



LEUCADIA  
WASTEWATER  
DISTRICT

LEADERS IN  
ENVIRONMENTAL  
PROTECTION

*COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
JUNE 30, 2014 AND 2013*



*Serving the public since 1959 by  
collecting, transporting, recycling  
and treating wastewater in a safe,  
reliable, efficient, cost effective and  
environmentally responsive manner,  
while providing excellent service to  
our customers.*



*1960 La Costa Avenue, Carlsbad, CA 92009  
[www.lwwd.org](http://www.lwwd.org)*



LEADERS IN  
ENVIRONMENTAL  
PROTECTION

## **Comprehensive Annual Financial Report**

**For the Years Ended**

**June 30, 2014 and 2013**

**LEUCADIA WASTEWATER DISTRICT**

**1960 La Costa Avenue  
Carlsbad, California 92009**

**Prepared by:**

*Paul J. Bushee, General Manager  
Charles LeMay, Administrative Services Manager  
Richard Duffey, District CPA*

**Comprehensive Annual Financial Report  
For the Years Ended June 30, 2014 and 2013**

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## **Introductory Section**



LEADERS IN  
ENVIRONMENTAL  
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December 1, 2014

To the Honorable President and Members of the Board of Directors and Customers of the Leucadia Wastewater District:

State law requires that all general-purpose local governments and special districts publish each fiscal year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Comprehensive Annual Financial Report (CAFR) of the Leucadia Wastewater District (District) for fiscal year ended June 30, 2014 is hereby submitted as required. White Nelson Diehl Evans LLP, a firm of licensed certified public accountants, has audited the Leucadia Wastewater District's financial statements.

This report is organized into three sections: (1) Introductory, (2) Financial, and (3) Statistical. The Introductory section offers general information about the District's organization and current District activities and reports on a summary of significant financial results. The Financial section includes the Independent Auditors' Report, Management's Discussion and Analysis of the District's basic financial statements, the District's audited basic financial statements with accompanying notes, and Supplementary Information for the purposes of additional analysis. The Statistical section presents un-audited ten-year historical financial, demographic, and statistical information pertinent to the District's operations.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditors' Report.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the Leucadia Wastewater District for the fiscal year ended June 30, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Leucadia Wastewater District's financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

## **PROFILE OF THE DISTRICT**

The Leucadia Wastewater District was formed in April 1959 pursuant to the County Water District Law (Division 12, Section 30000 et seq. of the California Water Code). Established as an Independent Enterprise Special District, the District is authorized to provide wastewater collection and treatment services and to levy rates and fees to support those services. The District is located in coastal northern San Diego County and is approximately 30 miles north of the City of San Diego.

The District provides wastewater service to the Leucadia and Village Park areas of Encinitas, and the La Costa area of Carlsbad. The District encompasses 16 square miles and serves approximately 60,000 residents. Wastewater from the District's service area is transported to the Encina Water Pollution Control Facility where it is treated to federally mandated standards to protect the public health. The Encina plant is a regional facility located in Carlsbad that is jointly owned by the District and five other public entities.

The District also owns and operates the Gafner Water Reclamation Facility, which has a treatment capacity of 1 million gallons per day. Recycled water produced at the Gafner Facility is used for irrigation on the La Costa Resort & Spa Golf Course.

### ***Governance***

The affairs of the District are directed by a five member Board of Directors, who are elected at large by the registered voters residing in the District. The directors, who serve four-year staggered terms, are residents and have the same concerns as their constituents. They are responsible for establishing policy and ordinances, adopting the annual budget, and hiring the District's General Manager. The General Manager is responsible for carrying out the policies and ordinances of the District board and for overseeing the day-to-day operations of the District.

### ***Mission and Vision***

The mission of the Leucadia Wastewater District is:

*To serve the public by collecting, transporting, recycling and treating wastewater in a safe, reliable, efficient, cost effective, and environmentally responsive manner, while providing excellent service to our customers.*

The District's vision is:

*To be a recognized leader in wastewater services, water recycling, and environmental protection.*

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Leucadia Wastewater District operates.

### ***Local Economy***

The District's service area is primarily residential, serving as a bedroom community for the greater San Diego area. The local economy includes commercial activities, tourism, and some horticulture. There is virtually no heavy industry in the service area. The District is at approximately 94% build out and it is anticipated that remaining growth will occur slowly over the next 10 to 20 years.

San Diego Association of Government's (SANDAG) 2050 Regional Growth Forecast, dated February 26, 2010, estimates that economic and population growth will continue at a steady rate through 2050, although at a slightly slower rate than in the previous 40 years. These projections suggest that the region will approach 4.4 million residents, 1.9 million jobs and 1.5 million housing units by 2050. These are 40%, 33%, and 34% increases over 2008 figures, respectively. For the Encinitas/Carlsbad area, SANDAG is predicting a 21% to 25% increase in population from 2008 to 2050.

In its third quarter report of 2014, the UCLA Anderson Forecast's outlook for California asserts that the economy is "is moving forward in an expansion from the depths of the Great Recession" but "the state remains below its potential in output and employment". The California forecast sees employment growth of 2.4% and 2.2% expected in 2015 and 2016, respectively. The unemployment rate will fall to 5.7% by 2016. Housing prices continue to rise. Construction permits have been increasing and new home starts are expected to increase by 5%.

The University of San Diego's Leading Economic Indicators for San Diego County rose 0.6 percent in September 2014. Leading the move to the upside was sharp gains in initial claims for unemployment insurance and the outlook for the national economy. Local stock prices, consumer confidence, and help wanted advertising were also up moderately. These gains outweighed a sharp drop in building permits. The USD index posted its 4<sup>th</sup> straight monthly gain.

As an independent enterprise special district having the ability to adjust service rates as required, the District's operating revenues are somewhat insulated from the local economy. Other than by service rate adjustment, the District's operating revenues tend to increase with growth periods and stabilize during non-growth periods. Conceivably, the greatest threat to operating revenues will be from a significant reduction in the service area population. As the District reaches build out, it is anticipated that growth in District revenues will slow but remain stable.

Capacity fees are collected as new units are connected to the District. During the housing boom of the early 2000's the District experienced very strong revenues from capacity fees. Capacity fee revenue has slowed dramatically as the District approaches build out.

Property taxes accounted for approximately 13% and 8% of the District's total revenue for both FY 2014 and 2013, respectively. Due to the current conditions in the housing market, property tax revenues are expected to increase slightly in the near future. In addition, the recent passage of AB 4.14 and 4.15 suspended Prop 1A, which had provided local revenue protection by prohibiting the State of California from shifting away property tax revenues. As a result \$99,574 was diverted from the District's 2009-2010 property tax revenue. The diverted funds were returned to the District with interest in June of 2013.

### ***Long-Term Financial Planning***

The District's Board of Directors is aware of the need to ensure the District's financial stability. Through a coordinated strategic process, the Board has established a series of policies and plans to effectively meet the District's anticipated future needs. The corner-stone of these policies is the District's 2013 Comprehensive Financial Plan that forecasts the District's expenditures and revenue needs for the next 20 years. The District utilizes this information to anticipate future expense obligations and to ensure these expense obligations are fully funded. The District routinely updates the plan on a five year cycle.

### ***Public Employees' Pension Reform***

On September 12, 2012, Governor Brown signed Assembly Bill 340 creating the Public Employees' Pension Reform Act (PEPRA). The new law creates a new benefit tier for new employees/members entering public agency employment and public retirement system membership for the first time on or after January 1, 2013. For miscellaneous members such as the District, the new tier has a single general member benefit formula that must be implemented unless the formula in existence at the District, on December 31, 2012, has both a lower normal cost and a lower benefit factor at normal retirement age. It is anticipated that PEPRA will have a positive financial benefit by lowering future retirement costs over the next 20 years.

## **RELEVANT FINANCIAL POLICIES**

### ***Reserve Policy***

The District has established a Reserve Fund Policy to anticipate and prepare for future funding requirements as well as for unforeseen events. The Reserve Fund Policy establishes restricted and unrestricted reserves and describes the flow of funds to and from the various reserves. For information on District reserves, please refer to Footnotes 1 & 7 of the Basic Financial Statements.

### ***Investment Policy***

The Investment Policy establishes guidelines for the investment of available funds. The Investment Policy incorporates the Prudent Investor Standards. The primary objectives, in priority order, of the District's investment activities are the following: 1) safety, 2) liquidity, and 3) yield. The District's funds are invested in a variety of investments, in accordance with California government code, as described in footnote 2 of the Basic Financial Statements. The District minimizes interest rate risk by investing a greater portion of funds in short term investments. Credit risk is minimized by investing a majority of funds in the highest rated investments or in diversified investment pools.

## **INTERNAL CONTROLS**

The District is responsible for establishing and maintaining an internal control structure designed to ensure that the District's assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that; 1) the cost of control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

## **MAJOR INITIATIVES**

The District has initiated several major projects to upgrade infrastructure and ensure the adequacy of facilities.

- 1) The rehabilitation of the Batiquitos Pump Station, which included rehabilitation of the wet well, was completed in FY 2014 at a cost of \$2.7 million.
- 2) The Leucadia Pump Station Emergency Generator and its enclosure are being replaced due to age. The new generator meets the latest emission standards and was increased in output capacity to simultaneously provide emergency power to the pump station, headquarters, and auxiliary buildings. The total cost when complete is expected to be about \$650,000.
- 3) During February 2013 the B2 Force Main experienced a break during the Lanikai Line Rehabilitation project bypass operation, making the replacement of the force main a top priority. The estimated capital costs are approximately \$5.8 million. Design has been completed and construction is starting in the fall of 2014. The project is estimated for completion in the spring of 2015.
- 4) As part of 2013 update of the Asset Management Plan, the current gravity line Special Maintenance Actions or "hot spots" were closed circuit television inspected and evaluated. As a result of the inspection, structural defects were found in several lines. Four pipeline segments were repaired in FY 2014 at a cost of \$554,072. More pipeline repairs are budgeted for FY 2015 in the amount of \$641,000.



- 5) The Miscellaneous Pipeline Rehabilitation account is used to rehabilitate, reline or replace pipelines and manholes that require immediate attention. The necessary repairs are identified through the District's closed circuit television (CCTV) inspections. The District incurred \$140,438 in pipeline rehabilitation costs under this account during FY 2014.
- 6) The District maintains a Lateral Grant Program to repair or replace damaged private laterals. The program reimburses ratepayers, on a 50/50 basis, up to \$3,000, for lateral replacement and backflow prevention installation. The goal of this program is to provide an incentive to District customers to maintain their private laterals. During fiscal year 2014, the District contributed \$55,127 for the replacement & repair of twenty damaged private laterals.

## **INDEPENDENT AUDIT**

The Government Code requires an annual audit of the District's financial records by a Certified Public Accountant. The District selected, through a competitive process, the firm of White Nelson Diehl Evans LLP to conduct the audit. The auditors' report on the financial statements and schedules are included in the financial section of this report.

## **AWARDS**

The California Society of Municipal Finance Officers (CSMFO) awarded a Certificate of Award for Outstanding Financial Reporting to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 20, 2013. This was the sixth year that the District has achieved this prestigious award. In order to receive a Certificate of Award, a governmental entity must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Award is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Award Program's requirements. The attainment of a CSMFO Award for Outstanding Financial Reporting award represents a significant accomplishment for a government agency and its management team.

On January 6, 2014, at the California Sanitation Risk Management Authority (CSRMA) board of directors meeting, the District was presented with the Workers' Compensation Excellence Award in Small Agency Category for program Year 2012-2013. This award reflects the District's ongoing commitment to safety and the fact the District had no worker compensation claims during the program year.

## **ACKNOWLEDGEMENTS**

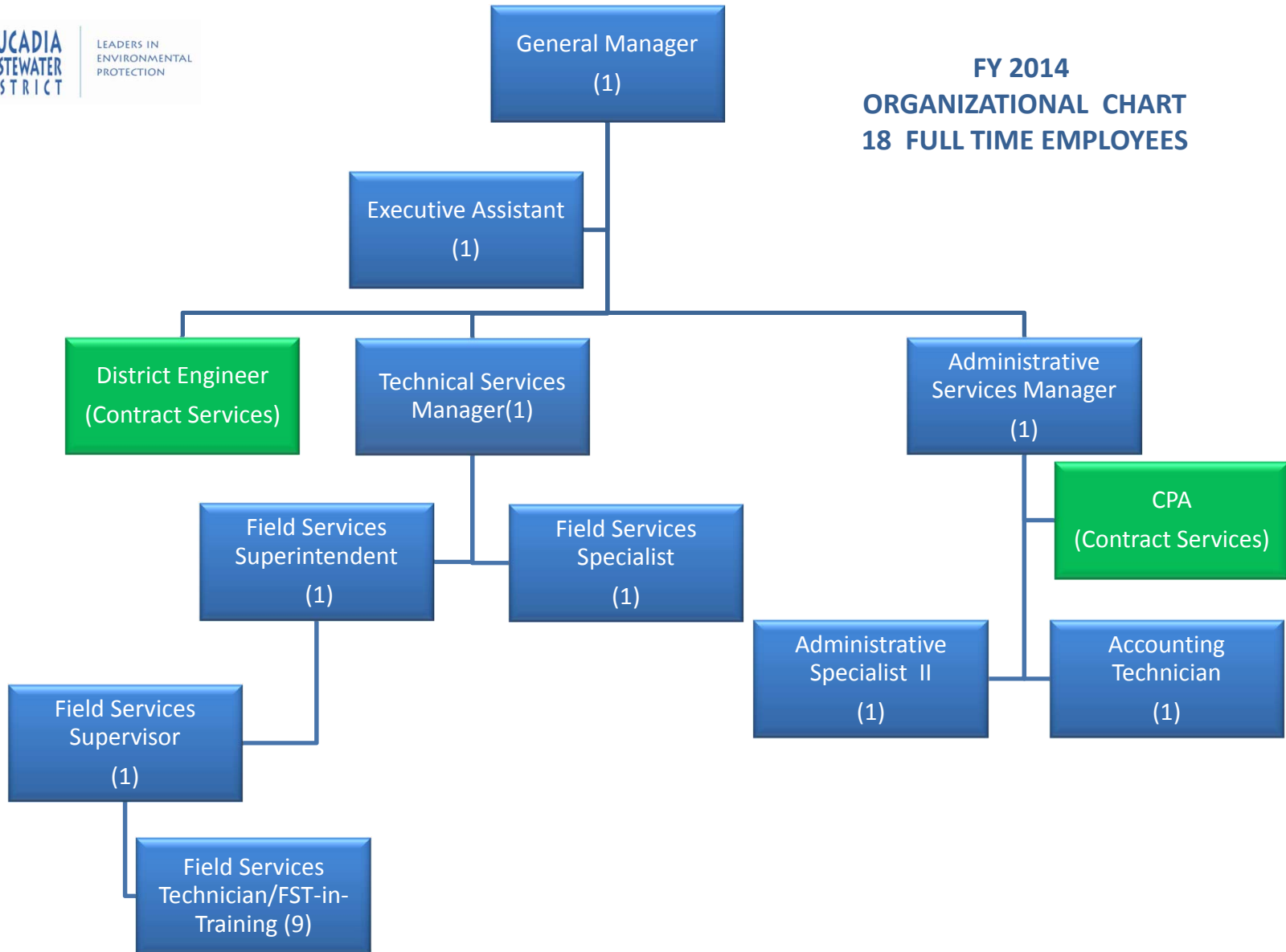
Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. A special note of appreciation goes to Richard Duffey, District CPA, Chuck LeMay, the District's Administrative Services Manager, and Maggie McEniry, the District's Accounting Technician, for their assistance with developing this report. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Leucadia Wastewater District's fiscal policies.

Respectfully submitted,



Paul J. Bushee  
General Manager

**FY 2014  
ORGANIZATIONAL CHART  
18 FULL TIME EMPLOYEES**





LEADERS IN  
ENVIRONMENTAL  
PROTECTION

## List of Principal Officials

### Board of Directors as of June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Elected/Appointed</u>	<u>Current Term</u>
David Kulchin	President	Elected	12/10 – 12/14
Allan Juliussen	Vice President	Elected	12/13 – 12/16
Elaine Sullivan	Director	Elected	12/10 – 12/14
Donald F. Omsted	Director	Elected	12/13 – 12/16
Judy Hanson	Director	Elected	12/13 – 12/16

Leucadia Wastewater District  
Paul J. Bushee, General Manager  
1960 La Costa Avenue  
Carlsbad, California 92009  
(760) 753-0155  
[www.lwwd.org](http://www.lwwd.org)

# *California Society of Municipal Finance Officers*

*Certificate of Award*

***Outstanding Financial Reporting Award  
Fiscal Year Ending June 30, 2013***

*Presented to the*

***Leucadia Wastewater District***

For meeting the criteria established to achieve the Outstanding Financial Reporting Award

*February 13, 2014*



Handwritten signature of Pauline Marx in black ink.

