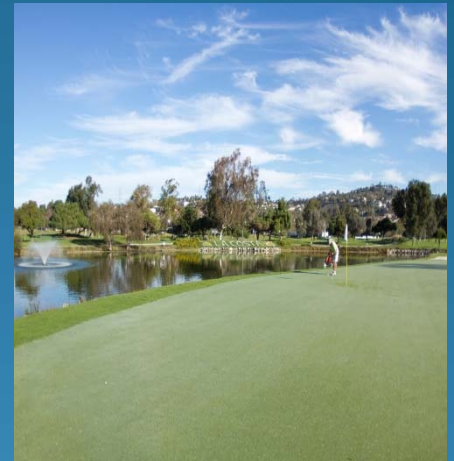


# Leucadia Wastewater District

Leaders in Environmental Protection



## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

1960 La Costa Avenue, Carlsbad, CA 92009

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## **Comprehensive Annual Financial Report**

**For the Year Ended**

**June 30, 2015**

**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 Year Ended June 30, 2015**

	<b>Page No.</b>
<b>Introductory Section</b>	
Letter of Transmittal	1 - 6
Organizational Chart	7
List of Principal Officials	8
CSMFO Certificate of Award for Outstanding Financial Reporting 2013-14	9
 <b>Financial Section</b>	
Independent Auditors' Report	13 - 15
Management's Discussion and Analysis	16 - 25
 Basic Financial Statements:	
Statement of Net Position	26 - 27
Statement of Revenues, Expenses and Changes in Net Position	28
Statement of Cash Flows	29 - 30
Notes to Basic Financial Statements	31 - 55
 Required Supplementary Information:	
Schedule of Funding Progress for OPEB	57
Schedule of Contributions-Defined Benefit Pension Plan	58
Schedule of the Proportionate Share of the Net Pension Liability	59
 Supplementary Information:	
Combining Schedule of Changes in Net Position – June 30, 2015	61
 <b>Statistical Section</b>	
Statistical Section – Table of Contents	65
Changes in Net Position by Component – Last Ten Fiscal Years	66 - 67
Operating Revenue by Source – Last Ten Fiscal Years	68
Operating Expenses by Activity – Last Ten Fiscal Years	69
Equivalent Dwelling Units by Customer Type – Last Ten Fiscal Years	70
Wastewater Service Charges – Last Ten Fiscal Years	71
Principal Customers – Current Fiscal Year and Eight Years Ago	72
Assessed Value of Taxable Property – Last Eight Fiscal Years	73
Property Tax Levies and Collections – Last Ten Fiscal Years	74
Ratios of Outstanding Debt – Last Ten Fiscal Years	75
Debt Coverage – Last Ten Fiscal Years	76
Demographics and Economic Statistics – Last Ten Calendar Years	77
Principal Employers – Current Fiscal Year and Eleven Years Ago	78
Operating and Capacity Indicators – Last Ten Fiscal Years	79 – 80
 <b>Other Information</b>	
Schedule of Use of Capacity Charges – For the Year Ended June 30, 2015	83



## **Introductory Section**







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December 3, 2015

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, 2015 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 four sections: (1) Introductory, (2) Financial, (3) Statistical and (4) Other Information. 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 unaudited ten-year historical financial, demographic, and statistical information pertinent to the District's operations. The other information section presents additional information which has not been subjected to the auditing process.

Generally Accepted Accounting Principles (GAAP) requires 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, 2015 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, 2015 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 61,000 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 Omni 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 policies 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 95% 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 October 15, 2013, estimates that the region's population will grow by one million people by 2050. "The growth in population will drive job growth and housing demand within the region – adding nearly 500,000 jobs and more than 330,000 housing units by 2050." There is an increasing trend for more of the housing and job growth to be in the existing urbanized areas and along the transportation corridors.

In its September 30, 2015 report, the UCLA Anderson Forecast's outlook for California estimates total employment growth at 2.7% in 2015, 2.2% in 2016 and 1.4% in 2017. Real personal income growth is estimated to be 4.6% in 2015 and forecast to be 4.5% and 4.2% in 2016 and 2017, respectively. At the same time, the unemployment rate should drop below 6.0% through the balance of 2015. Unemployment will fall throughout the next year and will average 5.2% and is expected to be 4.8% in 2017, same as in the U.S. Also, home prices in California are forecast to become increasingly less affordable over the next two years, as the amount of building will not meet new demand.

The University of San Diego's Leading Economic Indicators for San Diego County fell 0.4 percent in July 2015 after rising for 13 consecutive months. According to the report, despite the drop, the outlook for positive growth in the local economy remains unchanged for now. The numbers for the local economy remain good at this moment with the unemployment rate at 5 percent and year-over-year job growth approaching 50,000.

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 14% and 13% of the District's total revenue for both FY 2015 and 2014, respectively. Due to the current conditions in the housing market, property tax revenues are expected to increase slightly in the near future.

### ***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) As a result of flow monitoring of the collection system through the installed ADS Flow Monitoring System, the District conducted a closed circuit television inspection of the Scott's Valley Line and discovered significant inflow and infiltration in two locations. To reduce the inflow and infiltration the District is in the process of CIPP lining the pipeline for an estimated total cost of \$521,000. This project will be completed in FY 2016.
- 2) 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 B2 Force Main replacement project, along with a partial realignment of the Secondary Effluent B1 Force Main, was completed in the summer of 2015 for a total cost of \$4,390,507.
- 3) As part of the 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. Eight pipeline segment rehabilitations, eight pipeline spot repairs, and two manhole rehabilitations were selected for action in FY 2015 and are expected to be completed by December 2015 for an estimated cost of \$641,000. Additional pipeline repairs are budgeted for FY 2016 in the amount of \$666,000.
- 4) Also, as part of the Asset Management Plan, pump stations were assessed and it was determined to rehabilitate the Saxony Pump Station and to replace the Variable Frequency Drives (VFD) at the Leucadia Pump Station. The Saxony Pump Station Rehabilitation project includes replacing the submersible pumps and other major components of the pump station. The project began construction in September 2015 and is expected to be completed during FY 2016. Total estimated cost for the project is \$712,000. The Variable Frequency Drive Replacement project was expanded to include the Batiquitos Pump Station VFDs for a total estimated cost of \$266,500.
- 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 \$189,728 in pipeline rehabilitation costs under this account during FY 2015.

- 6) The District maintains a Lateral Grant Program to assist with repairs or replacing 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 FY 2015, the District contributed \$27,775 for the replacement & repair of thirteen 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 30, 2014. This was the seventh 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.

In January 2015, the District received two awards from the California Water Environment Association (CWEA)- San Diego Section:

- a. Engineering Achievement Award  
This award recognizes the innovative trenchless technology called Horizontal Directional Drilling that was used during the Recycled Water Pipeline Repair Project.
- b. Mechanical Technician of The Year Award  
Field Service Technician II, Steve Krason, received this award in recognition of his involvement in the design phase to rehabilitate the Saxony pump station and his assistance with a 4 MGD pump station bypass during the Batiquitos pump station rehabilitation.

On January 22, 2015, 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 2013-2014. 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.

Best regards,

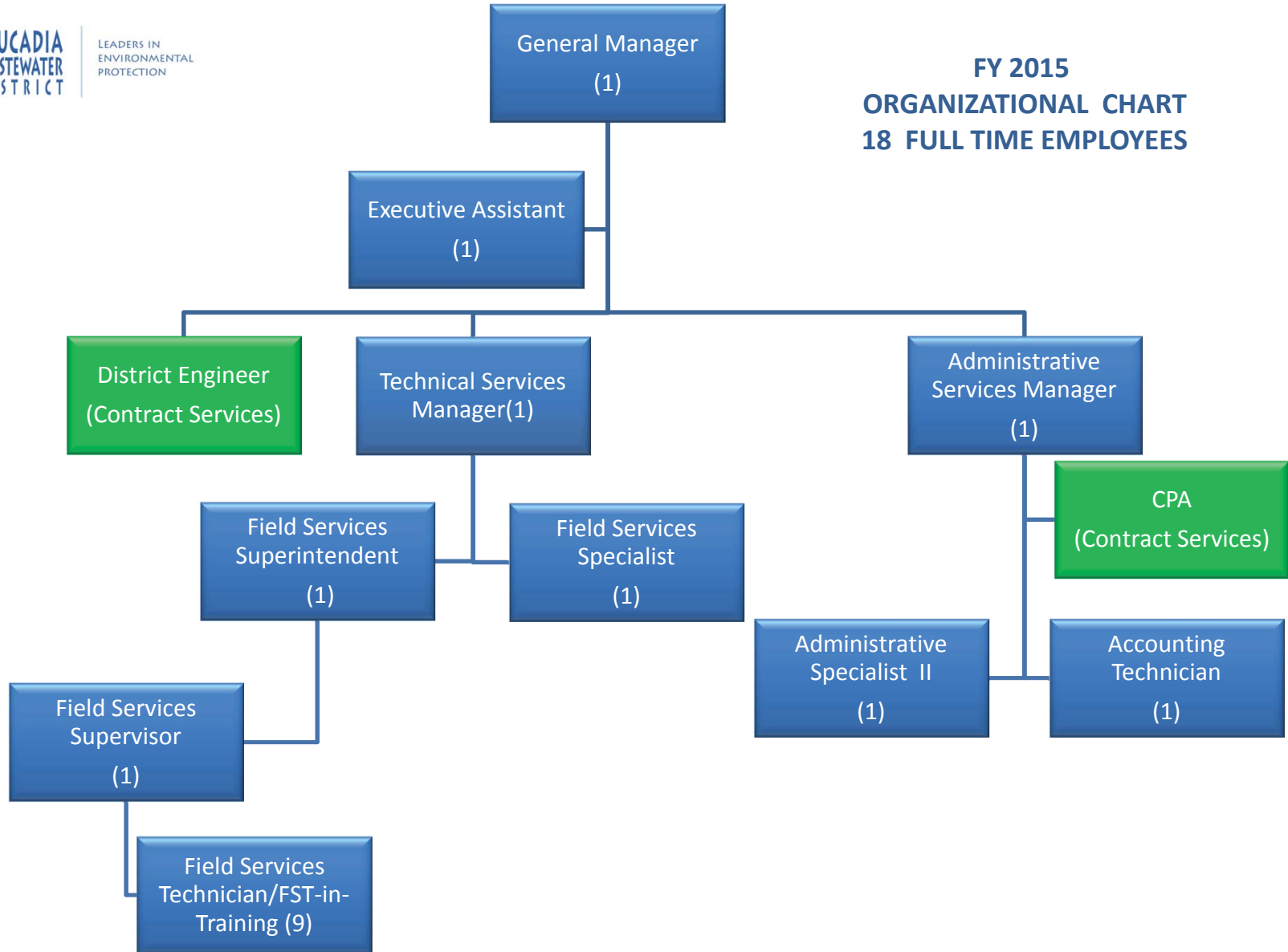
A handwritten signature in black ink, appearing to read "Paul J. Bushee". The signature is fluid and cursive, with the first name "Paul" being the most prominent.

