

Leucadia Wastewater District

Comprehensive Annual Financial Report

For the Year Ended

June 30, 2020



LEADERS IN
ENVIRONMENTAL
PROTECTION

1960 La Costa Ave.
Carlsbad, Ca 92009
www.lwwd.org



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For the Year Ended

June 30, 2020

LEUCADIA WASTEWATER DISTRICT

1960 La Costa Avenue
Carlsbad, California 92009

Prepared by:

Paul J. Bushee, General Manager
Richard Duffey, Administrative Services Manager

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**Comprehensive Annual Financial Report
For the Year Ended June 30, 2020**

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Introductory Section



LEADERS IN
ENVIRONMENTAL
PROTECTION

November 2, 2020

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, 2020 is hereby submitted as required. Davis Farr 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.

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, 2020 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 District's financial statements for the fiscal year ended June 30, 2020 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 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 62,600 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 were elected at-large by the registered voters residing in the District. Beginning with the general election in November 2020, the District will transition from at-large to district-based board member elections, with five single member districts. 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 of Directors 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 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 90% 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 June 2020 report, the UCLA Anderson Forecast's says the U.S. economy is in "Depression-like crisis" and will not return to pre-recession peak until 2023 due to the impact of COVID-19. In its September 2020 report they cautiously offer an economic outlook that includes a "better than expected outcome". Uncertainty clouds California economy and its recovery will mirror that of the nation. The forecast for California is shaped in part by two federal initiatives: supplements and extensions to the unemployment insurance system, and the Paycheck Protection Program. The forecast's estimate for California unemployment rate is expected to fall below 10% by the end of 2020, and to be 6% by the close of 2022. Two sectors of the economy that have borne the brunt of the job loss are leisure/hospitality and retail, which represent fully 50% of all the job losses. In spite of the recession, the continued demand for a limited housing stock coupled with low interest rates should lead to a relatively rapid return of homebuilding. The forecast's expectation is for 117,000 new units in 2020, a small increase from 2019, and 130,000 units in 2022.

The County of San Diego Office of Financial Planning Economic Indicators for San Diego County as of April 2020 reported an unemployment rate of 15%. April 2020 marked a large monthly drop in home sales continuing the unsteady results reported over the past several months. In April the median price of an existing detached single-family increased 4.3% at \$680,000 and an existing attached home grew 4.2% to \$437,000 from reported median prices a year ago.

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 or from the inability of the ratepayers to pay their property taxes. (The majority of the sewer service charges are collected through the property tax rolls). As the District reaches build-out, it is anticipated that growth in District revenues will be 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% of the District's total revenue for FY 2020. 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 2018 Wastewater 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. In accordance with its Financial Plan, the District had planned for a 10% sewer service charge rate increase effective July 1, 2020. In response to the COVID-19 pandemic and its effect on the District's ratepayers, the District decided to postpone the increase for one year. After modeling this one-year delay into the Financial Plan it was determined that District's reserves could absorb it. A new Wastewater Financial Plan is schedule for 2023.

Public Employees' Pension Reform

On September 12, 2012, Governor Brown signed Assembly Bill 340 creating the Public Employees' Pension Reform Act (PEPRA). This law created 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. This new tier has a single general member benefit formula that has both a lower normal cost and a lower benefit factor at normal retirement age than the District's existing plan. 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 and 8 of the Basic Financial Statements.

Investment Policy

The Investment Policy establishes guidelines for the investment of available funds. The Investment Policy incorporates the Prudent Investor Standards. The primary objectives, in priority order, of the District's investment activities are the following: 1) Safety, 2) Liquidity, and 3) Yield. The District's funds are invested in a variety of investments, in accordance with California government code, as described in footnote 2 of the Basic Financial Statements. The District minimizes interest rate risk by investing a greater portion of funds in short term

investments. Credit risk is minimized by investing a majority of funds in the highest rated investments or in diversified investment pools.

INTERNAL CONTROLS

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

MAJOR INITIATIVES

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

- 1) The Asset Management Plan recommended a condition assessment of the Leucadia pump station. After a thorough assessment and evaluation, it was determined that a major pump station rehabilitation was warranted. Construction on this rehabilitation project began in March 2020. Total funds budgeted for this project through FY 2021 were \$5.3 million.
- 2) A condition assessment of the Encinitas Estates pump station was also performed. The assessment recommended that the pump station be replaced with a submersible pump station. \$1.2 million has been budgeted for this project. Project design is complete and the project is currently out for bid.
- 3) With ongoing CCTV inspections of the collection systems, additional defects were discovered. As a result, the FY 2020 Gravity Pipeline Rehabilitation Project will consist of open trench construction to correct 22 defects and realign the Quebrada pipeline. Total Costs are estimated at \$1.6 million and construction began in August 2020.
- 4) As a result of SANDAG and the North County Transit District moving the train tracks to accommodate an underground passenger tunnel, the District was required to extend the casements surrounding its Lanikai Trunk Sewer and Secondary Effluent Force Main (B1). Additionally, the District constructed a second parallel encased gravity pipeline under the tracks. These lines are jointly owned with the City of Encinitas. This project was completed during FY 2020. The District's share of the costs was \$872,113.
- 5) A gravity pipeline, which is in an easement at the end of Orchard Wood Road in the City of Encinitas, has a major sag which causes a significant amount of grit and grease to accumulate in the line. This line segment is on the Special Maintenance Activity list and requires frequent cleaning. Since the line is located in an environmentally sensitive area under Encinitas Creek, the project will use trenchless technology to install a replacement pipeline. Total costs are estimated to be \$793,500. Design of this project is almost complete.