*Pauline Marx*  
*CSMFO President*

Handwritten signature of Ken Brown in black ink.

*Ken Brown, Chair*  
*Professional Standards and*  
*Recognition Committee*

***Dedicated Excellence in Municipal Financial Reporting***

## **Financial Section**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Leucadia Wastewater District  
Carlsbad, California

We have audited the accompanying financial statements of the Leucadia Wastewater District as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Leucadia Wastewater District as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the California State Controller's Office and California regulations governing Special Districts.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Other Post-Employment Benefit Plan – schedule of funding progress as identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Leucadia Wastewater District's basic financial statements. The Introductory Section, the Supplementary Information in the Financial Section, and the Statistical Section, as identified in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The Introductory Section, the Schedule of Use of Capacity Charges in the Supplementary Information of the Financial Section and the Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*White Nelson Diehl Evans LLP*

Carlsbad, California  
December 1, 2014



## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Years Ended June 30, 2014 and 2013

Management's Discussion and Analysis (MD&A) offers readers of the Leucadia Wastewater District's (District) financial statements a narrative overview of the District's financial activities for the fiscal year (FY) ended June 30, 2014. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of financial position and results of operations, a discussion on restrictions, commitments and limitations, a discussion of significant activity involving capital assets and long-term debt, and currently known facts, conditions, or decisions.

### FINANCIAL HIGHLIGHTS

- The District's net position for FY ended June 30, 2014 increased by \$1,873,659 or 1.4% over the prior year, primarily due to nonoperating revenues and capital contributions exceeding the operating loss of \$1,447,161.
- The District's wastewater service charge was unchanged at \$258.21/EDU/Year for FY ended June 30, 2014.
- The District added 342 equivalent dwelling units (EDU's) during the FY ended June 30, 2014 bringing the total connected EDU's to 28,278, a 1.2% increase over the prior year's total. Growth remains small as the District approaches build out.
- Development activity in the District's service area created \$617,041 worth of contributed capital assets (dedicated facilities including 0.4 miles of dedicated sewer lines) and \$1,372,055 in capacity fees.
- Upon completion of the Phase V expansion of the Encina Joint System, the District transferred a portion of its pre Phase V ownership in the Encina Joint System to the other member agencies. The District's Unit I weighted average ownership percentage was reduced from 20.34% to 16.80%. The District was credited in the amount of \$10.1 million for the transferred ownership percentage based upon an agreed upon replacement value protocol resulting in a gain to the District of \$6.5 million in FY ended June 30, 2013. A portion of the District's credit from its transferred ownership interest was applied to its share of the Phase V expansion costs of \$9.6 million.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's financial statements. The District's basic financial statements reflect the combined results of the Operating and Capital Programs and include four components: 1) Statements of Net Position; 2) Statements of Revenues, Expenses, and Changes in Net Position; 3) Statements of Cash Flows; and 4) Notes to the Financial Statements. In addition to the basic financial statements, supplemental information is also provided.

The financial statements accompanying this MD&A present the financial position, results of operations, and changes in cash flow during the FY's ending June 30, 2014 and 2013. These financial statements have been prepared using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities. Each financial statement is identified and defined in this section, and analyzed in subsequent sections of this MD&A.

## ***Statements of Net Position***

The Statements of Net Position present information on the District's *assets* (investments in resources), *deferred outflow of resources*, *liabilities* (obligations to creditors), *deferred inflow of resources*, and *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other factors such as changes in economic conditions, population growth, zoning, and new or changed legislation or regulations also need to be considered when establishing financial position.

## ***Statements of Revenues, Expenses, and Changes in Net Position***

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the fiscal year. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results of the District's operations for the year and can be used to determine if the District has successfully recovered all of its costs through user fees and other charges.

Operating revenues and expenses are related to the District's core activities (providing wastewater services, and processing and delivering recycled water). Nonoperating revenues and expenses are not directly related to the core activities of the District (e.g. interest income, interest expense, property taxes, gain or loss on sale of assets). The sum of the prior year's net position balance and the current year's change in net position equals the ending net position balance.

## ***Statements of Cash Flows***

The Statements of Cash Flows provides information about the District's cash receipts, cash payments and the changes in the District's cash and cash equivalents during the year resulting from the operating, non-capital financing, capital and related financing, and investing activities of the District. The Statements of Cash Flows provides information on the sources and uses of the District's cash. It shows how the District is able to meet its cash outlay obligations.

Cash equivalents managed directly by the District consist of investments in the California Local Agency Investment Fund (LAIF), the California Asset Management Program (CAMP), and the San Diego County Investment Pool.

## **ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

One of the most important questions about District finances is whether as a whole the District is better off or worse off as a result of the year's activities? Based on the information from the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows; the District improved upon an already strong financial position during the fiscal years ended June 30, 2014 and 2013.

## ***Financial Position***

Net position serves as a useful indicator of an organization's financial strength. Table 1 provides a three year summary of the District's net position.

**TABLE 1. CONDENSED STATEMENT OF NET POSITION**

	FY 2014	FY 2013	FY 2012	FY 2013-2014 Change	
				Amount	%
<b>ASSETS</b>					
Current Assets	\$ 28,283,050	\$ 32,483,820	\$ 31,621,469	\$ (4,200,770)	-12.9%
Noncurrent Assets	11,238,538	7,174,639	9,743,472	4,063,899	56.6%
Capital Assets, Net	98,011,150	97,565,846	88,979,515	445,304	0.5%
<b>Total Assets</b>	<b>137,532,738</b>	<b>137,224,305</b>	<b>130,344,456</b>	<b>308,433</b>	<b>0.2%</b>
<b>LIABILITIES</b>					
Current Liabilities	1,857,982	3,437,623	3,595,868	(1,579,641)	-46.0%
Noncurrent Liabilities	86,597	72,182	70,289	14,415	20.0%
<b>Total Liabilities</b>	<b>1,944,579</b>	<b>3,509,805</b>	<b>3,666,157</b>	<b>(1,565,226)</b>	<b>-44.6%</b>
<b>NET POSITION</b>					
Investment in Capital Assets	98,011,150	97,565,846	86,970,327	445,304	0.5%
Restricted	1,211,802	1,428,316	2,326,290	(216,514)	-15.2%
Unrestricted	36,365,207	34,720,338	37,381,682	1,644,869	4.7%
<b>Total Net Position</b>	<b>\$ 135,588,159</b>	<b>\$ 133,714,500</b>	<b>\$ 126,678,299</b>	<b>\$ 1,873,659</b>	<b>1.4%</b>

The District’s financial position remains strong with a \$0.3 million increase in total assets, a \$1.6 million decrease in total liabilities, and a \$1.9 million increase in total net position.

Total assets increased by \$0.3 million or 0.2% during the FY ending June 30, 2014, primarily due to a net increase in net capital assets of \$0.4 million. The District incurred \$3.7 million in expenditures for the acquisition and construction of capital assets, primarily for: the Leucadia Pump Station Generator Replacement, La Costa Pump Station Rehabilitation, B2 Force Main Replacement Project, Encina Joint System projects, and miscellaneous line and pump station repairs. The District received \$1,372,055 in capacity fees to partially offset these expenditures. (*Capacity fees represent a system buy-in charge and are collected in the Capital Replacement Reserve for construction of facilities and improvements identified in the 2013 Asset Management Master Plan*). In addition, sewer lines worth \$0.6 million were contributed to the District from developers. Net Capital Assets were reduced by depreciation expense of \$3.5 million and capital deletions of \$0.6 million for the year.

Total liabilities decreased by \$1.6 million or 44.6%, mainly due to the District’s payment, during FY ending June 30, 2014, of its remaining share of the Encina Phase V expansion construction liability, which was finalized upon completion and reconciliation of the project.

The District’s Net Position as of June 30, 2014 totaled \$135,588,159 compared with \$133,714,500 as of June 30, 2013, an increase of 1.4%. Net position is accumulated from revenues, expenses, and capital contributions combined with the beginning balance of net position as presented in the Statement of Revenues, Expenses, and Changes in Net Position.

**Results of Operations**

A comparative of the District’s revenues, expenses, and changes in net position is presented in Table 2.

**TABLE 2.**  
**CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**

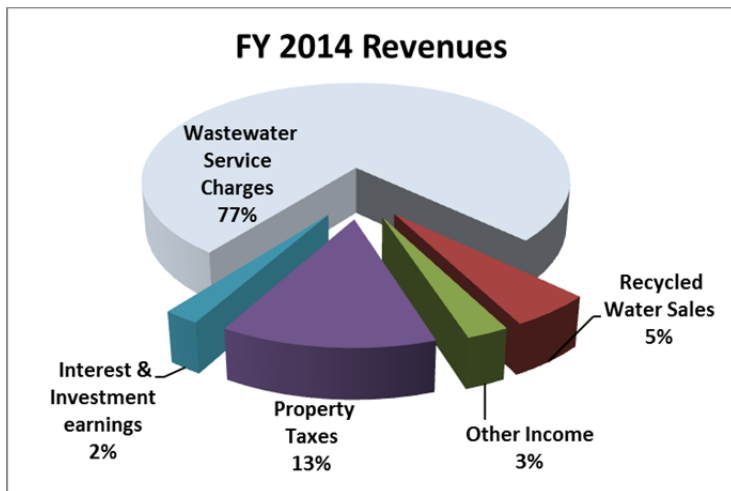
	FY 2014	FY 2013	FY 2012	FY 2014-2013 Change	
				Amount	%
<b>OPERATIONS</b>					
Operating revenues					
Wastewater service charges	\$ 7,218,040	\$ 7,185,020	\$ 7,164,554	\$ 33,020	0.5%
Recycled water sales	492,421	487,210	481,807	5,211	1.1%
Other charges & services	247,619	200,777	208,733	46,842	22.4%
Total Operating revenues	<u>7,958,080</u>	<u>7,873,007</u>	<u>7,855,094</u>	<u>85,073</u>	<u>1.1%</u>
Operating expenses	<u>5,878,182</u>	<u>5,799,853</u>	<u>5,598,224</u>	<u>78,329</u>	<u>1.4%</u>
Operating Income before deprec.	2,079,898	2,073,154	2,256,870	6,744	0.3%
Depreciation expense	<u>3,527,059</u>	<u>3,413,314</u>	<u>3,189,262</u>	<u>113,745</u>	<u>3.6%</u>
Operating Income (Loss)	<u>(1,447,161)</u>	<u>(1,340,160)</u>	<u>(932,392)</u>	<u>(107,001)</u>	<u>11.5%</u>
<b>NON-OPERATIONS</b>					
Nonoperating Revenues (Expenses)					
Property tax revenue	1,263,119	1,207,630	1,177,125	55,489	4.7%
Investment income revenue	213,607	(11,993)	240,343	225,600	93.9%
Gain/Loss on disposition of assets	(146,913)	6,310,855	(36,166)	(6,457,768)	-17856%
Other non-operating income	1,911	11,158	27,590	(9,247)	-33.5%
Other non-operating expenses	-	(2,710)	(4,100)	2,710	-66.1%
Total nonoperating revenues, net	<u>1,331,724</u>	<u>7,514,940</u>	<u>1,404,792</u>	<u>(6,183,216)</u>	<u>-440.2%</u>
Income (loss) before capital contributions	<u>(115,437)</u>	<u>6,174,780</u>	<u>472,400</u>	<u>(6,290,217)</u>	<u>-1331.5%</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>1,989,096</u>	<u>861,421</u>	<u>621,685</u>	<u>1,127,675</u>	<u>181.4%</u>
Changes in Net Position	1,873,659	7,036,201	1,094,085	(5,162,542)	-471.9%
Beginning Net Position	133,714,500	126,678,299	125,264,214	7,036,201	
Prior Period Adjustment			320,000	-	
<b>ENDING NET POSITION</b>	<u>\$ 135,588,159</u>	<u>\$ 133,714,500</u>	<u>\$ 126,678,299</u>	<u>\$ 1,873,659</u>	<u>-</u>

FY ending June 30, 2014 compared to June 30, 2013 highlights are discussed below:

- Net position increased \$1,873,659 (1.4%), which is added to the beginning net position of \$133,714,500 to arrive at ending total net position of \$135,588,159. The District incurred an operating loss of \$1,447,161 (which includes non-cash depreciation expense of \$3,527,059). This operating loss was offset by nonoperating revenues from property taxes, investment income, and capital contributions from capacity fees and contributed capital assets.
- The District's total operating revenue increased by \$85,073 or 1.1%. Wastewater service charges increased 0.5%, due to a slight increase in the customer base. There was also a 1.1% increase in recycled water sales. Although there were changes in the recycled water sales contract terms, at the beginning of FY ending June 30, 2014, which significantly reduced the unit price of recycled water sold and removed a take-or-pay arrangement, there was a 53% increase in the volume of recycled water sold due to warmer temperatures and the addition of recycled water rebates received, which more than offset the lower unit price.

# Leucadia Wastewater District

- The District’s operating expenses (before depreciation) increased \$78,329 or 1.4%, partially due to increases in electrical costs and Encina treatment costs. This was partially offset by decreases in chemical costs, legal fees, financial costs, and pension expense (due to an increase in employees’ share of pension expenses). In addition, during the year, electrical costs were offset by \$47,411 in solar incentive payments received from the installation of a renewable solar system at the District’s main location.
- Investment earnings were up 93.9% from the prior year due to a 1.9% increase in investments and cash equivalents during the year, and a \$15,766 increase in the fair-value of investments held at year end (vs a \$245,938 decrease in the fair value of investments in the prior year). The increase was partially offset by a 23% drop in the yearly average investment yield. The District participates in three different investment pools and in the CAMP Individual Portfolio program. As of June 30, 2014 the CAMP individual portfolio contained laddered investments in US treasury notes, US government sponsored agency bonds/notes, and corporate notes totaling \$8.6 million.
- Capacity fees were up by 717% as private development activity rebounded from the prior lows.
- Property taxes increased slightly by 4.7% due to increases in assessed valuations.
- The majority of the loss on disposition of capital assets in fiscal year ending June 30, 2014 was the result of the replacement of aging infrastructure at the Encina Joint System.
- The District continues to provide core services to its customers at one of the lowest unit costs in the region. The District’s wastewater service charge was \$21.52 per EDU per month for the fiscal year ended June 30, 2014 and 2013.

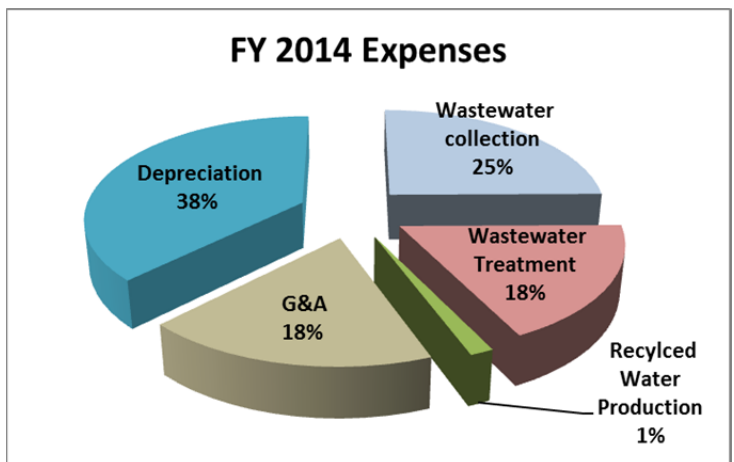


**Revenues:**

Revenues for Fiscal Year (FY) 2014 totaled \$9,436,717 and are presented here in graphical format. As can be seen, wastewater service charges continue to be a major funding source representing 77% of the District’s revenues. Another significant source of revenue is property taxes at 13%

**Expenses:**

Expenses for Fiscal Year (FY) 2014 totaled \$9,552,154. Depreciation represents the largest component at 38% of the expenses. Wastewater Collection (25%), Wastewater Treatment (18%), and General and Administrative (18%) are the next largest expenses. The Wastewater Treatment component represents the costs for treatment at the Encina Joint System based on the District’s ownership and usage of those facilities.



**Cash Flows**

District cash flows, for the FY ended June 30, 2014, have been categorized into one of the following four activities: operating, non-capital financing, capital and related financing, and investing. The total of these categories represents a decrease in cash and cash equivalents of \$1,096,564, which is subtracted from beginning cash and cash equivalents of \$29,574,613 to arrive at ending cash and cash equivalents of \$28,478,049. The largest decreases in cash and cash equivalents were the acquisition and construction of capital assets in the amount of \$5.2 million and the purchases of investments in excess of proceeds from the sale and maturity of investments in the amount of \$1.8 million. Partially offsetting the decreases were the increases in cash and cash equivalents from: operating activities of \$3.0 million, property taxes of \$1.3 million, and proceeds from capacity fees for \$1.4 million. The ending cash and cash equivalents are represented on the Statement of Net Assets as the following: unrestricted cash and cash equivalents of \$27,016,277, current restricted cash and cash equivalents of \$249,970, and noncurrent restricted cash and cash equivalents of \$1,211,802.

