

ENCINA WASTEWATER AUTHORITY



Comprehensive Annual Financial Report

Fiscal Year Ended

June 30, 2012





ENCINA WASTEWATER AUTHORITY

Mission Statement

As an environmental leader, EWA provides sustainable and fiscally responsible wastewater services to the communities it serves while maximizing the use of alternative and renewable resources.

Proudly serving:

City of Carlsbad

City of Vista

City of Encinitas

Leucadia Wastewater District

Buena Sanitation District

Vallecitos Water District

ENCINA WASTEWATER AUTHORITY
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Fiscal Year Ended June 30, 2012

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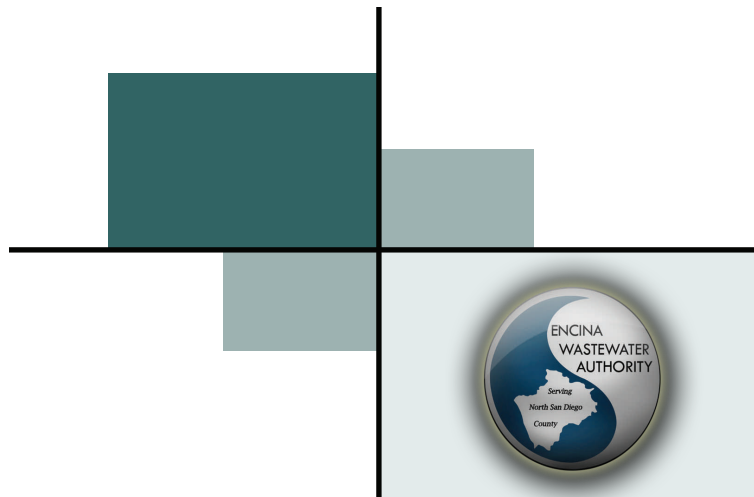
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INTRODUCTORY SECTION



- **Letter of Transmittal**
- **GFOA Certificate of Achievement**
- **List Of Officials**
- **Service Area Map**

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ENCINA WASTEWATER AUTHORITY

A PUBLIC AGENCY

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

March 27, 2013

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

We are pleased and proud to submit the Comprehensive Annual Financial Report (Report) of the Encina Wastewater Authority (EWA) for the Fiscal Year ended June 30, 2012. EWA staff remains committed to reach and maintain the highest possible standards in financial reporting now and in the future.

EWA's Certified Public Accounting firm of Leaf & Cole, LLP and accounting staff prepared the data in this Report. White Nelson Diehl Evans, LLP independently audited the financial statements. Nonetheless, EWA bears the responsibility for the accuracy of all data presented in this Report. We, EWA's chief executive and financial officers, assume the responsibility for the Report's completeness and fairness of presentation, including all disclosures. We affirm that, to the best of our knowledge and belief, information in this Report provides an accurate and fair representation of EWA's financial position and the status of its operations during the fiscal year ended June 30, 2012. We believe that this Report contains all information and disclosures needed to clearly understand EWA's Fiscal Year 2012 financial activities.

White Nelson Diehl Evans, LLP has issued an unqualified ("clean") opinion on EWA's financial statements for the fiscal year ended June 30, 2012. 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 complement 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 Facilities (EWPCF) including a 4.5 million gallon per day (MGD) treatment plant and ocean outfall in 1965. 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 and wastewater treatment facilities were enhanced to meet stringent secondary treatment level standards. The Phase III Expansion Project also added critical effluent pumping facilities to the Encina Ocean Outfall system. In addition, cogeneration facilities were designed and placed in service to convert treatment process by-product methane and purchased natural gas to the electricity and compressed air required for plant operations.

In 1988, the partners amended the Basic Agreement through a Revised Basic Agreement (RBA). A short time later, JPA's membership created an independent public entity called the Encina Administrative Agency (EAA) to operate, maintain, and administer the EWPCF, the Agua Hedionda Pump Station, and the Buena Vista Pump Station. In 1991, 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, 2012 were:

<u>Member Agency</u>	<u>Representative</u>	<u>Representative</u>
City of Encinitas	Kristin Gaspar, Vice Chair	Mark Muir
Vallecitos Water District	Darrell Gentry	Jim Poltl
City of Vista & Buena Sanitation District	Steve Gronke	Judy Ritter, Chair
Leucadia Wastewater District	Elaine Sullivan	Allan Juliussen
City of Carlsbad	Keith Blackburn	Ann Kulchin

Current Services

The EWA service area is comprised of approximately 123 square miles of coastal north San Diego County with a population of roughly 352,000. 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, 2012, the EWPCF treated and disposed of 9.1 billion gallons of wastewater. EWA also enforces industrial pretreatment regulations in the Encina service area. Additionally, EWA produces tactical and business planning documents that ensure the Encina Joint Facilities continue to meet member agency needs in compliance with local, state, and federal regulations.

The EWPCF include state-of-the art wastewater treatment and disposal facilities. Primary wastewater treatment facilities include an influent junction structure, bar screens, grit and sedimentation tanks. Secondary wastewater treatment facilities include aeration basins, clarifiers and dissolved air floatation units to dewater residual secondary biosolids. Anaerobic digesters stabilize solids generated by the primary and secondary treatment. After 15-20 days in the digesters, wastewater solids are pumped to the dewatering building where centrifuges spin the solids to remove excess water. The resultant product, which is approximately 23% solids, is considered Class B biosolids. Uses for Class B biosolids are restricted by U.S. Environmental Protection Agency (EPA) regulations.

With the Phase V expansion project, a triple-pass rotary drum heat dryer was placed in service. Biosolids from the centrifuges are pumped to the dryer and heated to approximately 200 degrees Fahrenheit. The heat drying process produces pellets that are more than 90% solids and considered Class A biosolids. The system normally operates five days per week and produces about 26 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.

In June 2009, the Authority entered into a five year agreement to sell 70% of Class A biosolids pellet monthly production to CEMEX, Incorporated for use in its cement manufacturing process. During fiscal year 2012, 4938 wet tons of class A biosolids pellets were sold to CEMEX, which represent 78.7% percent of all Class A biosolids produced. The remaining Class A biosolids pellets were land applied or utilized in development of tier II markets.

The Phase V expansion project also incorporated an upgrade to the Authority's cogeneration facility, including four 1,000hp Caterpillar engines driving 750kW generators. The engines can be fueled by either biogas or natural gas and recovered engine heat is used to heat the plant's anaerobic digesters. These anaerobic digesters produce up to 600,000 cubic feet of digester gas daily to fuel the engine generators. This power system produces approximately sixty percent of electricity used at the EWPCF.

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

EWA's Laboratory conducts approximately 33,600 tests annually to assist in EWPCF source control operations, monitor compliance with ocean discharge permits, and, provide contractual services to Encina member agencies for waste, recycled, potable and storm water quality testing.

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

Major Service Initiatives

EWA's 2013 Business Plan serves as the road map to accomplish the Board of Director's policy goals and establishes the basis for EWA's program, budgets, and other resource allocation determinations. The Business Plan links the key issues identified by the Board of Directors with management strategies and objectives to address those key issues. The key issues are:

1. AB 32 required Greenhouse Gas emission reporting creates opportunities to demonstrate excellence and innovation.
2. Emerging regional water recycling goals present opportunities to leverage EWA's unique position to assist Member Agencies in achieving water reuse objectives.
3. Creating and maintaining an "employer of choice" workplace requires values based on excellence and innovation from EWA's leadership team.

4. Execution of EWA's Comprehensive Asset Management Plan (CAMP) enables EWA and its Member Agencies to effectively and efficiently deliver important public health services.
5. Additional resource recovery and investment creates the opportunity for energy independence.
6. Fiscal responsibility is a primary decision criterion.
7. Continuous improvement and regional partnering sustain excellence.
8. Public affairs outreach builds community understanding of EWA, its Mission, and its Vision.
9. Heightened regulatory scrutiny presents opportunities and challenges that may impact operation, maintenance, and administration of the Encina Joint Facilities.

Future Plans

Energy and Emissions

The Board of Directors received and filed an Energy and Emissions Strategic Plan (EESP) in April 2011. The EESP identifies improvement projects that will move the EWPCF toward energy independence. Technologies were presented into seventeen scenarios largely structured around key electrical generating technologies including internal combustion engine generators, fuel cells and solar photovoltaic panels. An interactive model was developed to evaluate the scenario variables including cost, self generation capacity, air emissions rate, and energy purchases. The scenarios that leveraged existing assets and expanded engine based systems were generally more cost effective than fuel cell or solar panel based scenarios.

Elements of the top ranked scenario recommendation include energy efficiency measures, engine exhaust catalyst and biogas treatment, waste to energy process, additional absorption chiller capacity, and a fifth cogeneration engine. The year 2020 projected results from investing about \$11,700,000 are:

- Increasing self generated electricity from 52% of demand to about 95% of demand.
- Increasing self generated total energy from 57% of demand to about 81% of demand.
- Reducing carbon monoxide emissions from 97 ton/year to 27 ton/year.
- Reducing operations and maintenance cost of related facilities from \$3.2 million/year to \$2.5 million/year.

Biosolids Management

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

The BMP identifies two tiers of markets. Tier 1 was implemented in the last year and includes landfill disposal, contract agriculture, and biofuels. The current agreement with CEMEX for purchase of Class A

pellets as a biofuel is expected to provide estimated revenue of \$42,000 in FY 2012. Tier 2 uses include fertilizer distributors, soil blenders, specialty agriculture, local communities, and golf courses/turf management. Product trials are underway.

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 transactions 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 policy and procedure. Encumbered funds are not carried forward without specific Board of Director's authorization.

Debt Administration

EWA has no long-term debt nor has any contracts granting access to debt facilities of any kind.

Cash Management

EWA retrospectively bills member agencies and maintains appropriate cash reserves in accordance with the Financial Reserve Policy adopted by Resolution No. 08-9. Any temporarily idle cash is invested in accordance with the California Government Code and a conservative formal investment policy that is annually reviewed and adopted by the Board of Directors. During the year, all temporarily idle funds were invested in the State of California's Local Agency Investment Fund.

Independent Audit

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

Human Resources

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Encina Wastewater Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

Each of EWA's sixty-five staff contributed to this report through unwavering dedication to their profession and by helping create an environment that stimulates and values teamwork. Together, *we are* a model of excellence and innovation. Additionally, a special note of appreciation goes to Mike Zizzi and Joe Spence, Leaf & Cole, LLP, LeeAnn Warchol, EWA's Administrative Services Manager, Sally Samra, EWA's Accounting Technician, the Member Agency Finance Officers, and Harvey Schroeder, Partner, White Nelson Diehl Evans, LLP for their assistance and counsel. Finally, this Report would not be possible without the continuing support of EWA's Board of Directors whose leadership and commitment serve as the foundation for our accomplishments.

Kevin M. Hardy
General Manager

Michael F. Steinlicht
Assistant General Manager,
Treasurer/Auditor

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moirill

President

Jeffrey R. Enow

Executive Director

ENCINA WASTEWATER AUTHORITY

List of Officials June 30, 2012

Board of Directors and Officers

Judy Ritter, Chair	City of Vista and Buena Sanitation District
Kristin Gaspar, Vice Chair	City of Encinitas
Ann Kulchin	City of Carlsbad
Keith Blackburn	City of Carlsbad
Mark Muir	City of Encinitas
Darrell Gentry	Vallecitos Water District
Allan Juliussen	Leucadia Wastewater District
Elaine Sullivan	Leucadia Wastewater District
Steve Gronke	City of Vista and Buena Sanitation District
Paula Clowar	Secretary
Michael F. Steinlicht	Assistant General Manager/Treasurer/Auditor

Management

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

General Counsel

Gregory V. Moser	Procopio Cory Hargreaves & Savitch, LLP
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For additional information visit our website at www.encinajpa.com

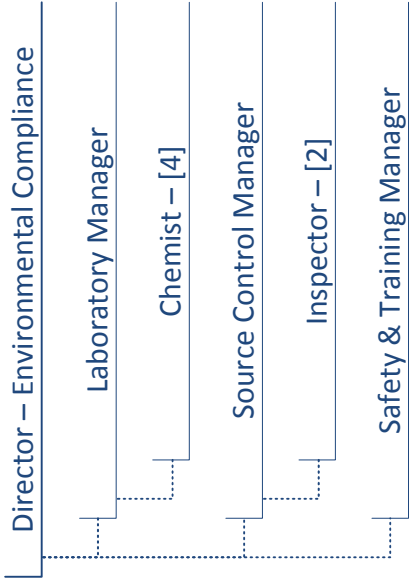
**Encina Wastewater Authority
Recommend FY 2012 Positions: 65.5**

EWA Board of Directors

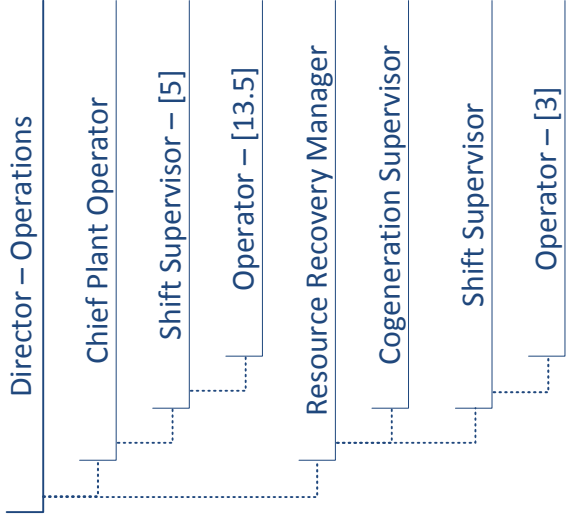
Office of the General Manager



Environmental Services Group



Operational Services Group



General Services Group

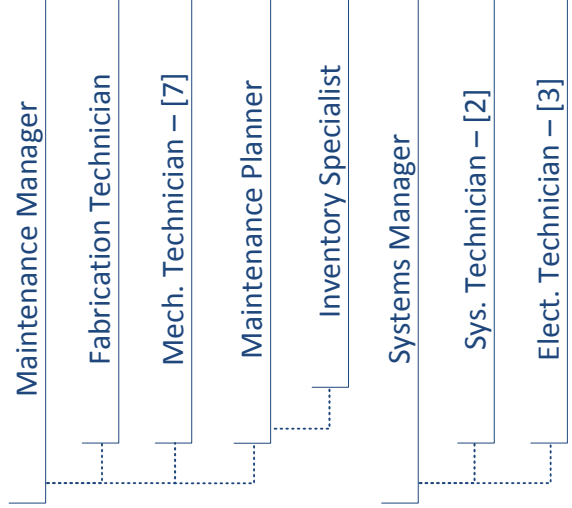
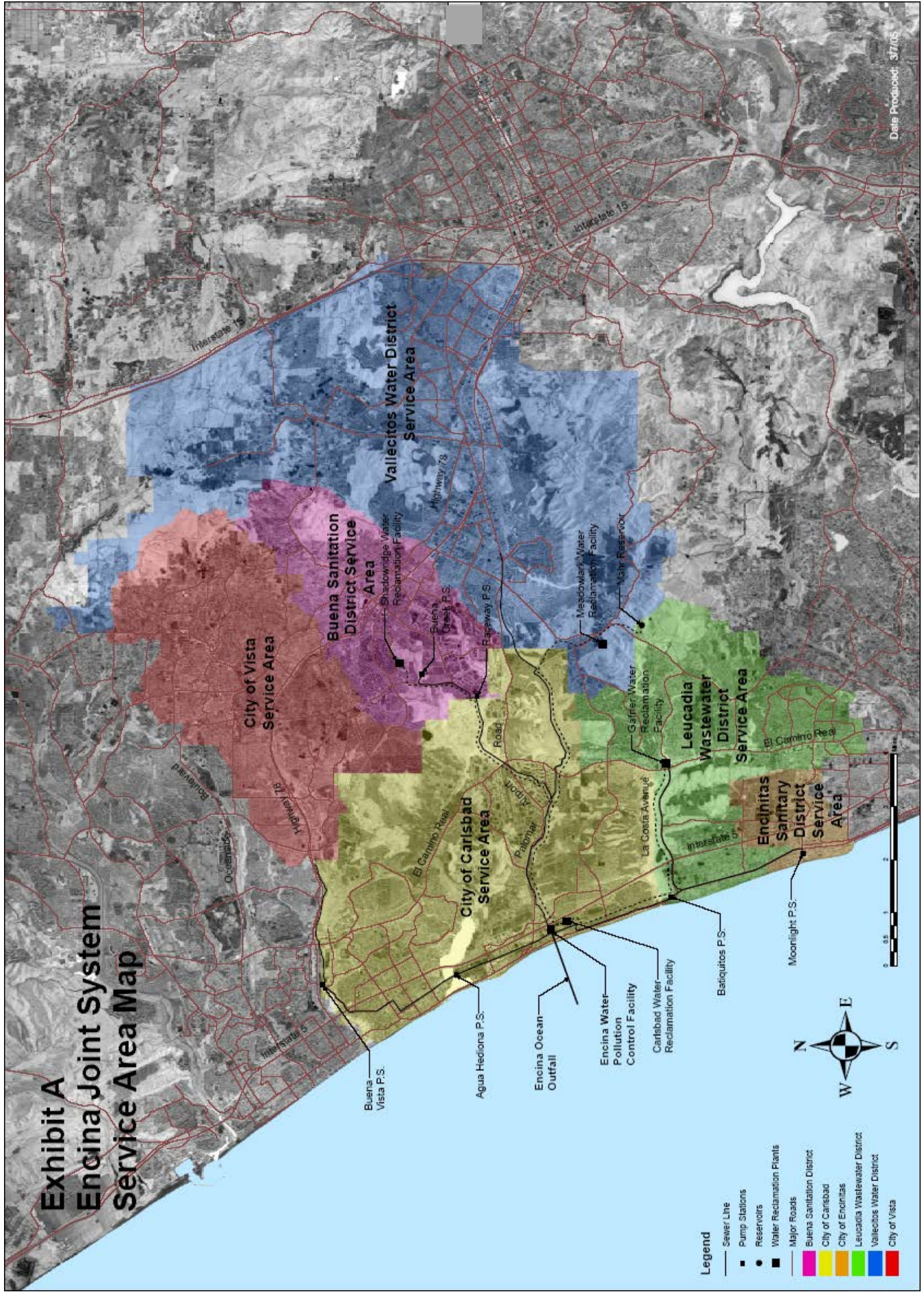


