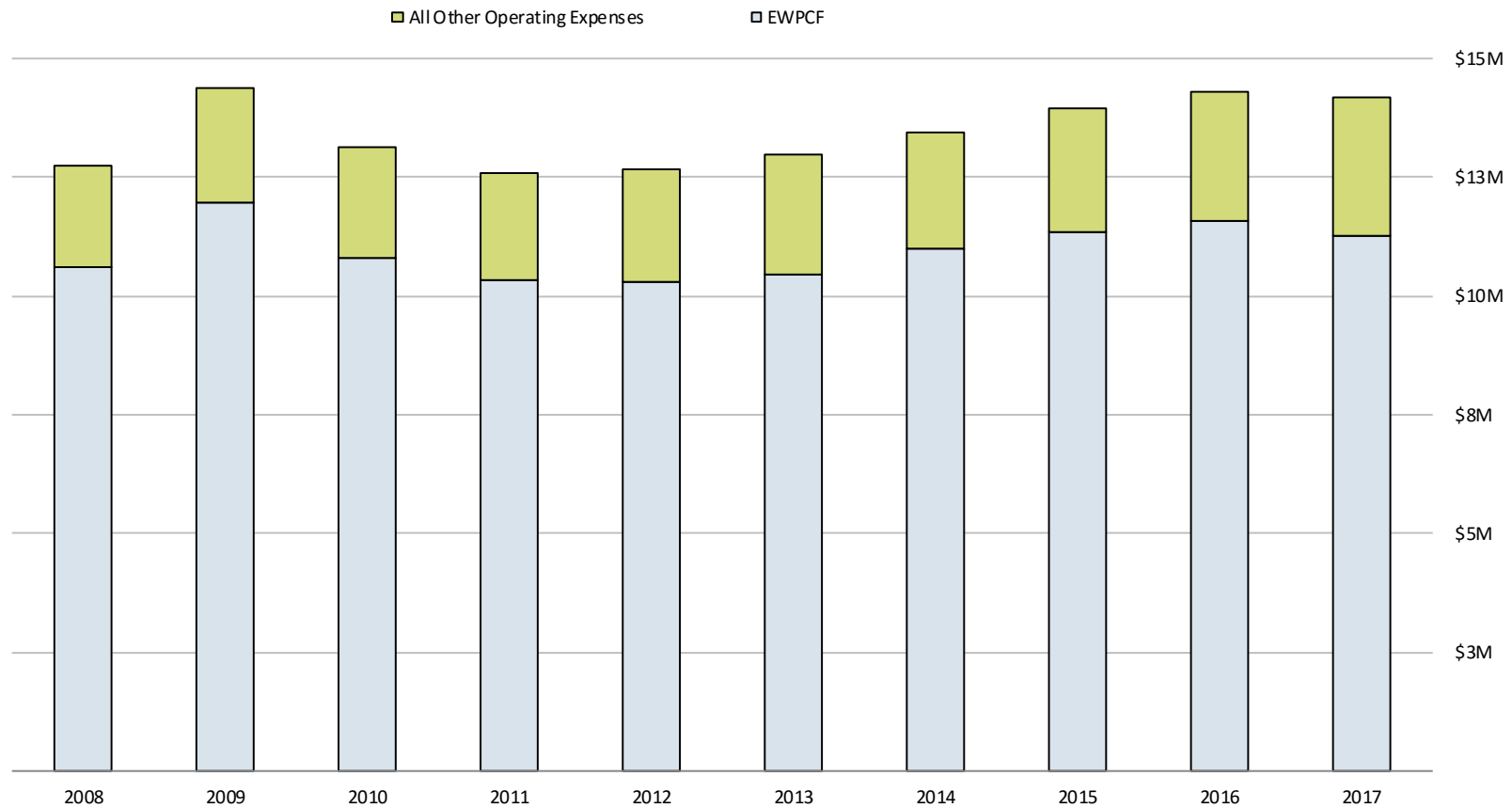


Source: Encina Wastewater Authority

- FY2017: EWPCF reflects significant energy savings captured from the Aeration Basin & Diffuser Replacement Project being completed
- Member Agencies are billed the amount of Operating Expenses less Other Operating Revenues
- FY 2009: Phase V Expansion substantially complete and on-line. Variance in operating costs result of start-up activities