- 6) The Miscellaneous Pipeline Rehabilitation account is used to rehabilitate, re-line or replace pipelines and manholes that require immediate attention. The necessary repairs are identified through the District's CCTV inspections. The District incurred \$273,391 in pipeline rehabilitation costs under this account during FY 2020.
- 7) 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 2020, the District contributed \$73,190 for the replacement & repair of twenty-two 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 Davis Farr, LLP to conduct the audit. The auditors' report on the financial statements and schedules are included in the financial section of this report.

AWARDS

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Leucadia Wastewater District for its comprehensive annual financial report for the fiscal year ended June 30, 2019. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

On September 23, 2019, the District received an Investment Policy Certification from the California Municipal Treasurers Association (CMTA) for recognition of the District's investment policy compliance with the current State statues governing the investment practices of local government entities located within the State of California.

In January 2020, the District received the following awards from the California Water Environment Association (CWEA) - San Diego Local Section:

1. 2019 Community Engagement & Outreach Award – Film Festival
2. 2019 Collection System of the Year (0-249 miles)

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, the District's Administrative Services Manager, Trisha Hill, the District's Administrative Supervisor, and Mark Brechbiel, the District's Administrative Specialist, 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,

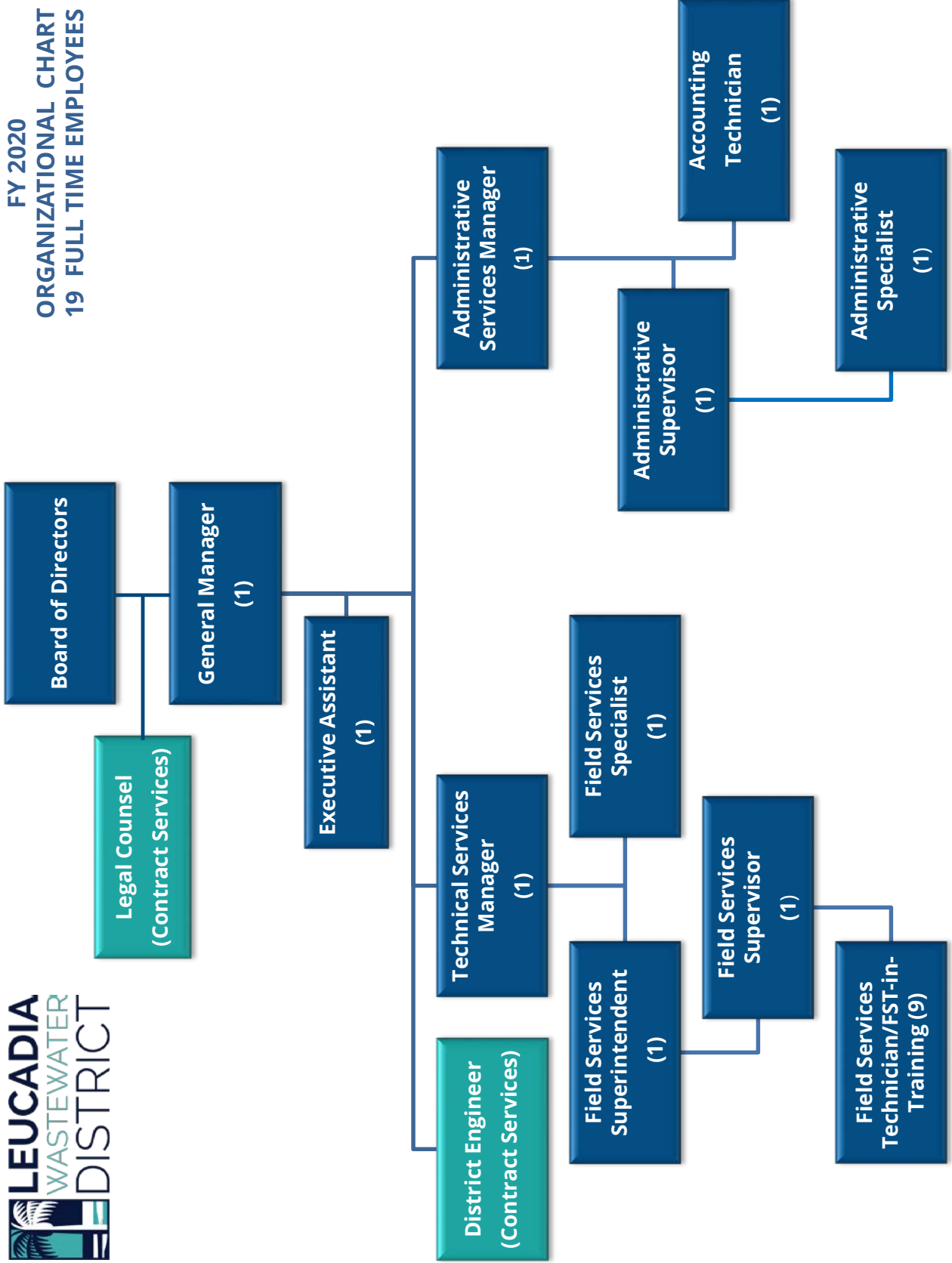
A handwritten signature in blue ink that reads "Paul J. Bushee". The signature is written in a cursive style with a large initial "P".