Exhibit A Encina Joint System Service Area Map



Date Produced: 3/7/05

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Financial Section



- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Notes to Financial Statements**
- **Supplementary Information**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Encina Wastewater Authority
Carlsbad, California

We have audited the accompanying basic financial statements of Encina Wastewater Authority as of and for the year ended June 30, 2012, as listed in the table of contents. These basic financial statements are the responsibility of the Encina Wastewater Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Encina Wastewater Authority as of June 30, 2011, were audited by other auditors whose report dated January 25, 2012, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the State Controller's Minimum Audit Requirements for California Special Districts, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Encina Wastewater Authority as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2013 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Encina Wastewater Authority's financial statements as a whole. The introductory section, statistical section, schedule of operating program budget performance and schedule of continuing capital improvement program appropriations are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of investment in capital assets, schedule of operating expenses by major category, summary schedule of operating program amount due from/(to) member agencies, detail schedule of operating program amount due from/(to) member agencies, schedule of operating program expense summary by member agency, schedule of operating program expense summary by cost center, schedule of changes in net assets restricted-capital improvement program, schedule of net assets restricted by project – capital improvement program and schedule of net assets restricted by member agency- capital improvement program are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section, statistical section, schedule of operating program budget performance and schedule of continuing capital improvement program appropriations have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

White Nelson Dick Evans LLP

March 5, 2013
Carlsbad, California

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, 2012. 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 Assets
- Statements of Revenues, Expenses and Changes in Net Assets
- Statements of Cash Flows
- Notes to the Financial Statements

The Statements of Net Assets include all the Authority's assets and liabilities, with the difference between the two reported as net assets. Net assets may be displayed in the categories:

- Invested in Capital Assets, Net of Related Debt
- Restricted Net Assets
- Unrestricted Net Assets

The Statements of Net Assets provide the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

The Statements of Revenues, Expenses and Changes in Net Assets present information which shows how the Authority's net assets 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 assets measures the success of the Authority's operations and determines whether the Authority has recovered its costs through user fees and other charges.

The Statements of Cash Flows provide information regarding the Authority's cash receipts and cash disbursements during the year. These statements may report cash activity in four categories:

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

This statement differs from the Statement of Revenues, Expenses and Changes in Net Assets 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

- The Authority's net assets decreased by \$917,397 or 0.74 percent.
- During the year the Authority's total revenues increased by \$38,290 or 0.3 percent, and total expenses increased by \$2,477,206 or 13.1 percent, as a result of increasing acquisitions and construction of capital assets increasing depreciation expense and net loss on disposal of capital assets.

Financial Analysis of the Authority

Net Assets

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Assets:</u>			
Current and other assets	\$ 12,605,406	\$ 13,155,030	\$ 12,707,464
Capital assets	113,893,325	114,067,928	114,030,234
Total Assets	<u>\$ 126,498,731</u>	<u>\$ 127,222,958</u>	<u>\$ 126,737,698</u>
<u>Liabilities:</u>			
Noncurrent liabilities	\$ 1,244,380	\$ 1,182,654	\$ 956,483
Other liabilities	1,737,049	1,605,605	939,738
Total Liabilities	<u>\$ 2,981,429</u>	<u>\$ 2,788,259</u>	<u>\$ 1,896,221</u>
<u>Net Assets:</u>			
Invested in capital assets	\$ 113,893,325	\$ 114,067,928	\$ 114,030,234
Restricted for capital program	7,623,977	8,366,771	8,811,243
Unrestricted	2,000,000	2,000,000	2,000,000
Total Net Assets	<u>\$ 123,517,302</u>	<u>\$ 124,434,699</u>	<u>\$ 124,841,477</u>

As you can see from the table above, net assets decreased by \$917,397 from Fiscal Year 2011 to 2012. Looking more carefully you will note that most of the change was in Net Assets Restricted, which decreased \$742,794 in Fiscal Year 2012. This decrease is the result of restricted capital being used for the purchase of capital assets in accordance with adopted accounting policies.

Unrestricted Net Assets (those that can be used to finance day-to-day operations) were unchanged and, in accordance with the Authority's Financial Reserve Policy, has it assigned as follows:

Operating Reserve	\$ 1,000,000	Unit I weighted ownership
Inventory Reserve	850,000	Unit I weighted ownership
Remote Facility Reserve	150,000	Specific ownership
	<u>\$ 2,000,000</u>	

Net Assets Invested in Capital Assets decreased \$174,603 as the Authority's depreciation expense and loss on discontinued construction projects exceeded the investment in capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Authority (Continued)

Revenues, Expenses and Changes in Net Assets

The following is a summary of the Authority's revenues, expenses and changes in net assets for the Fiscal Year ended June 30:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenues	\$ 12,649,520	\$ 12,603,281	\$ 13,148,783
Nonoperating Revenues	16,791	24,740	39,688
Total Revenues	<u>12,666,311</u>	<u>12,628,021</u>	<u>13,188,471</u>
Depreciation Expense	7,899,653	6,259,835	5,986,307
Other Operating Expense	12,649,520	12,603,281	13,148,783
Nonoperating Expense	840,705	49,556	849,179
Total Expenses	<u>21,389,878</u>	<u>18,912,672</u>	<u>19,984,269</u>
Capital Contributions	7,806,170	5,877,873	4,657,893
Change in Net Assets	(917,397)	(406,778)	(2,137,905)
Net Assets at Beginning of Year	<u>124,434,699</u>	<u>124,841,477</u>	<u>126,979,382</u>
Net Assets at End of Year	<u>\$ 123,517,302</u>	<u>\$ 124,434,699</u>	<u>\$ 124,841,477</u>

Operating Revenues in Fiscal Year 2012 were \$12,649,520, an increase of 0.37% compared to the prior fiscal year. Operating revenues represent assessments to member agencies for reimbursement of operating expenses, as well as revenues from laboratory services, insurance dividends and industrial environmental compliance activities. The fluctuation in operating revenues is primarily driven by operating expenses.

Operating Expenses, before Depreciation, during Fiscal Year 2012, totaled \$12,649,520, an increase of 0.37% compared to Fiscal Year 2011.

A loss on disposal of capital assets results when capital items are replaced before they are fully depreciated, or when capital funds have been used towards early development or construction of a capital project, but management has subsequently determined to discontinue the project or has determined there is no future asset value to the funds expended and must expense the capital project in accordance with generally accepted accounting principles (GAAP). A loss on disposal of capital assets totaled \$840,705 in Fiscal Year 2012 for projects relating to the South Parcel Planning, the Grit and Screening Study, and various additional Plant Rehabilitation Projects. Investment earnings totaled \$16,791 in Fiscal Year 2012 and \$24,740 in Fiscal Year 2011, a decrease of (\$7,949) which is primarily the result of a lower average interest earning rate within the investment account throughout Fiscal Year 2012.

Capital contributions totaled \$7,806,170 in Fiscal Year 2012, an increase of 32.81% from Fiscal Year 2011. Current year contributions principally supported the major plant rehabilitation program and the planned asset replacement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Authority (Continued)

Revenues, Expenses and Changes in Net Assets (Continued)

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

Capital Assets

Capital assets consist of the following at June 30:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Capital Assets Not Being Depreciated:			
Land	\$ 3,598,173	\$ 3,598,173	\$ 3,598,173
Construction in progress	4,054,328	3,509,708	1,658,195
Total Capital Assets Not Being Depreciated	<u>7,652,501</u>	<u>7,107,881</u>	<u>5,256,368</u>
Capital Assets Being Depreciated:			
Joint wastewater treatment (Unit I)	202,104,971	196,253,370	192,795,916
Joint ocean outfall facilities (Unit J)	14,102,005	14,102,005	14,102,005
Furnishings and office equipment	2,341,392	2,112,950	1,884,990
Pump station facilities	6,749,955	6,581,287	6,433,788
Flow metering system	299,059	299,059	299,059
Total Capital Assets Being Depreciated	<u>225,597,382</u>	<u>219,348,671</u>	<u>215,515,758</u>
Less: Accumulated Depreciation	<u>(119,356,558)</u>	<u>(112,388,624)</u>	<u>(106,741,892)</u>
Net Capital Assets Being Depreciated	<u>106,240,824</u>	<u>106,960,047</u>	<u>108,773,866</u>
Net Capital Assets	<u>\$ 113,893,325</u>	<u>\$ 114,067,928</u>	<u>\$ 114,030,234</u>

The net additions of capital assets being depreciated for Fiscal Year 2012 totaled \$6,248,711. Capital asset additions consisted of aeration pipeline infrastructure repairs, the replacement of a waste digester gas flare system, and rehabilitation of aging clarifiers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2013 operating budget is \$13,537,021, an increase of approximately (4.5%) from Fiscal Year 2012. The Fiscal Year 2013 budget reflects EWA's continuing commitment to provide sustainable and fiscally responsible wastewater services to the communities it serves. Notable increases reflect: additional safety equipment (\$120,000); outsourced professional financial management services (\$102,000); National Pollution Discharge Elimination System (NPDES) permit related charges passed through to Encina Member Agencies from the State Water Resources Control Board (\$93,000); and funding to support execution of FY2013 Business Plan Objectives (\$70,000). The Fiscal Year 2013 operating budget amount includes \$514,000 in contingency accounts to ensure the Member Agencies appropriate sufficient funding for EWA's operations and labor negotiations as part of their annual budgeting processes. The Fiscal Year 2013 Appropriation Resolution #2012-10 requires Board of Directors Approval to expend the recommended contingency account.

The Capital Improvement Program for Fiscal Year 2013 is budgeted at \$9,996,047, with an additional \$4,030,721 in appropriations continued from Fiscal Year 2012 for on-going projects, for a total Fiscal Year 2013 capital budget of \$14,028,768.

The Fiscal Year 2013 budgets reflect 65 authorized positions supporting EWA facilities and five regional facilities totaling more than \$225 million in investments in regional clean water infrastructure. EWA employees' proven ability to provide sustainable wastewater services in a cost effective manner demonstrates their commitment to maintain a workplace based on excellence and innovation.

Contacting the Authority

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

**ENCINA WASTEWATER AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011**

ASSETS		
	<u>2012</u>	<u>2011</u>
<u>Current Assets:</u> (Notes 1 and 2)		
Cash equivalents - operating	\$ 200,000	\$ 200,000
Member receivables - operating billed	2,178,817	1,948,301
Amounts due from member agencies - operating unbilled	437,276	219,574
Other receivables	12,386	46,598
Prepaid expenses	61,797	69,532
Inventory	1,198,897	1,196,245
Total Current Assets	<u>4,089,173</u>	<u>3,680,250</u>
<u>Noncurrent Assets:</u> (Notes 1, 2, 3 and 4)		
Cash equivalents - capital program	4,888,870	3,288,018
Member receivables - capital program	3,622,831	4,543,989
Member receivables - west interceptor pipeline	-	1,638,733
Interest receivable - capital program	4,532	4,040
Total assets restricted for capital program	<u>8,516,233</u>	<u>9,474,780</u>
Capital assets, net	113,893,325	114,067,928
Total Noncurrent Assets	<u>122,409,558</u>	<u>123,542,708</u>
TOTAL ASSETS	\$ <u>126,498,731</u>	\$ <u>127,222,958</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities:</u> (Notes 1 and 5)		
Accounts payable - operating	\$ 687,886	\$ 329,337
Accounts payable - capital program	732,839	932,016
Accrued liabilities	240,380	145,006
Amounts due to member agencies - operating	-	142,427
Compensated absences	75,944	56,819
Total Current Liabilities	<u>1,737,049</u>	<u>1,605,605</u>
<u>Noncurrent Liabilities:</u> (Notes 1, 5 and 6)		
Retentions payable - capital program	159,417	175,993
Net OPEB obligation	111,639	73,469
Compensated absences	973,324	933,192
Total Noncurrent Liabilities	<u>1,244,380</u>	<u>1,182,654</u>
Total Liabilities	<u>2,981,429</u>	<u>2,788,259</u>
<u>Commitments and Contingencies</u> (Notes 7 and 9)		
<u>Net Assets:</u> (Notes 1 and 4)		
Invested in capital assets	113,893,325	114,067,928
Restricted for capital program	7,623,977	8,366,771
Unrestricted	2,000,000	2,000,000
Total Net Assets	<u>123,517,302</u>	<u>124,434,699</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>126,498,731</u>	\$ <u>127,222,958</u>

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

ENCINA WASTEWATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Operating Revenues:</u>		
Member agency assessments	\$ 12,383,770	\$ 12,249,354
Other operating revenues	265,750	353,927
Total Operating Revenues	<u>12,649,520</u>	<u>12,603,281</u>
<u>Operating Expenses:</u>		
Depreciation	7,899,653	6,259,835
Unit I - EWPCF usage costs	5,904,095	5,809,849
Unit I - EWPCF ownership costs	3,754,456	3,800,212
Unit J - Encina ocean outfall	307,639	368,458
Directors meetings	56,995	70,153
Flow metering	272,903	274,072
Source control	623,461	591,609
Agua Hedionda pump station	247,392	201,953
Buena Vista pump station	348,184	343,044
Buena sanitation district facilities	215,234	314,303
Carlsbad water reclamation facilities	772,107	703,253
Raceway basin pump station	147,054	126,375
Total Operating Expenses	<u>20,549,173</u>	<u>18,863,116</u>
Operating (Loss)	<u>(7,899,653)</u>	<u>(6,259,835)</u>
<u>Nonoperating Revenues (Expenses):</u>		
Investment & other capital income	16,791	24,740
Net (loss) on disposal of capital assets	(840,705)	(49,556)
Total Nonoperating Revenues (Expenses)	<u>(823,914)</u>	<u>(24,816)</u>
(Loss) Before Contributions	(8,723,567)	(6,284,651)
Capital contributions	<u>7,806,170</u>	<u>5,877,873</u>
Change in Net Assets	(917,397)	(406,778)
Total Net Assets at Beginning of Year	<u>124,434,699</u>	<u>124,841,477</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 123,517,302</u>	<u>\$ 124,434,699</u>

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

**ENCINA WASTEWATER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<u>Cash Flows From Operating Activities:</u>		
Receipts from Member Agencies	\$ 11,793,125	\$ 12,136,295
Cash received from other operating activities	299,962	362,225
Cash payments to suppliers for goods and services	(7,020,644)	(7,432,075)
Cash payments to employees for services	<u>(5,072,443)</u>	<u>(5,066,445)</u>
Net Cash Provided by (Used in) Operating Activities	<u>-</u>	<u>-</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(8,582,331)	(6,171,092)
Capital contributions	<u>10,166,884</u>	<u>2,825,854</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>1,584,553</u>	<u>(3,345,238)</u>
<u>Cash Flows From Investing Activities:</u>		
Investment income	<u>16,299</u>	<u>29,783</u>
Net Cash Provided by Investing Activities	<u>16,299</u>	<u>29,783</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,600,852	(3,315,455)
Cash and Cash Equivalents at Beginning of Year	<u>3,488,018</u>	<u>6,803,473</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 5,088,870</u></u>	<u><u>\$ 3,488,018</u></u>

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

**ENCINA WASTEWATER AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<u>Reconciliation of Operating (Loss) to Net</u>		
<u>Cash Used in Operating Activities:</u>		
Operating (loss)	\$ (7,899,653)	\$ (6,259,835)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:		
Depreciation	7,899,653	6,259,835
Change in current assets and liabilities:		
Member receivables - operating billed	(230,516)	(85,823)
Amounts due from member agencies - operating unbilled	(217,702)	(89,293)
Other receivables	34,212	8,298
Prepaid expenses	7,735	6,426
Inventory	(2,652)	(15,330)
Accounts payable - operating	358,549	36,869
Accrued liabilities	95,374	(3,633)
Amounts due to member agencies - operating	(142,427)	62,057
Net OPEB obligation	38,170	37,206
Compensated absences	59,257	43,223
Net Cash Provided by (Used In) Operating Activities	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
<u>Cash and Cash Equivalents:</u>		
<u>Financial Statement Classification:</u>		
Cash and cash equivalents	\$ 200,000	\$ 200,000
Restricted cash and cash equivalents	4,888,870	3,288,018
Total Cash and Cash Equivalents	\$ <u><u>5,088,870</u></u>	\$ <u><u>3,488,018</u></u>

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

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 1 - Organization and Significant Accounting Policies:

Organization

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

By virtue of subsequent amendments and supplements to this basic agreement, Leucadia Wastewater District, Buena Sanitation District, Vallecitos Water District, and the City of Encinitas also became participants in the facility. The Vista Sanitation District was dissolved in September 1983 and its functions were assumed by the City of Vista. On December 17, 1990, the basic agreement and supplemental was amended and rewritten.