**Financial Ratios**

**TABLE 3. SELECTED FINANCIAL RATIOS**

<b>Ratio</b>	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>
Current Ratio	15.2	9.4	8.8
Operating Margin Ratio (before depreciation exp.)	1.4/1	1.4/1	1.4/1
Total Margin Ratio (total revenues to expenses)	1.0/1	1.0/1	1.1/1
Capital Asset Condition Ratio	33%	32%	34%
Total Debt to Equity	1 / 70	1/38	1/35

Table 2 list several ratios to help measure the District’s financial position and financial resources and uses for the year. The current ratio (*current assets divided by current liabilities*) indicates the District can pay 15.2 times its current liabilities from current assets. The District’s current ratio of 15.2 indicates a strong ability to meet its short term obligations. The operating margin ratio (*operating revenues divided by operating expenses, before depreciation expense*) measures the extent to which services charges cover operating expenses (*excluding depreciation expense*). An operating margin ratio of 1.4 indicates good coverage of the operating expenses, excluding depreciation. (*Depreciation expense is a non-cash systematic write down of existing capital assets*). However, when factoring in depreciation expense this ratio would drop below 1. This leads to the next ratio, the total margin ratio which measures the coverage of total revenues to total expense, including depreciation expense. A total margin ratio of 1.0, for FY 2014, indicates the District is living within it financial means and is covering its expenses including depreciation expense. Another ratio, the capital asset condition ratio reflects the age and use of the capital assets. A capital condition ratio of 33% shows that about a third of the capital asset value has been depreciated, and will have to be replaced at some time. The District routinely updates its 20 year Comprehensive Financial Plan and its 20 year Asset Management Master Plan to address the replacement and financing of these depreciated capital assets. The District maximizes a pay-as-you-go method and minimizes the use of debt to finance capital projects. Another key indicator that the District’s financial position is strong is that the debt-to-equity ratio continues to be very favorable as the District’s assets have increased. For every \$1 of debt at June 30, 2014 the District had \$70 in net position (equity), which is up from the ratio of \$1 of debt to \$38 in net position the District had at June 30, 2013. This ratio also indicates a high degree of solvency and the ability to obtain additional financing if needed.

**RESTRICTIONS, COMMITMENTS, AND LIMITATIONS**

***District Reserves:***

In February 2011, the District adopted its Revised Reserve Fund Policy. To reflect the District’s compliance with GASB 34, the Policy categorizes the District reserves into two general types: 1) Restricted Reserves and 2) Unrestricted Reserves. The Policy also established target amounts for the reserves and described the flow of funding to and from the reserves. A brief overview of the various reserve designations is provided as follows:

***Restricted Reserves:***

Restricted reserves are those that have conditions or restrictions placed on their use by outside sources such as creditors, laws, regulations, etc. The District has one restricted reserve, which is the Capital Improvement Reserve.

During FY ended June 30, 2014, there was a net reduction in the Capital Improvement Reserve of \$216,514, or 15%, due to the continued implementation of the District’s growth related capital projects.

The restricted reserve balances as of year-end are as follows:

<u>Restricted Reserve Designation</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Capital Improvement Reserve	<u>\$ 1,211,802</u>	<u>\$ 1,428,316</u>	<u>\$ 2,326,290</u>

***Unrestricted Reserves:***

Unrestricted reserves have no outside restrictions or conditions, and the use of these funds is at the discretion of the Board of Directors. The District maintained four separate unrestricted reserve designations covering operations, capital replacement, water recycling, and emergencies. During FY 2014, the Replacement Reserve, which funds the refurbishment and replacement of the District’s facilities, had an increase of \$1.7 million or about 7.8%. This increase was due to deposits of \$1.4 million in capacity fees (100 % buy-in portion), \$1.3 million of property taxes, and \$1.9 million of net transfers from other reserves, which was partially offset by \$3.0 million in capital replacement expenditures during the year,:

The unrestricted reserve balances as of June 30, are as follows:

<u>Unrestricted Reserve Designation</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Operations Reserve	\$2,073,044	\$ 2,200,126	\$ 2,248,651
Replacement Reserve	23,116,629	21,440,871	24,331,867
Water Recycling Reserve	3,675,534	3,579,341	3,301,164
Emergency Reserve	<u>7,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>
Total	<u>\$36,365,207</u>	<u>\$34,720,338</u>	<u>\$37,381,682</u>

Overall, the District’s restricted and unrestricted reserves totaled \$36,365,207 as of June 30, 2014. This is an increase of \$1.6 million from the prior year, which is mostly the result of positive operating income before depreciation, property tax revenue, and capacity fees, which was partially offset by anticipated capital projects during the year. The remaining reserve balances show that the District remains in a strong financial position to fund the remaining balance of the estimated \$102M in capital projects over the next 20 years as identified in the District’s 2013 Comprehensive Financial Plan.



**CAPITAL ASSETS AND LONG-TERM DEBT**

***Capital Assets:***

At June 30, 2014 the District’s investment in capital assets amounted to \$98,011,150, net of accumulated depreciation of \$46,720,148. This investment in capital assets includes land, buildings, donated subsurface lines, collection and transmission facilities, equipment, vehicles, construction-in-progress, and the District’s share of treatment and disposal facilities of the Encina Joint System. Development activity in the District’s service area and implementation of the Capital Improvement Program projects identified in the Asset Management Master Plan resulted in contributions to the District’s infrastructure. The following list provides a summary of significant additions to capital assets during the FY ending June 30, 2014:

Contributed Subsurface Lines	\$ 617,041
Pump Station Improvements	965,502
Collection Lines	655,386
Force Main Rehabilitation	231,907
Vehicles and Equipment	548,483
Encina Joint System, net of deletions	<u>1,123,850</u>
Total	<u>\$ 4,142,169</u>

Additional information on the District’s capital assets can be found in note 3 “Capital Assets” of this report.

***Long-Term Debt:***

During FY ending June 30, 2014 and June 30, 2013 the District had no long-term financing debt.

**CURRENTLY KNOW FACTS, CONDITIONS, OR DECISIONS**

The District considered the recommendations from the 2013 Comprehensive Financial Plan Update, the 2013 Asset Management Master Plan, and the following economic factors in establishing the FY 2015 budget amounts and fees:

- A declining level of growth within the District, estimating the addition of 45 equivalent dwelling units (EDU) in fiscal year 2015.
- The need to replace or rehabilitate existing, aging District infrastructure.
- Continuing economic uncertainties, and the volatility of revenues such as property tax and interest income.
- Rising costs.
- Emerging regulatory and environmental pressures.

As a result of these factors, the FY ended June 30, 2015 budget includes:

- An increase in annual wastewater service charges of \$23.67 to \$284.04/EDU/Year.
- Capacity Fee charges were unchanged at \$4,006 per EDU.
- \$8,866,770 in appropriations for capital improvement and replacement projects.
- A 2% increase in personnel costs.
- A 3% increase in overall operating costs.



## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our Board of Directors, citizens, customers, ratepayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives and the stewardship of the facilities it owns and operates. If you have questions about this report or need additional information, contact the District General Manager at the Leucadia Wastewater District, 1960 La Costa Avenue, Carlsbad, California 92009, (760) 753-0155, or visit our website at [www.lwwd.org](http://www.lwwd.org).

# LEUCADIA WASTEWATER DISTRICT

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## STATEMENTS OF NET POSITION June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 27,016,277	\$ 27,849,300
Restricted cash and cash equivalents (Note 2)	249,970	296,997
Investments (Note 2)	682,532	3,199,929
Accrued interest receivable	57,068	50,569
Accounts receivable – wastewater service charges	904	775
Accounts receivable – property taxes	21,065	18,523
Accounts receivable – due from other governments	155,818	976,798
Accounts receivable – other	10,557	22,224
Net OPEB Asset	18,312	14,100
Prepaid expenses and other deposits	70,547	54,605
	<u>28,283,050</u>	<u>32,483,820</u>
Total Current Assets		
Noncurrent Assets:		
Restricted cash and cash equivalents (Note 2)	1,211,802	1,428,316
Investments (Note 2)	8,564,761	4,259,618
Deposits with Encina Wastewater Authority (Note 5)	906,849	906,849
Prepaid PERS Contribution (Note 13)	555,126	579,856
Land (Note 3)	12,878	12,878
Construction in progress (Note 3)	2,272,195	5,056,329
Capital assets, net of depreciation (Note 3)	95,726,077	92,496,639
	<u>109,249,688</u>	<u>104,740,485</u>
Total Noncurrent Assets		
Total Assets	<u>137,532,738</u>	<u>137,224,305</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>

(Continued)

**LEUCADIA WASTEWATER DISTRICT**

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STATEMENTS OF NET POSITION (Continued)  
June 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accrued expenses	1,379,225	2,945,642
Restricted accounts payable and accrued expenses	7,504	79,904
Accrued salaries and wages	51,494	26,559
Restricted developer deposits	242,466	217,093
Long-term liabilities - due within one year:		
Compensated absences (Note 6)	177,293	168,425
 Total Current Liabilities	<u>1,857,982</u>	<u>3,437,623</u>
 Noncurrent Liabilities:		
Long-term liabilities - due in more than one year:		
Compensated absences (Note 6)	86,597	72,182
 Total Noncurrent Liabilities	<u>86,597</u>	<u>72,182</u>
 Total Liabilities	<u>1,944,579</u>	<u>3,509,805</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>
 <b>NET POSITION (Note 7)</b>		
Investment in capital assets	98,011,150	97,565,846
Restricted for capital projects	1,211,802	1,428,316
Unrestricted	36,365,207	34,720,338
 Total Net Position	<u>\$ 135,588,159</u>	<u>\$ 133,714,500</u>

**LEUCADIA WASTEWATER DISTRICT****STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Wastewater service charges	\$ 7,218,040	\$ 7,185,020
Recycled water sales	492,421	487,210
Other charges and services	247,619	200,777
Total Operating Revenues	<u>7,958,080</u>	<u>7,873,007</u>
<b>OPERATING EXPENSES</b>		
Wastewater collection	2,337,530	2,349,076
Wastewater treatment – Encina Joint System	1,683,406	1,632,246
Recycled water production	140,209	156,604
General and administrative	1,717,037	1,661,927
Total Operating Expenses	<u>5,878,182</u>	<u>5,799,853</u>
Operating Income Before Depreciation Expense	2,079,898	2,073,154
Depreciation expense	<u>(3,527,059)</u>	<u>(3,413,314)</u>
Operating Income (Loss)	<u>(1,447,161)</u>	<u>(1,340,160)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Property taxes	1,263,119	1,207,630
Interest and investment income(loss)	213,607	(11,993)
Gain/(Loss) on disposition of capital assets (Note 3)	(146,913)	6,310,855
Other nonoperating revenues	1,911	11,158
Other nonoperating expenses	-	(2,710)
Total Nonoperating Revenues (Expenses), net	<u>1,331,724</u>	<u>7,514,940</u>
Income (Loss) Before Capital Contributions	<u>(115,437)</u>	<u>6,174,780</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Capacity charges	1,372,055	167,941
Developers	617,041	693,480
Total Capital Contributions	<u>1,989,096</u>	<u>861,421</u>
Changes in Net Position	1,873,659	7,036,201
Net Position, Beginning	<u>133,714,500</u>	<u>126,678,299</u>
Net Position, End of Year	<u>\$ 135,588,159</u>	<u>\$ 133,714,500</u>

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

# LEUCADIA WASTEWATER DISTRICT

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## STATEMENTS OF CASH FLOWS For the years ended June 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers for wastewater sales and service	\$ 8,071,295	\$ 7,911,546
Cash paid to vendors and suppliers for materials and services	(2,571,971)	(3,167,058)
Cash paid for employee wages, benefits and related costs	(2,502,456)	(2,553,427)
Net Cash Provided (Used) by Operating Activities	<u>2,996,868</u>	<u>2,191,061</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from property taxes	<u>1,260,577</u>	<u>1,207,306</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,260,577</u>	<u>1,207,306</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(5,145,431)	(5,309,977)
Proceeds from capacity fees	<u>1,372,055</u>	<u>167,941</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,773,376)</u>	<u>(5,142,036)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale and maturities of investments	5,190,474	2,685,261
Purchases of investments	(6,982,185)	(1,611,640)
Interest and investment earnings	<u>211,078</u>	<u>75,868</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,580,633)</u>	<u>1,149,489</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,096,564)	(594,180)
Cash and Cash Equivalents, Beginning of Year	<u>29,574,613</u>	<u>30,168,793</u>
Cash and Cash Equivalents, End of Year	<u>\$ 28,478,049</u>	<u>\$ 29,574,613</u>

(Continued)

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

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## LEUCADIA WASTEWATER DISTRICT

### STATEMENTS OF CASH FLOWS (Continued) For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Reconciliation of operating income (loss) to net cash flows provided (used) by operating activities:</b>		
Operating income (loss)	\$ (1,447,161)	\$ (1,340,160)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	3,527,059	3,413,314
Other nonoperating revenues (expense), net	1,911	8,448
Changes in operating assets and liabilities:		
(Increase)Decrease in operating assets:		
Accounts receivable – wastewater sales	(129)	1,291
Accounts receivable – due from other governments	820,980	(104,165)
Accounts receivable – other	11,667	28,800
Prepaid expenses and other deposits	4,572	25,218
Increase(Decrease) in operating liabilities:		
Accounts payable and accrued expenses – unrestricted	4,378	151,335
Accounts payable and accrued expenses – restricted	-	-
Accrued salaries and wages	24,935	(710)
Compensated absences	23,283	6,310
Developer deposits - restricted	25,373	1,380
Total adjustments	<u>4,444,029</u>	<u>3,531,221</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,996,868</u>	<u>\$ 2,191,061</u>

#### Financial Statement Classification

##### Cash and cash equivalents

###### Current assets:

Cash and cash equivalents	\$ 27,016,277	\$ 27,849,300
Restricted cash and cash equivalents	249,970	296,997

###### Non-current assets:

Restricted cash and cash equivalents	<u>1,211,802</u>	<u>1,428,316</u>
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Total Cash and Cash Equivalents	<u>\$ 28,478,049</u>	<u>\$ 29,574,613</u>
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#### Supplemental Disclosures:

##### Noncash Investing and Financing Activities:

Noncash basis adjustment in Encina related capital assets	\$ -	\$ 5,876,578
Capital assets contributed by developers and others	\$ 617,041	\$ 362,273
Change in fair value of investments	\$ 15,766	\$ (77,143)

June 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Organization and Operations of the Reporting Entity:

Leucadia Wastewater District (formerly known as Leucadia County Water District) was formed in 1959. The District provides sewer collection and treatment services to portions of the incorporated cities of Encinitas and Carlsbad. The District provides recycled water for use as irrigation on the La Costa Resort & Spa Golf Course. The District serves a land area of approximately sixteen square miles.

b. Measurement Focus, Basis of Accounting and Financial Statements Presentation:

“Measurement focus” is a term used to describe *which* transactions are recorded within the various financial statements. “Basis of accounting” refers to *when* transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the “economic resources measurement focus,” and the “accrual basis of accounting.” Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District’s principal ongoing operations. The principal operating revenues of the District are charges for wastewater services. Operating expenses also include management, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing wastewater services to its customers on a continuing basis be financed or recovered primarily through user charges (wastewater service charges), capital grants and similar funding.

The basic financial statements of the Leucadia Wastewater District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes.

Net position of the District is classified into three components: (1) investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of investment in capital assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Measurement Focus, Basis of Accounting and Financial Statements Presentation (continued):

Restricted Net Position

This component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This component of net position consists of net position that does not meet the definition of “investment in capital assets” or “restricted net position”.

When both restricted and unrestricted resources are available for use, it is the District’s practice to use restricted resources first, then unrestricted resources as they are needed.

c. New Accounting Pronouncements:

Current Year Standards

- GASB 66 - “*Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62*”, required to be implemented in the current fiscal year did not impact the District.
- GASB 70 - “*Accounting and Financial Reporting for Nonexchange Financial Guarantees*”, required to be implemented in the current fiscal year did not impact the District.

Pending Accounting Standards

GASB has issued the following statements which may impact the District’s financial reporting requirements in the future:

- GASB 68 - “*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*”, effective for the fiscal years beginning after June 15, 2014.
- GASB 69 - “*Government Combinations and Disposals of Government Operations*”, effective for periods beginning after December 15, 2013.
- GASB 71 - “*Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB No. 68*”, effective for the fiscal years beginning after June 15, 2014.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):****d. Deferred Outflows / Inflows of Resources**

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any type of these items as of June 30, 2014 or June 30, 2013.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District does not have any type of these items as of June 30, 2014 or June 30, 2013.