Paul J. Bushee
General Manager

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FY 2020
ORGANIZATIONAL CHART
19 FULL TIME EMPLOYEES





List of Principal Officials

Board of Directors as of June 30, 2020

<u>Name</u>	<u>Title</u>	<u>Elected/Appointed</u>	<u>Current Term</u>
Allan H. Juliussen	President	Elected	12/16 – 12/20
Donald F. Omsted	Vice President	Elected	12/16 – 12/20
Elaine Sullivan	Director	Elected	12/18 – 12/22
David Kulchin	Director	Elected	12/18 – 12/22
Judy Hanson	Director	Elected	12/16 – 12/20

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



Government Finance Officers Association

**Certificate of
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Presented to

**Leucadia Wastewater District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

Financial Section

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Independent Auditor's Report

Board of Directors
Leucadia Wastewater District
Carlsbad, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Leucadia Wastewater District (the District), as of and for the year ended June 30, 2020, 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.

Auditor's 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 standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2020, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, the *Schedule of the Plan's Proportionate Share of the Net Pension Liability*, the *Schedule of Contributions-Defined Benefit Pension Plan*, *Schedule of Changes in Net OPEB Liability and Related Ratios* and *Schedule of OPEB Contributions* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The *introductory section*, the *supplementary information* in the financial section, the *statistical section* and *other information* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Board of Directors
Leucadia Wastewater District
Carlsbad, California

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 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

DavisFarrLLP

Irvine, California
November 2, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2020

Management's Discussion and Analysis (MD&A) offers readers of the Leucadia Wastewater District's (District) financial statements a narrative overview and analysis of the District's financial activities for the fiscal year (FY) ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS for FY ended June 30, 2020

- The District's wastewater service charge remained unchanged at \$343.68 per EDU per year.
- Operating revenues remained relatively flat while operating expenses (before depreciation expense) increased by 16%.
- The District added 17 new equivalent dwelling units (EDU's), bringing the total connected EDU's to 28,739. This is a 0.06% increase over the prior year's total. Outlook for growth remains small as the District approaches build-out.
- Development activity in the District's service area created \$338,177 worth of contributed capital assets (0.03 miles of dedicated sewer lines) and \$230,786 in capacity charges.
- Capital construction cost for the year ended June 30, 2020 amounted to \$6.2 million. During the year, the District completed the construction of several capital projects and is in design or construction on several more. See the Financial Position section and the Capital Asset section presented below for more information on these capital projects.
- The District's net position for the FY ending June 30, 2020 increased by \$1,505,262, or 1% over the prior year. Investment in capital assets increased \$2,238,237, while restricted and unrestricted reserves decreased \$732,975.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serve 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, 2020 and June 30, 2019. 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.

Leucadia Wastewater District

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). Non-operating 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, 2020.

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 2020	FY 2019	FY 2020-2019 Change	
			Amount	%
ASSETS				
Current Assets	\$ 21,633,541	\$ 23,700,184	\$ (2,066,643)	-8.7%
Non-Current Assets	19,194,679	17,503,092	1,691,587	9.7%
Capital Assets, Net	112,718,595	110,480,358	2,238,237	2.0%
Total Assets	153,546,815	151,683,634	1,863,181	1.2%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amounts on Pensions	1,396,803	1,171,962	224,841	19.2%
Deferred Amounts on OPEB	76,648	13,349	63,299	474.2%
Total Deferred Outflows	1,473,451	1,185,311	288,140	24.3%
LIABILITIES				
Current Liabilities	3,207,262	2,974,158	233,104	7.8%
Non-Current Liabilities	4,490,520	4,080,283	410,237	10.1%
Total Liabilities	7,697,782	7,054,441	643,341	9.1%
DEFERRED INFLOWS OF RESOURCES				
Deferred Amounts on Pensions	358,831	350,054	8,777	2.5%
Deferred Amounts on OPEB	4,397	10,456	(6,059)	-57.9%
Total Deferred Inflows	363,228	360,510	2,718	0.8%
NET POSITION				
Investment in Capital Assets	112,718,595	110,480,358	2,238,237	2.0%
Restricted	2,143,622	2,258,975	(115,353)	-5.1%
Unrestricted	32,097,039	32,714,661	(617,622)	-1.9%
Total Net Position	\$ 146,959,256	\$ 145,453,994	\$ 1,505,262	1.0%