Leucadia Wastewater District (District) was previously the operator and administrator of the facility and was responsible for the management, maintenance, and operations of the joint system. A Revised Established Document was entered into on August 1, 1988 creating the Encina Administrative Agency. The Agency was assigned the duties previously performed by the District. On December 11, 1991, the Agency changed its name to Encina Wastewater Authority (Authority).

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14, as amended by GASB Statement 39. 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

The Authority utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, the statements of net assets and the statements of revenues, expenses and changes in net assets have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The Authority has not elected to apply the option allowed in Paragraph 7 of the Governmental Accounting Standards Board (GASB) Statement No. 20, “Accounting and Financial Reporting for Proprietary Activities” and as a consequence will continue to apply GASB statements and interpretations.

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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

Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Investments

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

Allowance for Doubtful Accounts

Management believes that all receivables were fully collectible; therefore no allowance for doubtful accounts was recorded as of June 30, 2012 and 2011.

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 \$2,000 and an estimated useful life of more than one year are reported at historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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

Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

Depreciation totaled \$7,899,653 and \$6,259,835 for the years ended June 30, 2012 and 2011, respectively.

Classification of Liabilities

Certain liabilities which are currently payable have been classified as noncurrent because they will be funded from restricted assets.

Compensated Absences

Accumulated unpaid vacation and sick leave totaling \$1,049,268 and \$990,011 is accrued when incurred and included in noncurrent liabilities at June 30, 2012 and 2011, respectively.

Risk Management

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

The Authority's participation in the general liability program of CSRMA provides coverage up to \$15,500,000 with a \$25,000 deductible. Excess insurance of \$20,000,000 has been purchased. The Authority's participation in the workers' compensation program of CSRMA provides coverage up to \$1,000,000 with no deductible. CSRMA has a self-insured retention of \$750,000 and excess insurance for workers' compensation statutory limits have been purchased.

The Authority pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of the adjustments cannot be estimated and are charged to expense as invoiced. The Authority's insurance expense and workers compensation insurance expense was \$273,799 and \$301,413, for the years ended June 30, 2012 and 2011, respectively. There were no instances in the past three years where a settlement exceeded the Authority's coverage.

See accompanying independent auditors' report.

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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

Significant Accounting Policies (Continued)

Allocation of Costs

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

Reserves

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

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

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

The total operating, remote facility, and inventory reserve of \$2,000,000 is reported as Net Assets Unrestricted. The capital reserve is reported as a component of Net Assets 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 2012</u>	<u>Total 2011</u>
Buena Agency	\$ 81,600	\$ 50,000	\$ 69,360	\$ 212,850	\$ 413,810	\$ 413,810
City of Carlsbad	248,100	50,000	210,885	1,324,606	1,833,591	1,833,591
City of Encinitas	48,400	-	41,140	157,252	246,792	246,792
Leucadia Wastewater District	203,400	-	172,890	530,559	906,849	906,849
Vallecitos Water District	202,400	-	172,040	1,742,286	2,116,726	2,116,726
City of Vista	216,100	50,000	183,685	2,032,447	2,482,232	2,482,232
Total Reserves	<u>\$ 1,000,000</u>	<u>\$ 150,000</u>	<u>\$ 850,000</u>	<u>\$ 6,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>

See accompanying independent auditors' report.

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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. The Authority adhered to the prescribed budget appropriation policy for the year ended June 30, 2012.

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 March 4, 2013, 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:

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 2 - Cash and Investments: (Continued)

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

<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 Agencies	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	A1
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes (Corporation Debt Investment Grade)	5 years	30%	A Rating
Mutual Funds	N/A	20%	Multiple
Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA Rating
Time Deposits	5 years	None	None
California Local Agency Investment Funds (LAIF)	N/A	None	None
Certificates of Deposit in California Banks or Savings and Loans	1 year	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.

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

	<u>Maturity in Years</u>		<u>2011 Total</u>
	<u>1 Year or Less</u>	<u>2012 Total</u>	
Petty cash	\$ 600	\$ 600	\$ 600
California Local Agency Investment Fund (LAIF)	4,890,972	4,890,972	3,399,673
Deposits with financial institutions	197,298	197,298	87,745
Total Cash and Investments	<u>\$ 5,088,870</u>	<u>\$ 5,088,870</u>	<u>\$ 3,488,018</u>
Financial Statement Classification:			
Current:			
Cash equivalents - operating		\$ 200,000	\$ 200,000
Cash equivalents - capital program		4,888,870	3,288,018
Total Cash and Investments		<u>\$ 5,088,870</u>	<u>\$ 3,488,018</u>

See accompanying independent auditors' report.

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 2 - Cash and Investments: (Continued)

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. One of the ways that the Authority manages its exposure to interest rate risk is 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 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, 2012.

Disclosures Relating to Credit Risk

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

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

Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude to 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 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.

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 2 - Cash and Investments: (Continued)

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.

At June 30, 2012, none of the Authority's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2012, no Authority investments were held by the same broker-dealer (counterparty) that was used by the Authority to buy the securities.

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.

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

	<u>2012</u>	<u>2011</u>
California Local Agency Investment Fund (LAIF)	\$ 4,890,972	\$ 3,399,673
Deposits with financial institutions	197,298	87,745
Petty cash	600	600
Total	<u>\$ 5,088,870</u>	<u>\$ 3,488,018</u>

See accompanying independent auditors' report.

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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>2012</u>	<u>2011</u>
Capital contributions from member agencies and interest earnings	Capital program	\$ <u>8,516,233</u>	\$ <u>9,474,780</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:

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

See accompanying independent auditors' report.

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 4 - Capital Assets: (Continued)

	2011			
	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011
Capital Assets Not Being Depreciated:				
Land	\$ 3,598,173	\$ -	\$ -	\$ 3,598,173
Construction in progress	1,658,195	4,713,638	(2,862,125)	3,509,708
Total Capital Assets Not Being Depreciated	<u>5,256,368</u>	<u>4,713,638</u>	<u>(2,862,125)</u>	<u>7,107,881</u>
Capital Assets Being Depreciated:				
Joint wastewater treatment (Unit I)	192,795,916	4,044,478	(587,024)	196,253,370
Joint ocean outfall facilities (Unit J)	14,102,005	-	-	14,102,005
Furnishings and office equipment	1,884,990	230,187	(2,227)	2,112,950
Pump station facilities	6,433,788	220,907	(73,408)	6,581,287
Flow metering system	299,059	-	-	299,059
Total Capital Assets Being Depreciated	<u>215,515,758</u>	<u>4,495,572</u>	<u>(662,659)</u>	<u>219,348,671</u>
Less Accumulated Depreciation For:				
Joint wastewater treatment (Unit I)	(90,974,356)	(5,567,990)	587,020	(95,955,326)
Joint ocean outfall facilities (Unit J)	(10,777,787)	(293,828)	-	(11,071,615)
Furnishings and office equipment	(1,113,704)	(168,602)	2,226	(1,280,080)
Pump station facilities	(3,609,103)	(226,495)	23,857	(3,811,741)
Flow metering system	(266,942)	(2,920)	-	(269,862)
Total Accumulated Depreciation	<u>(106,741,892)</u>	<u>(6,259,835)</u>	<u>613,103</u>	<u>(112,388,624)</u>
Net Capital Assets Being Depreciated	<u>108,773,866</u>	<u>(1,764,263)</u>	<u>(49,556)</u>	<u>106,960,047</u>
Net Capital Assets	<u>\$ 114,030,234</u>	<u>\$ 2,949,375</u>	<u>\$ (2,911,681)</u>	<u>\$ 114,067,928</u>

Note 5 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30:

	2012				
	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012	Amount due within one year
Retentions payable - Capital program	\$ 175,993	\$ 570,517	\$ (587,093)	\$ 159,417	\$ -
Net OPEB obligation (Note 6)	73,469	38,822	(652)	111,639	-
Compensated absences	990,011	647,454	(588,197)	1,049,268	75,944
Total Noncurrent Liabilities	<u>\$ 1,239,473</u>	<u>\$ 1,256,793</u>	<u>\$ (1,175,942)</u>	<u>\$ 1,320,324</u>	<u>\$ 75,944</u>

	2011				
	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011	Amount due within one year
Retentions payable - Capital program	\$ -	\$ 204,773	\$ (28,780)	\$ 175,993	\$ -
Net OPEB obligation (Note 6)	36,263	37,559	(353)	73,469	-
Compensated absences	946,788	643,849	(600,626)	990,011	56,819
Total Noncurrent Liabilities	<u>\$ 983,051</u>	<u>\$ 886,181</u>	<u>\$ (629,759)</u>	<u>\$ 1,239,473</u>	<u>\$ 56,819</u>

Retentions payable represents amounts withheld from certain construction contracts. Once projects are complete and accepted by the Authority's Board of Directors, retentions payable are released thirty days following a Notice of Completion filing with the county recorder's office. All retention amounts are expected to be paid out during Fiscal Year 2013.

See accompanying independent auditors' report.

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 6 - Postretirement Benefits:

Plan Description

The Authority provides medical (including prescription drug benefits) coverage to eligible employees and their eligible dependents through the CalPERS Health Program. The CalPERS Health Program provides access to continued coverage to eligible employees at retirement. Eligible employees are employees who retire under CalPERS on or after age 50, with at least 5 years of service. The Authority's contribution will continue for the lifetime of the retiree and any surviving eligible spouse. The Authority currently provides a monthly contribution of \$22.40 per retiree who elects to continue coverage. There are four and two retirees receiving the monthly contribution for the years ended June 30, 2012 and 2011, respectively. The monthly contribution is adjusted annually to reflect changes in the medical component of the Consumer Price Index.

Funding Policy and Annual OPEB Costs

The contribution requirements of the Authority are established and may be amended annually by the Board of Directors. The Authority's annual other post-employment benefit (OPEB) cost (expense) for the Plan is calculated based on the annual required contribution of the Authority (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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. 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, 2012 and 2011, the amount actually contributed to the Plan including benefits paid to retirees, and changes in the Authority's net OPEB obligation:

	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 38,822	\$ 37,559
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost	38,822	37,559
Contributions (including benefits paid)	(652)	(353)
Increase in net OPEB obligation	38,170	37,206
Net OPEB obligation - Beginning of Year	73,469	36,263
Net OPEB obligation - End of Year	\$ 111,639	\$ 73,469

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 36,356	0.3%	\$ 36,263
June 30, 2011	37,559	0.9%	73,469
June 30, 2012	38,822	1.7%	111,639

See accompanying independent auditors' report.

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 6 - Postretirement Benefits: (Continued)

Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the Plan was not yet funded. The Authority's actuarial accrued liability for benefits at June 30, 2012 was \$354,564 and the covered payroll (annual payroll of active employees covered by the Plan) was \$5,798,143, with a ratio of the UAAL to the covered payroll of 6.12%. The normal cost payments made during the year ended June 30, 2012 of \$652 funded 1.7% of the annual required contribution (ARC) leaving a net OPEB obligation of \$111,639.

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

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

Actuarial Methods and Assumptions

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

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

See accompanying independent auditors' report.

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 7 - Defined Benefit Pension Plan:

Plan Description

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

Funding Policy

Active plan members are required to contribute 8% of their annual covered salary. For the year ended June 30, 2012, the Authority elected to make contributions on behalf of its employees at 3% and the employees contributed 5%. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the Fiscal Years ended June 30, 2012 and 2011 were 21.98% and 19.03%, respectively. The contribution requirements of the plan members and the Authority are established and may be amended by CalPERS. Total contributions for the years ended June 30, 2012, 2011 and 2010 were \$1,665,688, \$1,486,365 and \$1,498,821, respectively, which were equal to the required contributions each year.

Note 8 - Ownership and Usage Allocations:

Phase IV Ownership

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

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

See accompanying independent auditors' report.

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 8 - Ownership and Usage Allocations:

Phase IV Ownership (Continued)

Allocation of Unit I - Encina plant ownership costs are based on the above two percentages weighted by the design engineers' replacement value breakdown, at July 27, 1995, of areas within the facility that pertain to liquids or solids processing. The following are the weighted average percentages used to allocate Encina plant ownership costs:

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

Wastewater Flow and Usage Allocation - Unit I Treatment Plant

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

Wastewater flow usage is averaged on an annual basis. The usage and percentage of total flow by member agency for the Fiscal Years ended June 30, 2012 and 2011 are as follows:

<u>Agency</u>	<u>MGD ADF UNIT I</u>					
	<u>Usage</u>			<u>Flow Percentage</u>		
	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>
Vista	5.36	6.08%	(0.72)	23.75%	25.11	(1.35)%
Carlsbad	6.92	7.57	(0.65)	30.66	31.27	(0.60)
Buena	1.63	1.71	(0.08)	7.22	7.05	0.16
Vallecitos	3.47	3.64	(0.17)	15.37	15.04	0.34
Leucadia	4.11	4.18	(0.07)	18.21	17.25	0.95
Encinitas	1.08	1.04	0.04	4.79	4.28	0.50
Total	22.57	24.22%	(1.65)	100.00%	100.00	0.00%

See accompanying independent auditors' report.

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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, 2012 and 2011 are as follows:

Agency	BOD LBS/DAY UNIT I					
	2012	2011	BOD Change	BOD % 2012	BOD % 2011	BOD % Change
Vista	12,346	13,509	(1,163)	21.40 %	23.00 %	(1.60) %
Carlsbad	16,584	17,291	(707)	28.60	29.40	(0.80)
Buena	5,778	5,644	134	10.00	9.60	0.40
Vallecitos	11,653	11,038	615	20.20	18.80	1.40
Leucadia	8,470	8,345	125	14.70	14.20	0.50
Encinitas	2,938	2,921	17	5.10	5.00	0.10
Total	<u>57,769</u>	<u>58,748</u>	<u>(979)</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>0.00 %</u>

Suspended solids are averaged on a three year basis. The usage and percentage of total SS by member agency for the Fiscal Years ended June 30, 2012 and 2011 are as follows:

Agency	SS LBS/DAY UNIT I					
	2012	2011	Solids Change	SS Lbs/ Day % 2012	SS Lbs/ Day % 2011	Solids % Change
Vista	10,016	10,969	(953)	17.30 %	19.30 %	(2.00) %
Carlsbad	16,699	17,050	(351)	29.00	29.90	(0.90)
Buena	3,859	3,710	149	6.70	6.50	0.20
Vallecitos	15,448	13,806	1,642	26.70	24.30	2.40
Leucadia	8,668	8,532	136	15.00	15.00	0.00
Encinitas	3,084	2,827	257	5.30	5.00	0.30
Total	<u>57,774</u>	<u>56,894</u>	<u>880</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>0.00 %</u>

Treated wastewater flow discharged through Unit J is averaged on an annual basis. The change for the Fiscal Years ended June 30, 2012 and 2011 for Unit J are as follows:

Agency	2012		2011		Increase (Decrease)	
	MGD	% of total	MGD	% of total	MGD	% of total
Vista	5.36	24.70 %	6.08	25.83 %	(0.72)	(17.78) %
Carlsbad	6.00	27.60	6.77	28.76	(0.77)	78.95
Buena	1.63	7.50	1.71	7.26	(0.08)	(17.78)
Vallecitos	3.99	18.40	4.10	17.42	(0.11)	(24.44)
Leucadia	3.66	16.80	3.84	16.31	(0.18)	(40.00)
Encinitas	1.08	5.00	1.04	4.42	0.04	21.05
Total	<u>21.72</u>	<u>100.00 %</u>	<u>23.54</u>	<u>100.00 %</u>	<u>(1.82)</u>	<u>100.00 %</u>

See accompanying independent auditors' report.

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 8 - Ownership and Usage Allocations: (Continued)

Phase V Ownership

In June 2004, the Authority adopted Resolution 04-14 to amend the Revised Basic Agreement (RBA) to address Phase V cost allocation. Specifically, Exhibit D was added to the RBA and set forth a five-step process to allocate capital costs during Phase V construction. Completion of Phase V expansion occurred in December 2009. Member agency cost allocations were adjusted using actual figures including: existing facilities; project costs based on actual amounts paid; and the Engineering News Record Los Angeles (ENRLA) construction cost index at the defined mid-point of construction. A recommendation has been presented to the Authority's Board of Directors revising the RBA to reflect post-Phase V capacity and ownership allocations.