Paul J. Bushee  
General Manager



LEADERS IN ENVIRONMENTAL PROTECTION

### FY 2015 ORGANIZATIONAL CHART 18 FULL TIME EMPLOYEES





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## List of Principal Officials

### Board of Directors as of June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Elected/Appointed</u>	<u>Current Term</u>
Allan Juliussen	President	Elected	12/13 – 12/16
Donald F. Omsted	Vice President	Elected	12/13 – 12/16
Elaine Sullivan	Director	Elected	12/14 – 12/18
Judy Hanson	Director	Elected	12/13 – 12/16
David Kulchin	Director	Elected	12/14 – 12/18

Leucadia Wastewater District  
Paul J. Bushee, General Manager  
1960 La Costa Avenue  
Carlsbad, California 92009  
(760) 753-0155  
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# *California Society of Municipal Finance Officers*

*Certificate of Award*

***Outstanding Financial Reporting  
Fiscal Year Ending June 30, 2014***

*Presented to the*

***Leucadia Wastewater District***

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

*February 8, 2015*



*Pamela Arends-King*

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*Pamela Arends-King*  
CSMFO President

*Michael Gomez*

---

*Michael Gomez, Chair*  
*Professional Standards and*  
*Recognition Committee*

*Dedicated Excellence in Municipal Financial Reporting*

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## **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 year ended June 30, 2015, 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 financial position of the Leucadia Wastewater District as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the California State Controller's Office and California regulations governing Special Districts.

## **Emphasis of Matters**

As discussed in Notes 1 and 13 to the basic financial statements, the District adopted Governmental Accounting Standards Board's Statement No. 68, "*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*", and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". The adoption of these standards required retrospective application resulting in a \$3,456,451 reduction of previously reported net position. As discussed in Note 13 to the basic financial statements, the District has also restated net position at the beginning of the year to reflect its share of the Encina Wastewater Authority's retroactive restatement due to the implementation of GASB statement numbers 68 and 71 in the amount of \$1,816,300. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of net pension liability, schedule of contributions-Defined Benefit Pension Plan, and schedule of funding progress for OPEB 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 required supplementary 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, the Statistical Section and the Other Information, as identified in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

**Other Matters (Continued)**

*Other Information (Continued)*

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

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

*White Nelson Dick Evans LLP*

Carlsbad, California  
December 3, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2015

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, 2015. 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 wastewater service charge increased 10% to \$284.04/EDU/Year for FY ended June 30, 2015.
- The District added 238 equivalent dwelling units (EDU's) during FY ending June 30, 2015, bringing the total connected EDU's to 28,516, a 0.8% 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 \$518,040 worth of contributed capital assets (dedicated facilities including 0.4 miles of dedicated sewer lines) and \$901,791 in capacity fees.
- The District adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) that relate to pension activity in the FY ended June 30, 2015.
  - Statement No. 68, "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27," and
  - Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68"

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for the District's defined benefit pension plans. Statement No. 68 replaces the requirements of prior GASB statements impacting accounting and disclosure of pensions. The significant impact to the District of implementing Statement No. 68 is the reporting of the District's unfunded pension liability on the District's financial statements. There are also new note disclosure requirements and supplementary schedules required by the Statement. The measurement date for the pension liabilities is as of June 30, 2014. This date reflects a one year lag and was used so that these financial statements could be issued in an expedient manner. Activity (i.e., contributions made by the District) occurring during FY ending June 30, 2015 are reported as deferred outflows of resources in accordance with Statement No. 71. In order to implement Statement No. 68, a prior period adjustment was made to the District's July 1, 2014 net position. This prior period adjustment decreased the District's net position by \$5,272,751 from \$135,588,159 to \$130,315,408 and reflects the reporting of: 1) net pension liabilities of \$2,277,414 and EWA pension liability of \$1,816,300, 2) deferred outflows of resources of \$257,809, and 3) deferred inflows of resources of \$814,039.. Please refer to Note 9 for more information regarding the District's pensions. The calculation of pension contributions is unaffected by this Statement.

- The District's net position for the FY ending June 30, 2015 increased by \$1,548,588 or 1.2% over the prior year (after adjusting for the prior period adjustment of a negative \$5,272,751 from implementation of GASB Statement No. 68). This was primarily due to non-operating revenues and capital contributions exceeding the operating loss of \$1,338,952.



## **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) Statement of Net Position; 2) Statement of Revenues, Expenses, and Changes in Net Position; 3) Statement 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, 2015. 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.

### ***Statement of Net Position***

The Statement of Net Position presents information on the District's *assets, deferred outflow of resources, liabilities, 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.

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

The Statement of Revenues, Expenses, and Changes in Net Position presents 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, 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.

### ***Statement of Cash Flows***

The Statement 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 Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows; the District improved upon an already strong financial position during the fiscal year ended June 30, 2015.

**Financial Position**

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

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

	FY 2015	FY 2014	FY 2014-2015 Change	
			Amount	%
<b>ASSETS</b>				
Current Assets	\$ 25,474,549	\$ 28,283,050	\$ (2,808,501)	-9.9%
Non-Current Assets	10,920,384	11,238,538	(318,154)	-2.8%
Capital Assets, Net	102,080,041	98,011,150	4,068,891	4.2%
<b>Total Assets</b>	<b>138,474,974</b>	<b>137,532,738</b>	<b>942,236</b>	<b>0.7%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Amounts on Pensions	<b>257,809</b>		257,809	100.0%
<b>LIABILITIES</b>				
Current Liabilities	1,898,502	1,857,982	\$ 40,520	2.2%
Non Current Liabilities	4,156,246	86,597	\$ 4,069,649	4699.5%
<b>Total Liabilities</b>	<b>6,054,748</b>	<b>1,944,579</b>	<b>4,110,169</b>	<b>211.4%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Amounts on Pensions	<b>814,039</b>		814,039	100.0%
<b>NET POSITION</b>				
Investment in Capital Assets	102,080,041	98,011,150	\$ 4,068,891	4.2%
Restricted	688,806	1,211,802	\$ (522,996)	-43.2%
Unrestricted	29,095,149	36,365,207	\$ (7,270,058)	-20.0%
<b>Total Net Position</b>	<b>\$ 131,863,996</b>	<b>\$ 135,588,159</b>	<b>\$ (3,724,163)</b>	<b>-2.7%</b>

Note: Fiscal years are not comparable due to implementation of GASB #68 in FY 2015.

The District’s financial position remains strong with a \$131.9 million net position and only \$6.1 million in total liabilities at June 30, 2015.

## Leucadia Wastewater District

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Total assets increased by \$0.9 million or 0.7% during the FY ending June 30, 2015, primarily due to a net increase in net capital assets of \$4.1 million less a reduction in cash and investments of \$2.8 million. The District incurred \$7.4 million in expenditures for the acquisition and construction of capital assets, primarily for: the Recycled water line and valve replacement, B1 and B2 Force Main Replacement Projects, Encina Joint System projects, and miscellaneous line and pump station repairs. The District received \$901,791 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 \$518,040 were contributed to the District from developers. Net Capital Assets were reduced by depreciation expense of \$3.7 million and capital deletions of \$1.6 million for the year.

Total liabilities increased by \$4.1 million or 211%, mainly due to the District's implementation of GASB Statement No. 68, Accounting and Reporting for Pensions, by reporting its net pension liability of \$2.3 million plus \$1.8 million for its share of Encina Wastewater Authority's pension liabilities as of June 30, 2015.

The District's Net Position as of June 30, 2015 totaled \$131,863,996 compared with \$135,588,159 as of June 30, 2014, a decrease of 2.7%. 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. The beginning Net Position for the fiscal year ending June 30, 2015 was reduced by a prior period adjustment of \$5.3 million which resulted from implementing GASB Statement No. 68.

Deferred outflows of resources are new to the District's Statement of Net Position for this fiscal year. This classification balance, although similar to "assets," is set apart because these items do not meet the technical definition of being a District asset on the date of these financial statements. In other words, these amounts are not available to pay liabilities in the way assets are available. When all the recognition criteria are met, the deferred outflow of resources will become an expense. The deferred outflow of resources reported is related to the implementation of GASB Statement No. 68 and GASB Statement No. 71 for pension liability reporting. GASB Statement No. 71 requires that contributions made during the fiscal year to the retirement system be reported as deferred outflows of resources. Out of the total deferred outflows of resources of \$257,809 as of June 30, 2015, the majority (\$242,055) is comprised of current year contributions to the retirement system. However, there may be some additional deferred outflows of resources attributable to the various components that impact pension changes, and can include proportional differences, investment changes, changes due to actuarial assumptions, and differences between expected or actual experience.

Deferred inflows of resources are the counterpart to deferred outflows of resources on the Statement of Net Position. Deferred inflows of resources are not technically liabilities of the District as of the date of the financial statements. When all the recognition criteria are met, the deferred inflow of resources will become revenue. All the District's deferred inflows of resources as of June 30, 2015 are also related to the implementation of GASB Statement No. 68 and GASB Statement No. 71 for pension liability reporting. The reported deferred inflows is primarily the net difference in the projected and actual earnings on plan investments (\$765,316) as of June 30, 2014. This amount is amortized over 5 years to smooth out the recognition to pension expense systematically over time.

*See Note 9 for more information on deferred outflows of resources and deferred inflows of resources.*

### **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 2015	FY 2014	FY 2015-2014 Change	
			Amount	%
<b>OPERATIONS</b>				
Operating revenues				
Wastewater service charges	\$ 8,029,799	\$ 7,218,040	\$ 811,759	11.2%
Recycled water sales	254,427	492,421	(237,994)	-48.3%
Other charges & services	213,215	247,619	(34,404)	-13.9%
Total Operating revenues	8,497,441	7,958,080	539,361	6.8%
Operating expenses	6,142,492	5,878,182	264,310	4.5%
Operating Income before deprec.	2,354,949	2,079,898	275,051	13.2%
Depreciation expense	3,693,901	3,527,059	166,842	4.7%
Operating Income (Loss)	(1,338,952)	(1,447,161)	108,209	-7.5%
<b>NON-OPERATIONS</b>				
Nonoperating Revenues (Expenses)				
Property tax revenue	1,382,197	1,263,119	119,078	9.4%
Investment income revenue	255,144	213,607	41,537	19.4%
Gain/Loss on disposition of assets	(185,686)	(146,913)	(38,773)	26.4%
Other non-operating income	16,054	1,911	14,143	740.1%
Total nonoperating revenues, net	1,467,709	1,331,724	135,985	10.2%
Income (loss) before capital contributions	128,757	(115,437)	244,194	-211.5%
<b>CAPITAL CONTRIBUTIONS</b>	1,419,831	1,989,096	(569,265)	-28.6%
<b>Changes in Net Position</b>	<b>1,548,588</b>	<b>1,873,659</b>	<b>(325,071)</b>	<b>-17.3%</b>
Beginning Net Position	135,588,159	133,714,500	1,873,659	1.4%
Prior Period Adjustment	(5,272,751)		(5,272,751)	
Beginning Net Position as Restated	130,315,408	133,714,500	(3,399,092)	-2.5%
<b>ENDING NET POSITION</b>	<b>\$ 131,863,996</b>	<b>\$ 135,588,159</b>	<b>\$ (3,724,163)</b>	<b>-2.7%</b>