The District’s financial position remains strong with a \$147 million net position and with \$7.7 million in total liabilities at June 30, 2020.

Total assets increased by \$1.9 million or 1.2% during the FY ending June 30, 2020, primarily due to a net increase in net capital assets of \$2.2 million, less a decrease in cash and investments of \$167,902. The District incurred \$6.2 million in expenditures for the acquisition and construction of capital assets, primarily for the: Leucadia Pump Station Rehabilitation project, Encinitas Estates Pump Station Rehabilitation project, Batiquitos Force Main Discharge Section Replacement project, Encina Joint System projects, and various pipeline segment rehabilitations and repairs. The District received \$230,786 in capacity fees to partially help fund 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 2018 Asset Management Master Plan*). In addition, sewer lines worth \$338,177 were contributed to the District from developers. Net Capital Assets were reduced by depreciation expense of \$4.1 million and net capital asset deletions of \$223,731 for the year.

Leucadia Wastewater District

Total liabilities increased by \$643,341 or 9% during the year, mainly due to an increase in construction related payables and net pension liability.

The District's Net Position as of June 30, 2020 totaled \$146,959,256 compared with \$145,453,994 as of June 30, 2019, an increase of 1%. 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 District implemented GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits other than Pensions (OPEB) for the fiscal year ending June 30, 2018. GASB Statement No. 75 contains requirements for measuring OPEB liability and expense, with enhancements to financial statement note disclosures and the presentation of Required Supplementary Information (RSI). Implementation of Statement No. 75 allows consistency for certain OPEB plan information among all governmental agencies. OPEB liability is now elevated to be reported on the Statement of Net Position. Investments in the plan are valued at fair value and the actuarial discount rate for calculating OPEB liability is based on long-term rate of return on investments. Since the District's plan fiduciary net position was greater than its total OPEB liability, for both FY 2020 and FY 2019, the District has a net OPEB asset of \$75,859 and \$135,445, respectively. The net OPEB asset is reflected as a non-current asset on the Statement of Net Position.

Deferred outflows, although similar to "assets," are 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 in future years. 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 in future years. The District's deferred outflow of resources and deferred inflow of resources are related to the implementation of GASB Statement No. 68 and GASB Statement No. 71 for pension liability reporting and to the implementation of GASB Statement No. 75 for OPEB liability reporting.

The total deferred outflows of resources of \$1,473,451 as of June 30, 2020, is comprised of deferred amounts on Pension of \$1,396,803 and deferred amounts on OPEB of \$76,648. Total deferred outflows increased by \$288,140 during FY 2020.

The reported deferred inflows, as of June 30, 2020, is \$363,228 and is comprised of deferred amounts on pensions of \$358,831 and deferred inflows of resources attributable to the OPEB in the amount of \$4,397. Total deferred inflows increased by \$2,718 during FY 2020.

See Note 10 "Defined Benefit Pension Plan" and Note 11 "Other Post-Employment Benefits" (OPEB) for more information on deferred outflows of resources and deferred inflows of resources from pension liability reporting and from OPEB liability reporting, respectively.

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 REVENUES, EXPENSES AND CHANGES IN NET POSITION

	FY 2020	FY 2019	FY 2020-2019 Change	
			Amount	%
OPERATIONS				
Operating revenues				
Wastewater service charges	\$ 9,833,533	\$ 9,850,635	\$ (17,102)	-0.2%
Recycled water sales	325,469	315,379	10,090	3.2%
Other charges & services	168,317	156,504	11,813	7.5%
Total operating revenues	10,327,319	10,322,518	4,801	0.0%
Operating expenses	8,039,129	6,921,833	1,117,296	16.1%
Operating income before depreciation	2,288,190	3,400,685	(1,112,495)	-32.7%
Depreciation expense	4,101,468	4,081,876	19,592	0.5%
Operating income (loss)	(1,813,278)	(681,191)	(1,132,087)	166.2%
NON-OPERATIONS				
Nonoperating revenues (expenses)				
Property tax revenue	1,781,657	1,706,279	75,378	4.4%
Investment income revenue	1,125,662	1,059,467	66,195	6.2%
Gain/Loss on disposition of assets	(186,406)	10,051	(196,457)	-1954.6%
Other non-operating income	28,664	5,172	23,492	454.2%
Total non-operating revenues, net	2,749,577	2,780,969	(31,392)	-1.1%
Income (loss) before capital contributions	936,299	2,099,778	(1,163,479)	-55.4%
CAPITAL CONTRIBUTIONS	568,963	797,994	(229,031)	-28.7%
Changes in Net Position	1,505,262	2,897,772	(1,392,510)	-48.1%
Beginning net position,	145,453,994	142,556,222	2,897,772	2.0%
ENDING NET POSITION	\$ 146,959,256	\$ 145,453,994	\$ 1,505,262	1.0%