Other Cost Allocations

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

Note 9 - Commitments and Contingencies:

Operating Leases

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

Construction Commitments

The Authority had contractual agreements with outside firms for capital program construction and professional services as follows at June 30, 2012:

Solids Processing and Blower Project	\$ 1,420,833
Third Centrifuge Engine Procurement	134,763
Energy Strategic Plan	255,271
Major Plant Rehabilitation	96,643
EWPCF Plant-Wide Design Services	424,811
Total Construction Commitments	<u>\$ 2,332,321</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.

See accompanying independent auditors' report.

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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Note 10 - Subsequent Events:

Fiscal Year 2013 Budget

On July 25, 2012, the Board of Directors adopted Resolution 2012-10 to appropriate funds for Fiscal Year 2013 Operating \$(13,537,021) and Capital Improvement Program \$(9,996,047) budgets. Unexpended Fiscal Year 2012 Capital Improvement Projects of \$4,030,721 were also appropriated in Fiscal Year 2013.

Phase V Ownership

Subsequent to June 30, 2012, the Authority's Board of Directors was presented with the recommendation to revise the RBA to reflect post-Phase V capacity and ownership allocations as follows:

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

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

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

See accompanying independent auditors' report.

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 11 - New Governmental Accounting Standards:

GASB No. 60

In November 2010, the Governmental Accounting Standards Board issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements". This pronouncement is effective for periods beginning after December 15, 2011 and its provisions are generally required to be applied retroactively. The objective of this statement is to address issues related to service concession arrangements (SCA's) which are a type of public-private or public-public partnership. An SCA is an arrangement between the transferor (a government) and an operator in which (1) the transferor conveys to the operator the right and related obligation to provide services through the use of infrastructure or other public assets in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The Authority does not have any SCA's as of June 30, 2012.

GASB No. 61

In November 2010, the Governmental Accounting Standards Board issued Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34". This pronouncement is effective for periods beginning after June 15, 2012. Earlier application is encouraged. The objective of this statement is to address reporting entity issues that have arisen since the issuance of Statements No.14 and No. 34. The Authority does not have any component units as of June 30, 2012.

GASB No. 62

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

GASB No. 63

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

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 11 - New Governmental Accounting Standards: (Continued)

GASB No. 64

In June 2011, the Governmental Accounting Standards Board issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment to GASB 53". This pronouncement was effective for periods beginning after June 15, 2011. This statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The District does not have any hedge transactions at June 30, 2012.

GASB No. 65

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

GASB No. 66

In March 2012, the Governmental Accounting Standards Board issued Statement No. 66, "Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62". This pronouncement is effective for periods beginning after December 15, 2012. This statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This Statement amends Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) service fee rate. These changes clarify how to apply Statement No. 13, "Accounting for Operating Leases with Scheduled Rent Increases", and result in guidance that is consistent with the requirements in Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", respectively.

See accompanying independent auditors' report.

**ENCINA WASTEWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 11 - New Governmental Accounting Standards: (Continued)

GASB No. 67

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

GASB No. 68

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

**ENCINA WASTEWATER AUTHORITY
SUPPLEMENTARY SCHEDULE OF INVESTMENT IN CAPITAL ASSETS
AT JUNE 30, 2012**

ASSET	PERCENTAGE OF OWNERSHIP									TOTAL	MEMBER AGENCY OWNERSHIP AT COST					
	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	June 30, 2012	Vista	Carlsbad		Buena	Vallecitos	Leucadia	Encinitas		
PLANT																
Joint Wastewater Treatment (Unit I - Weighted)	21.61%	24.81%	8.16%	20.24%	20.34%	4.84%	\$ 145,868,831	\$ 31,522,255	\$ 36,190,057	\$ 11,902,897	\$ 29,523,851	\$ 29,669,720	\$ 7,060,051			
00 Phase V Expansion (Unit I) "normalized"	43.30%	20.01%	0.00%	35.76%	0.00%	0.93%	56,236,140	24,350,248	11,252,852	-	20,110,044	-	522,996			
Joint Wastewater Disposal (Unit J)	21.18%	24.32%	9.24%	19.84%	20.68%	4.74%	14,102,005	2,986,804	3,429,608	1,303,025	2,797,838	2,916,295	668,435			
Furnishings and Office Equipment (Unit I)	21.61%	24.81%	8.16%	20.24%	20.34%	4.84%	2,341,392	505,975	580,899	191,058	473,898	476,239	113,323			
Buena Vista Pump Station (BVPS)	89.60%	10.40%	-	-	-	-	4,046,018	3,625,232	420,786	-	-	-	-			
Agua Hedionda Pump Station (AHPS)	69.10%	30.90%	-	-	-	-	2,095,499	1,447,990	647,509	-	-	-	-			
Carlsbad Water Reclamation Facility (CWRF)	-	100.00%	-	-	-	-	296,835	296,835	-	-	-	-	-			
Buena Sanitation District Facilities (BSDF)	-	-	100.00%	-	-	-	224,710	-	224,710	-	-	-	-			
Raceway Basin Pump Station (RBPS)	100.00%	-	-	-	-	-	86,893	86,893	-	-	-	-	-			
Flow Metering System	-	-	-	-	-	-	299,059	99,288	62,503	58,616	21,831	22,011	34,810			
							225,597,382	64,624,685	52,881,049	13,680,306	52,927,462	33,084,265	8,399,615			
							SUB-TOTAL: PLANT						8,399,615			
REAL PROPERTY																
South Parcel (Unit I)	21.61%	24.81%	8.16%	20.24%	20.34%	4.84%	3,412,173	737,371	846,560	278,433	690,624	694,036	165,149			
Encina Water Pollution Control Facilities (Unit I)	21.61%	24.81%	8.16%	20.24%	20.34%	4.84%	186,000	40,195	46,147	15,178	37,832	37,832	9,002			
							3,598,173	777,566	892,707	293,611	728,270	731,868	174,151			
							SUB-TOTAL: REAL PROPERTY						174,151			
CONSTRUCTION IN PROGRESS																
Financial Software System (Unit I)	21.61%	24.81%	8.16%	20.24%	20.34%	4.84%	40,950	8,849	10,160	3,342	8,288	8,329	1,982			
Major Plant Rehab (Unit I)	21.61%	24.81%	8.16%	20.24%	20.34%	4.84%	4,013,378	867,291	995,719	327,492	812,308	816,321	194,247			
							4,054,328	876,140	1,005,879	330,834	820,596	824,650	196,229			
							SUB-TOTAL: CONSTRUCTION IN PROGRESS						196,229			
TOTAL INVESTMENT IN CAPITAL ASSETS																
							233,249,883	66,278,391	54,779,635	14,304,751	54,476,328	34,640,783	8,769,995			
ACCUMULATED DEPRECIATION																
Joint Wastewater Treatment (Unit I - Weighted)	21.61%	24.81%	8.16%	20.24%	20.34%	4.84%	(96,698,529)	(20,896,552)	(23,990,905)	(7,890,600)	(19,571,782)	(19,668,481)	(4,680,209)			
00 Phase V Expansion (Unit I) "normalized"	43.30%	20.01%	0.00%	35.76%	0.00%	0.93%	(5,460,808)	(2,364,529)	(1,092,708)	-	(1,952,785)	-	(50,786)			
Joint Wastewater Disposal (Unit J)	21.18%	24.32%	9.24%	19.84%	20.68%	4.74%	(11,365,443)	(2,407,200)	(2,764,076)	(1,050,167)	(2,254,904)	(2,350,374)	(538,722)			
Furnishings and Office Equipment (Unit I)	21.61%	24.81%	8.16%	20.24%	20.34%	4.84%	(1,554,909)	(336,015)	(385,773)	(126,881)	(314,714)	(316,268)	(75,258)			
Buena Vista Pump Station (BVPS)	89.60%	10.40%	-	-	-	-	(1,994,917)	(1,787,446)	(207,471)	-	-	-	-			
Agua Hedionda Vista Pump Station (AHPS)	69.10%	30.90%	-	-	-	-	(1,759,299)	(1,215,676)	(543,623)	-	-	-	-			
Carlsbad Water Reclamation Facility (CWRF)	-	100.00%	-	-	-	-	(125,185)	-	(125,185)	-	-	-	-			
Buena Sanitation District Facilities (BSDF)	-	-	100.00%	-	-	-	(98,871)	-	-	(98,871)	-	-	-			
Raceway Basin Pump Station (RBPS)	100.00%	-	-	-	-	-	(25,815)	(25,815)	-	-	-	-	-			
Flow Metering System	-	-	-	-	-	-	(272,782)	(90,564)	(57,011)	(53,465)	(19,913)	(20,077)	(31,752)			
							(119,356,558)	(29,123,797)	(29,166,752)	(9,219,984)	(24,114,098)	(22,355,200)	(5,376,727)			
							TOTAL ACCUMULATED DEPRECIATION						(5,376,727)			
INVESTMENT IN CAPITAL ASSETS																
							\$ 113,893,325	\$ 37,154,594	\$ 25,612,883	\$ 5,084,767	\$ 30,362,230	\$ 12,285,583	\$ 3,393,268			

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

**ENCINA WASTEWATER AUTHORITY
SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM BUDGET PERFORMANCE
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>\$ Variance</u>	<u>% Actual to Budget</u>
Revenues:					
Member Assessments	\$12,769,413	\$12,797,288	\$12,383,770	\$413,518	96.8%
Other	190,799	190,799	265,750	(74,951)	139.3%
Total Revenues	<u><u>\$12,960,212</u></u>	<u><u>\$12,988,087</u></u>	<u><u>\$12,649,520</u></u>	<u><u>\$338,567</u></u>	<u><u>97.4%</u></u>
Expenses:					
Personnel Expense	\$7,004,318	\$7,004,318	\$7,320,808	(\$316,490)	104.5%
Chemicals	1,290,070	1,291,269	1,216,537	74,732	94.2%
Biosolids	326,770	319,535	264,570	54,965	82.8%
Utilities	2,085,587	2,063,362	1,760,641	302,721	85.3%
Other	2,143,973	2,171,357	2,086,964	84,393	96.1%
Contingency	264,000	264,000	-	264,000	0.0%
Total Expenses	<u><u>\$13,114,718</u></u>	<u><u>\$13,113,841</u></u>	<u><u>\$12,649,520</u></u>	<u><u>\$464,321</u></u>	<u><u>96.5%</u></u>

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

**ENCINA WASTEWATER AUTHORITY
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES BY MAJOR CATEGORY
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>\$ Variance</u>	<u>% Variance</u>
Personnel Expense	\$7,320,808	\$7,069,441	\$251,367	3.6%
Chemicals	1,216,537	1,189,771	26,766	2.2%
Biosolids	264,570	303,996	(39,426)	-13.0%
Utilities	1,760,641	1,984,695	(224,054)	-11.3%
Other Non-Personnel	2,086,964	2,055,378	31,586	1.5%
Total	<u>\$12,649,520</u>	<u>\$12,603,281</u>	<u>\$46,239</u>	<u>0.4%</u>

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

**ENCINA WASTEWATER AUTHORITY
SUPPLEMENTARY SUMMARY SCHEDULE OF
OPERATING PROGRAM AMOUNT DUE FROM/(TO) MEMBER AGENCIES
AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

OPERATING REVENUES	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Member Assessments Billed	\$ 11,946,494	\$ 12,172,207
CSRMA Dividends (Unit I Ownership)	70,388	58,772
Biofuel Sales:		
Cemex Cement	29,611	39,298
Other	13,326	1,150
Lab Contract Services Receipts (Unit I Ownership)	125,404	154,245
Environmental Enforcement Receipts (Jurisdiction)	14,830	16,970
Miscellaneous Receipts (Unit I Ownership)	<u>12,191</u>	<u>83,492</u>
 TOTAL OPERATING REVENUES - BILLED	 <u>\$ 12,212,244</u>	 <u>\$ 12,526,134</u>
 OPERATING EXPENSES INCURRED		
Encina Water Pollution Control Facilities		
Unit I - Treatment Plant Usage	5,904,095	5,809,849
Unit I - Treatment Plant Ownership	3,754,456	3,800,212
Unit J - Ocean Outfall	307,639	368,458
Board of Directors	56,995	70,153
Flow Metering	<u>272,903</u>	<u>274,072</u>
Encina Wastewater Pollution Control Facilities Sub-Total	<u>\$ 10,296,088</u>	<u>\$ 10,322,744</u>
 Source Control	 623,461	 591,609
Agua Hedionda Pump Station	247,392	201,953
Buena Vista Pump Station	348,184	343,044
Buena Sanitation District Facilities	215,234	314,303
Carlsbad Water Recycling Facility	772,107	703,253
Raceway Basin Pump Station	<u>147,054</u>	<u>126,375</u>
 TOTAL OPERATING EXPENSES INCURRED	 <u>\$ 12,649,520</u>	 <u>\$ 12,603,281</u>
 OPERATING REVENUES BILLED (OVER) UNDER EXPENSES INCURRED		
DUE FROM/(TO) MEMBER AGENCIES	<u>\$ 437,276</u>	<u>\$ 77,147</u>
 AMOUNT DUE FROM/(TO) MEMBER AGENCIES END OF YEAR	 <u>\$ 437,276</u>	 <u>\$ 77,147</u>

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

**ENCINA WASTEWATER AUTHORITY
SUPPLEMENTARY DETAIL SCHEDULE OF OPERATING PROGRAM AMOUNT DUE FROM/(TO) MEMBER AGENCIES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

	Totals	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas
OPERATING REVENUES - BILLED							
Member Assessments Billed	\$11,946,494	\$2,839,518	\$3,611,956	\$1,098,222	\$2,151,856	\$1,732,004	\$512,938
CSRMA Dividends (Unit I Ownership)	70,388	15,211	17,463	5,744	14,246	14,317	3,407
Biofuel Loads	42,937	7,444	12,410	2,868	11,481	6,442	2,292
Lab Contract Services Billed (Unit I Ownership)	125,404	27,100	31,112	10,233	25,382	25,507	6,070
Environmental Enforcement Actions Billed (Jurisdiction)	14,830	2,600	1,399	4,390	6,441	-	-
Miscellaneous Receipts (Unit I Ownership)	12,191	2,635	3,023	995	2,468	2,480	590
TOTAL OPERATING REVENUES - BILLED	\$12,212,244	\$2,894,508	\$3,677,363	\$1,122,452	\$2,211,874	\$1,780,750	\$525,297
OPERATING EXPENSES							
Encina Water Pollution Control Facilities							
Plant-Unit I Usage	\$5,904,095	\$1,200,864	\$1,705,745	\$522,350	\$1,286,580	\$885,056	\$303,500
Plant-Unit I Ownership	3,754,456	811,338	931,480	306,364	759,902	763,656	181,716
Outfall-Unit J	307,639	75,590	84,736	23,030	57,345	51,726	15,212
Board of Directors	56,995	6,222	12,961	6,212	11,311	10,647	9,642
Flow Metering	272,903	70,065	57,090	52,746	37,497	37,640	17,865
Encina Water Pollution Control Facilities Sub-Total	\$10,296,088	\$2,164,079	\$2,792,012	\$910,702	\$2,152,635	\$1,748,725	\$527,935
Source Control							
Agua Hedionda Pump Station	\$623,461	\$178,681	\$177,805	\$93,709	\$114,835	\$39,054	\$19,377
Buena Vista Pump Station	247,392	170,948	76,444	-	-	-	-
Buena Sanitation District Facilities	348,184	311,973	36,211	-	-	-	-
Carlsbad Water Recycling Facility	215,234	-	-	215,234	-	-	-
Raceway Basin Pump Station	772,107	-	772,107	-	-	-	-
	147,054	147,054	-	-	-	-	-
TOTAL OPERATING EXPENSES	\$12,649,520	\$2,972,735	\$3,854,579	\$1,219,645	\$2,267,470	\$1,787,779	\$547,312
DUE FROM (TO) MEMBER AGENCIES JUNE 30, 2012	\$437,276	\$78,227	\$177,216	\$97,193	\$55,596	\$7,029	\$22,015