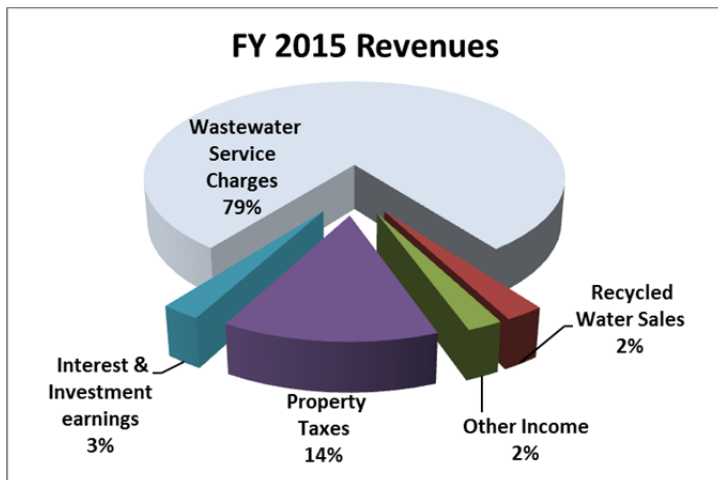
FY ending June 30, 2015 compared to June 30, 2014 highlights are discussed below:

- Net position increased \$1,548,588 (1.2%), which is added to the beginning net position, as restated, of \$130,315,408 to arrive at ending total net position of \$131,863,996. The District incurred an operating loss of \$1,338,952 (which includes non-cash depreciation expense of \$3,693,901). 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 \$539,361 or 6.8%. Wastewater service charges increased 11.2%, due to a 10% increase in the sewer service rate and a slight increase in the customer base in FY2015. There was a 48% decrease in recycled water sales due to a 20% decrease in the volume of recycled water sold due to changes in golf course operations and there was a onetime lump sum recycled water rebate of \$132,000 received in FY2014.
- The District’s operating expenses (before depreciation) increased \$264,310 or 4.5%, which was partially due to increases in electrical costs, repair and maintenance costs, self-insurance costs, and Encina wastewater treatment costs, This was partially offset by a decrease in pension expense (due to implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions). In

# Leucadia Wastewater District

addition, electrical costs were partially offset by \$24,046 in solar incentive payments received in FY2015 from the renewable solar system at the District’s main location.

- Investment earnings were up 19.4% from the prior year due to a \$60,037 increase in the fair-value of investments held at year end (vs a \$15,766 increase in the fair value of investments in the prior year). The increase was partially offset by an 8.8% decrease in investments and cash equivalents during the year. The District participates in three different investment pools and in the CAMP Individual Portfolio program. As of June 30, 2015 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 down by 34.3% as private development activity tapered off from the prior high.
- Property taxes increased by 9.4% due to increases in assessed valuations as the housing market continues to recover.
- The majority of the loss on disposition of capital assets in both fiscal years 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 \$23.67 and \$21.52 per EDU per month for the fiscal year ended June 30, 2015 and 2014, respectively.

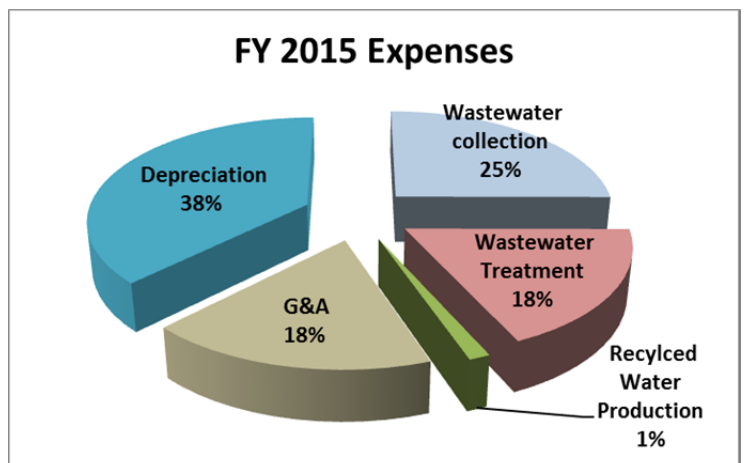


**Revenues:**

Revenues for FY 2015 totaled \$10,150,836 and are presented here in graphical format. As can be seen, wastewater service charges continue to be a major funding source representing 79% of the District’s revenues. Another significant source of revenue is property taxes at 14%

**Expenses:**

Expenses for FY2015 totaled \$10,022,079. 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 wastewater 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, 2015, have been categorized into one of the following four activities: operating, noncapital financing, capital and related financing, and investing. The total of these categories represents a decrease in cash and cash equivalents of \$2,895,966, which is subtracted from beginning cash and cash equivalents of \$28,478,049 arriving at ending cash and cash equivalents of \$25,582,083. The decreases in cash and cash equivalents were primarily due to the acquisition and construction of capital assets in the amount of \$7.4 million. Partially offsetting the decreases were the increases in cash and cash equivalents from: operating activities of \$2.1 million, proceeds from property taxes of \$1.4 million, and capacity fees of \$0.9 million. The ending cash and cash equivalents are represented on the Statement of Net Position as the following: unrestricted cash and cash equivalents of \$24,750,282, current restricted cash and cash equivalents of \$142,995, and noncurrent restricted cash and cash equivalents of \$688,806.

**Financial Ratios**

**TABLE 3. SELECTED FINANCIAL RATIOS**

<b>Ratio</b>	<b>FY 2015</b>	<b>FY 2014</b>
Current Ratio	13.4	15.2
Operating Margin Ratio (before depreciation exp.)	1.4/1	1.4/1
Total Margin Ratio (total revenues to expenses)	1.0/1	1.0/1
Capital Asset Condition Ratio	34%	33%
Total Debt to Equity	1 / 22	1 / 70

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 13.4 times its current liabilities from current assets. The District’s current ratio of 13.4 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 2015, 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 34% 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 favorable even as the District’s assets have increased and the District has reported its net pension liabilities in FY 2015, in accordance with GASB statement No. 68. For every \$1 of debt at June 30, 2015 the District had \$22 in net position (equity), which is down from the ratio of \$1 of debt to \$70 in net position the District had at June 30, 2014, which is mostly the result of reporting the net pension liabilities in FY 2015. This lower ratio still indicates a high degree of solvency and the ability to obtain financing if needed.

# Leucadia Wastewater District

## 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, 2015, there was a net reduction in the Capital Improvement Reserve of \$522,996, or 43%, 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, 2015</u>	<u>June 30, 2014</u>
Capital Improvement Reserve	<u>\$ 688,806</u>	<u>\$ 1,211,802</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.

In the FY ending June 30, 2015, the beginning balance of the Replacement Reserve, which funds the refurbishment and replacement of the District’s facilities, was reduced by \$5.3 million as part of the prior period adjustment as a result of implementing GASB Statement No. 68, Accounting and Reporting for Pensions. During the FY ending June 30, 2015, the Replacement Reserve had a decrease of \$165,602 or about 0.9%. This decrease was due to \$4.9 million in capital replacement expenditures during the year which was partially offset by deposits of \$0.9 million in capacity fees (100 % buy-in portion), \$1.4 million of property taxes, and \$2.3 million of net transfers from other reserves, ;:

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

<u>Unrestricted Reserve Designation</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operations Reserve	\$ 2,138,831	\$ 2,073,044
Replacement Reserve	17,678,274	23,116,629
Water Recycling Reserve	1,778,044	3,675,534
Emergency Reserve	<u>7,500,000</u>	<u>7,500,000</u>
Total	<u>\$29,095,149</u>	<u>\$36,365,207</u>

Overall, the District’s restricted and unrestricted reserves totaled \$29,783,955 as of June 30, 2015. This is an increase of \$1.5 million from the prior year (excluding the prior period adjustment). This increase 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.

# Leucadia Wastewater District

## CAPITAL ASSETS AND LONG-TERM DEBT

### *Capital Assets:*

At June 30, 2015 the District’s investment in capital assets amounted to \$102,080,041, net of accumulated depreciation of \$48,994,169. 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, 2015:

Recycled Water Line Valve & Creek Crossing	\$ 237,549
B2 Force Main Replacement Project	2,427,349
B1 Force Main Replacement Project	1,706,005
Leucadia PS & Batiquitos PS VFD Replacements	153,564
Vehicles and Equipment	271,756
Encina Joint System, net of deletions	<u>1,417,060</u>
Total	<u>\$ 6,213,283</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, 2015 and June 30, 2014 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 2016 budget amounts and fees:

- A declining level of growth within the District, estimating the addition of 60 equivalent dwelling units (EDU) in fiscal year 2016.
- 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, 2016 budget includes:

- An increase in annual wastewater service charges of \$28.40 from \$284.04 to \$312.44/EDU/Year.
- Capacity Fee charges were unchanged at \$4,006 per EDU.
- \$7,333,583 in appropriations for capital improvement and replacement projects.
- A 3% 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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## STATEMENT OF NET POSITION June 30, 2015

### ASSETS

#### Current Assets:

Cash and cash equivalents (Note 2)	\$ 24,750,282
Restricted cash and cash equivalents (Note 2)	142,995
Accrued interest receivable	57,375
Accounts receivable – wastewater service charges	2,414
Accounts receivable – property taxes	20,703
Accounts receivable – due from other governments	395,884
Accounts receivable – other	31,175
Net OPEB Asset (Note 10)	24,590
Prepaid expenses and other deposits	49,131

Total Current Assets 25,474,549

#### Noncurrent Assets:

Restricted cash and cash equivalents (Note 2)	688,806
Investments (Note 2)	9,324,729
Deposits with Encina Wastewater Authority (Note 5)	906,849
Land (Note 3)	12,878
Construction in progress (Note 3)	7,676,676
Capital assets, net of depreciation (Note 3)	94,390,487

Total Noncurrent Assets 113,000,425

Total Assets 138,474,974

### DEFERRED OUTFLOWS OF RESOURCES

Deferred Amounts on Pension (Notes 1.d. and 9)	<u>257,809</u>
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(Continued)

# LEUCADIA WASTEWATER DISTRICT

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## STATEMENT OF NET POSITION (Continued) June 30, 2015

### LIABILITIES

#### Current Liabilities:

Accounts payable and accrued expenses	\$ 1,516,823
Accrued salaries and wages	50,089
Restricted developer deposits	142,995
Long-term liabilities - due within one year:	
Compensated absences (Note 6)	<u>188,595</u>
Total Current Liabilities	<u>1,898,502</u>

#### Noncurrent Liabilities:

#### Long-term liabilities - due in more than one year:

Net Pension Liability (Note 9)	2,277,414
EWA Pension Liability (Note 5)	1,816,300
Compensated absences (Note 6)	<u>62,532</u>
Total Noncurrent Liabilities	<u>4,156,246</u>

Total Liabilities	<u>6,054,748</u>
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### DEFERRED INFLOWS OF RESOURCES

Deferred Amounts on Pension (Notes 1.d. and 9)	<u>814,039</u>
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### NET POSITION (Note 7)

Investment in capital assets	102,080,041
Restricted for capital projects	688,806
Unrestricted	<u>29,095,149</u>
Total Net Position	<u>\$ 131,863,996</u>

## LEUCADIA WASTEWATER DISTRICT

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### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the year ended June 30, 2015

#### OPERATING REVENUES

Wastewater service charges	\$ 8,029,799
Recycled water sales	254,427
Other charges and services	213,215
Total Operating Revenues	<u>8,497,441</u>

#### OPERATING EXPENSES

Wastewater collection	2,465,555
Wastewater treatment – Encina Joint System	1,795,007
Recycled water production	130,879
General and administrative	1,751,051
Total Operating Expenses	<u>6,142,492</u>

Operating Income Before Depreciation Expense	2,354,949
Depreciation expense	<u>(3,693,901)</u>
Operating Income (Loss)	<u>(1,338,952)</u>