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

Operating Expenses



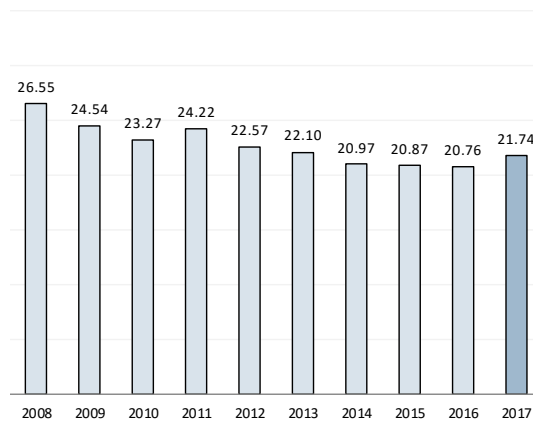
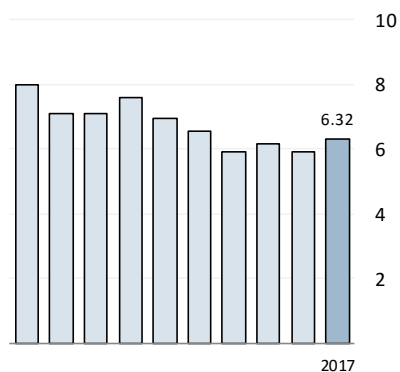
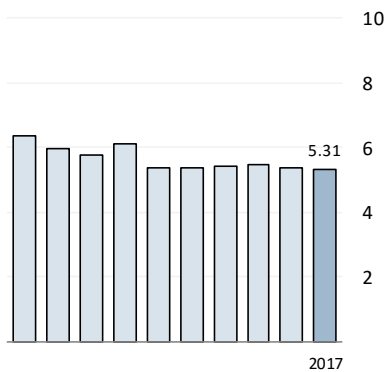
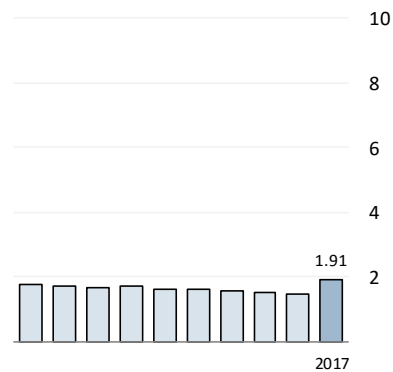
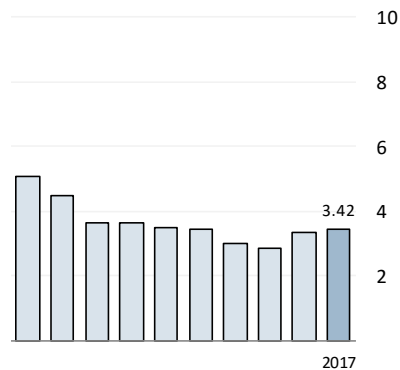
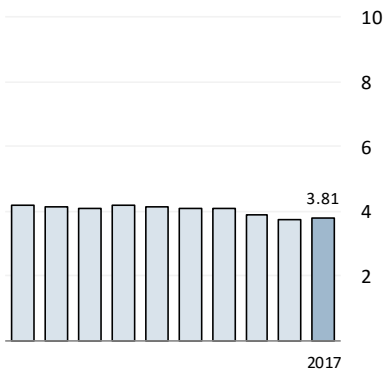
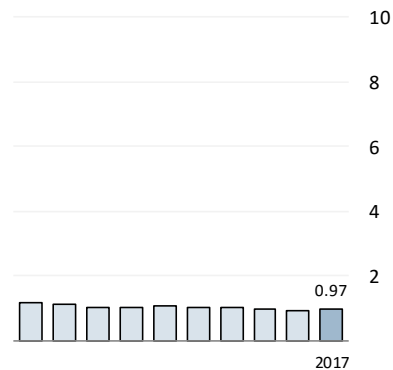
Source: Encina Wastewater Authority

- ▶ FY 2017: EWPCF reflects significant energy savings captured from the Aeration Basin & Diffuser Replacement Project being completed. Increased activity occurring at CWRP.
- ▶ 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