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

ENCINA WASTEWATER AUTHORITY
SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY MEMBER AGENCY
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>June 30, 2012</u>	<u>% of Total</u>	<u>June 30, 2011</u>	<u>Change \$</u>	<u>Change %</u>
CITY OF VISTA					
Unit I Encina Treatment Plant Usage	\$1,200,864	40.4%	\$1,280,479	(\$79,615)	-6.2%
Unit I Encina Treatment Plant Ownership	811,338	27.3%	821,226	(9,888)	-1.2%
Unit J Encina Ocean Outfall	75,590	2.5%	95,171	(19,581)	-20.6%
Board of Directors	6,222	0.2%	6,663	(441)	-6.6%
Flow Metering	70,065	2.4%	70,364	(299)	-0.4%
Source Control	178,681	6.0%	163,797	14,884	9.1%
Agua Hedionda Pump Station	170,948	5.8%	139,549	31,399	22.5%
Buena Vista Pump Station	311,973	10.5%	307,367	4,606	1.5%
Raceway Basin Pump Station	147,054	4.9%	126,375	20,679	16.4%
TOTALS	<u>\$2,972,735</u>	<u>100.0%</u>	<u>\$3,010,991</u>	<u>(\$38,256)</u>	<u>-1.3%</u>
CITY OF CARLSBAD					
Unit I Encina Treatment Plant Usage	\$1,705,745	44.3%	\$1,726,013	(\$20,268)	-1.2%
Unit I Encina Treatment Plant Ownership	931,480	24.2%	942,833	(11,353)	-1.2%
Unit J Encina Ocean Outfall	84,736	2.2%	106,066	(21,330)	-20.1%
Board of Directors	12,961	0.3%	15,080	(2,119)	-14.1%
Flow Metering	57,090	1.5%	57,336	(246)	-0.4%
Source Control	177,805	4.6%	171,908	5,897	3.4%
Agua Hedionda Pump Station	76,444	2.0%	62,404	14,040	22.5%
Buena Vista Pump Station	36,211	0.9%	35,677	534	1.5%
Carlsbad Water Recycling Facility	772,107	20.0%	703,253	68,854	9.8%
TOTALS	<u>\$3,854,579</u>	<u>100.0%</u>	<u>\$3,820,570</u>	<u>\$34,009</u>	<u>0.9%</u>

Continued

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

ENCINA WASTEWATER AUTHORITY
SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY MEMBER AGENCY (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>June 30, 2012</u>	<u>% of Total</u>	<u>June 30, 2011</u>	<u>Change \$</u>	<u>Change %</u>
BUENA SANITATION DISTRICT					
Unit I Encina Treatment Plant Usage	\$522,350	42.8%	\$495,833	\$26,517	5.3%
Unit I Encina Treatment Plant Ownership	306,364	25.1%	310,097	(3,733)	-1.2%
Unit J Encina Ocean Outfall	23,030	1.9%	26,709	(3,679)	-13.8%
Board of Directors	6,212	0.5%	6,664	(452)	-6.8%
Flow Metering	52,746	4.3%	52,972	(226)	-0.4%
Source Control	93,709	7.7%	97,289	(3,580)	-3.7%
Buena Sanitation District Facilities	215,234	17.6%	314,303	(99,069)	-31.5%
TOTALS	<u>\$1,219,645</u>	<u>100.0%</u>	<u>\$1,303,867</u>	<u>(\$84,222)</u>	<u>-6.5%</u>

VALLECITOS WATER DISTRICT					
Unit I Encina Treatment Plant Usage	\$1,286,580	56.7%	\$1,170,943	\$115,637	9.9%
Unit I Encina Treatment Plant Ownership	759,902	33.5%	769,163	(9,261)	-1.2%
Unit J Encina Ocean Outfall	57,345	2.5%	64,143	(6,798)	-10.6%
Board of Directors	11,311	0.5%	13,348	(2,037)	-15.3%
Flow Metering	37,497	1.7%	37,657	(160)	-0.4%
Source Control	114,835	5.1%	107,342	7,493	7.0%
TOTALS	<u>\$2,267,470</u>	<u>100.0%</u>	<u>\$2,162,596</u>	<u>\$104,874</u>	<u>4.8%</u>

Continued

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

ENCINA WASTEWATER AUTHORITY
SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY MEMBER AGENCY (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>June 30, 2012</u>	<u>% of Total</u>	<u>June 30, 2011</u>	<u>Change \$</u>	<u>Change %</u>
LEUCADIA WASTEWATER DISTRICT					
Unit I Encina Treatment Plant Usage	\$885,056	49.5%	\$850,326	\$34,730	4.1%
Unit I Encina Treatment Plant Ownership	763,656	42.7%	772,963	(9,307)	-1.2%
Unit J Encina Ocean Outfall	51,726	2.9%	60,151	(8,425)	-14.0%
Board of Directors	10,647	0.6%	14,664	(4,017)	-27.4%
Flow Metering	37,640	2.1%	37,801	(161)	-0.4%
Source Control	39,054	2.2%	37,318	1,736	4.7%
TOTALS	<u>\$1,787,779</u>	<u>100.0%</u>	<u>\$1,773,223</u>	<u>\$14,556</u>	<u>0.8%</u>
CITY OF ENCINITAS					
Unit I Encina Treatment Plant Usage	\$303,500	55.5%	\$286,255	\$17,245	6.0%
Unit I Encina Treatment Plant Ownership	181,716	33.2%	183,930	(2,214)	-1.2%
Unit J Encina Ocean Outfall	15,212	2.8%	16,218	(1,006)	-6.2%
Board of Directors	9,642	1.8%	13,734	(4,092)	-29.8%
Flow Metering	17,865	3.3%	17,942	(77)	-0.4%
Source Control	19,377	3.5%	13,955	5,422	38.9%
TOTALS	<u>\$547,312</u>	<u>100.0%</u>	<u>\$532,034</u>	<u>\$15,278</u>	<u>2.9%</u>
Total Operating Expense All Member Agencies	<u>\$12,649,520</u>		<u>\$12,603,281</u>	<u>\$46,239</u>	<u>0.4%</u>

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

ENCINA WASTEWATER AUTHORITY
SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>June 30, 2012</u>	<u>% of Total</u>	<u>June 30, 2011</u>	<u>Change \$</u>	<u>Change %</u>
UNIT I: ENCINA TREATMENT PLANT USAGE					
City of Vista	\$1,200,864	20.3%	\$1,280,479	(\$79,615)	-6.2%
City of Carlsbad	1,705,745	28.9%	1,726,013	(20,268)	-1.2%
Buena Sanitation District	522,350	8.8%	495,833	26,517	5.3%
Vallecitos Water District	1,286,580	21.8%	1,170,943	115,637	9.9%
Leucadia Wastewater District	885,056	15.0%	850,326	34,730	4.1%
City of Encinitas	303,500	5.1%	286,255	17,245	6.0%
TOTALS	<u>\$5,904,095</u>	<u>100.0%</u>	<u>\$5,809,849</u>	<u>\$94,246</u>	<u>1.6%</u>
UNIT I: ENCINA TREATMENT PLANT OWNERSHIP					
City of Vista	\$811,338	21.6%	\$821,226	(\$9,888)	-1.2%
City of Carlsbad	931,480	24.8%	942,833	(11,353)	-1.2%
Buena Sanitation District	306,364	8.2%	310,097	(3,733)	-1.2%
Vallecitos Water District	759,902	20.2%	769,163	(9,261)	-1.2%
Leucadia Wastewater District	763,656	20.3%	772,963	(9,307)	-1.2%
City of Encinitas	181,716	4.8%	183,930	(2,214)	-1.2%
TOTALS	<u>\$3,754,456</u>	<u>100.0%</u>	<u>\$3,800,212</u>	<u>(\$45,756)</u>	<u>-1.2%</u>
UNIT J: ENCINA OCEAN OUTFALL					
City of Vista	\$75,590	24.6%	\$95,171	(\$19,581)	-20.6%
City of Carlsbad	84,736	27.5%	106,066	(21,330)	-20.1%
Buena Sanitation District	23,030	7.5%	26,709	(3,679)	-13.8%
Vallecitos Water District	57,345	18.6%	64,143	(6,798)	-10.6%
Leucadia Wastewater District	51,726	16.8%	60,151	(8,425)	-14.0%
City of Encinitas	15,212	4.9%	16,218	(1,006)	-6.2%
TOTALS	<u>\$307,639</u>	<u>100.0%</u>	<u>\$368,458</u>	<u>(\$60,819)</u>	<u>-16.5%</u>
Continued					

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

ENCINA WASTEWATER AUTHORITY
SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

BOARD OF DIRECTORS	June 30, 2012	% of Total	June 30, 2011	Change \$	Change %
City of Vista	\$6,222	10.9%	\$6,663	(\$441)	-6.6%
City of Carlsbad	12,961	22.7%	15,080	(2,119)	-14.1%
Buena Sanitation District	6,212	10.9%	6,664	(452)	-6.8%
Vallecitos Water District	11,311	19.8%	13,348	(2,037)	-15.3%
Leucadia Wastewater District	10,647	18.7%	14,664	(4,017)	-27.4%
City of Encinitas	9,642	16.9%	13,734	(4,092)	-29.8%
TOTALS	\$56,995	100.0%	\$70,153	(\$13,158)	-18.8%
FLOW METERING PROGRAM					
City of Vista	\$70,065	25.7%	\$70,364	(\$299)	-0.4%
City of Carlsbad	57,090	20.9%	57,336	(246)	-0.4%
Buena Sanitation District	52,746	19.3%	52,972	(226)	-0.4%
Vallecitos Water District	37,497	13.7%	37,657	(160)	-0.4%
Leucadia Wastewater District	37,640	13.8%	37,801	(161)	-0.4%
City of Encinitas	17,865	6.5%	17,942	(77)	-0.4%
TOTALS	\$272,903	100.0%	\$274,072	(\$1,169)	-0.4%
TOTAL ENCINA WATER POLLUTION CONTROL FACILITIES					
City of Vista	\$2,164,079	21.0%	\$2,273,903	(\$109,824)	-4.8%
City of Carlsbad	2,792,012	27.1%	2,847,328	(55,316)	-1.9%
Buena Sanitation District	910,702	8.8%	892,275	18,427	2.1%
Vallecitos Water District	2,152,635	20.9%	2,055,254	97,381	4.7%
Leucadia Wastewater District	1,748,725	17.0%	1,735,905	12,820	0.7%
City of Encinitas	527,935	5.1%	518,079	9,856	1.9%
TOTALS	\$10,296,088	100.0%	\$10,322,744	(\$26,656)	-0.3%

Continued

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

**ENCINA WASTEWATER AUTHORITY
SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

SOURCE CONTROL PROGRAM	June 30, 2012	% of Total	June 30, 2011	Change \$	Change %
City of Vista	\$178,681	28.7%	\$163,797	\$14,884	9.1%
City of Carlsbad	177,805	28.5%	171,908	5,897	3.4%
Buena Sanitation District	93,709	15.0%	97,289	(3,580)	-3.7%
Vallecitos Water District	114,835	18.4%	107,342	7,493	7.0%
Leucadia Wastewater District	39,054	6.3%	37,318	1,736	4.7%
City of Encinitas	19,377	3.1%	13,955	5,422	38.9%
TOTALS	\$623,461	100.0%	\$591,609	\$31,852	5.4%
AGUA HEDIONDA PUMP STATION					
City of Vista	\$170,948	69.1%	\$139,549	\$31,399	22.5%
City of Carlsbad	76,444	30.9%	62,404	14,040	22.5%
TOTALS	\$247,392	100.0%	\$201,953	\$185,132	91.7%
BUENA VISTA PUMP STATION					
City of Vista	\$311,973	89.6%	\$307,367	\$4,606	1.5%
City of Carlsbad	36,211	10.4%	35,677	534	1.5%
TOTALS	\$348,184	100.0%	\$343,044	\$5,140	1.5%
BUENA SANITATION DISTRICT FACILITIES					
Buena Sanitation District	\$215,234	100.0%	\$314,303	(\$99,069)	-31.5%
TOTALS	\$215,234	100.0%	\$314,303	(\$99,069)	-31.5%

Continued

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

ENCINA WASTEWATER AUTHORITY
SUPPLEMENTARY SCHEDULE OF OPERATING PROGRAM EXPENSE - SUMMARY BY COST CENTER (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>June 30, 2012</u>	<u>% of Total</u>	<u>June 30, 2011</u>	<u>Change \$</u>	<u>Change %</u>
CARLSBAD WATER RECYCLING FACILITY					
City of Carlsbad	\$772,107	100.0%	\$703,253	\$68,854	9.8%
TOTALS	<u>\$772,107</u>	<u>100.0%</u>	<u>\$703,253</u>	<u>\$68,854</u>	<u>9.8%</u>
RACEWAY BASIN PUMP STATION					
City of Vista	\$147,054	100.0%	\$126,375	\$20,679	16.4%
TOTALS	<u>\$147,054</u>	<u>100.0%</u>	<u>\$126,375</u>	<u>\$20,679</u>	<u>16.4%</u>
TOTAL OPERATING EXPENSE					
City of Vista	\$2,972,735	23.5%	\$3,010,991	(\$38,256)	-1.3%
City of Carlsbad	3,854,579	30.5%	3,820,570	34,009	0.9%
Buena Sanitation District	1,219,645	9.6%	1,303,867	(84,222)	-6.5%
Vallecitos Water District	2,267,470	17.9%	2,162,596	104,874	4.8%
Leucadia Wastewater District	1,787,779	14.1%	1,773,223	14,556	0.8%
City of Encinitas	547,312	4.3%	532,034	15,278	2.9%
TOTALS	<u>\$12,649,520</u>	<u>100.0%</u>	<u>\$12,603,281</u>	<u>\$46,239</u>	<u>0.4%</u>

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

**ENCINA WASTEWATER AUTHORITY
SUPPLEMENTARY SCHEDULE OF CHANGES IN NET ASSETS RESTRICTED -
CAPITAL IMPROVEMENT PROGRAM
AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	June 30, 2012	June 30, 2011
CAPITAL CONTRIBUTIONS		
Member Assessments	\$ 7,806,170	\$ 5,877,873
TOTAL CAPITAL CONTRIBUTIONS	7,806,170	5,877,873
 CAPITAL EXPENSES (CREDITS)		
Encina Water Pollution Control Facility (EWPCF) Capital Acquisitions	399,597	519,427
Agua Hedionda Pump Station (AHPS) Capital Acquisitions	46,612	46,001
Buena Vista Pump Station (BVPS) Capital Acquisitions	48,085	64,835
Buena Sanitation District (BSD) Capital Acquisitions	43,003	65,319
Carlsbad Water Reclamation Facility (CWRF) Capital Acquisitions	56,595	13,400
Raceway Basin Pump Station (RBPS) Capital Acquisitions	41,281	31,353
EWPCF Planned Asset Replacement	1,153,111	893,105
EWPCF Major Plant Rehabilitation Program	6,437,714	4,113,111
South Parcel Development	107,521	18,335
Financial Enterprise Software System	59,109	108,841
Professional Services	173,127	473,358
TOTAL CAPITAL EXPENSES	8,565,755	6,347,085
 CAPITAL CONTRIBUTIONS OVER (UNDER) CAPITAL EXPENSES	(759,585)	(469,212)
 NON-OPERATING INCOME		
Investment Income & Other	16,791	24,740
 NET ASSETS RESTRICTED FOR CIP, BEGINNING OF FISCAL YEAR	8,366,771	8,811,243
 NET ASSETS RESTRICTED FOR CIP, END OF FISCAL YEAR	\$ 7,623,977	\$ 8,366,771

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

ENCINA WASTEWATER AUTHORITY
SUPPLEMENTARY SCHEDULE OF NET ASSETS RESTRICTED BY PROJECT - CAPITAL IMPROVEMENT PROGRAM
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

<u>PROJECTS</u>	Balance	Member	Capital	Balance
	6/30/2011	Billings	Expenses	6/30/2012
<u>CONTINUING PROJECTS</u>				
PHASE V EXPANSION	\$ 2,295,184	\$ -	\$ -	\$ 2,295,184
SOUTH PARCEL DEVELOPMENT	-	107,521	(107,521)	- *
EWPCF MAJOR PLANT REHABILITATION PROGRAM	-	5,934,209	(6,437,714)	(503,505) *
FINANCIAL ENTERPRISE SOFTWARE SYSTEM	-	22,887	(59,109)	(36,222) *
PROFESSIONAL SERVICES	-	136,601	(173,127)	(36,526) *
SUB TOTAL CONTINUING PROJECTS	2,295,184	6,201,218	(6,777,471)	1,718,931
<u>OTHER</u>				
CAPITAL ACQUISITIONS	-	578,709	(635,173)	(56,464) *
PLANNED ASSET REPLACEMENT	-	1,097,830	(1,153,111)	(55,281) *
CAPITAL RESERVE	6,000,000	-	-	6,000,000
INCOME ON CAPITAL RESERVE FUNDS	-	-	16,791	16,791 *
AMOUNTS DUE FROM (TO) MEMBERS FOR COMPLETED PROJECTS AND INCOME ALLOCATION	71,587	(71,587)	-	-
SUB TOTAL OTHER	6,071,587	1,604,952	(1,788,284)	5,905,046
TOTAL CAPITAL IMPROVEMENT PROGRAM	\$ 8,366,771	\$ 7,806,170	\$ (8,565,755)	\$ 7,623,977

* Indicates amounts due (from)/to Member Agencies \$ (671,207) *

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

**ENCINA WASTEWATER AUTHORITY
SUPPLEMENTARY SCHEDULE OF NET ASSETS RESTRICTED BY MEMBER AGENCY - CAPITAL IMPROVEMENT PROGRAM
AS OF JUNE 30, 2012**