#### NONOPERATING REVENUES (EXPENSES)

Property taxes	1,382,197
Interest and investment income(loss)	255,144
Gain/(Loss) on disposition of capital assets (Note 3)	(185,686)
Other nonoperating revenues	16,054
Total Nonoperating Revenues (Expenses), net	<u>1,467,709</u>

Income (Loss) Before Capital Contributions	<u>128,757</u>
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#### CAPITAL CONTRIBUTIONS

Capacity charges	901,791
Developers	518,040
Total Capital Contributions	<u>1,419,831</u>

Changes in Net Position	<u>1,548,588</u>
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Net Position, Beginning	135,588,159
Prior Period Adjustment (Note 13)	<u>(5,272,751)</u>
Net Position, Beginning, As Restated	<u>130,315,408</u>
Net Position, End of Year	<u>\$ 131,863,996</u>

# LEUCADIA WASTEWATER DISTRICT

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## STATEMENT OF CASH FLOWS For the year ended June 30, 2015

### CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers for wastewater sales and service	\$ 8,251,301
Cash paid to vendors and suppliers for materials and services	(3,607,734)
Cash paid for employee wages, benefits and related costs	<u>(2,579,165)</u>

Net Cash Provided (Used) by Operating Activities 2,064,402

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Proceeds from property taxes 1,382,559

Net Cash Provided (Used) by Noncapital  
Financing Activities 1,382,559

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(7,422,119)
Proceeds from capacity fees	<u>901,791</u>

Net Cash Provided (Used) by Capital  
and Related Financing Activities (6,520,328)

### CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale and maturities of investments	682,955
Purchases of investments	(750,000)
Interest and investment earnings	<u>244,446</u>

Net Cash Provided (Used) by Investing Activities 177,401

Net Increase (Decrease) in  
Cash and Cash Equivalents (2,895,966)

Cash and Cash Equivalents, Beginning of Year 28,478,049

Cash and Cash Equivalents, End of Year \$ 25,582,083

(Continued)

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

## LEUCADIA WASTEWATER DISTRICT

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### STATEMENT OF CASH FLOWS (Continued) For the year ended June 30, 2015

#### Reconciliation of operating income (loss) to net cash flows provided (used) by operating activities:

Operating income (loss)	\$ (1,338,952)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation and amortization	3,693,901
Other nonoperating revenues (expense), net	16,054
GASB 68 Adjustment to Pension Expense	(42,951)
Changes in operating assets and liabilities:	
(Increase)Decrease in operating assets:	
Accounts receivable – wastewater sales	(1,510)
Accounts receivable – due from other governments	(240,066)
Accounts receivable – other	(20,618)
Prepaid expenses and other deposits	(9,592)
Increase(Decrease) in operating liabilities:	
Accounts payable and accrued expenses – unrestricted	121,775
Accrued salaries and wages	(1,405)
Compensated absences	(12,763)
Developer deposits - restricted	(99,471)
	<hr/>
Total adjustments	3,403,354
	<hr/>
Net Cash Provided (Used) by Operating Activities	\$ 2,064,402
	<hr/> <hr/>

#### Financial Statement Classification

##### Cash and cash equivalents

###### Current assets:

Cash and cash equivalents	\$ 24,750,282
Restricted cash and cash equivalents	142,995

###### Non-current assets:

Restricted cash and cash equivalents	688,806
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Total Cash and Cash Equivalents \$ 25,582,083

#### Supplemental Disclosures:

##### Noncash Investing and Financing Activities:

Capital assets contributed by developers and others	\$ 518,040
Change in fair value of investments	\$ 60,037

June 30, 2015

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 Statement of Net Position. The Statement 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 borrowings 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 Statements No. 68 / 71 - In fiscal year 2014-2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, “*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*” and GASB Statement No. 71 - “*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*”. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard decreased the net position at July 1, 2014 by \$3,456,451.
- GASB 69 - “*Government Combinations and Disposals of Government Operations*” was required to be implemented in the current fiscal year and 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 72 - “*Fair Value Measurement and Application*”, effective for periods beginning after June 15, 2015.
- GASB 73 - “*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*”, effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

## c. New Accounting Pronouncements (Continued):

Pending Accounting Standards (Continued)

- GASB 74 - *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*, effective for periods beginning after June 15, 2016.
- GASB 75 - *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*, effective for periods beginning after June 15, 2017.
- GASB 76 - *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*, effective for periods beginning after June 15, 2015.

## d. Deferred Outflows / Inflows of Resources

In addition to assets, the Statement 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 has two items that qualify for reporting in this category. The first item is deferred outflow related to pensions, and is equal to employer contributions made after the measurement date of the net pension liability. The second item is a deferred outflow related to pensions for the changes in employer’s proportion. This second amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years.

In addition to liabilities, the Statement 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 has two items that qualify for reporting in this category. The first item is the deferred inflow resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is deferred and amortized over five years. The second item is a deferred inflow related to pensions for the differences between employer’s contributions and the employer’s proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years.

## e. Cash and Cash Equivalents:

For purposes of the Statement 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

f. Investments and Investment Policy (Continued):

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, 2015.

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 Statement 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

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, 2015 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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):****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 Statement of Net Position and as capital grant contribution or operating grant revenue, as appropriate, on the Statement of Revenues, Expenses and Changes in Net Position.

**t. Pensions:**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## 2. CASH AND INVESTMENTS:

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 24,750,282
Restricted cash and cash equivalents	142,995
Restricted cash and cash equivalents - noncurrent	688,806
Investments - noncurrent	<u>9,324,729</u>
Total cash and investments	<u>\$ 34,906,812</u>

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

Cash on hand	\$ 500
Deposits with financial institutions	574,624
Investments	<u>34,331,688</u>
Total cash and investments	<u>\$ 34,906,812</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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

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

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, 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).

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, 2015, \$252,744 of the District's deposits with financial institutions in excess of the Federal insurance limits is 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.

## 2. CASH AND INVESTMENTS (CONTINUED):

## Investment in California Asset Management Program (Continued):

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.

## 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, 2015:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
U.S. Treasury Notes	\$ 4,011,014	\$ -	\$ 3,015,312	\$ 995,702	\$ -
Government National Mortgage Association Pools	7,705	-	1,171	-	6,534
Federal Home Loan Mortgage Corp. Global Notes	1,999,571	-	1,004,551	995,020	-
Federal National Mortgage Association Global Notes	1,010,368	-	1,010,368	-	-
Local Agency Investment Fund (LAIF)	13,387,627	13,387,627	-	-	-
California Asset Management Program (CAMP)	214,333	214,333	-	-	-
San Diego County Pool	11,405,000	11,405,000	-	-	-
Certificate of Deposit	749,833	-	-	749,833	-
Medium Term Notes	1,546,237	-	-	1,546,237	-
Total	<u>\$ 34,331,688</u>	<u>\$ 25,006,960</u>	<u>\$ 5,031,402</u>	<u>\$ 4,286,792</u>	<u>\$ 6,534</u>

## 2. CASH AND INVESTMENTS (CONTINUED):

## 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, 2015 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).

Investment Types	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End			
				AAA	AA	A	Not Rated
U.S. Treasury Notes	\$ 4,011,014	N/A	\$ -	\$ 4,011,014	\$ -	\$ -	\$ -
Government National Mortgage Association Pools	7,705	AAA	-	7,705	-	-	-
Federal Home Loan Mortgage Corp. Global Notes	1,999,571	AAA	-	1,999,571	-	-	-
Federal National Mortgage Association Global Notes	1,010,368	AAA	-	1,010,368	-	-	-
Local Agency Investment Fund (LAIF)	13,387,627	N/A	-	-	-	-	13,387,627
California Asset Management Program (CAMP)	214,333	N/A	-	214,333	-	-	-
San Diego County Pool	11,405,000	N/A	-	11,405,000	-	-	-
Certificate of Deposit	749,833	N/A	-	-	-	749,833	-
Medium Term Notes	1,546,237	A	-	552,230	494,945	499,062	-
Total	\$ 34,331,688		\$ -	\$ 19,200,221	\$ 494,945	\$ 1,248,895	\$ 13,387,627

## 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
		2015
Federal Home Loan Mortgage Corporation	U.S. Govt Sponsored Entities	\$ 1,999,571



## 3. CAPITAL ASSETS:

Changes in capital assets for 2015 were as follows:

	Balance 2014	Additions/ Transfers	Deletions/ Transfers	Balance 2015
Non-depreciable assets:				
Land	\$ 12,878	\$ -	\$ -	\$ 12,878
Construction-in-progress - Encina	1,049,696	2,001,435	(1,054,623)	1,996,508
Construction-in-progress	1,222,499	5,127,193	(669,524)	5,680,168
Total non-depreciable assets	<u>2,285,073</u>	<u>7,128,628</u>	<u>(1,724,147)</u>	<u>7,689,554</u>
Depreciable assets:				
Sewer collection facilities	31,401,910	385,903	(977,078)	30,810,735
Sewage treatment facilities	138,290	-	-	138,290
Sewage transmission facilities	18,200,719	13,068	-	18,213,787
Advanced water treatment facility	5,252,934	417,682	(4,014)	5,666,602
Subsurface lines	30,950,946	518,040	-	31,468,986
Vulcan sewer line	210,889	-	-	210,889
Site buildings and grounds	13,929,194	4,691	-	13,933,885
Equipment	2,103,829	119,319	(9,429)	2,213,719
Encina Joint System	40,257,514	1,085,293	(615,044)	40,727,763
Total depreciable assets	<u>142,446,225</u>	<u>2,543,996</u>	<u>(1,605,565)</u>	<u>143,384,656</u>
Accumulated depreciation:				
Sewer collection facilities	(12,487,299)	(1,058,669)	977,079	(12,568,889)
Sewage treatment facilities	(89,498)	(4,611)	-	(94,109)
Sewage transmission facilities	(5,892,369)	(505,038)	-	(6,397,407)
Advanced water treatment facility	(2,749,920)	(178,926)	3,668	(2,925,178)
Subsurface lines	(9,174,465)	(466,285)	-	(9,640,750)
Vulcan sewer line	(103,788)	(4,217)	-	(108,005)
Site buildings and grounds	(1,550,495)	(318,857)	-	(1,869,352)
Equipment	(1,507,321)	(133,634)	7,326	(1,633,629)
Encina Joint System	(13,164,993)	(1,023,664)	431,807	(13,756,850)
Total accumulated depreciation	<u>(46,720,148)</u>	<u>(3,693,901)</u>	<u>1,419,880</u>	<u>(48,994,169)</u>
Total depreciable assets, net	<u>95,726,077</u>	<u>(1,149,905)</u>	<u>(185,685)</u>	<u>94,390,487</u>
Total capital assets, net	<u>\$98,011,150</u>	<u>\$ 5,978,723</u>	<u>\$ (1,909,832)</u>	<u>\$ 102,080,041</u>

During the fiscal year ending June 30, 2015, major capital assets additions included the Force Main Corrosion Evaluation Project, the Recycled Water Line Valve & Creek Crossing Repair, and various miscellaneous line repairs, which were completed during the year, as well as the Leucadia Pump Station Generator Replacement, the B1 Force Main Replacement Project, the B2 Force Main Replacement Project, and the Leucadia Pump Station VFD Replacement Project, which are ongoing.

Depreciation expense for the year ended June 30, 2015 was \$3,693,901.