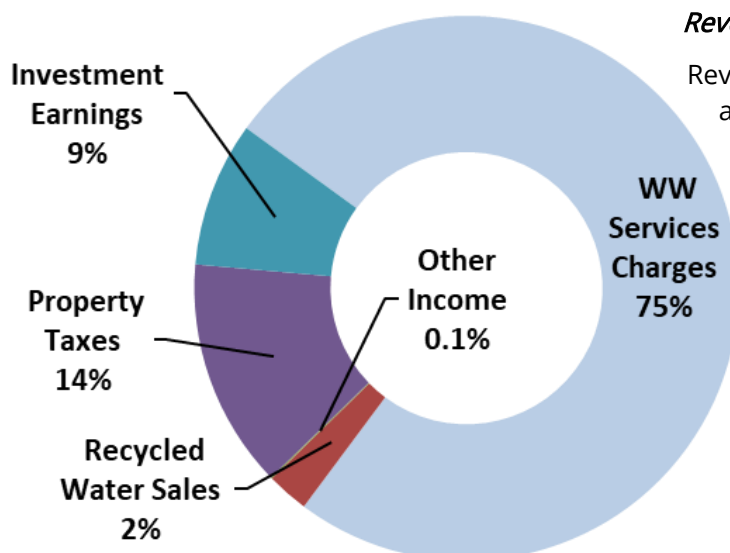
FY ending June 30, 2020 highlights are discussed below:

- Net position increased \$1,505,262 (1%), which is added to beginning net position of \$145,453,994 to arrive at ending total net position of \$146,959,256. The District incurred an operating loss of \$1,813,278 (which includes non-cash depreciation expense of \$4,101,468). This operating loss was more than offset by non-operating revenues from property taxes and investment income of \$2,907,319, and by capital contributions from capacity charges, and contributed capital assets of \$568,963. \$2,238,237 was invested in capital assets, while \$732,975 came out of restricted and unrestricted reserves.

Leucadia Wastewater District

- The District's total operating revenue was almost flat with only a \$4,801 increase. There was no increase in the wastewater service rate from FY 2019 to FY 2020. Revenue from recycled water sales increased \$10,090, or 3.2%.
- The District's total operating expenses (before depreciation) increased \$1,117,296 or 16%. This was primarily due to increases in the Encina wastewater treatment costs, which included a \$547,626 additional discretionary payment towards its unfunded pension liability, and an increase in the District's calculated pension liability. This was partially offset by decreases in legal costs.
- Investment earnings were up \$66,195 or 6% from the prior year. Investment earnings include not only interest income but also changes in the fair-value of investments. Investment earnings increased due to a \$351,113 increase in the fair-value adjustment during the fiscal year (*due to the sharp drop in interest rates at the end of the fiscal year*), which was partially offset by a 0.4% decrease in the District's investments and cash equivalents during the year and a slight decrease in the average rate of return on these investments and cash equivalents. The District participates in three different investment pools and in the CAMP Individual Portfolio program. It also deposits funds in a bank reserve and purchases investments directly through a broker/dealer. As of June 30, 2020, the District's investments contained laddered investments in US treasury notes, US government sponsored agency bonds/notes, corporate notes, commercial paper, negotiable certificates of deposits, insured certificates of deposits, and California based municipal bonds, for a total of \$16.9 million.
- Capacity fees were down by 69% as the result of a couple large projects initiating development activity during FY 2019, but no large projects were initiated in FY 2020.
- Property taxes increased by 4% due to increases in assessed valuations as the housing market continues to improve.
- 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 unchanged at \$28.64 per EDU per month for the FY 2020 from FY 2019.