**e. Cash and Cash Equivalents:**

For purposes of the Statements of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**f. Investments and Investment Policy:**

The District has adopted an investment policy authorizing the District's General Manager to deposit funds in financial institutions.

All investments are stated at fair value. Market value is used as fair value for securities for which market quotations are readily available. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**g. Accounts Receivable:**

The District has made no provision for uncollectible receivables as all accounts are considered to be collectible as of June 30, 2014 and 2013.

**h. Prepaid Expenses:**

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

**i. Restricted Assets:**

Certain assets of the District are restricted in use by ordinance or debt covenant and, accordingly are shown as restricted assets on the accompanying Statements of Net Position. Collected capacity charges are set aside for certain capital projects. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

j. Capital Assets:

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000 if they have an expected useful life of more than one year. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	10 - 50 years
Subsurface lines	50 - 150 years
Sewage collection facilities	2 - 150 years
Sewage treatment facilities	10 - 40 years
Sewage transmission facilities	5 - 100 years
Water reclamation facilities	3 - 50 years
Equipment	3 - 15 years

k. Ownership in Encina Joint System:

The District records ownership in the Encina Joint System as a component of capital assets. Investment in the Encina Joint System is broken down into completed plant and equipment and construction in progress. Completed plant and equipment is capitalized at a percentage of ownership of accumulated expenditures made by the Encina Joint System. Ownership percentages are determined by joint agreement at the time the assets are acquired. Construction in progress is recorded as the accumulation of actual payments made by the District. Depreciation is calculated on the same basis as Note 1.j. See notes 3 and 4 for further information.

l. Compensated Absences:

The District’s personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and sick leave are recorded when benefits are fully vested. Cash payments of unused vacation hours and unused sick leave hours are available to those qualified employees when retired or terminated. Unused sick leave hours are paid at the rate of 75% of the employee’s final rate of pay at the time of separation. Annually, during November, each employee who has accumulated more than 176 hours sick leave may elect to be paid for the time in excess of 176 hours at the rate of 75% of the employee’s current rate of pay.

m. Developer Deposits:

Developer deposits are received from developers during construction of new sewer connections for inspection fees and plan checks. Any deposits held at the completion of the construction are refunded to the developer.

n. Wastewater Service:

Wastewater service revenues are collected by the County of San Diego through an assessment on customers’ property tax bills.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

o. Property Taxes:

Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent of county-wide assessed valuations. This one percent is allocated pursuant to state law to the appropriate units of local government. The District’s property tax calendar for the fiscal year ended June 30, 2014 was as follows:

Lien date	January 1
Levy date	July 1
Due date:	
First installment	November 1
Second installment	February 1
Delinquent date:	
First installment	December 10
Second installment	April 10

p. Capital Contributions:

Capital contributions represent cash and capital asset additions contributed to the District by granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment. Donated assets are capitalized at their approximate fair market value on the date contributed.

q. Budgetary Policies:

The District adopts an annual budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is used to account for commitments related to ongoing capital related projects.

r. Use of Estimates:

The preparation of the basic financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

s. Federal and State Capital and Operating Grants:

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a capital or operating grant receivable on the Statements of Net Position and as capital grant contribution or operating grant revenue, as appropriate, on the Statements of Revenues, Expenses and Changes in Net Position.

## 2. CASH AND INVESTMENTS:

Cash and investments as of June 30, are classified in the accompanying financial statements as follows:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 27,016,277	\$ 27,849,300
Restricted cash and cash equivalents	249,970	296,997
Investments	682,532	3,199,929
Restricted cash and cash equivalents - noncurrent	1,211,802	1,428,316
Investments - noncurrent	<u>8,564,761</u>	<u>4,259,618</u>
Total cash and investments	<u>\$ 37,725,342</u>	<u>\$ 37,034,160</u>

Cash and investments as of June 30, consist of the following:

	<u>2014</u>	<u>2013</u>
Cash on hand	\$ 500	\$ 500
Deposits with financial institutions	151,298	173,657
Investments	<u>37,573,544</u>	<u>36,860,003</u>
Total cash and investments	<u>\$ 37,725,342</u>	<u>\$ 37,034,160</u>

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

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by the California Government Code and the District’s Investment Policy (Continued):

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
State and Local Agency Debt	5 years	10%	None
U.S. Treasury Obligations	5 years**	75%	None
U.S. Government Sponsored Entities	5 years**	75%	None
Banker's Acceptances	180 days	10%	30%
Commercial Paper	270 days	10%	10%
Bank Deposits	5 years	25%	None
Negotiable Certificates of Deposit	5 years	10%	None
Medium-Term Notes	5 years	10%	None
Repurchase Agreements	30 days	10%	None
Money Market Mutual Funds	N/A	10%	10%
San Diego County Pooled Investment Fund	N/A	75%	None
California Local Agency Investment Fund (LAIF)	N/A	75%	None
California Asset Management Program (CAMP)	N/A	75%	None

\* \* Except when authorized by the District's legislative body in accordance with Government Code Section 53601

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government 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 counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**2. CASH AND INVESTMENTS (CONTINUED):****Custodial Credit Risk (Continued):**

The California Government Code and the District'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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2014 and 2013, \$99,252 and \$106,717, respectively, of the District's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

**Investment in State Investment Pool:**

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

**Investment in California Asset Management Program:**

The California Asset Management Program (CAMP) is a public joint powers authority which provides California Public Agencies with investment management services for surplus funds and comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of tax-exempt financings. The CAMP currently offers the Cash Reserve Portfolio, a short-term investment portfolio, as a means for Public Agencies to invest these funds. Public Agencies that invest in the Pool ("Participants") purchase shares of beneficial interest. Participants may also establish individual, professionally managed investment accounts ("Individual Portfolios") by separate agreement with the Investment Advisor. The District participates in the Cash Reserve Portfolio and has also established a professionally managed individual portfolio through CAMP.

Investments in the pools and individual portfolios are made only in investments in which Public Agencies generally are permitted by California statute. The CAMP may reject any investment and may limit the size of a participant's account. The pool seeks to maintain, but does not guarantee, a constant net asset value of \$1.00 per share. A participant may withdraw funds from its Pool accounts at any time by check or wire transfers. Requests for wire transfers must be made by 9:00 AM that day. Fair value of the pool is determined by the fair value per share of the pool's underlying portfolio.

## 2. CASH AND INVESTMENTS (CONTINUED):

## Investment in San Diego County Investment Pool:

The District is a voluntary participant in the San Diego County Treasurer's Pooled Money Fund which is managed by San Diego County Treasurer-Tax Collector's office on behalf of the County of San Diego, school districts, colleges, special districts, and local agencies in San Diego.

Permissible investments in the Pool are made in accordance with California State law. The maximum effective duration for the portfolio is 1.5 years. Before a participant can withdraw funds from the Pool it must submit a withdrawal request 2 working days prior to its desired withdrawal date. Also, the County Treasurers' Office must insure that any withdrawals will not adversely affect the interest of all other depositors in the Pool.

## 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 District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

Investments at June 30, 2014:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Resolution Funding Corp. Coupon Strips	\$ 679,932	\$ 679,932	\$ -	\$ -	\$ -
U.S. Treasury Notes	3,992,660	-	-	3,992,660	-
Government National Mortgage Association Pools	10,741	2,600	376	1,174	6,591
Federal Home Loan Mortgage Corp. Global Notes	1,986,710	-	-	1,986,710	-
Federal National Mortgage Association Global Notes	1,012,510	-	-	1,012,510	-
Local Agency Investment Fund (LAIF)	16,902,990	16,902,990	-	-	-
California Asset Management Program (CAMP)	115,261	115,261	-	-	-
San Diego County Pool	11,308,000	11,308,000	-	-	-
Medium Term Notes	1,564,740	-	-	1,564,740	-
Total	<u>\$ 37,573,544</u>	<u>\$ 29,008,783</u>	<u>\$ 376</u>	<u>\$ 8,557,794</u>	<u>\$ 6,591</u>

## 2. CASH AND INVESTMENTS (CONTINUED):

## Interest Rate Risk (Continued):

Investments at June 30, 2013:

Investment Type	Total	Remaning Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Resolution Funding Corp. Coupon Strips	\$ 1,360,158	\$ 682,891	\$ 677,267	\$ -	\$ -
Government National Mortgage Association Pools	13,359	2,200	-	4,239	6,920
Federal Home Loan Mortgage Corp. Global Notes	2,012,885	-	2,012,885	-	-
Federal National Mortgage Association Global Notes	2,010,469	2,010,469	-	-	-
Local Agency Investment Fund (LAIF)	16,441,801	16,441,801	-	-	-
California Asset Management Program (CAMP)	1,731,655	1,731,655	-	-	-
San Diego County Pool	11,227,000	11,227,000	-	-	-
Medium Term Notes	2,062,676	504,369	-	1,558,307	-
<b>Total</b>	<b>\$ 36,860,003</b>	<b>\$ 32,600,385</b>	<b>\$ 2,690,152</b>	<b>\$ 1,562,546</b>	<b>\$ 6,920</b>

## 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 minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating by Moody's as of June 30, 2014 and 2013 for each investment type (CAMP and the San Diego County Pool are rated by Standard and Poor's. CAMP rating is AAAM and the San Diego County Pool is rated AAAs).

Credit ratings of investments as of June 30, 2014, were as follows:

Investment Types	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End			
				AAA	AA	A	Not Rated
Resolution Funding Corp. Coupon Strips	\$ 679,932	N/A	\$ 679,932	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Notes	3,992,660	N/A	-	3,992,660	-	-	-
Government National Mortgage Association Pools	10,741	AAA	-	10,741	-	-	-
Federal Home Loan Mortgage Corp. Global Notes	1,986,710	AAA	-	1,986,710	-	-	-
Federal National Mortgage Association Global Notes	1,012,510	AAA	-	1,012,510	-	-	-
Local Agency Investment Fund (LAIF)	16,902,990	N/A	-	-	-	-	16,902,990
California Asset Management Program (CAMP)	115,261	N/A	-	115,261	-	-	-
San Diego County Pool	11,308,000	N/A	-	11,308,000	-	-	-
Medium Term Notes	1,564,740	A	-	576,615	488,980	499,145	-
<b>Total</b>	<b>\$ 37,573,544</b>		<b>\$ 679,932</b>	<b>\$ 19,002,497</b>	<b>\$ 488,980</b>	<b>\$ 499,145</b>	<b>\$ 16,902,990</b>



## 2. CASH AND INVESTMENTS (CONTINUED):

## Credit Risk (Continued):

Credit ratings of investments as of June 30, 2013, were as follows:

Investment Types	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End			
				AAA	AA	A	Not Rated
Resolution Funding Corp. Coupon Strips	\$ 1,360,158	N/A	\$ 1,360,158	\$ -	\$ -	\$ -	\$ -
Government National Mortgage Association Pools	13,359	AAA	-	13,359	-	-	-
Federal Home Loan Mortgage Corp. Global Notes	2,012,885	AAA	-	2,012,885	-	-	-
Federal National Mortgage Association Global Notes	2,010,469	AAA	-	2,010,469	-	-	-
Local Agency Investment Fund (LAIF)	16,441,801	N/A	-	-	-	-	16,441,801
California Asset Management Program (CAMP)	1,731,655	N/A	-	1,731,655	-	-	-
San Diego County Pool	11,227,000	N/A	-	11,227,000	-	-	-
Medium Term Notes	2,062,676	A	-	590,495	984,518	487,663	-
Total	\$ 36,860,003		\$ 1,360,158	\$ 17,585,863	\$ 984,518	\$ 487,663	\$ 16,441,801

## Concentration of Credit Risk:

The investment policy of the District is in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

Issuer	Investment Type	Reported Amount	
		2014	2013
Federal Home Loan Mortgage Corporation	U.S. Govt Sponsored Entities	\$ 1,986,710	\$ 2,012,885
Federal National Mortgage Association Notes	U.S. Govt Sponsored Entities	\$ 1,012,510	\$ 2,010,469

## 3. CAPITAL ASSETS:

Changes in capital assets for 2014 were as follows:

	Balance 2013	Additions/ Transfers	Deletions/ Transfers	Balance 2014
Non-depreciable assets:				
Land	\$ 12,878	\$ -	\$ -	\$ 12,878
Construction-in-progress - Encina	1,707,464	1,113,552	(1,771,320)	1,049,696
Construction-in-progress	3,348,865	2,035,217	(4,161,583)	1,222,499
Total non-depreciable assets	5,069,207	3,148,769	(5,932,903)	2,285,073
Depreciable assets:				
Sewer collection facilities	30,000,882	1,493,000	(91,972)	31,401,910
Sewage treatment facilities	138,290	-	-	138,290
Sewage transmission facilities	15,194,771	3,005,948	-	18,200,719
Advanced water treatment facility	5,225,971	44,797	(17,834)	5,252,934
Subsurface lines	30,333,905	617,041	-	30,950,946
Vulcan sewer line	210,889	-	-	210,889
Site buildings and grounds	13,929,194	-	-	13,929,194
Equipment	1,960,524	166,322	(23,017)	2,103,829
Encina Joint System	39,125,018	1,781,617	(649,121)	40,257,514
Total depreciable assets	136,119,444	7,108,725	(781,944)	142,446,225
Accumulated depreciation:				
Sewer collection facilities	(11,602,387)	(976,884)	91,972	(12,487,299)
Sewage treatment facilities	(84,888)	(4,610)	-	(89,498)
Sewage transmission facilities	(5,412,022)	(480,347)	-	(5,892,369)
Advanced water treatment facility	(2,590,564)	(174,663)	15,307	(2,749,920)
Subsurface lines	(8,720,925)	(453,540)	-	(9,174,465)
Vulcan sewer line	(99,821)	(3,967)	-	(103,788)
Site buildings and grounds	(1,231,704)	(318,791)	-	(1,550,495)
Equipment	(1,400,984)	(127,504)	21,167	(1,507,321)
Encina Joint System	(12,479,510)	(986,753)	301,270	(13,164,993)
Total accumulated depreciation	(43,622,805)	(3,527,059)	429,716	(46,720,148)
Total depreciable assets, net	92,496,639	3,581,666	(352,228)	95,726,077
Total capital assets, net	\$97,565,846	\$ 6,730,435	\$ (6,285,131)	\$ 98,011,150

During the fiscal year ending June 30, 2014, major capital assets additions included the Gravity Pipeline Rehabilitation, La Costa Pump Station Rehabilitation, Batiquitos Pump Station Rehabilitation, and various miscellaneous line repairs, which were completed during the year, as well as the Leucadia Pump Station Generator Replacement, the B2 Force Main Replacement Project, and the Recycled Water Line Valve & Creek Crossing Repair, which are ongoing.

## 3. CAPITAL ASSETS (CONTINUED):

Changes in capital assets for 2013 were as follows:

	Balance 2012	Additions/ Transfers	Deletions/ Transfers	Balance 2013
Non-depreciable assets:				
Land	\$ 12,878	\$ -	\$ -	\$ 12,878
Construction-in-progress - Encina	3,569,539	1,847,403	(3,709,478)	1,707,464
Construction-in-progress	920,901	3,309,125	(881,161)	3,348,865
Total non-depreciable assets	<u>4,503,318</u>	<u>5,156,528</u>	<u>(4,590,639)</u>	<u>5,069,207</u>
Depreciable assets:				
Sewer collection facilities	29,686,637	314,245	-	30,000,882
Sewage treatment facilities	138,290	-	-	138,290
Sewage transmission facilities	14,610,415	584,356	-	15,194,771
Advanced water treatment facility	5,221,471	4,500	-	5,225,971
Subsurface lines	29,640,425	693,480	-	30,333,905
Vulcan sewer line	210,889	-	-	210,889
Site buildings and grounds	13,929,194	-	-	13,929,194
Equipment	1,670,562	289,962	-	1,960,524
Encina Joint System	32,423,364	13,387,357	(6,685,703)	39,125,018
Total depreciable assets	<u>127,531,247</u>	<u>15,273,900</u>	<u>(6,685,703)</u>	<u>136,119,444</u>
Accumulated depreciation:				
Sewer collection facilities	(10,597,875)	(1,004,512)	-	(11,602,387)
Sewage treatment facilities	(80,278)	(4,610)	-	(84,888)
Sewage transmission facilities	(5,043,797)	(368,225)	-	(5,412,022)
Advanced water treatment facility	(2,420,847)	(169,717)	-	(2,590,564)
Subsurface lines	(8,271,155)	(449,770)	-	(8,720,925)
Vulcan sewer line	(95,854)	(3,967)	-	(99,821)
Site buildings and grounds	(912,913)	(318,791)	-	(1,231,704)
Equipment	(1,263,647)	(137,337)	-	(1,400,984)
Encina Joint System	(14,368,684)	(956,385)	2,845,559	(12,479,510)
Total accumulated depreciation	<u>(43,055,050)</u>	<u>(3,413,314)</u>	<u>2,845,559</u>	<u>(43,622,805)</u>
Total depreciable assets, net	<u>84,476,197</u>	<u>11,860,586</u>	<u>(3,840,144)</u>	<u>92,496,639</u>
Total capital assets, net	<u>\$88,979,515</u>	<u>\$17,017,114</u>	<u>\$ (8,430,783)</u>	<u>\$97,565,846</u>

During the fiscal year ending June 30, 2013, major capital assets additions included the Asset Management and Implementation Project, the Force Main Corrosion Prevention Project, the Occidental Line Rehabilitation, and various miscellaneous line repairs, which were completed during the year, as well as the Batiquitos Pump Station Rehabilitation, the Lanikai Line Rehabilitation, the Leucadia Pump Station Generator Replacement, and the La Costa Pump Station Rehabilitation, which are ongoing.