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, 2015 are as follows:

FY2015 Gravity Pipeline Rehabilitation	\$ 95,635
FY2016 Gravity Pipeline Rehabilitation	513
Leucadia PS Generator Replacement	676,946
Leucadia PS VFD Replacement Project	153,564
Leucadia Force Main West Section Replacement	87,028
Saxony PS Rehabilitation	81,289
Water recycling group	207,191
B1 Force Main Replacement Project	1,706,005
Scott's Valley Pipeline Repair	53,346
B2 Force Main Replacement Project	2,615,761
Miscellaneous projects	<u>2,890</u>
Construction-in-progress	<u><u>\$ 5,680,168</u></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, 2015, 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 its share of the operating costs of the Encina Joint System based on its 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, 2015, 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 a total of \$906,849.

During fiscal year 2015, EWA implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68". EWA's implementation of this standard included a long term receivable for future amounts owed by their member agencies on EWA's net pension liability. The District has reflected their share of this receivable as a noncurrent liability on the Statement of Net Position in the amount of \$1,816,300. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard decreased the net position at July 1, 2014 by \$1,816,300.

The latest available financial statements of the Encina Wastewater Authority, dated June 30, 2014 and 2013 (available directly from EWA, 6200 Avenida Encinas, Carlsbad, California 92013) show the following:

	2014	2013
Total assets	\$ 122,157,791	\$ 126,543,408
Total liabilities	3,044,612	2,608,176
Total net position	\$ 119,113,179	\$ 123,935,232
Increase (decrease) in net position	\$ (4,822,053)	\$ (417,930)

## 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.

Balance 2014	Earned	Taken	Balance 2015	Current Portion	Long-Term Portion
\$ 263,890	\$ 185,417	\$ (198,180)	\$ 251,127	\$ 188,595	\$ 62,532

## 7. NET POSITION:

Calculation of net position as of June 30, 2015 was as follows:

Net investment in capital assets:	
Land	\$ 12,878
Construction in progress	7,676,676
Capital assets, net of depreciation	<u>94,390,487</u>
Total net investment in capital assets	<u>102,080,041</u>
Restricted net position:	
Restricted for capital projects	<u>688,806</u>
Total restricted net position	<u>688,806</u>
Unrestricted net position:	
Reserve for operations	2,138,831
Reserve for capital replacement	17,678,274
Reserve for water recycling	1,778,044
Reserve for emergencies	<u>7,500,000</u>
Total unrestricted net position	<u>29,095,149</u>
Total net position	<u>\$ 131,863,996</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, 2015 amounted to \$1,394,910.

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 Statement of Net Position.

9. DEFINED BENEFIT PENSION PLAN:

Summary of Significant Accounting Policies

Pensions - For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District’s California Public Employees’ Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plans:

Plan Descriptions

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Miscellaneous Plan</u>	<u>PEPRA Miscellaneous Plan</u>
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	3.0% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 60	50 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	16.786%	6.25%

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

9. DEFINED BENEFIT PENSION PLAN (CONTINUED):

A. General Information about the Pension Plans (Continued):

The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contribution recognized as part of pension expense were as follows:

	<u>Miscellaneous Plan</u>
Contributions - employers	<u>\$ 199,104</u>
Contributions - employee (paid by employer)	<u>\$ 49,457</u>

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

As of June 30, 2015, the District reported a net pension liability for its proportionate share of the net pension liability as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous Plan	<u>\$ 2,277,414</u>
Total Net Pension Liability	<u>\$ 2,277,414</u>

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District’s proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous Plan</u>
Proportion - June 30, 2013	0.0950%
Proportion - June 30, 2014	0.0921%
Change - Increase (Decrease)	-0.0028%

9. DEFINED BENEFIT PENSION PLAN (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

For the year ended June 30, 2015, the District recognized pension expense of \$248,561. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 242,055	\$ -
Differences between actual and expected experience	-	-
Change in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	15,754	(48,723)
Net differences between projected and actual earnings on plan investments	-	(765,316)
Total	<u>\$ 257,809</u>	<u>\$ (814,039)</u>

\$242,055 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2016	\$ (203,103)
2017	(203,103)
2018	(200,751)
2019	(191,328)
2020	-
Thereafter	-

9. DEFINED BENEFIT PENSION PLAN (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Actuarial Assumptions:

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous Plan</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

Discount Rate:

The discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as a change in methodology occurs.



9. DEFINED BENEFIT PENSION PLAN (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Discount Rate (Continued):

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

9. DEFINED BENEFIT PENSION PLAN (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

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

The following presents the District’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous Plan</u>
1% Decrease	6.50%
Net Pension Liability	\$ 4,057,646
Current Discount Rate	7.50%
Net Pension Liability	\$ 2,277,414
1% Increase	8.50%
Net Pension Liability	\$ 799,989

Pension Plan Fiduciary Net Position:

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan:

At June 30, 2015, the District did not have any outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

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 five 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 year ended June 30, 2015 was \$6,278.

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

	<u>2015</u>
Active plan members	20
Retirees and beneficiaries receiving benefits	5
Separated plan members entitled to but not yet receiving benefits -	-
Total plan membership	<u><u>25</u></u>

10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

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 (\$122 per month in 2015 and indexed to medical CPI) for retirees electing coverage.

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 year ending June 30, 2015, 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:

	<u>2015</u>
Annual Required Contribution (ARC)	\$ -
Interest on net OPEB obligation	-
Adjustment to Annual Required Contribution (ARC)	-
Annual OPEB cost (expense)	<u>-</u>
Contributions made	<u>(6,278)</u>
Increase in net OPEB obligation (asset)	(6,278)
Net OPEB obligation (asset) - beginning of year	<u>(18,312)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (24,590)</u></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 2015, 2014 and 2013 were as follows:

<u>Three-Year Trend Information for CERBT</u>			
<u>Fiscal Year</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ -	100%	\$ -
6/30/2014	\$ -	100%	\$ -
6/30/2013	\$ (2,792)	100%	\$ -

## 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

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)	187.00%
Covered Payroll (Active Plan Members)	\$ 1,721,150
UAAL as a Percentage of Covered Payroll	-7.94%

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, 2015, 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:

Special Form Property Coverage - up to \$22,627,144 with a deductible of \$10,000 per claim.

Public Entity Physical Damage - for the replacement cost up to \$1,297,480, 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 a master crime policy, first with a \$2,000,000 limit and a \$2,500 deductible. The 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, 2015, 2014 and 2013. 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, 2015, 2014 and 2013.

## 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 \$915,965 in open construction contracts as of June 30, 2015. These include the following:

Project Name	Total Approved Contract(s)	Construction Costs to Date	Remaining Obligation
B2 Force Main Replacement Project	\$ 4,905,242	\$ 4,889,664	\$ 15,578
2015 Gravity Pipeline	756,042	70,892	685,150
Leucadia PS VFD Replacement	210,021	181,509	28,512
Saxony PS Rehabilitation	185,230	69,524	115,706
Others	375,340	304,321	71,019
Total	<u>\$ 6,431,875</u>	<u>\$ 5,515,910</u>	<u>\$ 915,965</u>

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. RESTATEMENT OF BEGINNING NET POSITION

The implementation of GASB statement numbers 68 and 71 requires reporting the net pension liability of the District's defined benefit pension plan in the financial statements and is applied retroactively by restating the net position as of the beginning of the fiscal year. The implementation of GASB statement numbers 68 and 71 resulted in a reduction of net position by \$3,456,451 as of July 1, 2014.

The District is a Member Agency of the Encina Wastewater Authority (EWA). As such, the District has restated net position at the beginning of the year to reflect their share of EWA's retroactive restatement due to the implementation of GASB statement numbers 68 and 71 in the amount of \$1,816,300.

14. SUBSEQUENT EVENTS:

Events occurring after June 30, 2015 have been evaluated for possible adjustments to the financial statements or disclosures as of December 3, 2015, which is the date these financial statements were available to be issued.

**Required Supplementary Information**



## 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%	\$ 1,721,150	-7.94%

**Schedule of Contributions-Defined Benefit Pension Plan**

Leucadia Wastewater District

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN

Last Ten Fiscal Years\*

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 235,170
Contributions in relation to the actuarially determined contributions	<u>235,170</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered - employee payroll	\$ 1,447,880
Contributions as a percentage of covered - employee payroll	16.24%

Notes to Schedule:

Valuation Date 6/30/2011

Methods and Assumptions Used to Determine Contribution Rates:

Cost-sharing employers	Entry age normal cost method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 years
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment; including inflation of 2.75%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 years
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**Schedule of Proportionate Share of the Net Pension Liability**

Leucadia Wastewater District

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years\*

	<u>2015</u>
<b>Miscellaneous Plan</b>	
Plan's Proportion of the Net Pension Liability	0.03660%
Plan's Proportionate Share of the Net Pension Liability	\$ 2,277,414
Plan's Covered-Employee Payroll	\$ 1,447,880
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	157.29%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 301,293

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

## **Supplementary Information**

**LEUCADIA WASTEWATER DISTRICT**

COMBINING SCHEDULE OF CHANGES IN NET POSITION  
For the Year Ended June 30, 2015

	Net Investment in Capital Assets	Restricted	Unrestricted, Reserved For			Total Net Position	
		Capital Improvements	Operations	Capital Replacement	Water Recycling		Emergencies
Balance, June 30, 2014	\$ 98,011,150	\$ 1,211,802	\$ 2,073,044	\$23,116,629	\$ 3,675,534	\$7,500,000	\$ 135,588,159
Prior Period Adjustment				(5,272,751)			\$ (5,272,751)
Net operating income (loss)	-	-	(1,248,626)	-	(90,326)	-	(1,338,952)
Contributed capital, sewer lines	518,040	-	-	-	-	-	518,040
Capacity fees	-	-	-	901,791	-	-	901,791
Net additions to Utility plant and equipment	7,244,752	(527,796)	-	(4,902,752)	(1,999,890)	-	(185,686)
Depreciation charged to net income	(3,693,901)	-	3,514,975	-	178,926	-	-
Interest income allocated	-	4,800	16,300	182,044	13,800	38,200	255,144
Property taxes	-	-	-	1,382,197	-	-	1,382,197
Miscellaneous non-operating income	-	-	-	16,054	-	-	16,054
Transfers	-	-	(2,216,862)	2,255,062	-	(38,200)	-
Balance, June 30, 2015	<u>\$ 102,080,041</u>	<u>\$ 688,806</u>	<u>\$ 2,138,831</u>	<u>\$17,678,274</u>	<u>\$ 1,778,044</u>	<u>\$7,500,000</u>	<u>\$ 131,863,996</u>

See accompanying independent auditors' report.