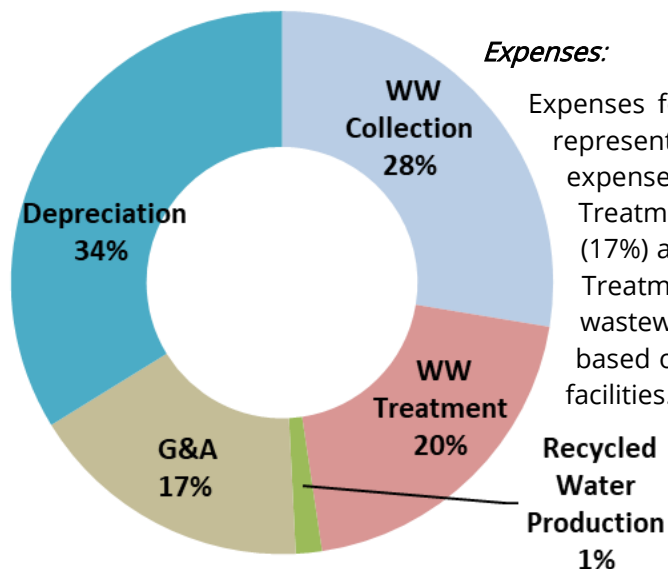
FY 2020 Revenues



Revenues:

Revenues for FY 2020 totaled \$13,076,896 and are presented here in graphical format. As the chart to the left shows, wastewater service charges continue to be a major funding source representing 75% of the District's revenues. Other significant source of revenue are property taxes at 14% and investment earnings at 9%.

FY 2020 Expenses



Expenses for FY 2020 totaled \$12,140,597. Depreciation represents the largest component at 34% of total expenses. Wastewater Collection (28%), Wastewater Treatment (20%), and General and Administrative (17%) 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, 2020, have been categorized into one of the following four activities: operating, non-capital financing, capital and related financing, and investing. The total of these categories represents a decrease in cash and cash equivalents of \$2,317,231 which is subtracted from beginning cash and cash equivalents of \$23,755,362 to arrive at ending cash and cash equivalents of \$21,438,131. The main increases in cash and cash equivalents were from: operating activities of \$2.7 million and proceeds from property taxes of \$1.8 million. The decreases in cash and cash equivalents were primarily due to the acquisition and construction of capital assets in the amount of \$6.2 million and the net purchases of investments over sale and maturities of investments 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 \$21,149,485, current restricted cash and cash equivalents of \$87,195, and noncurrent restricted cash and cash equivalents of \$201,451.

Financial Ratios

TABLE 3. SELECTED FINANCIAL RATIOS

Ratio	FY 2020	FY 2019
Current Ratio	6.7	8.0
Operating Margin Ratio (before depreciation expense)	1.3/1	1.5/1
Total Margin Ratio (total revenues to expenses)	1.1/1	1.2/1
Capital Asset Condition Ratio	36%	36%
Total Debt to Equity	1 / 19	1 / 21

Leucadia Wastewater District

Table 3 lists 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 6.7 times its current liabilities from current assets. The District's current ratio of 6.7 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 service charges cover operating expenses (*excluding depreciation expense*). An operating margin ratio of 1.3 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 1.1, for FY 2020, indicates the District is living within its 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 36% 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 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. For every \$1 of debt at June 30, 2020 the District had \$19 in net position (equity). This low ratio indicates a high degree of solvency and the ability to obtain financing if needed.

RESTRICTIONS, COMMITMENTS, AND LIMITATIONS

District Reserves:

In February 2005, the District adopted its Reserve Fund Policy, which was last revised in February 2020. 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, grantors, contributions, or laws or regulations of other governments. The District has two restricted reserves, which are the Capital Improvement Reserve and the Encina Wastewater Authority (EWA) Deposits Reserve.

During FY ended June 30, 2020, there was a net reduction in the Capital Improvement Reserve of \$115,353, or 37%, 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, 2020</u>	<u>June 30, 2019</u>
Capital Improvement Reserve	\$ 102,422	\$ 217,775
EWA Deposits Reserve	<u>2,041,200</u>	<u>2,041,200</u>
Total	<u>\$2,143,622</u>	<u>\$2,258,975</u>

Leucadia Wastewater District

Unrestricted Reserves:

Unrestricted reserves have no outside restrictions or conditions, and the use of these funds is at the discretion of the Board of Directors. The District maintained four separate unrestricted reserve designations covering operations, capital replacement, water recycling, and emergencies.

During the FY ending June 30, 2020, the Replacement Reserve incurred a decrease of \$836,412 for the year. This decrease was due to \$6.0 million of net capital replacement additions during the year, which was partially offset by \$230,786 from capacity fees (100 % buy-in portion), \$857,761 from allocated investment earnings, \$1.8 million of property taxes, and \$2.3 million of net transfers from other reserves. The unrestricted reserve balances are as follows:

<u>Unrestricted Reserve Designation</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Operations Reserve	\$ 2,748,321	\$ 2,608,294
Replacement Reserve	20,454,725	21,291,147
Water Recycling Reserve	1,393,983	1,315,220
Emergency Reserve	<u>7,500,000</u>	<u>7,500,000</u>
Total	<u>\$32,097,039</u>	<u>\$32,714,661</u>

Overall, the District's restricted and unrestricted reserves totaled \$34,240,661 as of June 30, 2020. This is a decrease of \$732,975 from the prior year. This decrease is mostly the result of anticipated capital projects during the year, which were partially offset by positive operating income (before depreciation expense), property tax revenue, investment earnings, and capacity fees. The remaining reserve balances show that the District remains in a strong financial position to fund the remaining balance of its estimated \$122 million in capital projects over the next 20 years as identified in the District's 2018 Wastewater Financial Plan.