Depreciation expense for the years ended June 30, 2014 and 2013 was \$3,527,059 and \$3,413,314, respectively.

## 3. CAPITAL ASSETS (CONTINUED):

The District has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-progress balances at June 30, are as follows:

	<u>2014</u>	<u>2013</u>
Force Main Corrosion Evaluation	\$ 94,806	\$ 66,602
Gravity Pipeline Rehabilitation	-	57,073
Leucadia PS Generator Replacement	640,295	88,187
La Costa PS Rehab	-	168,358
Laniki Line Rehab	-	283,110
Batiquitos PS rehabilitation	-	2,602,133
Water recycling group	150,855	79,877
Pump Station Condition Assessment	-	-
Recycled Water Line Valve & Creek Crossing Repair	125,333	-
Scott's Valley Pipeline Repair	17,948	-
B2 Force Main Replacement Project	188,412	-
Miscellaneous projects	4,850	3,525
Construction-in-progress	<u>\$ 1,222,499</u>	<u>\$ 3,348,865</u>

## 4. ENCINA JOINT SYSTEM

The Encina Joint System is a sewage treatment and ocean outfall disposal facility owned jointly by the Cities of Carlsbad, Encinitas, and Vista, the Buena Sanitation District, the Vallecitos Water District, and the Leucadia Wastewater District. The District's share of the Encina Joint System is recorded as a component of the District's capital assets (see note 3). Ownership percentages are determined by joint agreement at the time the assets are acquired. As of June 30, 2014, the Member Agencies have the following approximate ownership interest:

City of Vista	25%
City of Carlsbad	24%
Buena Sanitation District	7%
Vallecitos Water District	23%
Leucadia Wastewater District	17%
City of Encinitas	4%

5. ENCINA WASTEWATER AUTHORITY:

The Encina Wastewater Authority (EWA) is a Joint Powers Authority formed by the Member Agencies to operate and administer the Encina Joint System and is responsible for the management, maintenance and operations of the joint system. EWA may be terminated as the operator/administrator at the discretion of the member agencies. As the operator/administrator EWA bills the member agencies for their share of the operating costs of the Encina Joint System based on their ownership and usage. The Encina Wastewater Authority does not recognize any operating income or loss (before depreciation). Net operating expenditures in excess of users’ assessments are treated as accounts receivable on the Authority’s books and charged to users’ accounts in the following year. In addition, EWA requires member agencies to maintain various reserves on deposit with EWA. At June 30, 2014, Leucadia Wastewater District was required to maintain an operating reserve of \$203,400, an inventory reserve of \$172,890, and a capital reserve of \$530,559 for at total of \$906,849.

The latest available financial statements of the Joint System, dated June 30, 2013 and 2012 (available directly from the Authority, 6200 Avenida Encinas, Carlsbad, California 92013) show the following:

	<u>2013</u>	<u>2012</u>
Total assets	\$ 126,543,408	\$ 126,498,731
Total liabilities	<u>2,608,176</u>	<u>2,981,429</u>
Total net position	<u>\$ 123,935,232</u>	<u>\$ 123,517,302</u>
Increase (decrease) in net position	<u>\$ 417,930</u>	<u>\$ (917,397)</u>

6. COMPENSATED ABSENCES:

Compensated absences are comprised of unpaid vacation leave, sick leave and compensating time off which are accrued when benefits are fully vested. The District’s liability for compensated absences is determined annually.

<u>Balance 2013</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2014</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
<u>\$ 240,607</u>	<u>\$ 184,933</u>	<u>\$ (161,650)</u>	<u>\$ 263,890</u>	<u>\$ 177,293</u>	<u>\$ 86,597</u>
<u>Balance 2012</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2013</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
<u>\$ 234,297</u>	<u>\$ 172,387</u>	<u>\$ (166,077)</u>	<u>\$ 240,607</u>	<u>\$ 168,425</u>	<u>\$ 72,182</u>

## 7. NET POSITION:

Calculation of net position as of June 30, was as follows:

	<u>2014</u>	<u>2013</u>
Net investment in capital assets:		
Land	\$ 12,878	\$ 12,878
Construction in progress	2,272,195	5,056,329
Capital assets, net of depreciation	<u>95,726,077</u>	<u>92,496,639</u>
Total net investment in capital assets	<u>98,011,150</u>	<u>97,565,846</u>
Restricted net position:		
Restricted for capital projects	<u>1,211,802</u>	<u>1,428,316</u>
Total restricted net position	<u>1,211,802</u>	<u>1,428,316</u>
Unrestricted net position:		
Reserve for operations	2,073,044	2,200,126
Reserve for capital replacement	23,116,629	21,440,871
Reserve for water recycling	3,675,534	3,579,341
Reserve for emergencies	<u>7,500,000</u>	<u>7,500,000</u>
Total unrestricted net position	<u>36,365,207</u>	<u>34,720,338</u>
Total net position	<u>\$ 135,588,159</u>	<u>\$ 133,714,500</u>

For internal purposes, the Board of Directors adopted a reserve policy to reserve Unrestricted Net Position. The reserves are meant to reflect the intentions of the Board for those net position not legally restricted.

## 8. DEFERRED COMPENSATION SAVINGS PLAN:

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. The District currently matches up to 2% of the employees' compensation up to a maximum of 2% of the Social Security wage base limit.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by the District's two deferred compensation plans at June 30, 2014 and 2013 amounted to \$1,351,000 and \$1,073,588, respectively.

The District has implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the Statements of Net Position.

## 9. DEFINED BENEFIT PENSION PLAN:

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multi-employer defined benefit pension plan. 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 agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of CalPERS annual financial report may be obtained from their Executive Office: 400 P Street, Sacramento, CA, 95814.

Funding Policy

The contribution rate for plan members in the CalPERS, 3% at 60 Risk Pool Retirement Plan is 8% of their annual covered salary. During the fiscal year ending June 30, 2014, the District paid 3% of the contributions required of District employees on their behalf and the employees paid the remaining 5%. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates were 15.724% and 15.302% for the years ended June 30, 2014 and 2013, respectively. The District is required to contribute the actuarially determined remaining amounts necessary to fund the 3% at age 60 retirement plan benefits for its classic members and 2.0% at age 62 for its new members under the California Employees' Pension Reform Act (PEPRA) provisions. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2014, 2013 and 2012, the District's annual employer contributions for the CalPERS plan were equal to the Agencies required and actual contributions for each fiscal year as follows:

Three-Year Trend Information for CalPERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>APC Percentage of Payroll</u>
June 30, 2012	\$ 267,824	100%	\$ -	18.894%
June 30, 2013	\$ 228,288	100%	\$ -	15.302%
June 30, 2014	\$ 237,669	100%	\$ -	15.724%

Funding Status

As of June 30, 2004, the District's miscellaneous plan became part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required as information is not specific to the District.

Actuarial Methods and Assumptions

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.

9. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Actuarial Methods and Assumptions (Continued)

The following is a summary of the actuarial assumptions and methods:

Valuation date	June 30, 2011
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Average remaining period	19 years as of the valuation date
Asset valuation method	15 year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50% (net of administrative expenses)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%.

10. OTHER POST-EMPLOYMENT BENEFITS:

Plan Description – Eligibility

The District provides post-employment health benefits in accordance with a resolution approved by the Board of Directors, to all employees who retire from the District. The plan is part of the Public Agency portion of the California Employers’ Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. Currently, there are three retired employees who have met these eligibility requirements and are therefore receiving the benefits. The total payments made for these benefits for retired employees for the years ended June 30, 2014 and 2013 was \$4,212 and \$4,086, respectively.

Membership in the OPEB plan consisted of the following members as of June 30:

	<u>2014</u>	<u>2013</u>
Active plan members	19	22
Retirees and beneficiaries receiving benefits	3	3
Separated plan members entitled to but not yet receiving benefits -	-	-
Total plan membership	<u>22</u>	<u>25</u>

Plan Description – Benefits

The District offers post employment medical benefits to retired employees who satisfy the eligibility rules. Retirees may enroll in any plan available through the District’s CalPERS medical plan. The contribution requirement of Plan members and the District are established and may be amended by the Board of Directors. As a member of the CalPERS medical plan the District is required to participate in its post employment medical benefit plan. The District currently pays the CalPERS minimum required employer contribution (\$119 per month in 2014 and indexed to medical CPI) for retirees electing coverage.



10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Funding Policy

The District is required to contribute the Annual Required Contribution of the Employer (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 the normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years. The District chose to amortize the unfunded actuarial liability over one year by completely funding the unfunded actuarial liability in the fiscal year ending June 30, 2010.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the District’s annual OPEB cost for the years ending June 30, 2014 and 2013, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation based on the most recent actuarial valuation dated June 30, 2013:

	2014	2013
Annual Required Contribution (ARC)	\$ -	\$ (2,792)
Interest on net OPEB obligation	-	-
Adjustment to Annual Required Contribution (ARC)	-	-
Annual OPEB cost (expense)	-	(2,792)
Contributions made	(4,212)	(4,086)
Increase in net OPEB obligation (asset)	(4,212)	(6,878)
Net OPEB obligation (asset) - beginning of year	(14,100)	(7,222)
Net OPEB obligation (asset) - end of year	<u>\$ (18,312)</u>	<u>\$ (14,100)</u>

Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years 2014, 2013 and 2012 were as follows:

Three-Year Trend Information for CERBT			
Fiscal Year	Annual OPEB Cost (AOC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ (4,212)	100%	\$ -
6/30/2013	\$ (2,792)	100%	\$ -
6/30/2012	\$ (3,262)	100%	\$ -

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, based on the most recent actuarial valuation was as follows:

Actuarial Accrued Liability (AAL)	\$ 156,127
Actuarial Value of Plan Assets	\$ 292,732
Unfunded Actuarial Accrued Liability/(Surplus) (UAAL)	\$ (136,605)
Funded Ratio (Actuarial Value of Plan Assts/AAL)	187.50%
Covered Payroll (Active Plan Members)	\$ 1,657,542
UAAL as a Percentage of Covered Payroll	-8.24%

10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Actuarial Methods and Assumptions

Projection 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 on the historical pattern of sharing benefit 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 actuarial assets, consistent with the long-term perspective of the calculations. 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, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	June 30, 2013
Actuarial cost method	Project unit credit with service prorate
Amortization method	Level-dollar method on a closed basis
Remaining amortization period	30 years as of the valuation date
Asset valuation method	Market Value Basis
Actuarial assumptions:	
Investment Rate of Return	7.61%
Projected Salary Increase	3.25%
Inflation- Discount Rate	2.80%
Individual Salary Growth	CalPERS 2009 Experience Study
Healthcare Cost Trend Rate	7.5% per annum graded down in approximately one-half percent increments to an ultimate rate of 5%

## 11. RISK MANAGEMENT:

The District 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 District is a member of the California Sanitation Risk Management Authority (CSRMA), an intergovernmental risk sharing joint powers authority currently operating as a common risk management and loss prevention program for 60 California sanitation districts. The District pays an annual premium to CSRMA for its public liability and workers compensation risk coverage. The Agreement for formation of the CSRMA provides that CSRMA will be self-sustaining through member premiums and will provide specific excess insurance through commercial companies. The CSRMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process. At June 30, 2014, the District participated in the self-insurance programs of the CSRMA as follows:

General and Automotive Liability - including errors and omission (E&O) and employment practices liability (EPL): The District is self-insured through CSRMA through a combination of a pool layer, reinsurance, and excess insurance. The self-insured pool layer is \$500,000 with a \$50,000 deductible (\$25,000 for EPL and \$2,500 for E&O). In addition, \$15,000,000 of commercial reinsurance is purchased above the pool layer with an additional \$10,000,000 in excess insurance above the reinsurance layer for a total maximum coverage of \$25,500,000.

Workers' Compensation and Employer's Liability - The District is self-insured through CSRMA through a combination of a pooled layer and excess insurance. The pooled layer is \$750,000 with no deductible. The excess insurance is purchased above the pooled layer and is set at the statutory limit for Workers Compensation and at \$1,000,000 for Employers Liability.

In addition to the above, the District also has the following insurance coverage:

Employee Dishonesty Coverage - up to \$100,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage with a deductible of \$1,000 per claim.

Special Form Property Coverage - up to \$22,120,419 with a deductible of \$10,000 per claim.

Public Entity Physical Damage - for the replacement cost up to \$1,308,480, subject to a deductible of \$2,000 per claim.

Public Officials Personal Liability - up to \$100,000 each occurrence, with an annual aggregate of \$100,000 per each elected/appointed official to which this coverage applies, subject to the terms.

Public Entity Pollution Liability - The District purchased a \$25,000,000 policy, with two tiers; Tier 1, \$500,000 per occurrence with a \$50,000 deductible, and Tier 2, \$1,000,000 per occurrence with a \$100,000 deductible.

Cyber Liability Coverage - up to \$2,000,000 for third party coverage and \$2,000,000 for first party coverage for computer security.

Master Crime Coverage - The District purchased two master crime policies, first with a \$2,000,000 limit and a \$2,500 deductible and second with a \$2,000,000 Employee Dishonesty and \$2,000,000 forgery limit and a \$50,000 deductible. District also purchased a ID Fraud Master Identity Theft policy with a \$25,000 limit and \$0 deductible.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2014, 2013 and 2012. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2014, 2013 and 2012.

## 12. COMMITMENTS AND CONTINGENCIES:

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserve. The District has committed to approximately \$127,053 in open construction contracts as of June 30, 2014. These include the following:

Project Name	Total Approved Contract(s)	Construction Costs to Date	Remaining Obligation
Leucadia PS Generator Replacement	\$ 570,510	\$ 549,985	\$ 20,525
B2 Force Main Replacement Project	212,498	181,149	31,349
Others	249,008	173,829	75,179
Total	\$ 1,032,016	\$ 904,963	\$ 127,053

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

## 13. PREPAID PERS CONTRIBUTION:

During fiscal year June 30, 2012, the District prepaid the accumulated PERS side fund liability resulting from risk pooling as of June 30, 2003, which was valued at \$618,212. This value was determined based on a valuation as of June 30, 2010. The prepayment is amortizable over a thirteen year period and resulted in a decrease of 3.924% to the District's 2013/2014 PERS employer contribution rate. The amount amortizable during fiscal year 2014/2015 (\$24,730) is reported as a current prepaid asset on the Statements of Net Position. The balance of \$555,126 which will be amortizable in years after fiscal year 2014/2015 is shown as the non-current asset Prepaid PERS Contribution on the Statements of Net Position.

14. SUBSEQUENT EVENTS:

Events occurring after June 30, 2014 have been evaluated for possible adjustments to the financial statements or disclosures as of December 1, 2014, which is the date these financial statements were available to be issued.

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**Required Supplementary Information**

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## Schedule of Funding Progress for OPEB

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2010	\$ 210,108	\$ 176,907	\$ (33,201)	118.77%	\$ 1,537,850	-2.16%
6/30/2011	\$ 262,191	\$ 151,822	\$ (110,369)	172.70%	\$ 1,600,684	-6.90%
6/30/2013	\$ 292,732	\$ 156,127	\$ (136,605)	187.50%	\$ 1,657,542	-8.24%

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## **Supplementary Information**

**LEUCADIA WASTEWATER DISTRICT**

**COMBINING SCHEDULE OF CHANGES IN NET POSITION**  
For the Year Ended June 30, 2014

	Net Investment in Capital Assets	Restricted	Unrestricted, Reserved For				Total Net Position
		Capital Improvements	Operations	Capital Replacement	Water Recycling	Emergencies	
Balance, June 30, 2013	\$ 97,565,846	\$ 1,428,316	\$ 2,200,126	\$ 21,440,871	\$ 3,579,341	\$ 7,500,000	\$ 133,714,500
Net operating income (loss)	-	-	(1,591,399)	-	144,238	-	(1,447,161)
Contributed capital, sewer lines	617,041	-	-	-	-	-	617,041
Capacity fees	-	-	-	1,372,055	-	-	1,372,055
Net additions to Utility plant and equipment	3,355,322	(223,214)	-	(3,037,912)	(241,109)	-	(146,913)
Depreciation charged to net income	(3,527,059)	-	3,352,395	-	174,664	-	-
Interest income allocated	-	6,700	15,600	134,807	18,400	38,100	213,607
Property taxes	-	-	-	1,263,119	-	-	1,263,119
Miscellaneous non-operating income	-	-	-	1,911	-	-	1,911
Transfers	-	-	(1,903,678)	1,941,778	-	(38,100)	-
Balance, June 30, 2014	<u>\$ 98,011,150</u>	<u>\$ 1,211,802</u>	<u>\$ 2,073,044</u>	<u>\$ 23,116,629</u>	<u>\$ 3,675,534</u>	<u>\$ 7,500,000</u>	<u>\$ 135,588,159</u>

See accompanying independent auditors' report.