<u>PROJECTS</u>	<u>Vista</u>	<u>Carlsbad</u>	<u>Buena</u>	<u>Vallecitos</u>	<u>Leucadia</u>	<u>Encinitas</u>	<u>Balance 6/30/2012</u>
<u>CONTINUING PROJECTS</u>							
PHASE V EXPANSION	\$ 993,815	\$ 459,266	\$ -	\$ 820,758	\$ -	\$ 21,345	\$ 2,295,184
SOUTH PARCEL MASTER PLAN	-	-	-	-	-	-	*
MAJOR PLANT REHABILITATION PROGRAM	(108,807)	(124,920)	(41,086)	(101,909)	(102,413)	(24,370)	(503,505) *
FINANCIAL ENTERPRISE SOFTWARE SYSTEM	(7,828)	(8,986)	(2,956)	(7,331)	(7,368)	(1,753)	(36,222) *
PROFESSIONAL SERVICES	(7,893)	(9,062)	(2,981)	(7,393)	(7,429)	(1,768)	(36,526) *
SUB TOTAL CONTINUING PROJECTS	869,287	316,298	(47,023)	704,125	(117,210)	(6,546)	1,718,931
<u>OTHER</u>							
CAPITAL ACQUISITIONS	(12,202)	(14,009)	(4,607)	(11,428)	(11,485)	(2,733)	(56,464) *
PLANNED ASSET REPLACEMENT	(11,946)	(13,715)	(4,511)	(11,189)	(11,244)	(2,676)	(55,281) *
CAPITAL RESERVE	2,032,447	1,324,606	212,850	1,742,286	530,559	157,252	6,000,000
INCOME ON CAPITAL RESERVE FUNDS	3,629	4,166	1,370	3,398	3,415	813	16,791 *
SUB TOTAL OTHER	2,011,928	1,301,048	205,102	1,723,067	511,245	152,656	5,905,046
TOTAL CAPITAL IMPROVEMENT PROGRAM	\$ 2,881,215	\$ 1,617,346	\$ 158,079	\$ 2,427,192	\$ 394,035	\$ 146,110	7,623,977
* Indicates amounts due (from)/to Member Agencies	(\$ 145,048)	(\$ 166,526)	(\$ 54,770)	(\$ 135,852)	(\$ 136,524)	(\$ 32,486)	(671,207) *

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

**ENCINA WASTEWATER AUTHORITY
SUPPLEMENTARY SCHEDULE OF CONTINUING CAPITAL IMPROVEMENT PROGRAM APPROPRIATIONS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

BY PROJECT	CONTINUING APPROPRIATIONS BEGINNING OF YEAR REPORTED	FY 2012 NEW APPROPRIATIONS	TRANSFERS IN(OUT)	ALLOCATED		TOTAL CAPITAL EXPENSES	APPROPRIATION BALANCES ON JUNE 30, 2012	CONTINUING APPROPRIATIONS JULY 1, 2012
				PROFESSIONAL SERVICE EXPENSES	ALLOCATED PERSONNEL EXPENSE			
SALARIES & BENEFITS	\$ -	\$ 1,744,239	\$ -	\$ -	\$ (1,580,150)	\$ -	\$ 164,089	\$ -
EWPCF CAPITAL ACQUISITIONS	63,338	356,132	12,500	-	-	(399,597)	32,373	32,373
AHPS CAPITAL ACQUISITIONS	29,268	39,500	-	-	-	(46,612)	22,156	22,156
BVPS CAPITAL ACQUISITIONS	8,847	77,956	-	-	-	(48,085)	38,718	38,718
BSD CAPITAL ACQUISITIONS	2,391	75,500	-	-	-	(43,003)	34,888	34,888
CWRF CAPITAL ACQUISITIONS	8,729	49,500	-	-	-	(56,595)	1,634	1,634
RBPS CAPITAL ACQUISITIONS	11,846	29,300	-	-	-	(41,281)	(135)	-
PLANNED ASSET REPLACEMENT	237,014	610,850	(1)	-	528,791	(1,153,111)	223,543	223,543
MAJOR PLANT REHAB PROGRAM	4,381,004	4,644,000	(116,874)	152,495	1,024,514	(6,437,714)	3,647,425	3,628,909
PHASE V EXPANSION	-	-	-	-	-	-	-	-
SOUTH PARCEL MASTER PLAN	5,000	75,000	36,597	2,578	17,322	(107,521)	28,976	29,000
FINANCIAL ENTERPRISE SOFTWARE	67,503	-	-	1,417	9,523	(59,109)	19,334	19,500
PROFESSIONAL SERVICES	264,343	-	67,778	(156,490)	-	(173,127)	2,504	-
TOTAL	\$ 5,079,283	\$ 7,701,977	\$ -	\$ -	\$ -	\$ (8,565,755)	\$ 4,215,505	\$ 4,030,721

(Continued)

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

**ENCINA WASTEWATER AUTHORITY
 SUPPLEMENTARY SCHEDULE OF CONTINUING CAPITAL IMPROVEMENT PROGRAM APPROPRIATIONS (CONTINUED)
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

BY MEMBER AGENCY	VISTA	CARLSBAD	BUENA	VALLECITOS	LEUCADIA	ENCINITAS	TOTAL
EWPCF CAPITAL ACQUISITIONS	\$ 6,996	\$ 8,031	\$ 2,642	\$ 6,552	\$ 6,585	\$ 1,567	\$ 32,373
AHPS CAPITAL ACQUISITIONS	15,310	6,846	-	-	-	-	22,156
BVPS CAPITAL ACQUISITIONS	34,691	4,027	-	-	-	-	38,718
BSD CAPITAL ACQUISITIONS	-	-	34,888	-	-	-	34,888
CWRF CAPITAL ACQUISITIONS	-	1,634	-	-	-	-	1,634
RBPS CAPITAL ACQUISITIONS	-	-	-	-	-	-	-
PLANNED ASSET REPLACEMENT	48,308	55,461	18,241	45,245	45,469	10,819	223,543
MAJOR PLANT REHAB PROGRAM	784,207	900,333	296,119	734,491	738,120	175,639	3,628,909
SOUTH PARCEL MASTER PLAN	6,267	7,194	2,366	5,870	5,899	1,404	29,000
FINANCIAL ENTERPRISE SOFTWARE	4,214	4,838	1,591	3,947	3,966	944	19,500
PROFESSIONAL SERVICES	-	-	-	-	-	-	-
TOTAL	\$ 899,993	\$ 988,364	\$ 355,847	\$ 796,105	\$ 800,039	\$ 190,373	\$ 4,030,721

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

STATISTICAL SECTION



- **Overview**
- **Net Assets**
- **Changes in Net Assets**
- **Investment in Capital Assets**
- **Demographic and Economic Information**
- **Facts and Figures**
- **Full-time Equivalent Employees by Function**
- **Operating Revenues & Expenses by Major Source & Use**
- **Operating Revenues & Expenses by Member Agencies**
- **Operating Expenses per Million Gallons**

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ENCINA WASTEWATER AUTHORITY
Statistical Section Overview
June 30, 2012

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 Assets
- Changes in Net Assets
- Investment in Capital Assets

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

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

Operating Information

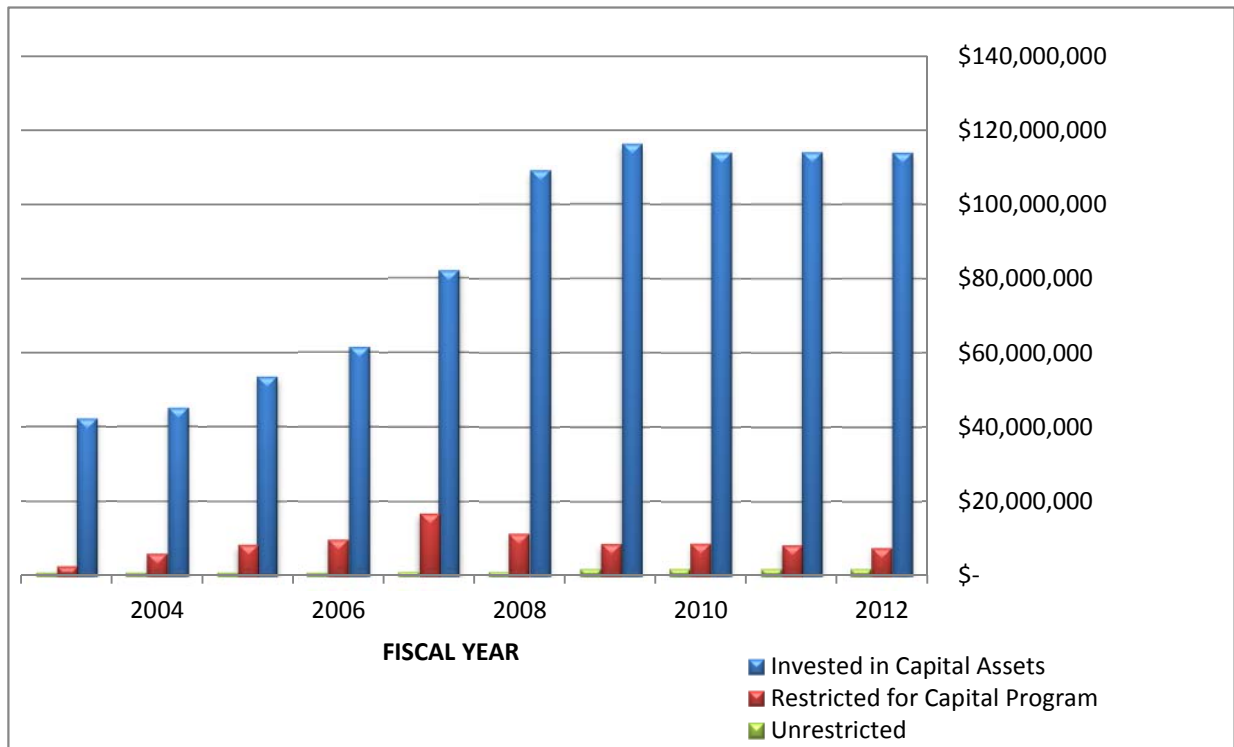
These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the government provides and the activities it performs.

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

ENCINA WASTEWATER AUTHORITY

Net Assets Last Ten Fiscal Years

Fiscal Year	Invested in Capital Assets	Restricted for Capital Program	Unrestricted	Total
2012	\$ 113,893,325	\$ 7,623,977	\$ 2,000,000	\$ 123,517,302
2011	114,067,928	8,366,771	2,000,000	124,434,699
2010	114,030,234	8,811,243	2,000,000	124,841,477
2009	116,243,485	8,735,897	2,000,000	126,979,382
2008	109,246,020	11,447,317	1,150,000	121,843,337
2007	82,063,943	16,843,037	1,150,000	100,056,980
2006	61,493,550	9,840,344	950,000	72,283,894
2005	53,395,006	8,492,700	950,000	62,837,706
2004	45,048,381	6,067,008	950,000	52,065,389
2003	42,171,404	2,649,238	950,000	45,770,642



Source: Encina Wastewater Authority

Notes:

- (1) FY 2010 & 2011 reflect higher depreciation resulting from significant capital assets additions in FY 2008 & 2009
- (2) FY 2010 reflects Phase V Expansion, Major Plant Rehabilitation, and Enterprise Software Capital Projects
- (3) FY 2009 reflects Phase V Expansion Capital Project and \$850k addition to unrestricted
- (4) FY 2006 - FY 2008 reflects Building Program & Phase V Expansion Capital Projects and \$200k addition to unrestricted
- (5) FY 2004 and FY 2005 reflect Flow Equalization & Phase V Expansion Capital Projects

ENCINA WASTEWATER AUTHORITY
Changes in Net Assets
Last Ten Fiscal Year 64

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating Revenues										
Member Agency Assessments	\$ 12,383,770	\$ 12,249,354	\$ 12,863,096	\$ 14,102,536	\$ 12,121,439	\$ 10,957,510	\$ 10,314,123	\$ 9,128,174	\$ 8,502,453	\$ 8,219,882
Other Operating Revenues	265,750	353,927	285,687	265,631	375,861	491,799	259,135	238,159	260,358	214,547
Total Operating Revenues	12,649,520	12,603,281	13,148,783	14,368,167	12,497,300	11,449,309	10,573,258	9,366,333	8,762,811	8,434,429
Operating Expenses										
Unit I - Encina Plant Usage Costs	5,904,095	5,809,849	5,868,376	7,156,812	6,365,465	5,779,545	5,344,354	4,880,692	4,220,986	4,012,722
Unit I - Encina Plant Ownership Costs	3,754,456	3,800,212	4,265,355	4,097,609	3,560,154	3,018,165	3,022,396	2,887,940	2,990,990	2,796,413
Unit J - Encina Ocean Outfall	307,639	368,458	357,122	413,552	248,726	232,779	237,049	190,614	189,695	46,301
Director's Meetings	56,995	70,153	58,666	61,056	55,979	40,121	39,724	36,888	39,160	20,709
Flow Metering	272,903	274,072	255,636	245,743	367,521	298,569	141,446	130,592	125,043	107,102
Subtotal Encina Wastewater										
Pollution Control Facilities (EWPCF)	10,296,088	10,322,744	10,805,155	11,974,772	10,597,845	9,369,179	8,784,969	8,126,726	7,565,874	6,983,247
Source Control	623,461	591,609	587,539	517,222	457,500	383,060	449,814	415,156	448,724	404,781
Aqua Hedionda Pump Station	247,392	201,954	238,502	244,177	206,733	275,102	244,939	187,485	170,428	149,903
Buena Vista Pump Station	348,184	343,044	335,451	370,135	340,290	379,484	293,613	304,069	274,271	261,614
Buena Sanitation District Facilities	215,234	314,303	321,524	354,886	320,629	337,799	294,416	279,040	303,514	634,884
Carlsbad Water Reclamation Facilities	772,107	703,252	733,358	739,851	693,992	607,207	505,507	53,857	-	-
Raceway Basin Pump Station	147,054	126,375	127,254	167,124	139,377	97,478	-	-	-	-
Depreciation	7,899,653	6,259,835	5,986,307	3,896,846	3,938,033	3,379,760	2,259,507	2,190,852	2,200,755	2,173,759
Total Operating Expenses	20,549,173	18,863,116	19,135,090	18,265,013	16,694,399	14,829,069	12,832,765	11,557,185	10,963,566	10,608,188
Operating Income (Loss)	(7,899,653)	(6,259,835)	(5,986,307)	(3,896,846)	(4,197,099)	(3,379,760)	(2,259,507)	(2,190,852)	(2,200,755)	(2,173,759)
Nonoperating Revenues (Expenses)										
Net Gain (Loss) on Disposal of Capital Ass	(840,705)	(49,556)	(849,393)	(280,556)	75,400	(171,835)	(223,340)	(191,881)	895,114	120,592
Investment & Other Capital Income	16,791	24,740	39,902	145,507	369,200	387,251	172,100	80,884	26,529	27,470
Other Nonoperating Revenues	-	-	-	850,000	-	200,000	-	100,000	75,829	18,214
Total Nonoperating Revenues (Expenses)	(823,914)	(24,816)	(809,491)	714,951	444,600	415,416	(51,240)	(10,997)	997,472	166,276
Income (Loss) Before Contributions	(8,723,567)	(6,284,651)	(6,795,798)	(3,181,895)	(3,752,499)	(2,964,344)	(2,310,747)	(2,201,849)	(1,203,283)	(2,007,483)
Capital Contributions										
Member Agency Assessments	7,806,170	5,877,873	4,657,893	8,317,940	29,538,856	30,737,430	11,756,935	12,974,166	7,498,030	2,208,007
Distributions to Member Agencies	-	-	-	-	(4,000,000)	-	-	-	-	(300,000)
Total Capital Contributions	7,806,170	5,877,873	4,657,893	8,317,940	25,538,856	30,737,430	11,756,935	12,974,166	7,498,030	1,908,007
Increase (Decrease) in Net Assets	\$ (917,397)	\$ (406,778)	\$ (2,137,905)	\$ 5,136,045	\$ 21,786,357	\$ 27,773,086	\$ 9,446,188	\$ 10,772,317	\$ 6,294,747	\$ (99,476)

Source: Encina Wastewater Authority

Notes:

(1) FY 2010: Capital Revenues decreased due to Phase V Expansion project completion. Depreciation expense doubled from prior years due to capitalization of Phase V Expansion construction.

(2) FY 2009: EWPCF operating expense higher than usual due to Phase V Expansion project start-up activities.