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## **Statistical Section**

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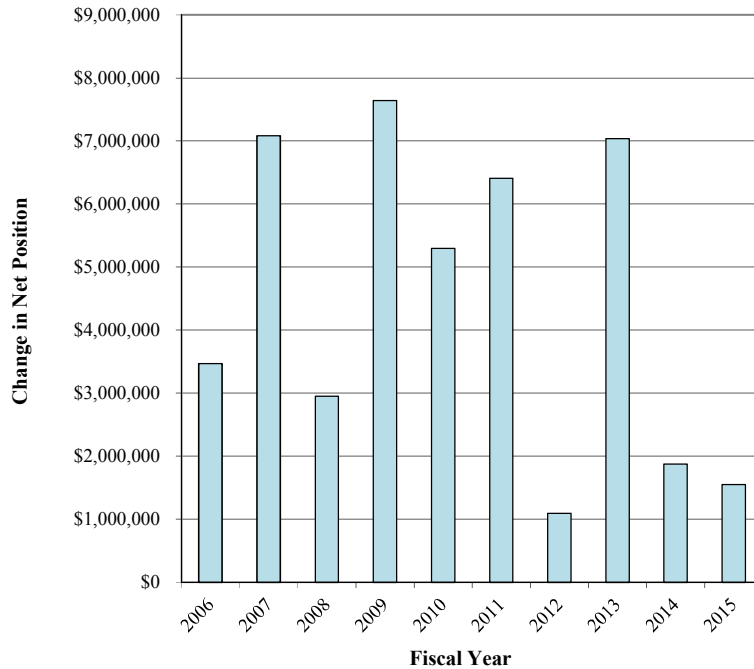
This part of the District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

**Table of Contents**

	<b><u>Page No.</u></b>
Financial Trends These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	66 - 67
Revenue Capacity These schedules contain information to help the reader assess the District’s most significant own-source revenue, wastewater service.	68 - 74
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.	77 - 78
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.	79 - 80

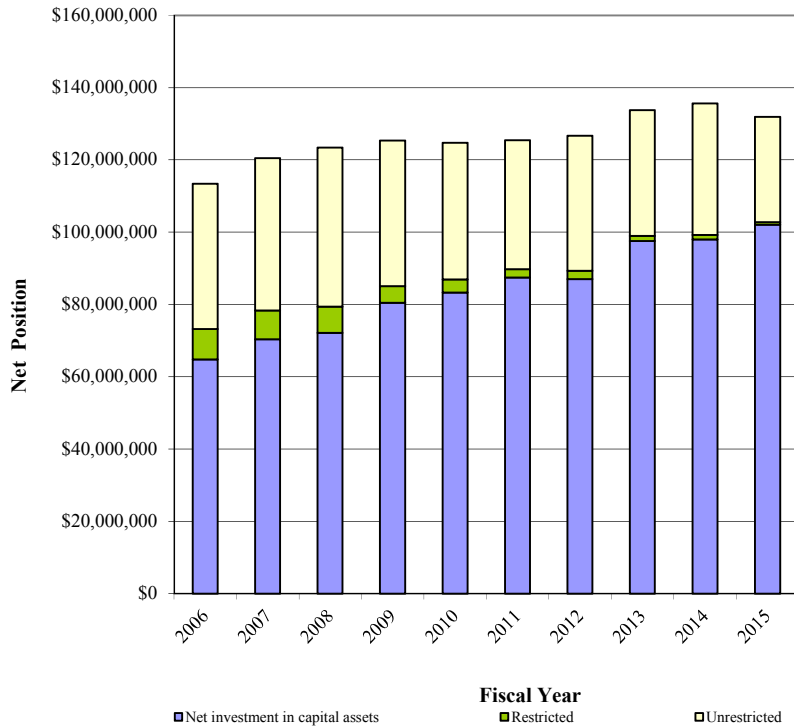
**LEUCADIA WASTEWATER DISTRICT**  
**Changes in Net Position and Net Position by Component**  
**Last Ten Fiscal Years**

	Fiscal Year				
	2006	2007	2008	2009	2010
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 5,666,101	\$ 5,761,526	\$ 5,811,481	\$ 6,328,422	\$ 7,089,681
Operating expenses (see Schedule 3)	(4,584,206)	(4,732,399)	(5,026,098)	-	-
Depreciation and amortization	(2,338,438)	(2,529,790)	(2,597,179)	(2,713,390)	(2,966,857)
<b>Operating income(loss)</b>	<b>(1,256,543)</b>	<b>(1,500,663)</b>	<b>(1,811,796)</b>	<b>3,615,032</b>	<b>4,122,824</b>
Non-operating revenues(expenses)					
Property taxes	367,495	1,141,068	1,216,757	1,246,255	1,199,025
Investment income(Loss)	1,623,061	2,625,446	2,748,087	1,468,487	656,587
Gain/(Loss) on sale/disposition of assets	(75,287)	(168,020)	(91,265)	(289,588)	(1,095,299)
Interest expense	(291,501)	(267,416)	(242,917)	(218,861)	(193,479)
Other revenue/(expense), net	18,900	11,834	10,872	1,905	2,521
Total non-operating revenues(expenses), net	1,642,668	3,342,912	3,641,534	2,208,198	569,355
<b>Net income before capital contributions</b>	<b>386,125</b>	<b>1,842,249</b>	<b>1,829,738</b>	<b>5,823,230</b>	<b>4,692,179</b>
Capital contributions	3,083,994	5,240,312	1,119,957	1,816,817	602,844
<b>Changes in net position</b>	<b>3,470,119</b>	<b>7,082,561</b>	<b>2,949,695</b>	<b>7,640,047</b>	<b>5,295,023</b>
Net position by component:					
Net investment in capital assets	64,754,256	70,364,874	72,109,791	80,465,519	83,253,950
Restricted	8,481,119	7,937,238	7,312,730	4,599,835	3,703,768
Unrestricted	40,151,148	42,166,972	43,996,258	40,243,100	37,760,887
<b>Total net position</b>	<b>\$ 113,386,523</b>	<b>\$ 120,469,084</b>	<b>\$ 123,418,779</b>	<b>\$ 125,308,454</b>	<b>\$ 124,718,605</b>



Schedule 1

Fiscal Year				
2011	2012	2013	2014	2015
\$ 7,729,492	\$ 7,855,094	\$ 7,873,007	\$ 7,958,080	\$ 8,497,441
(95,149)	(5,598,224)	(5,799,853)	(5,878,182)	(6,142,492)
(3,053,044)	(3,189,262)	(3,413,314)	(3,527,059)	(3,693,901)
4,581,299	(932,392)	(1,340,160)	(1,447,161)	(1,338,952)
1,194,074	1,177,125	1,207,630	1,263,119	1,382,197
260,858	240,343	(11,993)	213,607	255,144
(679,920)	(36,166)	6,310,855	(146,913)	(185,686)
(185,417)	-	-	-	-
(1,181)	23,490	8,448	1,911	16,054
588,414	1,404,792	7,514,940	1,331,724	1,467,709
5,169,713	472,400	6,174,780	(115,437)	128,757
1,237,807	621,685	861,421	1,989,096	1,419,831
6,407,520	1,094,085	7,036,201	1,873,659	1,548,588
87,411,700	86,970,327	97,565,846	98,011,150	102,080,041
2,371,369	2,326,290	1,428,316	1,211,802	688,806
35,616,145	37,381,682	34,720,338	36,365,207	29,095,149
\$ 125,399,214	\$ 126,678,299	\$ 133,714,500	\$ 135,588,159	\$ 131,863,996