**LEUCADIA WASTEWATER DISTRICT**

**COMBINING SCHEDULE OF CHANGES IN NET POSITION**  
For the Year Ended June 30, 2013

	Net Investment in Capital Assets	Restricted	Unrestricted, Reserved For				Total Net Position
		Capital Improvements	Operations	Capital Replacement	Water Recycling	Emergencies	
Balance, June 30, 2012	\$ 86,970,327	\$ 2,326,290	\$ 2,248,651	\$ 24,331,867	\$ 3,301,164	\$ 7,500,000	\$ 126,678,299
Net operating income (loss)	-	-	(1,465,535)	-	125,375	-	(1,340,160)
Contributed capital, sewer lines	693,480	-	-	-	-	-	693,480
Capacity fees	-	-	-	167,941	-	-	167,941
Net additions to Utility plant and equipment	13,315,353	(910,274)	-	(6,054,809)	(39,415)	-	6,310,855
Depreciation charged to net income	(3,413,314)	-	3,243,597	-	169,717	-	-
Investment income allocated	-	12,300	22,100	(118,093)	22,500	49,200	(11,993)
Property taxes	-	-	-	1,207,630	-	-	1,207,630
Miscellaneous non-operating income	-	-	-	8,448	-	-	8,448
Transfers	-	-	(1,848,687)	1,897,887	-	(49,200)	-
Balance, June 30, 2013	<u>\$ 97,565,846</u>	<u>\$ 1,428,316</u>	<u>\$ 2,200,126</u>	<u>\$ 21,440,871</u>	<u>\$ 3,579,341</u>	<u>\$ 7,500,000</u>	<u>\$ 133,714,500</u>

See accompanying independent auditors' report.

**LEUCADIA WASTEWATER DISTRICT****COMBINING SCHEDULE OF OPERATING REVENUES AND EXPENSES**

For the years ended June 30, 2014 and 2013

	2014			Total
	General	Wastewater	Recycled Water	
<b>OPERATING REVENUES</b>				
Wastewater service charges	\$ -	\$7,218,040	\$ -	\$ 7,218,040
Recycled water sales	-	-	492,421	492,421
Other charges and services	181,802	65,817	-	247,619
Total operating revenues	181,802	7,283,857	492,421	7,958,080
<b>OPERATING EXPENSES</b>				
Wastewater collection	-	2,337,530	-	2,337,530
Wastewater treatment – Encina Joint System	-	1,683,406	-	1,683,406
Recycled water production	-	-	140,209	140,209
General and administrative	1,717,037	-	-	1,717,037
Total operating expenses	1,717,037	4,020,936	140,209	5,878,182
Operating income before depreciation expense	(1,535,235)	3,262,921	352,212	2,079,898
Depreciation Expense	-	(3,352,396)	(174,663)	(3,527,059)
Operating income (loss)	<u>\$ (1,535,235)</u>	<u>\$ (89,475)</u>	<u>\$ 177,549</u>	<u>\$ (1,447,161)</u>

	2013			Total
	General	Wastewater	Recycled Water	
<b>OPERATING REVENUES</b>				
Wastewater service charges	\$ -	\$7,185,020	\$ -	\$ 7,185,020
Recycled water sales	-	-	487,210	487,210
Other charges and services	142,247	58,530	-	200,777
Total operating revenues	142,247	7,243,550	487,210	7,873,007
<b>OPERATING EXPENSES</b>				
Wastewater collection	-	2,349,076	-	2,349,076
Wastewater treatment – Encina Joint System	-	1,632,246	-	1,632,246
Recycled water production	-	-	156,604	156,604
General and administrative	1,661,927	-	-	1,661,927
Total operating expenses	1,661,927	3,981,322	156,604	5,799,853
Operating income before depreciation expense	(1,519,680)	3,262,228	330,606	2,073,154
Depreciation expense	-	(3,243,596)	(169,718)	(3,413,314)
Operating income (loss)	<u>\$ (1,519,680)</u>	<u>\$ 18,632</u>	<u>\$ 160,888</u>	<u>\$ (1,340,160)</u>

See accompanying independent auditors' report.

**LEUCADIA WASTEWATER DISTRICT**

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**SCHEDULE OF USE OF CAPACITY CHARGES**

For the year ended June 30, 2014

			<u>Capital Improvement Fund</u>
Balance at June 30, 2013			\$ 1,428,316
Capacity charges collected			1,372,005
Less: buy-in portion			(1,372,005)
	<u>Status</u>	<u>% Funded by Capacity Charges</u>	<u>Amount</u>
Capital improvements expended:			
Batiquitos Pump Station Rehabilitation	Completed	30%	(17,725)
Leucadia Pump Station Generator Replacement	In progress	33%	(182,196)
Encina Wastewater Plant	In progress	1%	(12,542)
Related Capital Overhead	Completed	10%	<u>(10,751)</u> (223,214)
Interest income earned			<u>6,700</u>
Balance at June 30, 2014			<u><u>\$ 1,211,802</u></u>

Capital improvement projects anticipated for the fiscal year 2014/2015 to be funded from capacity charges:

- Leucadia Pump Station Generator Replacement
- L2 Cathodic Protection- Anode Replacement
- Encina Wastewater Plant

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## **Statistical Section**

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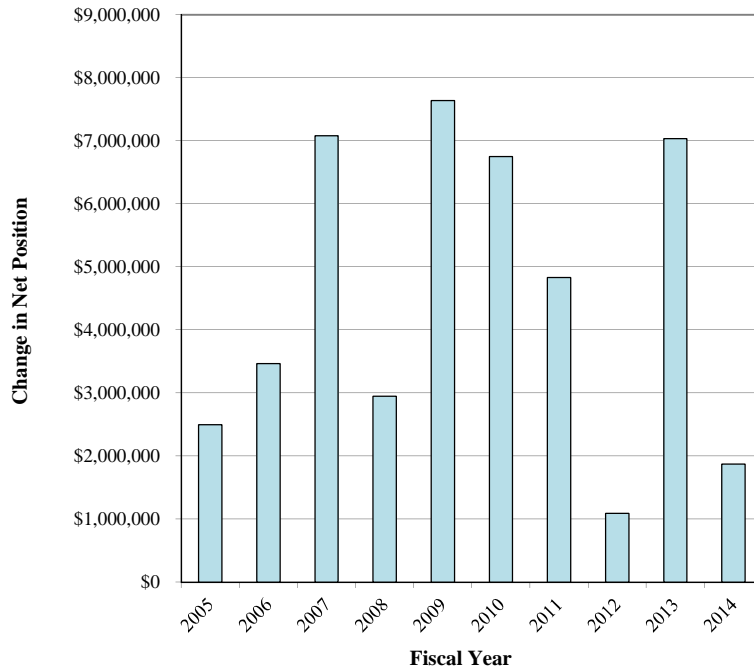
This part of the District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

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Financial Trends These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	64 - 65
Revenue Capacity These schedules contain information to help the reader assess the District’s most significant own-source revenue, wastewater service.	66 - 72
Debt Capacity These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.	73 - 74
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	75 - 76
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the service the District provides.	77 - 78

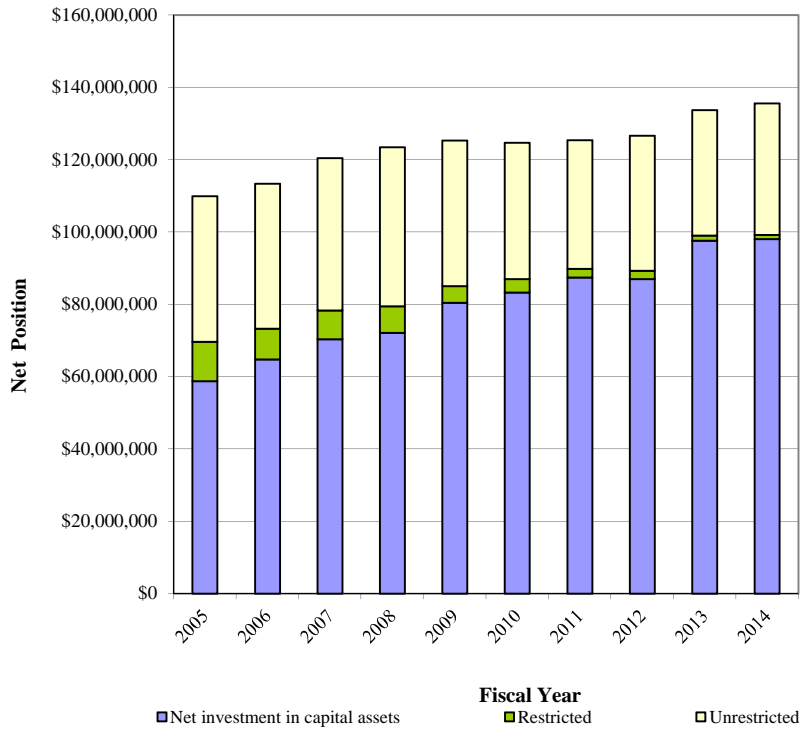
**LEUCADIA WASTEWATER DISTRICT**  
**Changes in Net Position and Net Position by Component**  
**Last Ten Fiscal Years**

	Fiscal Year				
	2005	2006	2007	2008	2009
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 5,669,498	\$ 5,666,101	\$ 5,761,526	\$ 5,811,481	\$ 6,328,422
Operating expenses (see Schedule 3)	(4,474,469)	(4,584,206)	(4,732,399)	(5,026,098)	-
Depreciation and amortization	(2,222,338)	(2,338,438)	(2,529,790)	(2,597,179)	(2,713,390)
<b>Operating income(loss)</b>	<b>(1,027,309)</b>	<b>(1,256,543)</b>	<b>(1,500,663)</b>	<b>(1,811,796)</b>	<b>3,615,032</b>
Non-operating revenues(expenses)					
Property taxes	252,203	367,495	1,141,068	1,216,757	1,246,255
Investment income(Loss)	1,374,501	1,623,061	2,625,446	2,748,087	1,468,487
Gain/(Loss) on sale/disposition of assets	(341,850)	(75,287)	(168,020)	(91,265)	(289,588)
Interest expense	(313,891)	(291,501)	(267,416)	(242,917)	(218,861)
Other revenue/(expense), net	(4,608)	18,900	11,834	10,872	1,905
Total non-operating revenues(expenses), net	966,355	1,642,668	3,342,912	3,641,534	2,208,198
<b>Net income before capital contributions</b>	<b>(60,954)</b>	<b>386,125</b>	<b>1,842,249</b>	<b>1,829,738</b>	<b>5,823,230</b>
Capital contributions	2,556,634	3,083,994	5,240,312	1,119,957	1,816,817
<b>Changes in net position</b>	<b>2,495,680</b>	<b>3,470,119</b>	<b>7,082,561</b>	<b>2,949,695</b>	<b>7,640,047</b>
Net position by component:					
Net investment in capital assets	58,759,158	64,754,256	70,364,874	72,109,791	80,465,519
Restricted	10,863,946	8,481,119	7,937,238	7,312,730	4,599,835
Unrestricted	40,293,270	40,151,148	42,166,972	43,996,258	40,243,100
<b>Total net position</b>	<b>\$ 109,916,374</b>	<b>\$ 113,386,523</b>	<b>\$ 120,469,084</b>	<b>\$ 123,418,779</b>	<b>\$ 125,308,454</b>



Schedule 1

Fiscal Year				
2010	2011	2012	2013	2014
\$ 7,089,681	\$ 7,729,492	\$ 7,855,094	\$ 7,873,007	\$ 7,958,080
1,458,065	(1,671,466)	(5,598,224)	(5,799,853)	(5,878,182)
(2,966,857)	(3,053,044)	(3,189,262)	(3,413,314)	(3,527,059)
<u>5,580,889</u>	<u>3,004,982</u>	<u>(932,392)</u>	<u>(1,340,160)</u>	<u>(1,447,161)</u>
1,199,025	1,194,074	1,177,125	1,207,630	1,263,119
656,587	260,858	240,343	(11,993)	213,607
(1,095,299)	(679,920)	(36,166)	6,310,855	(146,913)
(193,479)	(185,417)	-	-	-
2,521	(1,181)	23,490	8,448	1,911
<u>569,355</u>	<u>588,414</u>	<u>1,404,792</u>	<u>7,514,940</u>	<u>1,331,724</u>
6,150,244	3,593,396	472,400	6,174,780	(115,437)
602,844	1,237,807	621,685	861,421	1,989,096
<u>6,753,088</u>	<u>4,831,203</u>	<u>1,094,085</u>	<u>7,036,201</u>	<u>1,873,659</u>
83,253,950	87,411,700	86,970,327	97,565,846	98,011,150
3,703,768	2,371,369	2,326,290	1,428,316	1,211,802
37,760,887	35,616,145	37,381,682	34,720,338	36,365,207
<u>\$ 124,718,605</u>	<u>\$ 125,399,214</u>	<u>\$ 126,678,299</u>	<u>\$ 133,714,500</u>	<u>\$ 135,588,159</u>