(3) FY 2009: Capital Revenues decreased due to substantial completion of Phase V Expansion

(4) FY 2008: Capital Revenues decreased due to completion of Building Program

(5) FY 2007: Capital Revenues increased due to commencement of two large capital facility projects

(6) FY 2007: Depreciation increase due to completion of Flow Equalization

(7) FY 2007 & 2009: Other Nonoperating Revenues represent Financial Reserve Contributions

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating Revenues										
Member Agency Assessments	\$ 12,384	\$ 12,249	\$ 12,863	\$ 14,103	\$ 12,121	\$ 10,958	\$ 10,314	\$ 9,128	\$ 8,502	\$ 8,220
Other Operating Revenues	266	354	286	266	376	492	259	238	260	215
Total Operating Revenues	12,650	12,603	13,149	14,368	12,497	11,449	10,573	9,366	8,763	8,434
Operating Expenses										
Unit I - Encina Plant Usage Costs	5,904	5,810	5,868	7,157	6,365	5,780	5,344	4,881	4,221	4,013
Unit I - Encina Plant Ownership Costs	3,754	3,800	4,265	4,098	3,560	3,018	3,022	2,888	2,991	2,796
Unit J - Encina Ocean Outfall	308	368	357	414	249	233	237	191	190	46
Director's Meetings	57	70	59	61	56	40	40	37	39	21
Flow Metering	273	274	256	246	368	299	141	131	125	107
Subtotal Encina Wastewater										
Pollution Control Facilities (EWPCF)	10,296	10,323	10,805	11,975	10,598	9,369	8,785	8,127	7,566	6,983
Source Control	623	592	588	517	458	383	450	415	449	405
Aqua Hedionda Pump Station	247	202	239	244	207	275	245	187	170	150
Buena Vista Pump Station	348	343	335	370	340	379	294	304	274	262
Buena Sanitation District Facilities	215	314	322	355	321	338	294	279	304	635
Carlsbad Water Reclamation Facilities	772	703	733	740	694	607	506	54	-	-
Raceway Basin Pump Station	147	126	127	167	139	97	-	-	-	-
Depreciation	7,900	6,260	5,986	3,897	3,938	3,380	2,260	2,191	2,201	2,174
Total Operating Expenses	20,549	18,863	19,135	18,265	16,694	14,829	12,833	11,557	10,964	10,608
Operating Income (Loss)	(7,900)	(6,260)	(5,986)	(3,897)	(4,197)	(3,380)	(2,260)	(2,191)	(2,201)	(2,174)
Nonoperating Revenues (Expenses)										
Net Gain (Loss) on Disposal of Capital Assets	(841)	(50)	(849)	(281)	75	(172)	(223)	(192)	895	121
Investment & Other Capital Income	17	25	40	146	369	387	172	81	27	27
Other Nonoperating Revenues	-	-	-	850	-	200	-	100	76	18
Total Nonoperating Revenues (Expenses)	(824)	(25)	(809)	715	445	415	(51)	(11)	997	166
Income (Loss) Before Contributions	(8,724)	(6,285)	(6,796)	(3,182)	(3,752)	(2,964)	(2,311)	(2,202)	(1,203)	(2,007)
Capital Contributions										
Member Agency Assessments	7,806	5,878	4,658	8,318	29,539	30,737	11,757	12,974	7,498	2,208
Distributions to Member Agencies	-	-	-	-	(4,000)	-	-	-	-	(300)
Total Capital Contributions	7,806	5,878	4,658	8,318	25,539	30,737	11,757	12,974	7,498	1,908
Increase (Decrease) in Net Assets	\$ (917)	\$ (407)	\$ (2,138)	\$ 5,136	\$ 21,786	\$ 27,773	\$ 9,446	\$ 10,772	\$ 6,295	\$ (99)

Source: Encina Wastewater Authority

Notes:

- (1) FY 2010: Capital Revenues decreased from prior year resulting from Phase V Expansion project completion. Depreciation expense doubled from prior years due to capitalization of Phase V Expansion construction.
- (2) FY 2009: EWPCF operating expense higher than usual due to Phase V Expansion project start-up activities.
- (3) FY 2009: Capital Revenues decreased from prior year resulting from substantial completion of Phase V Expansion project
- (4) FY 2008: Capital Revenues decreased from prior year resulting from completion of the Building Program
- (5) FY 2007: Capital Revenues increased from prior years due to commencement of two large capital facility projects
- (6) FY 2007: Depreciation increased from prior years due to completion and capitalization of the Flow Equalization facility.
- (7) Other Nonoperating Revenues in FY 2009 and FY 2007 represent Financial Reserve Contributions

ENCINA WASTEWATER AUTHORITY
Investment in Capital Assets
Last Ten Fiscal Years

By Function

Fiscal Year	Treatment Plant (1)	Ocean Outfall (2)	Remote Facilities (3)	Equipment (4)	Real Property (5)	Construction in Progress	Accumulated Depreciation	Total
2012	\$ 202,104,971	\$ 14,102,005	\$ 6,749,955	\$ 2,640,451	\$ 3,598,173	\$ 4,054,328	\$ (119,356,558)	\$ 113,893,325
2011	196,253,370	14,102,005	6,581,287	2,412,009	3,598,173	3,509,708	(112,388,624)	114,067,928
2010	192,795,916	14,102,005	6,433,787	2,184,049	3,598,173	1,658,195	(106,741,892)	114,030,234
2009	139,467,581	13,766,644	6,384,089	2,004,015	3,598,173	56,596,253	(105,573,270)	116,243,485
2008	139,229,814	13,766,644	6,103,717	1,801,898	3,598,173	46,749,390	(102,003,617)	109,246,020
2007	122,413,852	13,766,644	5,959,437	1,114,997	3,598,173	38,017,368	(102,806,528)	82,063,943
2006	120,811,650	13,766,644	5,716,899	982,223	3,598,173	16,344,456	(99,726,495)	61,493,550
2005	106,916,302	13,766,644	5,618,737	996,616	3,598,173	20,306,367	(97,807,833)	53,395,006
2004	106,690,633	13,766,644	5,549,864	987,160	3,598,173	10,527,457	(96,071,550)	45,048,381
2003	105,892,042	13,766,644	5,462,951	967,129	5,624,008	4,967,067	(94,508,437)	42,171,404

By Member Agency

Fiscal Year	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	Total
2012	\$ 37,154,594	\$ 25,612,883	\$ 5,084,767	\$ 30,362,230	\$ 12,285,583	\$ 3,393,268	\$ 113,893,325
2011	37,687,907	25,537,838	4,915,342	30,714,365	11,893,406	3,319,070	114,067,928
2010	38,173,642	25,445,003	4,709,713	31,017,162	11,451,647	3,233,072	114,030,234
2009	38,917,534	25,916,556	4,832,144	31,571,047	11,704,705	3,301,500	116,243,485
2008	35,362,569	24,557,479	5,011,463	28,745,540	12,229,771	3,339,199	109,246,020
2007	23,457,660	19,146,400	5,007,909	18,900,822	12,369,231	3,111,921	81,993,943
2006	14,949,461	14,918,740	4,899,249	11,893,673	11,988,501	2,843,926	61,493,550
2005	13,036,658	12,995,471	4,324,089	10,213,877	10,383,160	2,441,751	53,395,006
2004	10,858,056	11,359,563	3,580,072	8,543,514	8,664,623	2,042,553	45,048,381
2003	10,375,865	10,543,361	3,318,865	7,964,010	8,062,438	1,906,865	42,171,404

Source: Encina Wastewater Authority

Notes: 2012 capital assets include:

- (1) Heat loop pump, chlorine containment upgrades, compressor for heat dryer building, aeration air piping replacement, financial software
- (2) Ten primary clarifiers, four aeration basins, six digesters, eight secondary clarifiers, three dissolved air floatation tanks, one regenerative thermal oxidizer, four cogeneration engines, and ten buildings
- (3) One effluent pump station and the ocean outfall pipe which extends 1.5 miles offshore
- (4) Three pump stations, one (1) water reclamation facility and one (1) sanitation facility
- (5) Furnishings, office equipment, and flow metering system
- (6) The South Parcel (undeveloped) and the Encina Water Pollution Control Facilities. In FY 2004, 39.52 acres of land was sold.

ENCINA WASTEWATER AUTHORITY
Demographic & Economic Information

Population & Property Data`

Fiscal Year	Population	% Change from previous year	Personal Income (in millions)	Per Capita Personal Income	Unemployment Rate	Assessed Value of Taxable Property (in millions)
2012	n/a	n/a	n/a	n/a	n/a	n/a
2011	350,891	-0.35%	\$ 18,862	\$ 53,753	38.27%	265,889
2010	352,130	1.5%	\$ 19,304	\$ 54,821	27.5%	268,496
2009	346,789	0.2%	\$ 18,741	\$ 54,041	22.3%	278,099
2008	346,188	2.0%	\$ 18,162	\$ 52,463	4.2%	273,001
2007	339,370	2.0%	\$ 17,540	\$ 51,683	3.6%	257,605
2006	332,658	2.4%	\$ 16,487	\$ 49,561	3.5%	228,892
2005	324,959	2.7%	\$ 15,848	\$ 48,769	3.8%	198,929
2004	316,459	2.2%	\$ 15,050	\$ 47,558	4.1%	175,036
2003	309,784	2.7%	\$ 14,380	\$ 46,419	4.4%	156,635

Principal Employers

Employer	Business Category	Number of Employees	Percent of Total Employment	Member Agency or City
Life Technologies	Biotechnology	4,121	7.56%	Carlsbad
Taylor Made-Adidas Golf Inc.	Sporting Good Equipment	2,498	4.58%	Carlsbad
Callaway Golf	Sporting Good Equipment	1,637	3.00%	Carlsbad
Hunter Industries	Construction Material	819	2.93%	San Marcos
United Parcel Service	Package Delivery	448	1.61%	San Marcos
General Atomics	Defense/Technology	4,200	1.33%	Encinitas
Northrop Grumman	Manufacturing	4,190	1.31%	Encinitas
Vista Unified School District	Education	1,744	3.57%	Vista
San Diego Superior Court	Government	602	1.23%	Vista

Principal Property Taxpayers

Taxpayer	2011 Taxable Assessed Value	Member Agency or City
La Costa Glen Retirement Community	\$ 229,289,820	Carlsbad
Aviara Resort Associates LLC	215,939,676	Carlsbad
World Premier Investments	125,612,876	San Marcos
Hunter Industries Inc.	94,366,523	San Marcos
Hillcrest Montecito LP	69,484,370	Vista
Acpre Monarch Vista Venture	69,000,000	Vista
Collwood Pines Apartments	54,989,195	Encinitas
PK III Encinitas Marketplace LP	39,923,138	Encinitas

Sources: (1) Data presented is a composite of data from FY 2011 CAFRs of EWA Member Agencies or their representative cities
(2) Data for the City of Vista is representative of the Buena Sanitation District
(3) Data for the City of San Marcos is representative of the Vallecitos Water District
(4) Data for the City of Encinitas is representative of the Encinitas Wastewater District

ENCINA WASTEWATER AUTHORITY

Facts and Figures

Establishment History

City of Carlsbad and Vista Sanitation District (City of Vista) formed Joint Powers Authority	July 1961
Buena Sanitation District joined JPA	January 1964
Vallecitos Water District joined JPA	March 1965
Leucadia Wastewater District joined JPA	August 1971
Encinitas Sanitary District (City of Encinitas) joined JPA	August 1971
Encina Administrative Agency created by Revised Basic Agreement	August 1988
Encina Administrative Agency renamed Encina Wastewater Authority	1991

Number of Member Agencies

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

Encina Wastewater Pollution Control Facility Area	25 acres
System Service Area	123 square miles
Population of Service Area	352,130

Wastewater Treatment & Disposal Capacity (Permitted)	43.3 MGD
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Average Daily Wastewater Flow	24
Average Daily Biochemical Oxygen Demand (pounds per day)	58,532
Average Suspended Solids (pounds per day)	62,965
Average Treated Wastewater Disposal	23.03

Employees by Function

Office of the General Manager	11
Operations	26.5
General Services	17
Environmental Compliance	10
Total Employees	65.5

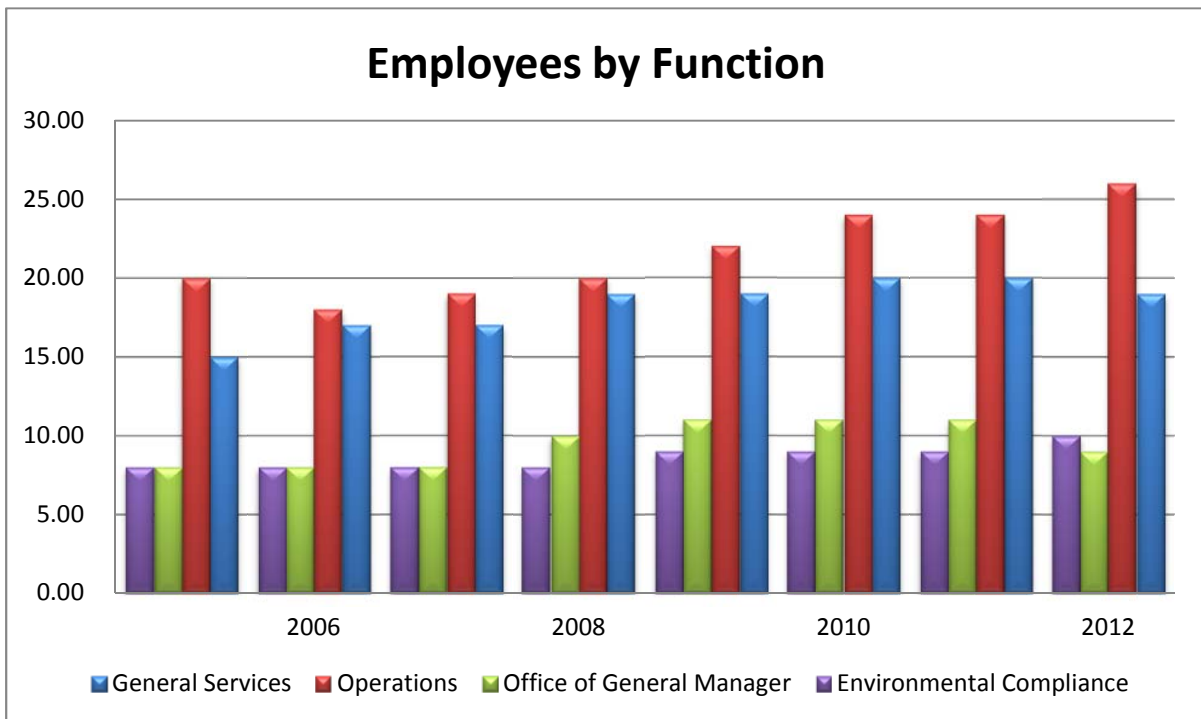
Average Years of Employee Service	8.83
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Source: Encina Wastewater Authority; San Diego Association of Governments

Notes: MGD = million gallons per day

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

Fiscal Year	Operations	General Services	Office of General Manager	Environmental Compliance	Total FTE
2012	26.50	17.00	11.00	10.00	65.50
2011	26.00	17.00	11.00	10.00	64.00
2010	26.00	19.00	9.00	10.00	64.00
2009	24.00	20.00	11.00	9.00	64.00
2008	24.00	20.00	11.00	9.00	64.00
2007	22.00	19.00	11.00	9.00	61.00
2006	20.00	19.00	10.00	8.00	57.00
2005	19.00	17.00	8.00	8.00	52.00
2004	18.00	17.00	8.00	8.00	51.00
2003	20.00	15.00	8.00	8.00	51.00



Source: Encina Wastewater Authority

Notes:

- (1) FY 2012 : One Receptionist, .5 Operator-in-Training added
- (2) FY 2011 & FY 2010: reclassifications occurred between functions; Administration retitled Office of General Manager
- (3) FY 2009: Maintenance function retitled General Services
- (4) FY 2008: Two Shift Supervisor and one Mechanical Technician positions added
- (5) FY 2007: One Chemist, one Shift Supervisor, one Operator Grade II, one Support Specialist positions added
- (6) FY 2006: One Engineering Manager, one Financial Services Manager, one Maintenance Planner, and one Electrical Instrumentation Specialist positions added
- (6) FY 2005: One Operator position added

ENCINA WASTEWATER AUTHORITY
Operating Revenues and Expenses by Member Agency
with Amount Due To (From) Member Agencies
Last Ten Fiscal Years

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

Fiscal Year	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	Total	% Change from Prior Year
2012	\$ 2,894,508	\$ 3,677,363	\$ 1,122,452	\$ 2,211,874	\$ 1,780,750	\$ 525,297	\$ 12,212,244	-2.5%
2011	2,944,497	3,713,809	1,257,548	2,236,119	1,836,606	537,555	12,526,134	-4.4%
2010	3,042,873	3,961,372	1,322,605	2,260,092	1,929,239	582,692	13,098,872	-7.9%
2009	3,354,891	4,190,425	1,422,809	2,594,083	2,051,872	613,734	14,227,814	13.3%
2008	2,895,678	3,819,522	1,280,944	2,305,224	1,753,873	502,210	12,557,451	9.2%
2007	2,798,871	3,192,274	1,170,638	2,260,439	1,666,198	414,273	11,502,690	8.1%
2006	2,509,016	2,926,479	1,053,386	2,163,780	1,609,737	374,399	10,636,797	13.4%
2005	2,185,151	2,499,046	963,906	1,919,153	1,464,508	346,657	9,378,421	7.3%
2004	2,068,282	2,354,413	959,912	1,666,551	1,368,168	322,974	8,740,300	3.6%
2003	1,992,614	2,098,889	1,188,305	1,587,810	1,261,821	310,812	8,440,251	#REF!