CASH AND INVESTMENTS

The District's cash and investments were \$38,314,300 as of June 30, 2020. This was a decrease of \$167,902, or 0.4%, from the prior year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets:

At June 30, 2020, the District's investment in capital assets amounted to \$112.7 million, net of accumulated depreciation of \$60.8 million. 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.

Leucadia Wastewater District

The following list provides a summary of significant additions to capital assets during the FY ending June 30, 2020:

Gravity Pipeline Rehabilitation Projects	\$ 482,250
Pump Station Rehabilitation Projects	788,409
Vehicles and Equipment	519,266
Batiquitos Force Main Discharge Section Replacement	444,662
Encina Joint System	\$ 3,918,002

Additional information on the District's capital assets can be found in note 4 "Capital Assets" of this report.

Long-Term Debt:

During FYs ending June 30, 2020 and June 30, 2019 the District had no long-term financing debt.

CURRENTLY KNOWN FACTS, CONDITIONS, OR DECISIONS

The District considered the recommendations from the 2018 Wastewater Financial Plan, the 2018 Asset Management Plan, and the following economic factors in establishing the FY2021 budget amounts and fees:

- A declining level of growth within the District, estimating the addition of 60 equivalent dwelling units (EDU) in FY 2021.
- 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.
- Operational changes and economic uncertainty in the wake of the COVID-19 pandemic.

As a result of these factors, the FY ended June 30, 2021 budget includes:

- No increase in annual wastewater service charges which are \$343.68/EDU/Year.
- Capacity Fee charges remain at \$5,089 per EDU.
- \$8,279,702 in appropriations for capital improvement and replacement projects.
- A 7% increase in personnel costs which includes a \$273,889 additional discretionary PERS payment to help paydown the PERS unfunded pension liability.
- A 5.5% 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's 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.

STATEMENT OF NET POSITION
June 30, 2020
(with comparative information for prior year)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 21,149,485	\$ 23,095,846
Restricted cash and cash equivalents (Note 2)	87,195	59,909
Accrued interest receivable	101,447	175,770
Accounts receivable – wastewater service charges	124,482	67,733
Accounts receivable – property taxes	30,405	31,934
Accounts receivable – due from other governments	75,970	211,598
Accounts receivable – other	5,230	3,140
Prepaid expenses and other deposits	<u>59,327</u>	<u>54,254</u>
 Total Current Assets	 <u>21,633,541</u>	 <u>23,700,184</u>
Noncurrent Assets:		
Restricted cash and cash equivalents (Note 2)	201,451	599,607
Investments (Note 2)	16,876,169	14,726,840
Encina Wastewater Authority Reserve Deposits (Note 6)	2,041,200	2,041,200
Net OPEB asset (Note 11)	75,859	135,445
Land (Note 4)	12,878	12,878
Construction in progress (Note 4)	6,046,516	6,760,407
Capital assets, net of depreciation (Note 4)	<u>106,659,201</u>	<u>103,707,073</u>
 Total Noncurrent Assets	 <u>131,913,274</u>	 <u>127,983,450</u>
 Total Assets	 <u>153,546,815</u>	 <u>151,683,634</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on Pension (Note 10)	1,396,803	1,171,962
Deferred amounts on OPEB (Note 11)	<u>76,648</u>	<u>13,349</u>
 Total Deferred Outflows of Resources	 <u>1,473,451</u>	 <u>1,185,311</u>

(Continued)

STATEMENT OF NET POSITION (Continued)
June 30, 2020
(with comparative information for prior year)

	2020	2019
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,671,481	\$ 2,229,753
Accrued salaries and wages	130,346	99,047
Restricted accounts payable	99,029	381,832
Restricted developer deposits	87,195	59,909
Long-term liabilities - due within one year:		
Compensated absences (Note 7)	219,211	203,617
 Total Current Liabilities	 3,207,262	 2,974,158
Noncurrent Liabilities:		
Long-term liabilities - due in more than one year:		
Net pension liability (Note 10)	4,386,823	4,000,889
Compensated absences (Note 7)	103,697	79,394
 Total Noncurrent Liabilities	 4,490,520	 4,080,283
 Total Liabilities	 7,697,782	 7,054,441
 DEFERRED INFLOWS OF RESOURCES		
Deferred amounts on pension (Note 10)	358,831	350,054
Deferred amounts on OPEB (Note 11)	4,397	10,456
 Total Deferred Inflows of Resources	 363,228	 360,510
 NET POSITION (Note 8)		
Investment in capital assets	112,718,595	110,480,358
Restricted for capital projects	102,422	217,775
Restricted for Encina Wastewater Authority Deposit Reserves	2,041,200	2,041,200
Unrestricted	32,097,039	32,714,661
 Total Net Position	 \$ 146,959,256	 \$ 145,453,994