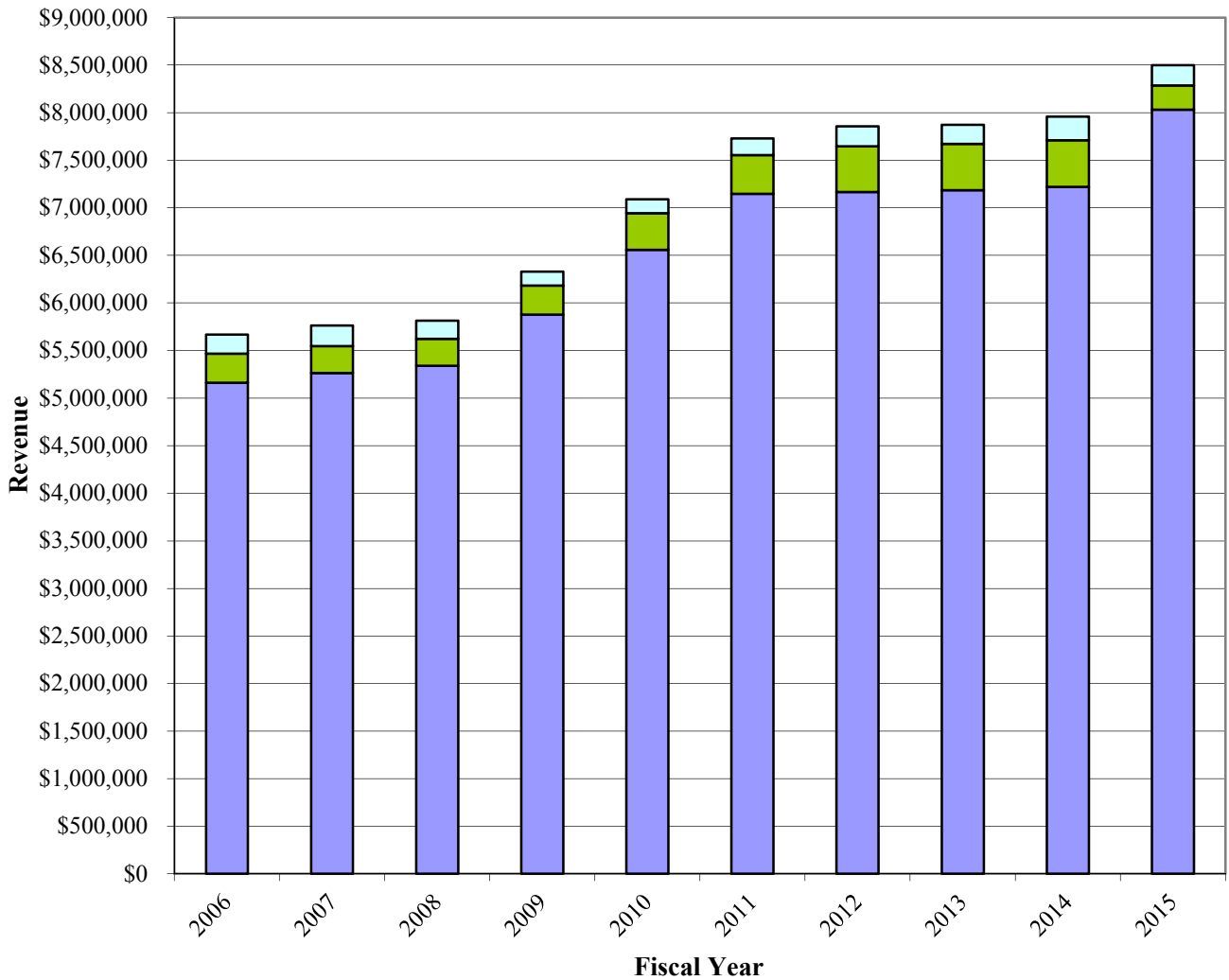
**LEUCADIA WASTEWATER DISTRICT**

**Operating Revenue By Source**

Last Ten Fiscal Years

Schedule 2

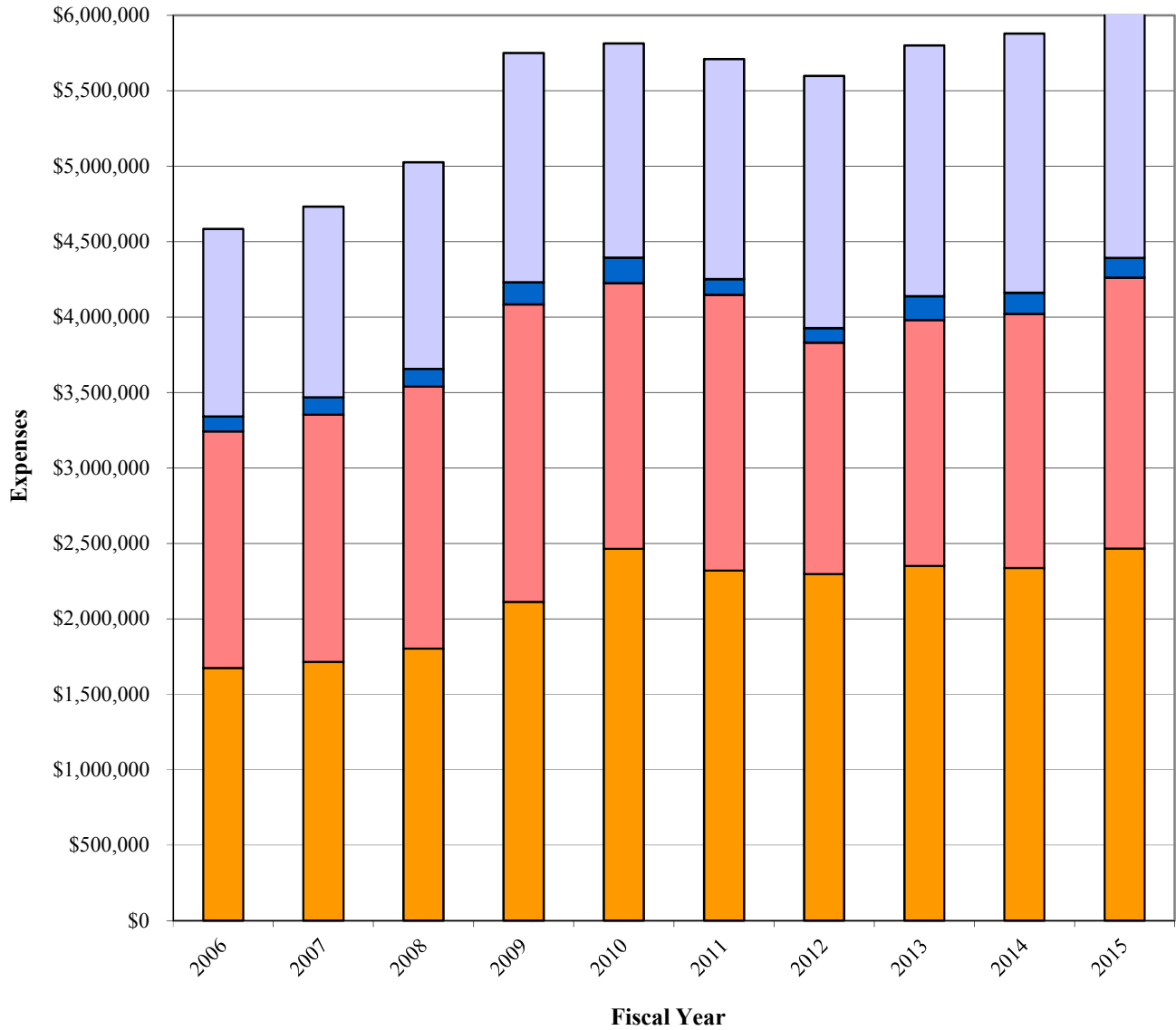
<b>Fiscal Year</b>	<b>Wastewater Service Charges</b>	<b>Recycled Water Sales</b>	<b>Other Operating Revenue</b>	<b>Total Operating Revenue</b>
2006	5,164,247	305,562	196,292	5,666,101
2007	5,264,418	284,281	212,827	5,761,526
2008	5,341,554	280,731	189,196	5,811,481
2009	5,876,806	305,867	145,749	6,328,422
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
2015	8,029,799	254,427	213,215	8,497,441



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

Schedule 3

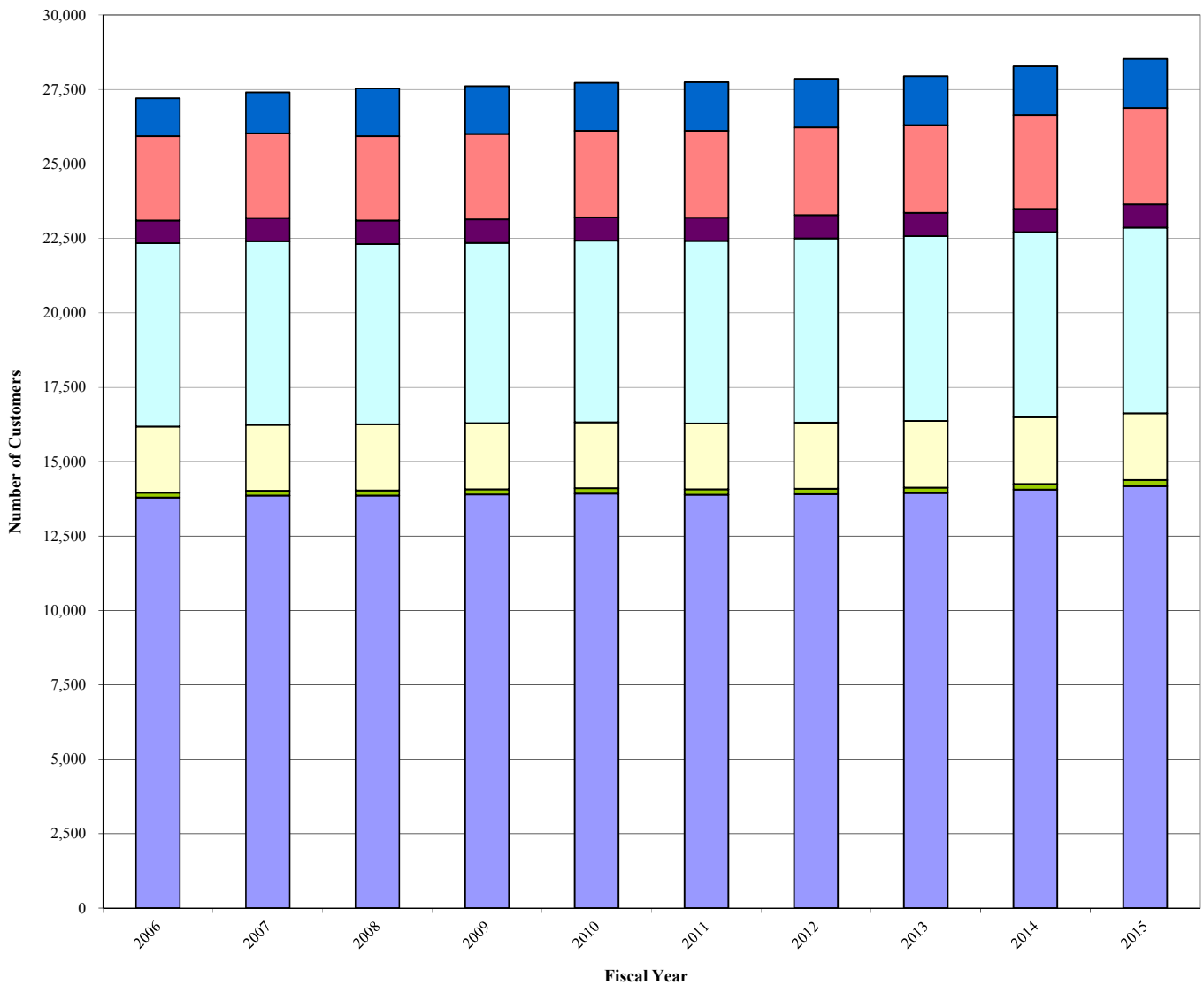
<b>Fiscal Year</b>	<b>Wastewater Collection</b>	<b>Wastewater Treatment</b>	<b>Recycled Water Production</b>	<b>General and Administrative</b>	<b>Total Operating Expenses</b>
2006	1,674,716	1,567,195	99,276	1,243,019	4,584,206
2007	1,714,617	1,637,552	115,977	1,264,253	4,732,399
2008	1,802,934	1,736,671	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
2015	2,465,884	1,795,007	130,879	1,750,722	6,142,492



**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	
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
2015	14,171.53	204.52	2,250.62	6,231.20	780.73	3,234.93	1,642.41	28,515.94



**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**

<b>Price Per EDU Per Month/Per Fiscal Year</b>									
<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<u>16.17</u>	<u>16.17</u>	<u>16.17</u>	<u>17.78</u>	<u>19.56</u>	<u>21.52</u>	<u>21.52</u>	<u>21.52</u>	<u>21.52</u>	<u>23.67</u>

**EDU's:**

	<b>EDU Factors</b>
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
Second Dwelling (Detached) with Kitchen and Bathroom	1.0 per living unit
Accessory Dwelling Unit (Attached)	
With Kitchen and Bathroom less than or equal to 750 sq./ft.	0.5 per living unit
With Kitchen and Bathroom greater than 750 sq./ft.	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 Ten Years Ago**

**Schedule 6**

<b>Customer</b>	<b>2015</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	2.54%	391	1.46%
La Costa Resort & Spa	474	1.66%	474	1.77%
La Costa Racquet Club	320	1.12%	320	1.20%
Encinitas Town Center	305	1.07%	276	1.03%
La Costa Town Square Commercial	247	0.87%	-	0.00%
The Forum @ Carlsbad	234	0.82%	233	0.87%
Weigand Plaza III	197	0.69%	130	0.49%
Mission Ridge Apartments	196	0.69%	196	0.73%
Camino Village Plaza	186	0.65%	174	0.65%
La Costa Affordable Housing	185	0.65%	-	0.00%
Encinitas Village	184	0.65%	151	0.56%
Riviera Mobile Home Park	158	0.55%	158	0.59%
Colonial Apartments	145	0.51%	145	0.54%
Weigand Plaza II	135	0.47%	130	0.49%
Plaza de la Costa Real	131	0.46%	128	0.48%
<b>Total EDU's: Principal customers</b>	<b>3,820</b>	<b>13.40%</b>	<b>2,906</b>	<b>10.85%</b>
<b>Total Equivalent Dwelling Units</b>	<b>28,516</b>	<b>100.00%</b>	<b>26,772</b>	<b>100.00%</b>

EDU's = Equivalent Dwelling Units

**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>
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
2015	12,266,748,094	137,361,541	12,404,109,635