Operating Expenses, excluding Depreciation

Fiscal Year	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	Total	% Change from Prior Year
2012	\$ 2,972,735	\$ 3,854,579	\$ 1,219,645	\$ 2,267,470	\$ 1,787,779	\$ 547,312	\$ 12,649,520	0.4%
2011	3,010,991	3,820,570	1,303,867	2,162,596	1,773,223	532,034	12,603,281	-4.1%
2010	3,091,124	3,999,304	1,360,071	2,193,064	1,915,895	589,325	13,148,783	-8.5%
2009	3,415,783	4,235,589	1,458,870	2,553,589	2,049,814	654,522	14,368,167	12.6%
2008	2,967,030	3,853,390	1,282,977	2,333,837	1,795,076	524,056	12,756,366	11.4%
2007	2,825,776	3,230,252	1,184,857	2,104,831	1,689,485	414,105	11,449,306	8.3%
2006	2,529,655	2,935,272	1,044,667	2,057,769	1,625,863	380,032	10,573,258	12.9%
2005	2,268,599	2,381,609	965,888	1,931,310	1,468,502	350,425	9,366,333	6.9%
2004	2,065,144	2,385,628	978,282	1,617,037	1,370,051	346,669	8,762,811	3.9%
2003	1,931,558	2,181,213	1,237,234	1,573,165	1,204,871	306,388	8,434,429	7.5%

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

Fiscal Year	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	Total
2012	\$ (78,227)	\$ (177,216)	\$ (97,193)	\$ (55,596)	\$ (7,029)	\$ (22,015)	(437,276)
2011	(66,494)	(106,761)	(46,319)	73,523	63,383	5,521	(77,147)
2010	48,251	37,932	37,467	(67,028)	(13,344)	6,633	49,911
2009	60,892	45,164	36,061	(40,494)	(2,058)	40,788	140,353
2008	71,351	33,870	2,033	28,613	41,204	21,845	198,916
2007	26,906	32,979	14,221	(155,606)	23,288	(170)	(58,382)
2006	20,639	8,793	(8,719)	(106,011)	16,126	5,633	(63,539)
2005	83,448	(117,437)	1,982	12,157	3,994	3,768	(12,088)
2004	(3,138)	31,215	18,370	(49,514)	1,883	23,695	22,511
2003	(61,056)	82,324	48,929	(14,645)	(56,950)	(4,424)	(5,822)

Source: Encina Wastewater Authority

Notes:

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

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

Operating Revenues

Fiscal Year	Member Assessments	Septage Receipts	Risk Management Dividends	Biofuel Loads	Lab Services	Environmental Enforcement	Miscellaneous	Total
2012	\$ 12,383,770	\$ -	\$ 70,388	\$ 42,937	\$ 125,404	\$ 14,830	\$ 12,191	\$ 12,649,520
2011	12,249,354	-	58,772	40,448	154,245	16,970	83,492	12,603,281
2010	12,863,097	-	71,669	31,534	166,648	9,490	6,345	13,148,783
2009	14,102,535	-	52,366	-	193,478	14,985	4,803	14,368,167
2008	12,121,439	-	48,672	-	150,346	21,872	154,971	12,497,300
2007	10,957,510	-	60,804	-	138,945	134,110	157,940	11,449,309
2006	10,314,124	-	65,839	-	153,102	26,037	14,156	10,573,258
2005	9,128,174	30,158	62,400	-	119,673	19,050	6,878	9,366,333
2004	8,502,454	34,092	67,916	-	140,191	13,375	4,784	8,762,812
2003	8,219,882	33,862	69,532	-	77,333	19,805	14,015	8,434,429

Operating Expenses

Fiscal Year	EWPCF	Source Control	Aqua Hedionda Pump Station	Buena Vista Pump Station	Buena Sanitation District Facilities	Carlsbad Water Recycling Facility	Raceway Basin Pump Station	Total
2012	\$ 10,296,088	\$ 623,461	\$ 247,392	\$ 348,184	\$ 215,234	\$ 772,107	\$ 147,054	\$ 12,649,520
2011	10,322,744	591,609	201,953	343,044	314,303	703,253	126,375	12,603,281
2010	10,805,155	587,541	238,499	335,451	321,524	733,358	127,254	13,148,783
2009	11,974,772	517,222	244,177	370,135	354,886	739,851	167,124	14,368,167
2008	10,597,845	457,500	206,733	340,290	320,629	693,992	139,377	12,756,366
2007	9,369,179	383,060	275,102	379,484	337,799	607,207	97,478	11,449,309
2006	8,784,969	449,814	244,939	293,613	294,416	505,507	-	10,573,258
2005	8,126,726	415,156	187,485	304,069	279,040	53,857	-	9,366,333
2004	7,565,874	448,725	170,428	274,271	303,514	-	-	8,762,812
2003	6,983,247	404,781	149,903	261,614	634,884	-	-	8,434,429

Source: Encina Wastewater Authority

Note:

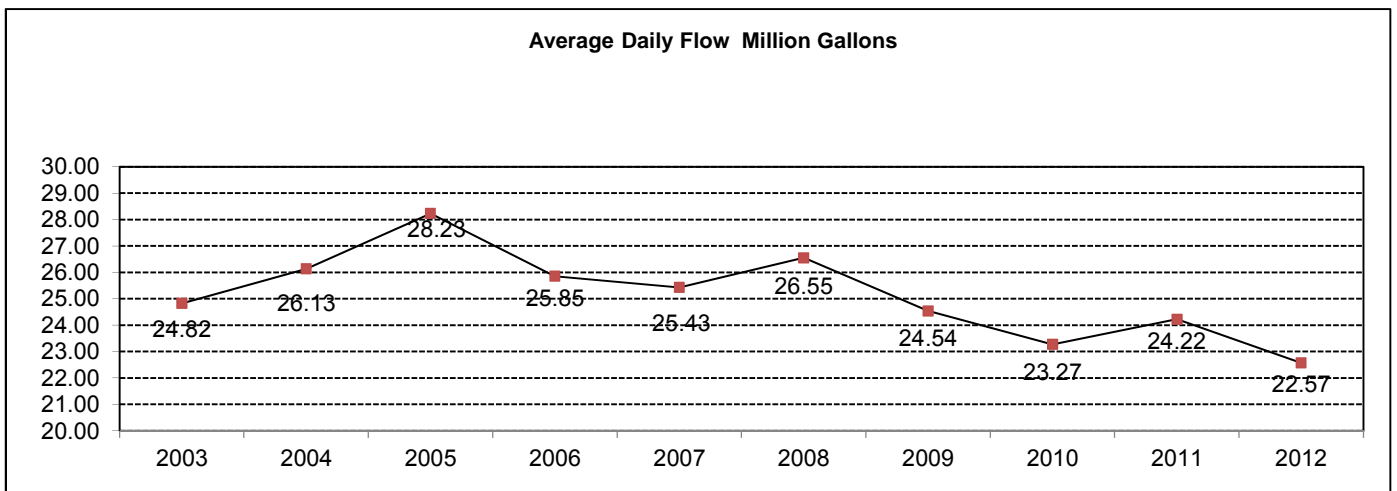
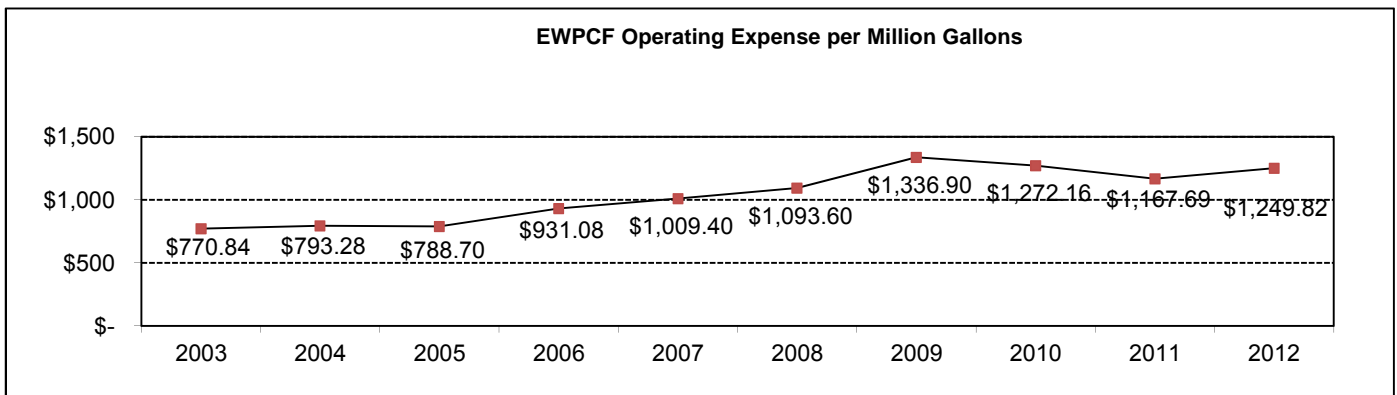
- (1) Member Agencies are billed the amount of Operating Expenses less Other Operating Revenues
- (2) FY 2011: Miscellaneous Revenue includes \$78k retroactive utility rate adjustment from San Diego Gas & Electric
- (3) FY 2010: Class A biosolids marketing initiated
- (4) FY 2009: Phase V Expansion substantially complete and on-line. Variance in operating costs result of start-up activities
- (5) FY 2008: Nonoperating Revenue of \$259,066 was applied to offset Operating Expenses
- (6) FY 2007: EWA assumed operation of City of Vista's Raceway Basin Pump Station Facility
- (7) FY 2006: Septage Hauler Domestic Waste program discontinued
- (8) FY 2005: Carlsbad Water Recycling Facility commenced operations

ENCINA WASTEWATER AUTHORITY
Encina Water Pollution Control Facilities (EWPCF)
Operating Expenses per Million Gallons (MG)
Last Ten Fiscal Years

Year Ended	by Member Agency						EWPCF
	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	totals
June 30, 2012							
Operating Expenses	\$ 2,164,079	\$ 2,792,012	\$ 910,702	\$ 2,152,635	\$ 1,748,725	\$ 527,935	\$ 10,296,088
Avg. Daily Flow in MG	5.36	6.92	1.63	3.47	4.11	1.08	22.57
Annualized Flow in MG	1,956.40	2,525.80	594.95	1,266.55	1,500.15	394.20	8,238.05
Cost Per MG	\$ 1,106.15	\$ 1,105.40	\$ 1,530.72	\$ 1,699.61	\$ 1,165.70	\$ 1,339.26	\$ 1,249.82
% change from prior year	7.95%	7.27%	7.07%	9.87%	2.45%	-1.87%	7.03%
June 30, 2011							
Operating Expenses	\$ 2,273,903	\$ 2,847,328	\$ 892,275	\$ 2,055,254	\$ 1,735,905	\$ 518,079	\$ 10,322,744
Avg. Daily Flow in MG	6.08	7.57	1.71	3.64	4.18	1.04	24.22
Annualized Flow in MG	2,219.20	2,763.05	624.15	1,328.60	1,525.70	379.60	8,840.30
Cost Per MG	\$ 1,024.65	\$ 1,030.50	\$ 1,429.58	\$ 1,546.93	\$ 1,137.78	\$ 1,364.80	\$ 1,167.69
% change from prior year	-7.89%	-10.49%	-9.29%	-1.67%	-9.29%	-9.65%	-8.21%
June 30, 2010							
Operating Expenses	\$ 2,334,760	\$ 2,983,569	\$ 966,403	\$ 2,084,517	\$ 1,867,994	\$ 567,912	\$ 10,805,155
Avg. Daily Flow in MG	5.75	7.10	1.68	3.63	4.08	1.03	23.27
Annualized Flow in MG	2,098.75	2,591.50	613.20	1,324.95	1,489.20	375.95	8,493.55
Cost Per MG	\$ 1,112.45	\$ 1,151.29	\$ 1,576.00	\$ 1,573.28	\$ 1,254.36	\$ 1,510.61	\$ 1,272.16
% change from prior year	-5.82%	-8.48%	-4.77%	5.17%	-5.77%	-3.41%	-4.84%
June 30, 2009							
Operating Expenses	\$ 2,578,159	\$ 3,264,462	\$ 1,051,098	\$ 2,440,780	\$ 2,006,657	\$ 633,616	\$ 11,974,772
Avg. Daily Flow in MG	5.98	7.11	1.74	4.47	4.13	1.11	24.54
Annualized Flow in MG	2,182.70	2,595.15	635.10	1,631.55	1,507.45	405.15	8,957.10
Cost Per MG	\$ 1,181.18	\$ 1,257.91	\$ 1,655.01	\$ 1,495.99	\$ 1,331.16	\$ 1,563.91	\$ 1,336.90
% change from prior year	21.70%	24.53%	18.55%	24.33%	16.11%	29.99%	22.25%
June 30, 2008							
Operating Expenses	\$ 2,253,155	\$ 2,934,738	\$ 912,076	\$ 2,230,966	\$ 1,757,509	\$ 509,401	\$ 10,597,845
Avg. Daily Flow in MG	6.36	7.96	1.79	5.08	4.20	1.16	26.55
Annualized Flow in MG	2,321.40	2,905.40	653.35	1,854.20	1,533.00	423.40	9,690.75
Cost Per MG	\$ 970.60	\$ 1,010.10	\$ 1,396.00	\$ 1,203.20	\$ 1,146.45	\$ 1,203.12	\$ 1,093.60
% change from prior year	10.24%	3.06%	16.00%	5.36%	14.36%	11.17%	8.34%
June 30, 2007							
Operating Expenses	\$ 2,104,941	\$ 2,393,225	\$ 808,215	\$ 2,017,472	\$ 1,650,313	\$ 395,013	\$ 9,369,179
Avg. Daily Flow in MG	6.55	6.69	1.84	4.84	4.51	1.00	25.43
Annualized Flow in MG	2,390.75	2,441.85	671.60	1,766.60	1,646.15	365.00	9,281.95
Cost Per MG	\$ 880.45	\$ 980.09	\$ 1,203.42	\$ 1,142.01	\$ 1,002.53	\$ 1,082.23	\$ 1,009.40
% change from prior year	10.48%	7.26%	15.09%	9.48%	2.04%	14.14%	8.41%
June 30, 2006							
Operating Expenses	\$ 1,975,084	\$ 2,221,305	\$ 713,689	\$ 1,926,565	\$ 1,581,498	\$ 366,828	\$ 8,784,969
Avg. Daily Flow in MG	6.79	6.66	1.87	5.06	4.41	1.06	25.85
Annualized Flow in MG	2,478.35	2,430.90	682.55	1,846.90	1,609.65	386.90	9,435.25
Cost Per MG	\$ 796.94	\$ 913.78	\$ 1,045.62	\$ 1,043.13	\$ 982.51	\$ 948.12	\$ 931.08
% change from prior year	19.60%	16.06%	14.80%	23.24%	14.66%	17.29%	18.05%
June 30, 2005							
Operating Expenses	\$ 1,792,413	\$ 2,109,384	\$ 658,222	\$ 1,798,095	\$ 1,429,298	\$ 339,314	\$ 8,126,726
Avg. Daily Flow in MG	7.37	7.34	1.98	5.82	4.57	1.15	28.23
Annualized Flow in MG	2,690.05	2,679.10	722.70	2,124.30	1,668.05	419.75	10,303.95
Cost Per MG	\$ 666.31	\$ 787.35	\$ 910.78	\$ 846.44	\$ 856.87	\$ 808.37	\$ 788.70
% change from prior year	0.23%	1.62%	-1.36%	-4.49%	-1.50%	2.57%	-0.58%

ENCINA WASTEWATER AUTHORITY
Encina Water Pollution Control Facilities (EWPCF)
Operating Expenses per Million Gallons (MG)
Last Ten Fiscal Years

Year Ended	by Member Agency						EWPCF totals
	Vista	Carlsbad	Buena	Vallecitos	Leucadia	Encinitas	
June 30, 2004							
Operating Expenses	\$ 1,615,147	\$ 2,142,316	\$ 633,955	\$ 1,528,538	\$ 1,317,330	\$ 328,588	\$ 7,565,874
Avg. Daily Flow in MG	6.66	7.58	1.88	4.73	4.15	1.14	26.13
Annualized Flow in MG	2,429.68	2,765.08	686.61	1,724.83	1,514.34	416.91	9,537.45
Cost Per MG	\$ 664.76	\$ 774.78	\$ 923.32	\$ 886.20	\$ 869.90	\$ 788.15	\$ 793.28
% change from prior year	4.08%	-0.91%	-6.25%	5.62%	8.22%	3.28%	2.91%
June 30, 2003							
Operating Expenses	\$ 1,517,606	\$ 1,946,369	\$ 560,769	\$ 1,457,730	\$ 1,199,946	\$ 300,827	\$ 6,983,247
Avg. Daily Flow in MG	6.51	6.82	1.56	4.76	4.09	1.08	24.82
Annualized Flow in MG	2,376.15	2,489.30	569.40	1,737.40	1,492.85	394.20	9,059.30
Cost Per MG	\$ 638.68	\$ 781.89	\$ 984.84	\$ 839.03	\$ 803.80	\$ 763.13	\$ 770.84



Note:

- (1) FY 2012 reflects impact of Meadowlark expansion and water conservation.
- (2) FY 2005 reflects impact of inflow and infiltration caused by high precipitation levels
- (3) FY 2009 and FY 2010 reflect impact of water conservation mandates compounded by Phase V startup activities.

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