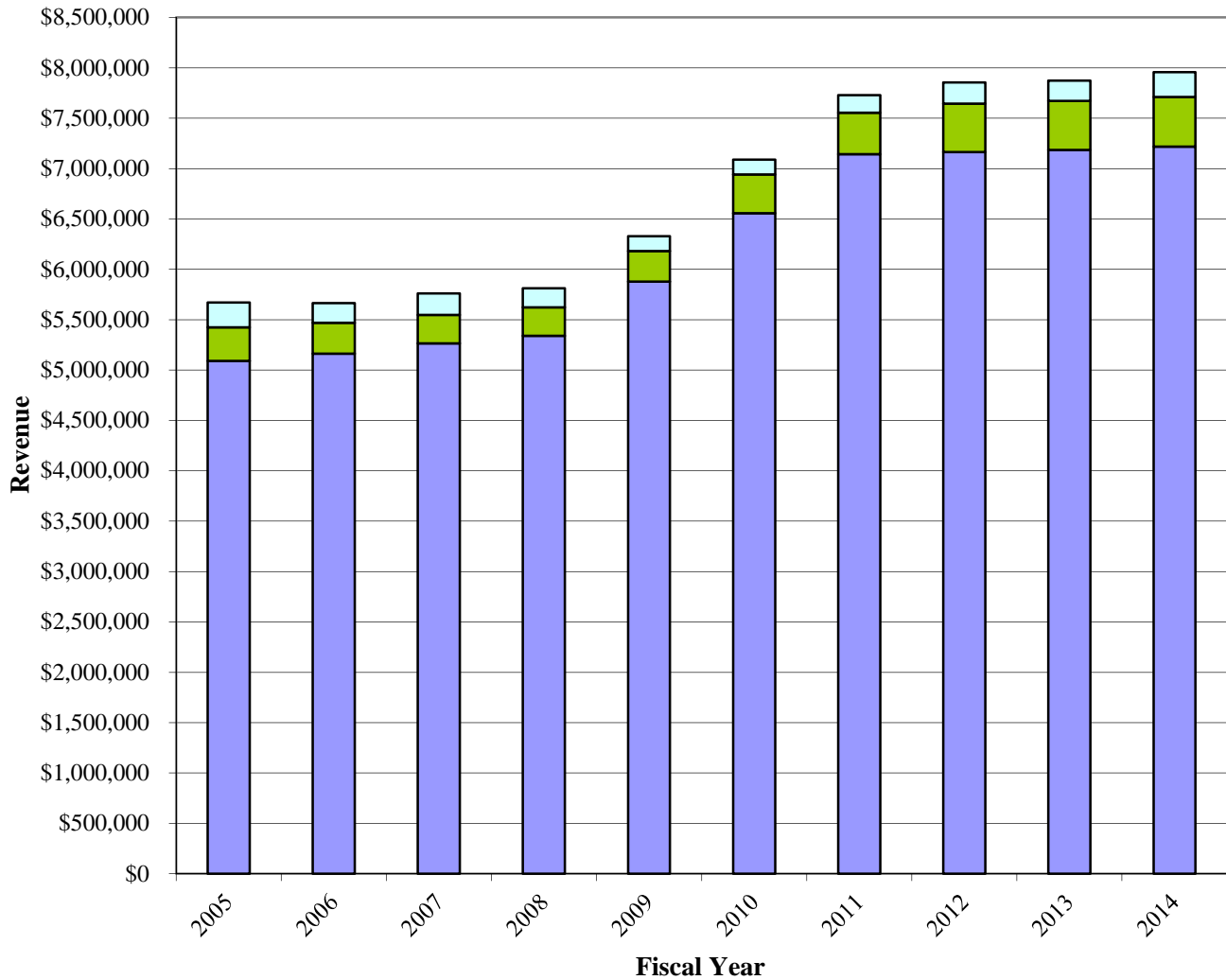
**LEUCADIA WASTEWATER DISTRICT**

**Operating Revenue By Source**

**Last Ten Fiscal Years**

**Schedule 2**

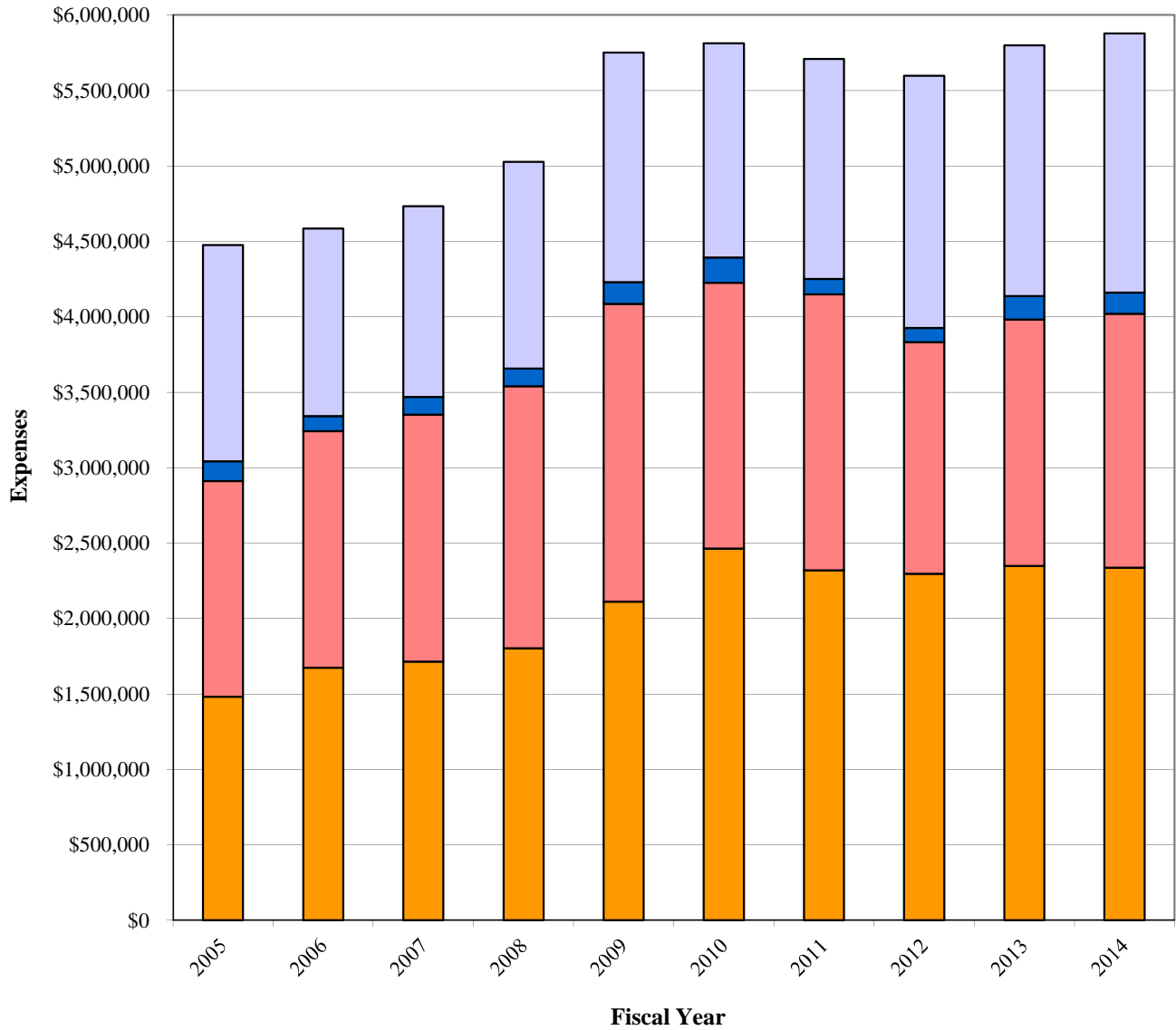
<b>Fiscal Year</b>	<b>Wastewater Service Charges</b>	<b>Recycled Water Sales</b>	<b>Other Operating Revenue</b>	<b>Total Operating Revenue</b>
2005	5,090,934	334,612	243,952	5,669,498
2006	5,164,247	305,562	196,292	5,666,101
2007	5,264,418	284,281	212,827	5,761,526
2008	5,341,554	280,731	189,196	5,811,481
2009	5,876,806	305,867	145,749	6,328,422
2010	6,557,352	384,698	147,631	7,089,681
2011	7,144,501	409,202	175,789	7,729,492
2012	7,164,554	481,807	208,733	7,855,094
2013	7,185,020	487,210	200,777	7,873,007
2014	7,218,040	492,421	247,619	7,958,080



**LEUCADIA WASTEWATER DISTRICT**  
**Operating Expenses by Activity**  
**Last Ten Fiscal Years**

Schedule 3

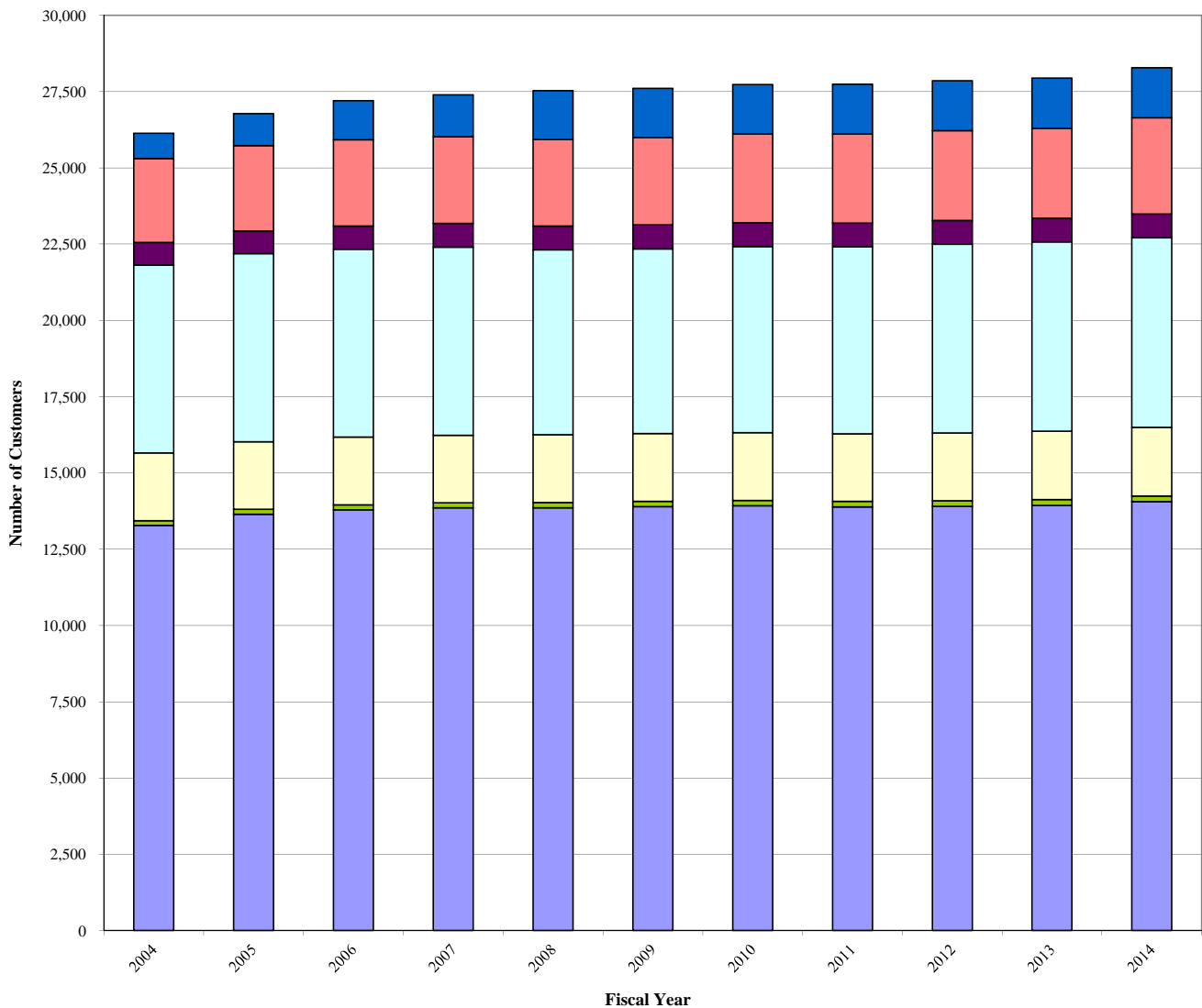
Fiscal Year	Wastewater Collection	Wastewater Treatment	Recycled Water Production	General and Administrative	Total Operating Expenses
2005	1,482,063	1,428,570	132,039	1,431,797	4,474,469
2006	1,674,716	1,567,195	99,276	1,243,019	4,584,206
2007	1,714,617	1,637,552	115,977	1,264,253	4,732,399
2008	1,802,934	1,736,671	117,048	1,369,445	5,026,098
2009	2,112,688	1,972,144	145,465	1,520,075	5,750,372
2010	2,463,484	1,761,697	167,920	1,419,771	5,812,872
2011	2,319,617	1,828,330	103,048	1,458,065	5,709,060
2012	2,295,989	1,535,620	95,149	1,671,466	5,598,224
2013	2,349,076	1,632,246	156,604	1,661,927	5,799,853
2014	2,337,530	1,683,406	140,209	1,717,037	5,878,182



**LEUCADIA WASTEWATER DISTRICT**  
**Equivalent Dwelling Units by Type at Fiscal Year-End<sup>(1)</sup>**  
**Last Ten Fiscal Years<sup>(2)</sup>**

Schedule 4

Fiscal Year	Customer Type							Total
	Single Family Residential	Single Family with Accessory Unit	Apartments	Condominiums and Duplexes	Rest Homes	Commercial	Other	
2004	13,275.53	159.69	2,215.62	6,164.20	740.13	2,745.51	826.99	26,127.67
2005	13,648.53	160.69	2,215.62	6,164.20	740.13	2,794.70	1,048.05	26,771.92
2006	13,789.57	166.69	2,215.62	6,164.20	758.49	2,829.50	1,276.18	27,200.25
2007	13,852.53	167.69	2,215.62	6,164.20	782.00	2,838.00	1,375.59	27,395.63
2008	13,858.13	170.69	2,219.62	6,059.64	782.73	2,838.75	1,598.77	27,528.33
2009	13,894.13	172.69	2,219.62	6,058.20	783.73	2,870.75	1,607.81	27,606.93
2010	13,922.53	177.02	2,221.62	6,095.20	780.73	2,910.59	1,617.21	27,724.90
2011	13,886.53	180.02	2,210.62	6,133.20	780.73	2,920.29	1,626.41	27,737.80
2012	13,904.53	180.02	2,227.62	6,183.20	780.73	2,941.80	1,636.41	27,854.31
2013	13,937.53	184.02	2,246.62	6,203.20	780.73	2,943.80	1,640.41	27,936.31
2014	14,055.53	188.02	2,246.62	6,213.20	780.73	3,153.30	1,640.41	28,277.81



**Notes:**

- (1) The District charges its customers a flat rate per equivalent dwelling unit (EDU) and the fee appears on the customers' annual property tax bills.
- (2) Number of customers as of June 30 of fiscal year.



**LEUCADIA WASTEWATER DISTRICT**  
**Wastewater Service Charges<sup>(1)</sup>**  
**Last Ten Fiscal Years**

**Schedule 5**

Price Per EDU Per Month/Per Fiscal Year									
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
16.17	16.17	16.17	16.17	17.78	19.56	21.52	21.52	21.52	21.52

**EDU's:**

	EDU Factors
Single Family	1.0
Apartments, Condominiums, Duplexes and Townhouses	1.0 per living unit
Mobile Home or Trailer Park	1.0 per space
Motel or Hotel without Kitchen	0.33 per living unit
Hotel or Motel with Kitchen	0.55 per living unit
Guest House without Kitchen	0.0 per living unit
Guest House with Kitchen and Bathroom	1.0 per living unit
Medical Care or Elder Care Facilities:	
Multiple dwelling without kitchen but with community eating facilities	0.40 per individual bed
Multiple dwelling with kitchen and with community eating facilities	0.80 per living unit
Multiple dwelling with kitchen but with no community eating facilities	1.0 per living unit
Single dwelling with kitchen regardless of community eating facilities	1.0 per living unit
Churches and Theaters, per 115 seating capacity	1.0
Elementary Schools, per 60 pupils or fraction thereof	1.0
Junior High Schools, per 50 pupils or fraction thereof	1.0
High Schools, per 30 pupils or fraction thereof	1.0
Self-service laundries, per wash machine	0.75
Food Establishments, Restaurants or Taverns with seating	1.0 per each 7 seats
Food Establishments or Restaurants without seating	2.6
Bars with seating - no food service	1.0 per 16 seats
Auto service stations - 4 or less gas pumps	2.0
Auto service stations - more than 4 gas pumps	3.0
Auto service stations - per washing rack/pit/floor drain (additional)	2.0
Car washes	Per Review
Banks, per 3,000 sf or fraction thereof	1.0
Other commercial and industrial users - first 1,000 square feet	1.0
Other commercial and industrial users - each additional 1,000 up to 5,000 sf	0.40
Other commercial and industrial users - plus each additional 1,000 over 5,000 sf	0.60

EDU's = Equivalent Dwelling Units

**Notes:**

(1) Rates as of June 30 of each fiscal year.

**LEUCADIA WASTEWATER DISTRICT**  
**Principal Customers**  
**Current Fiscal Year and Nine Years Ago**

**Schedule 6**

<b>Customer</b>	<b>2014</b>		<b>2005</b>	
	<b>EDU's</b>	<b>Percentage of Total</b>	<b>EDU's</b>	<b>Percentage of Total</b>
La Costa Glen	723	2.56%	391	1.46%
La Costa Resort & Spa	474	1.68%	474	1.77%
La Costa Racquet Club	320	1.13%	320	1.20%
Encinitas Town Center	305	1.08%	276	1.03%
The Forum @ Carlsbad	233	0.82%	233	0.87%
Mission Ridge Apartments	196	0.69%	196	0.73%
La Costa Town Square Commercial	194	0.69%	-	0.00%
Camino Village Plaza	186	0.66%	174	0.65%
La Costa Affordable Housing	185	0.65%	-	0.00%
Encinitas Village	182	0.64%	151	0.56%
Riviera Mobile Home Park	158	0.56%	158	0.59%
Colonial Apartments	145	0.51%	145	0.54%
Plaza de la Costa Real	131	0.46%	128	0.48%
Weigand Plaza II	130	0.46%	130	0.49%
<b>Total EDU's: Principal customers</b>	<b>3,562</b>	<b>12.60%</b>	<b>2,776</b>	<b>10.37%</b>
<b>Total Equivalent Dwelling Units</b>	<b>28,278</b>	<b>100.00%</b>	<b>26,772</b>	<b>100.00%</b>

EDU's = Equivalent Dwelling Units

**Note:** Data for largest customers is not available prior to 2005.

**Source:** Leucadia Wastewater District Operations Department

**LEUCADIA WASTEWATER DISTRICT**  
**Assessed Value of Taxable Property**  
**Last Ten Years**

Schedule 7

<b>Fiscal Year</b>	<b>Secured</b>	<b>Unsecured</b>	<b>Total Assessed Value</b>
2005	7,762,339,156	87,673,405	7,850,012,561
2006	8,629,065,666	100,360,102	8,729,425,768
2007	9,600,695,316	135,634,012	9,736,329,328
2008	10,402,670,851	144,821,834	10,547,492,685
2009	11,042,803,662	115,846,754	11,158,650,416
2010	10,869,334,361	146,872,240	11,016,206,601
2011	10,795,937,860	136,282,531	10,932,220,391
2012	10,765,754,190	126,669,729	10,892,423,919
2013	10,892,129,285	107,678,843	10,999,808,128
2014	11,283,103,814	110,452,174	11,393,555,988

**Source:** County of San Diego Tax Assessor

**Note:** In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of properties may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the property value is re-assessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