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

Year Ended	Carlsbad	Vista	Buena	Vallecitos	Leucadia	Encinitas	EWPCF Totals
June 30, 2017							
Operating Expenses	\$ 3,033,663	\$ 2,551,773	\$ 1,056,083	\$ 2,409,195	\$ 1,675,199	\$ 546,094	\$ 11,272,007
Avg. Daily Flow in MG	6.32	5.31	1.91	3.42	3.81	0.97	21.74
Annualized Flow in MG	2306.80	1938.15	697.15	1248.30	1390.65	354.05	7935.10
Cost Per MG	\$ 1,315.10	\$ 1,316.60	\$ 1,514.86	\$ 1,929.98	\$ 1,204.62	\$ 1,542.42	\$ 1,420.52
MG cost change from prior year	-4.77%	-5.03%	-15.80%	-11.02%	-5.11%	-6.77%	-7.19%
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
MG cost 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
MG cost 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
MG cost 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
MG cost 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
MG cost 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
MG cost 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
MG cost 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
MG cost 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

**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 2014-2016 reflects impact of CA three year drought
- FY 2013 reflects impact of Meadowlark expansion and water conservation.
- FY 2009 and FY 2010 reflect impact of water conservation mandates compounded by Phase V startup activities.

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BUDGET PERFORMANCE SECTION

(UNAUDITED)

OPERATING PROGRAM

PERSONNEL EXPENSES

CAPITAL PROGRAM

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SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM BUDGET PERFORMANCE
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>\$ Variance</u>	<u>% Actual to Budget</u>
Revenues:					
Member Assessments	\$15,043,385	\$15,043,385	\$13,613,755	\$1,429,630	90.5%
Other	562,970	562,970	560,566	2,404	99.6%
Total Revenues	<u>\$15,606,355</u>	<u>\$15,606,355</u>	<u>\$14,174,321</u>	<u>\$1,432,034</u>	<u>90.8%</u>
Expenses:					
Personnel Expense	\$8,244,323	\$8,244,323	\$8,073,909	\$170,414	97.9%
Chemicals	1,332,710	1,269,285	1,077,817	191,468	84.9%
Biosolids	315,000	321,700	326,253	(4,553)	101.4%
Utilities	2,196,110	2,228,910	1,881,243	347,667	84.4%
Other Non-Personnel	3,268,212	3,292,137	2,815,099	477,038	85.5%
Contingency	250,000	250,000	-	250,000	0.0%
Total Expenses	<u>\$15,606,355</u>	<u>\$15,606,355</u>	<u>\$14,174,321</u>	<u>\$1,432,034</u>	<u>90.8%</u>

SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES BY MAJOR CATEGORY
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>\$ Variance</u>	<u>% Variance</u>
Personnel Expense	\$8,073,909	\$8,020,489	\$53,420	0.7%
Chemicals	1,077,817	1,097,364	(19,547)	-1.8%
Biosolids	326,253	322,230	4,023	1.2%
Utilities	1,881,243	1,964,520	(83,277)	-4.2%
Other Non-Personnel	2,815,099	2,903,231	(88,132)	-3.0%
Total	<u>\$14,174,321</u>	<u>\$14,307,834</u>	<u>(\$133,513)</u>	<u>-0.9%</u>

See accompanying independent auditors' report.

SUPPLEMENTARY SCHEDULE OF PERSONNEL EXPENSE BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2017

	Adopted Budget	Revised Budget	Actual	\$ Variance	% Actual to Budget
Programs					
EWPCF	\$6,358,488	\$6,358,488	\$6,196,407	\$162,081	97.5%
Source Control	596,705	596,705	634,389	(37,684)	106.3%
Remote Facilities					
Agua Hedionda Pump Station	184,265	184,265	173,498	10,767	94.2%
Buena Vista Pump Station	188,330	188,330	179,149	9,181	95.1%
Buena Creek Pump Station	188,822	188,822	179,222	9,600	94.9%
Carlsbad Water Reclamation Facility	590,057	590,057	580,618	9,439	98.4%
Raceway Basin Pump Station	137,656	137,656	130,626	7,030	94.9%
Total Remote Facilities	1,289,130	1,289,130	1,243,113	46,017	96.4%
Subtotal Operating Program	8,244,323	8,244,323	8,073,909	170,414	97.9%
Capital Program	2,322,497	2,322,497	2,241,920	80,577	96.5%
Total Personnel	\$10,566,820	\$10,566,820	\$10,315,829	\$250,991	97.6%

See accompanying independent auditors' report.