**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**

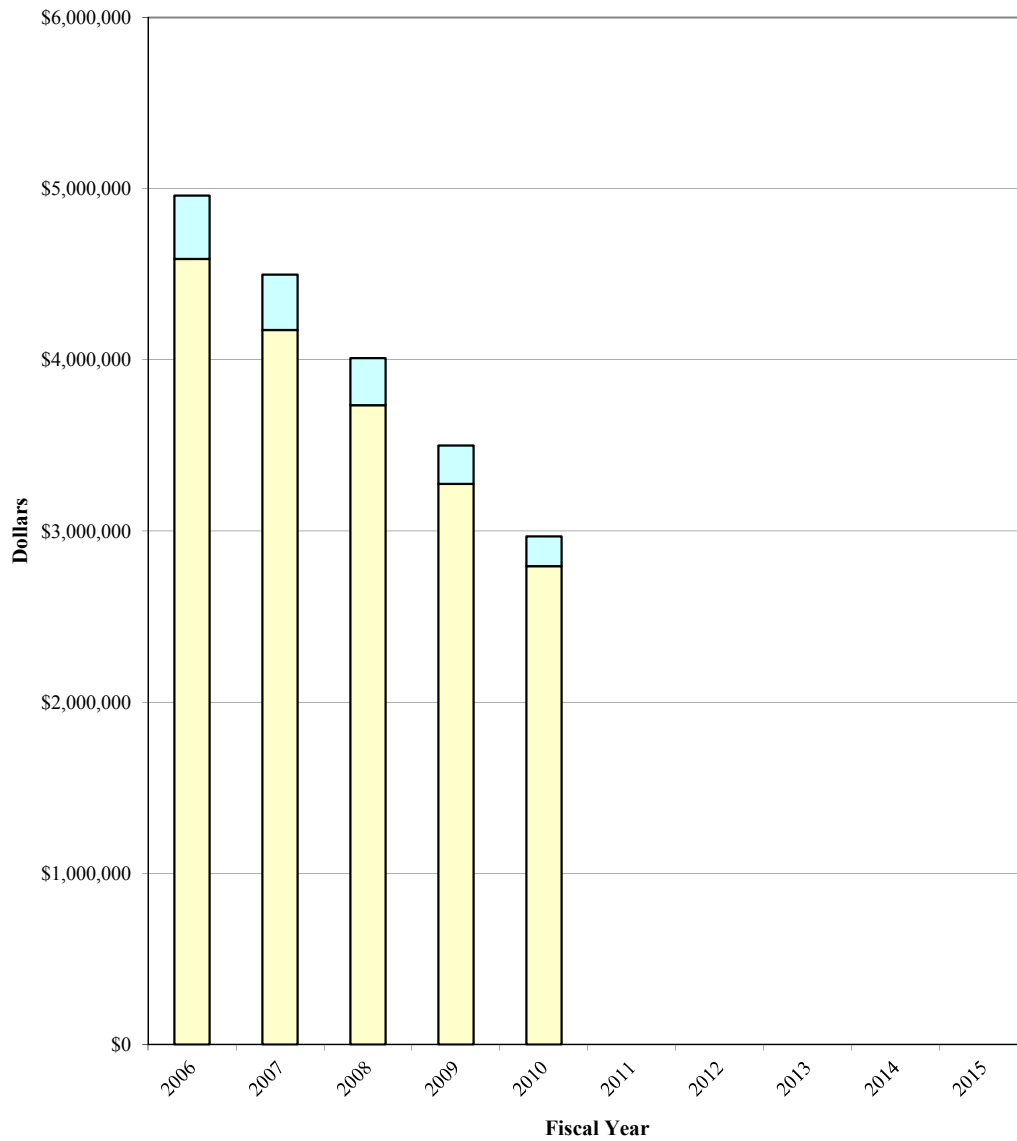
**Schedule 8**

<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>
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	-
2015	1,417,195	1,396,032	98.5%	17,411	1.2%	-	1,413,443	-

**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
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%
2015	-	-	-	-	0.00%



**LEUCADIA WASTEWATER DISTRICT**

**Debt Coverage**

**Last Ten Fiscal Years**

**Schedule 10**

<b>Fiscal Year</b>	<b>Net Revenues<sup>(1)</sup></b>	<b>Operating Expenses<sup>(2)</sup></b>	<b>Net Available Revenues</b>	<b>Debt Service<sup>(3)</sup></b>			<b>Coverage Ratio</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
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
2015	-	-	-	-	-	-	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.

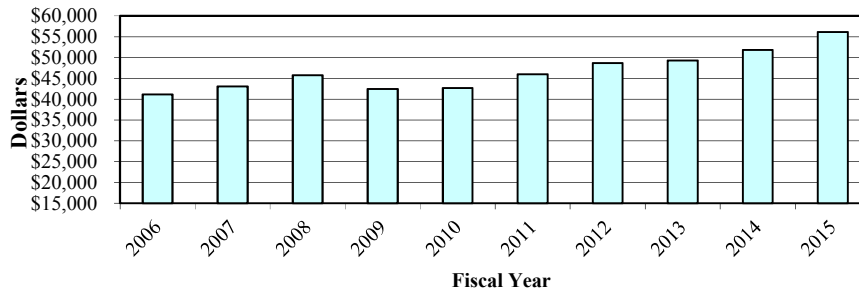
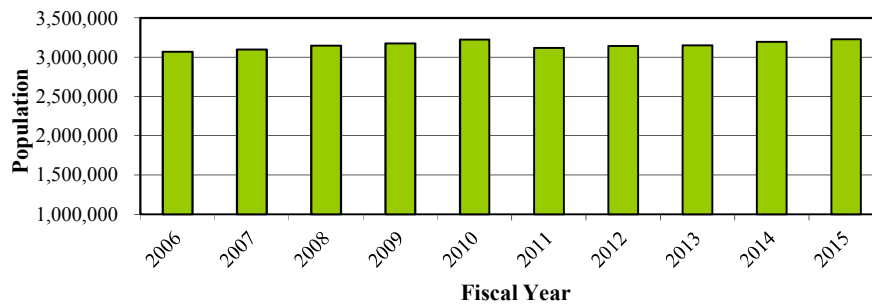
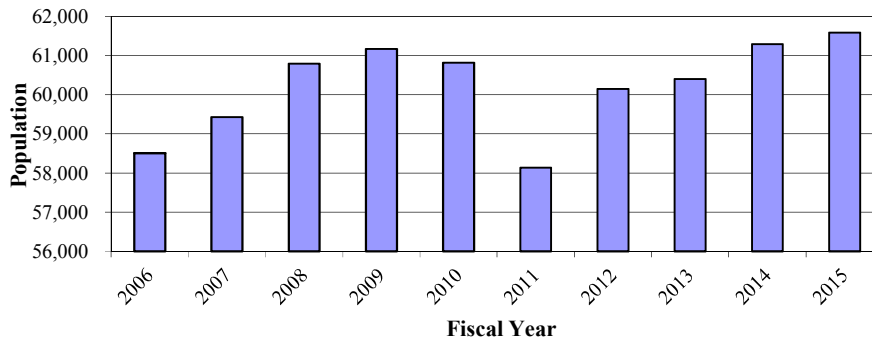
(3) Debt includes 1993 State Water Reclamation Loan and 1997 Series A Wastewater Revenue Refunding Bonds. Both debts were paid off during fiscal year 2011. As a result there is not Debt Coverage for fiscal year 2015.

**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
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	61,294	7.0%	3,194,362	165,535,033	51,821
2015	61,585	7.0%	3,227,496	181,062,526	56,100



**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 Four Years Ago**

**Schedule 12**

<b>Employer</b>	<b>2015</b>			<b>2011</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>
U.S. Department of Defense	1	156,000	10.48%	1	136,664	8.68%
Federal Government	2	45,600	3.06%	2	46,300	2.94%
State of California	3	40,100	2.70%	3	45,500	2.89%
U.C. San Diego	4	29,287	1.97%	4	27,393	1.74%
County of San Diego	5	20,500	1.38%	5	15,109	0.96%
Sharp Healthcare	6	16,896	1.14%	6	14,969	0.95%
San Diego Unified School District	7	15,881	1.07%	8	13,730	0.88%
Scripps Health	8	14,644	0.98%	7	13,830	0.87%
Qualcomm Inc.	9	13,500	0.91%	9	10,509	0.67%
City of San Diego	10	10,584	0.71%	10	10,211	0.65%

**Sources:**

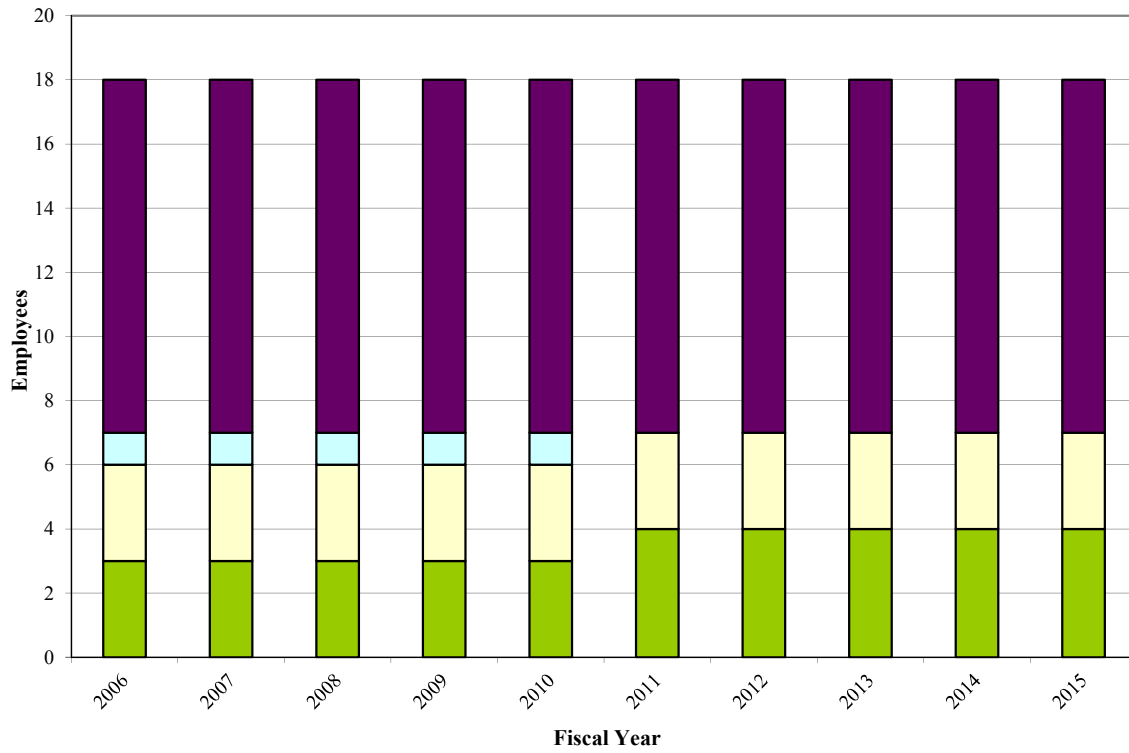
San Diego Business Journal, Book of Lists, 2002  
 San Diego Regional EDC  
 San Diego's Top Ten  
 nic Research-Federal Reserve Bank of St. Louis

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

Schedule 13

**Employees**

Department	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Management	3	3	3	3	3	4	4	4	4	4
Administration	3	3	3	3	3	3	3	3	3	3
Project Coordination	1	1	1	1	1	0	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	
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
2015	223	10	4.080	7.11	7.11	1,489

MG - Millions of Gallons

MGD - Millions of Gallons per Day

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



## **Other Information**

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**LEUCADIA WASTEWATER DISTRICT**

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SCHEDULE OF USE OF CAPACITY CHARGES  
For the year ended June 30, 2015

			<u>Capital Improvement Fund</u>
Balance at June 30, 2014			\$ 1,211,802
Capacity charges collected			901,791
Less: buy-in portion			(901,791)
	<u>Status</u>	<u>% Funded by Capacity Charges</u>	<u>Amount</u>
Capital improvements expended:			
L2 Cathodic Protection-Anode Replacement	Completed	100%	(21,491)
Leucadia Pump Station Generator Replacement	In progress	33%	(12,095)
Encina Joint System: Biofuel Receiving & Drying Safety	In progress	100%	(493,248)
Related Capital Overhead	Completed	1%	<u>(962)</u>
			(527,796)
Interest income earned			<u>4,800</u>
Balance at June 30, 2015			<u><u>\$ 688,806</u></u>

Capital improvement projects anticipated for the fiscal year 2014/2015 to be funded from capacity charges:  
    Leucadia Pump Station Generator Replacement  
    Encina Joint System: Biofuel Receiving & Drying Safety