**LEUCADIA WASTEWATER DISTRICT**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

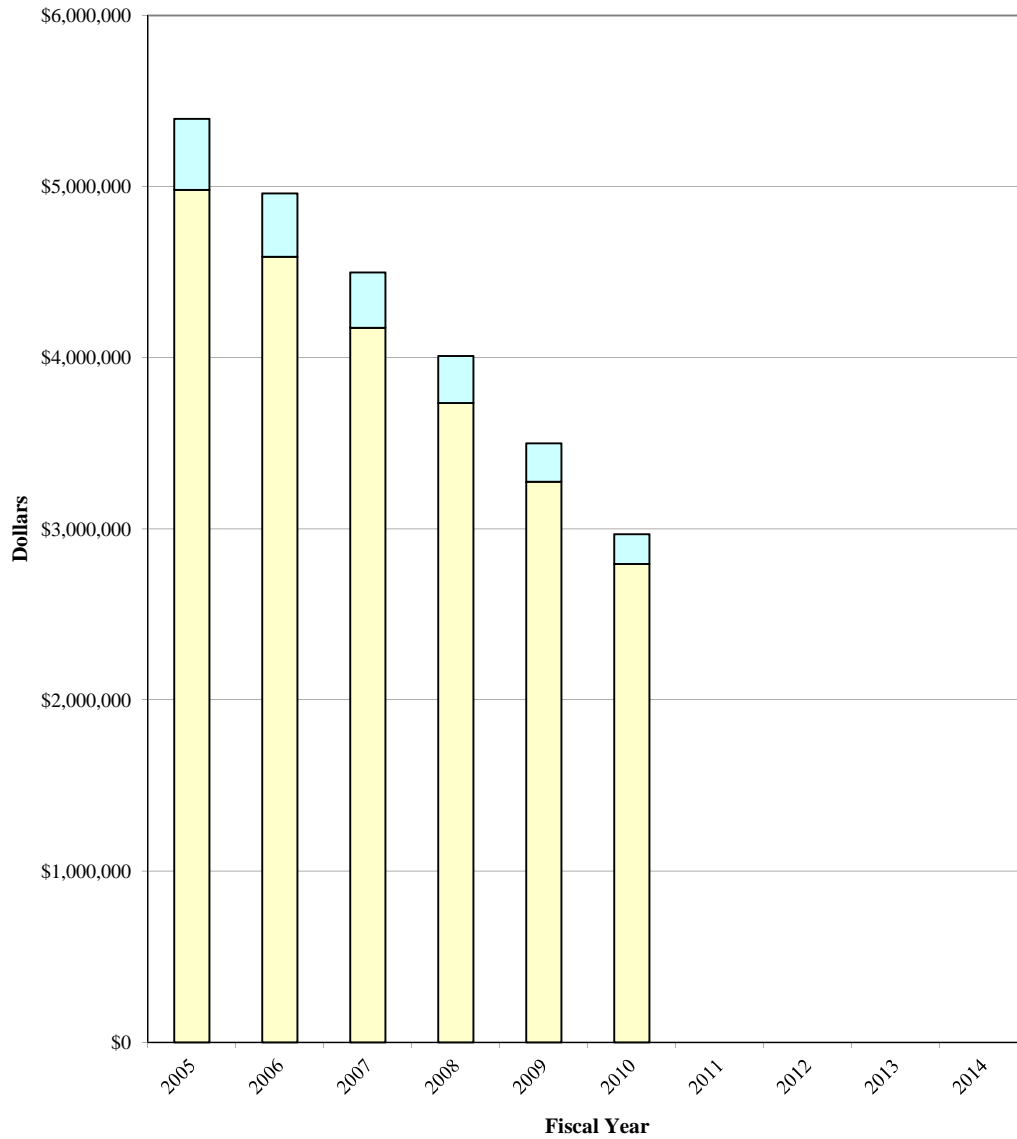
**Schedule 8**

<b>Fiscal Year</b>	<b>Current Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Current Taxes</b>	<b>Prior Year Tax Collections</b>	<b>Percent of Current Taxes</b>	<b>SB1096 Property Tax Shift</b>	<b>Net Collections</b>	<b>Prop 1A Receivable from State</b>
2005	946,130	926,322	97.9%	15,771	1.7%	(680,520)	261,574	-
2006	1,060,070	1,037,363	97.9%	22,178	2.1%	(680,520)	379,021	-
2007	1,160,031	1,143,701	98.6%	16,814	1.4%	-	1,160,515	-
2008	1,236,432	1,214,199	98.2%	18,113	1.5%	-	1,232,313	-
2009	1,270,177	1,256,629	98.9%	10,185	0.8%	-	1,266,814	-
2010	1,236,268	1,221,045	98.8%	10,049	0.8%	-	1,231,094	99,574
2011	1,231,120	1,216,713	98.8%	7,968	0.7%	-	1,224,681	-
2012	1,226,891	1,209,731	98.6%	9,155	0.8%	-	1,218,886	-
2013	1,243,268	1,226,432	98.6%	10,500	0.9%	-	1,236,932	(99,574)
2014	1,296,442	1,277,325	98.5%	14,771	1.2%	-	1,292,096	-

**LEUCADIA WASTEWATER DISTRICT**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

**Schedule 9**

Fiscal Year	Bonds Payable	Loans Payable	Total		
			Debt	Per Capita	As a Share of Personal Income
2005	4,980,000	414,687	5,394,687	94.04	0.24%
2006	4,590,000	369,189	4,959,189	84.77	0.21%
2007	4,175,000	322,326	4,497,326	75.68	0.18%
2008	3,735,000	274,056	4,009,056	65.95	0.14%
2009	3,275,000	224,339	3,499,339	57.20	0.13%
2010	2,795,000	173,130	2,968,130	48.80	0.11%
2011	-	-	-	-	0.00%
2012	-	-	-	-	0.00%
2013	-	-	-	-	0.00%
2014	-	-	-	-	0.00%



**LEUCADIA WASTEWATER DISTRICT**  
**Debt Coverage**  
**Last Ten Fiscal Years**

**Schedule 10**

Fiscal Year	Net Revenues <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Available Revenues	Debt Service <sup>(3)</sup>			Coverage Ratio
				Principal	Interest	Total	
2005	6,949,744	(4,474,469)	2,475,275	419,173	313,891	733,064	3.38
2006	7,600,270	(4,584,206)	3,016,064	435,498	291,501	726,999	4.15
2007	9,371,854	(4,732,399)	4,639,455	461,863	267,416	729,279	6.36
2008	9,695,932	(5,026,098)	4,669,834	488,269	242,917	731,186	6.39
2009	8,755,481	(5,750,372)	3,005,109	509,717	218,861	728,578	4.12
2010	7,852,515	(5,812,872)	2,039,643	531,209	193,479	724,688	2.81
2011	8,503,323	(5,709,060)	2,794,263	2,968,130	185,417	3,153,547	0.89
2012	-	-	-	-	-	-	N/A
2013	-	-	-	-	-	-	N/A
2014	-	-	-	-	-	-	N/A

**Notes:**

(1) Net revenues include all operating revenues of the District as well as nonoperating revenues, net of nonoperating expenses.

(2) Operating expenses exclude depreciation expense.

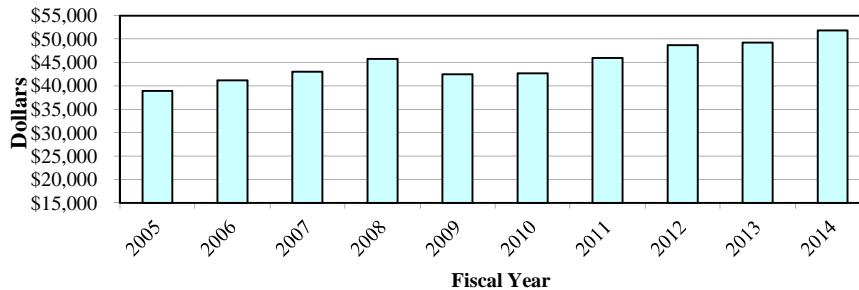
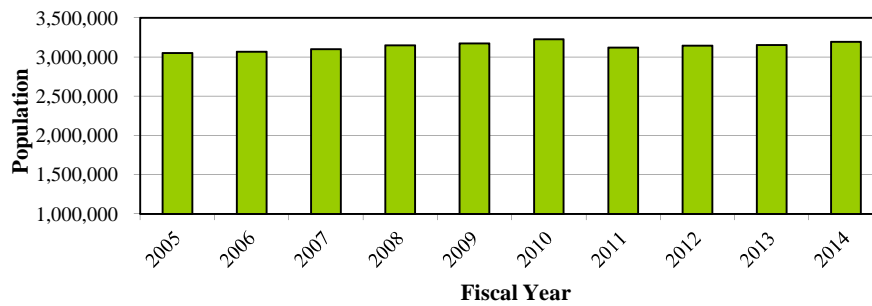
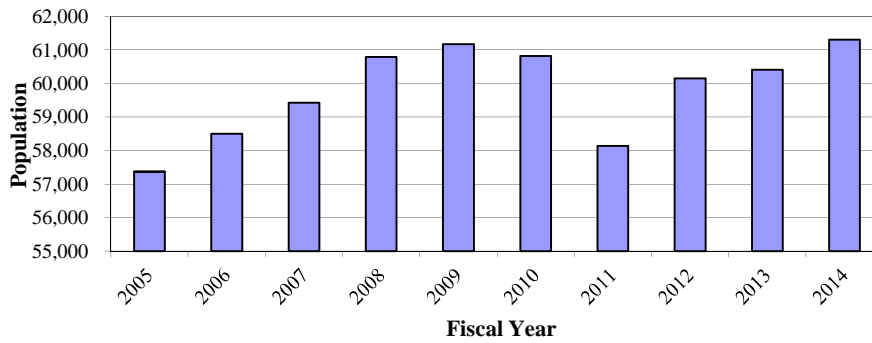
(3) Debt includes 1993 State Water Reclamation Loan and 1997 Series A Wastewater Revenue Refunding Bonds. Both debts were paid off during fiscal year 2011. As a result there is not Debt Coverage for fiscal year 2014.

**Source:** Leucadia Wastewater District Accounting Department

**LEUCADIA WASTEWATER DISTRICT  
Demographics and Economic Statistics  
Last Ten Calendar Years**

Schedule 11

Year	County of San Diego <sup>(2)</sup>				
	District Service Population (1)	Unemployment Rate	(3) Population	Personal Income (thousands of dollars)	Personal Income per Capita
2005	57,368	4.5%	3,051,280	118,793,000	38,932
2006	58,500	4.2%	3,066,820	126,194,000	41,148
2007	59,425	4.6%	3,098,269	133,369,000	43,046
2008	60,792	6.0%	3,146,274	143,873,000	45,728
2009	61,173	10.2%	3,173,407	134,696,000	42,445
2010	60,821	10.7%	3,224,432	137,525,000	42,651
2011	58,133	10.4%	3,118,876	143,387,200	45,974
2012	60,150	9.3%	3,143,429	153,003,263	48,674
2013	60,404	8.0%	3,150,178	155,146,267	49,250
2014	61,307	7.0%	3,194,362	165,535,033	51,821



Sources: California Department of Finance and CaliforniaLaborMarketInfo

**Notes:**

- (1) Estimated population of Leucadia Wastewater District. Source: SANDAG
- (2) County of San Diego data is updated annually. Therefore, the District uses County data because it most accurately represents the conditions and experiences of the District.
- (3) Source: California Department of Finance

**LEUCADIA WASTEWATER DISTRICT**

**Principal Employers  
Current and Twelve Years Ago**

**Schedule 12**

<b>Employer</b>	<b>2014</b>			<b>2002</b>		
	<b>Rank</b>	<b>Number of Employees</b>	<b>% of Total Employment</b>	<b>Rank</b>	<b>Number of Employees</b>	<b>% of Total Employment</b>
State of California	1	43,300	2.90%	2	38,500	2.65%
U.C. San Diego	2	28,672	1.92%	4	21,266	1.47%
Federal Government	3	24,200	1.62%	1	40,600	2.80%
U.S. Department of Defense	4	21,500	1.44%	n/a	-	0.00%
County of San Diego	5	20,100	1.35%	5	17,222	1.19%
City of San Diego	6	18,000	1.21%	6	12,656	0.87%
Sharp Healthcare	7	15,865	1.06%	8	12,167	0.84%
Scripps Health	8	13,750	0.92%	9	10,435	0.72%
San Diego Unified School District	9	13,559	0.91%	3	24,240	1.67%
Qualcomm Inc.	10	9,444	0.63%	n/a	-	0.00%
U.S. Postal Service				7	12,336	0.85%
SBC				10	6,988	0.48%

**Sources:**

San Diego Business Journal, Book of Lists, 2002  
San Diego Source - The Daily Transcript, 2014

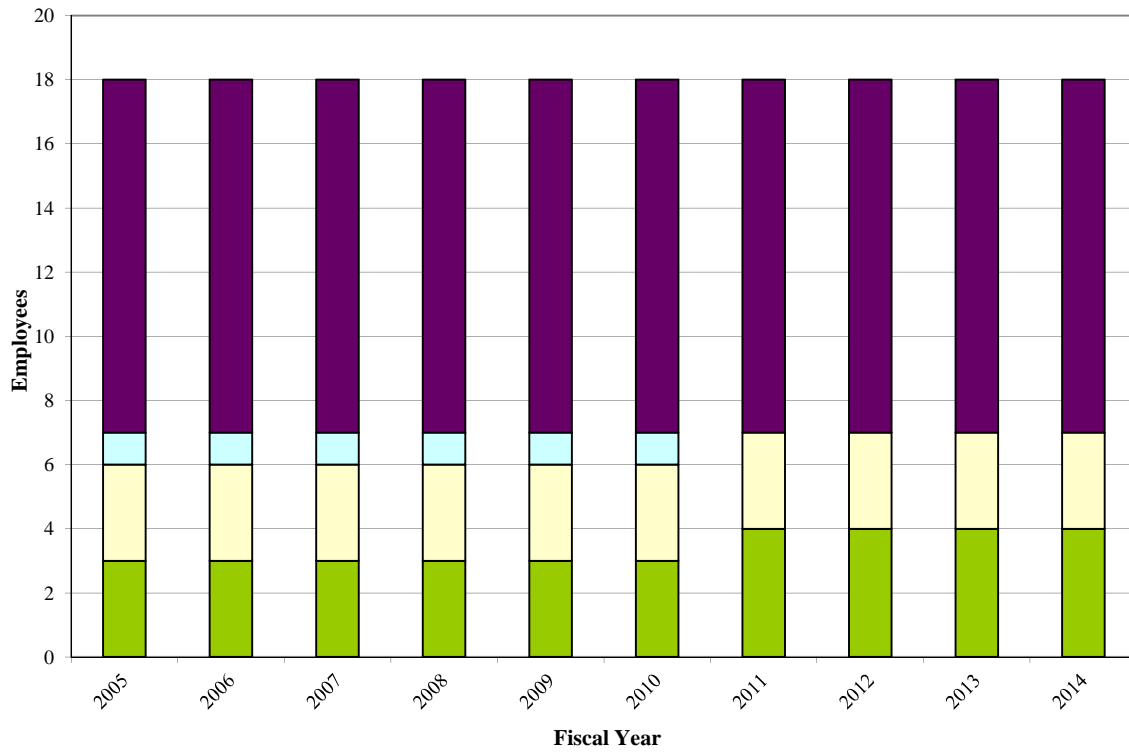


**LEUCADIA WASTEWATER DISTRICT**  
**Operating and Capacity Indicators**  
**Last Ten Fiscal Years**

Schedule 13

**Employees**

Department	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Management	3	3	3	3	3	3	4	4	4	4
Administration	3	3	3	3	3	3	3	3	3	3
Project Coordination	1	1	1	1	1	1	0	0	0	0
Field Services	11	11	11	11	11	11	11	11	11	11
<b>Total</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>



Source: Leucadia Wastewater District Operations and Accounting Departments

**LEUCADIA WASTEWATER DISTRICT**  
**Operating and Capacity Indicators (Continued)**  
**Last Ten Fiscal Years**

Schedule 14

**Other Operating and Capacity Indicators**

Fiscal Year	Miles of Sewer Lines	Number of Pump Stations	Average Dry Weather Flow (MGD)	Treatment Capacity (MGD)		Total Annual Treatment (MG)
				Liquids	Solids & Outfall	
2005	210	12	4.530	7.11	7.86	1,653
2006	211	12	4.410	7.11	7.86	1,610
2007	221	11	4.483	7.11	7.86	1,636
2008	222	11	4.230	7.11	7.86	1,544
2009	222	11	4.120	7.11	7.86	1,504
2010	222	11	4.060	7.11	7.86	1,484
2011	221	10	4.174	7.11	7.86	1,524
2012	221	10	4.163	7.11	7.86	1,519
2013	222	10	4.133	7.11	7.86	1,509
2014	222	10	4.063	7.11	7.11	1,483

MG - Millions of Gallons

MGD - Millions of Gallons per Day

**Sources:** Leucadia Wastewater District Operations and Accounting Departments