**SCHEDULE OF CONTINUING CAPITAL IMPROVEMENT PROGRAM APPROPRIATIONS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

BY PROJECT	CONTINUING APPROPRIATIONS BEGINNING OF YEAR REPORTED	FY 2017 NEW APPROPRIATIONS	TRANSFERS IN(OUT)	ALLOCATED PERSONNEL EXPENSE	ACTUAL DIRECT COSTS AS OF JUNE 30, 2016	TOTAL CAPITAL EXPENSES	APPROPRIATION BALANCES ON JUNE 30, 2017	CONTINUING APPROPRIATIONS JULY 1, 2017
SALARIES & BENEFITS	\$ -	\$ 2,322,497	\$ -	\$ (2,241,920)	\$ -	\$ -	\$ 80,577	\$ -
EWPCF CAPITAL ACQUISITIONS	72,539	160,400	6,702	-	207,360	(207,360)	32,281	11,417
AHPS CAPITAL ACQUISITIONS	97,583	43,000	(13,000)	-	46,395	(46,395)	81,188	-
BVPS CAPITAL ACQUISITIONS	31,069	91,000	(35,431)	-	65,249	(65,249)	21,389	-
BCPS CAPITAL ACQUISITIONS	33,154	66,000	(31,628)	-	67,526	(67,526)	-	-
CWRF CAPITAL ACQUISITIONS	35,692	70,600	(2)	-	135,875	(135,875)	(29,585) *	-
RBPS CAPITAL ACQUISITIONS	3,534	110,000	(29,044)	-	52,377	(52,377)	32,113	-
PLANNED ASSET REPLACEMENT	89,418	698,400	(11,086)	631,456	663,346	(1,294,802)	113,386	57,728
MAJOR PLANT REHAB PROGRAM								
Liquid Process Improvements	6,137,880	-	508,815	714,778	3,771,821	(4,486,599)	2,874,874	2,874,874
Outfall	32,802	100,000	(32,802)	9	49	(58)	99,951	99,951
Solids Process Improvements	3,868,846	975,000	(2,292,812)	238,541	1,258,759	(1,497,300)	1,292,275	1,292,275
Energy Management	316,389	325,000	(238,871)	66,360	350,175	(416,535)	52,343	52,343
General Improvements	910,502	825,000	(609,089)	77,844	410,776	(488,620)	715,637	715,637
Engineering Services	3,006,186	7,379,000	2,667,760	426,385	2,249,998	(2,676,383)	10,802,948	10,802,948
Remotes	-	-	110,488	6,476	34,172	(40,648)	76,316	76,316
Total Major Plant Rehab Program	14,272,605	9,604,000	113,489	1,530,393	8,075,750	(9,606,143)	15,914,344	15,914,344
TOTAL	\$ 14,635,594	\$ 13,165,897	\$ -	\$ (80,071) *	\$ 9,313,878	\$ (11,475,727)	\$ 16,245,693	\$ 15,983,489

Continued

* Cost overrun resulted from unanticipated personnel expenses on behalf of CWRF Ultrafiltration System

See accompanying independent auditors' report.

SCHEDULE OF CONTINUING CAPITAL IMPROVEMENT PROGRAM APPROPRIATIONS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

BY MEMBER AGENCY	CARLSBAD	VISTA	BUENA	VALLECITOS	LEUCADIA	ENCINITAS	TOTAL
EWPCF CAPITAL ACQUISITIONS	\$ 2,768	\$ 2,877	\$ 809	\$ 2,560	\$ 1,918	\$ 485	\$ 11,417
PLANNED ASSET REPLACEMENT	13,994	14,547	4,093	12,943	9,698	2,453	57,728
MAJOR PLANT REHAB PROGRAM							
Liquid Process Improvements	696,869	724,468	203,829	644,547	482,979	122,182	2,874,874
Outfall	49,415	-	7,087	22,409	16,792	4,248	99,951
Solids Process Improvements	313,248	325,653	91,622	289,728	217,102	54,922	1,292,275
Energy Management	12,688	13,190	3,711	11,735	8,794	2,225	52,343
General Improvements	173,469	180,341	50,739	160,446	120,227	30,415	715,637
Engineering Services	2,618,635	2,722,343	765,929	2,422,021	1,814,895	459,125	10,802,948
Remotes	4,789	47,501	24,026	-	-	-	76,316
Total Major Plant Rehab Program	3,869,113	4,013,496	1,146,943	3,550,886	2,660,789	673,117	15,914,344
 TOTAL	 \$ 3,885,875	 \$ 4,030,920	 \$ 1,151,845	 \$ 3,566,389	 \$ 2,672,405	 \$ 676,055	 \$ 15,983,489

See accompanying independent auditors' report.