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LEUCADIA WASTEWATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2020

(with comparative information for prior year)

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Wastewater service charges	\$ 9,833,533	\$ 9,850,635
Recycled water sales	325,469	315,379
Other charges and services	168,317	156,504
Total Operating Revenues	<u>10,327,319</u>	<u>10,322,518</u>
OPERATING EXPENSES		
Wastewater collection	3,351,640	3,069,899
Wastewater treatment – Encina Joint System	2,432,147	1,780,954
Recycled water production	189,000	173,567
General and administrative	2,066,342	1,897,413
Total Operating Expenses	<u>8,039,129</u>	<u>6,921,833</u>
Operating Income Before Depreciation Expense	2,288,190	3,400,685
Depreciation expense	<u>(4,101,468)</u>	<u>(4,081,876)</u>
Operating Income (Loss)	<u>(1,813,278)</u>	<u>(681,191)</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	1,781,657	1,706,279
Interest and investment income	1,125,662	1,059,467
Gain/(Loss) on disposition of capital assets	(186,406)	10,051
Other nonoperating revenues	28,664	5,172
Total Nonoperating Revenues (Expenses)	<u>2,749,577</u>	<u>2,780,969</u>
Income (Loss) Before Capital Contributions	<u>936,299</u>	<u>2,099,778</u>
CAPITAL CONTRIBUTIONS		
Capacity charges	230,786	742,994
Developers	338,177	55,000
Total Capital Contributions	<u>568,963</u>	<u>797,994</u>
Changes in Net Position	1,505,262	2,897,772
Net Position, Beginning of Year	<u>145,453,994</u>	<u>142,556,222</u>
Net Position, End of Year	<u>\$ 146,959,256</u>	<u>\$ 145,453,994</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
For the year ended June 30, 2020
(with comparative information for prior year)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers for wastewater sales and service	\$ 10,432,772	\$ 10,246,568
Cash paid to vendors and suppliers for materials and services	(4,018,630)	(4,329,683)
Cash paid for employee wages, benefits and related costs	<u>(3,671,967)</u>	<u>(3,260,778)</u>
Net Cash Provided (Used) by Operating Activities	<u>2,742,175</u>	<u>2,656,107</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from property taxes	<u>1,783,186</u>	<u>1,699,826</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,783,186</u>	<u>1,699,826</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(6,161,360)	(5,099,240)
Proceeds from sale of capital assets	37,326	23,346
Proceeds from capacity fees	<u>230,786</u>	<u>742,994</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,893,248)</u>	<u>(4,332,900)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	9,043,951	8,728,507
Purchases of investments	(10,897,047)	(7,169,551)
Interest and investment earnings	<u>903,752</u>	<u>864,518</u>
Net Cash Provided (Used) by Investing Activities	<u>(949,344)</u>	<u>2,423,474</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,317,231)	2,446,507
Cash and Cash Equivalents, Beginning of Year	<u>23,755,362</u>	<u>21,308,855</u>
Cash and Cash Equivalents, End of Year	<u>\$ 21,438,131</u>	<u>\$ 23,755,362</u>

(Continued)

STATEMENT OF CASH FLOWS (Continued)
For the year ended June 30, 2020
(with comparative information for prior year)

	2020	2019
Reconciliation of operating income (loss) to net cash flows provided (used) by operating activities:		
Operating Income (loss)	\$ (1,813,278)	\$ (681,191)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	4,101,468	4,081,876
Other nonoperating revenues (expense), net	28,664	5,172
Changes in operating assets, deferred outflows, operating liabilities and deferred inflows:		
(Increase) Decrease in operating assets and deferred outflows:		
Accounts receivable – wastewater sales	(56,749)	(55,126)
Accounts receivable – due from other governments	135,628	(32,718)
Accounts receivable – other	(2,090)	6,722
Net OPEB asset	59,586	(12,318)
Prepaid expenses	(5,073)	(5,861)
Reserves with Encina Wastewater Authority	-	(554,400)
Deferred outflows – pension	(224,841)	151,040
Deferred outflows – OPEB	(63,299)	7,886
Increase (Decrease) in operating liabilities and deferred inflows:		
Accounts payable and accrued expenses	95,025	(198,071)
Accrued salaries and wages	31,299	(11,054)
Compensated absences	39,897	22,688
Restricted developer deposits	27,286	3,143
Deferred inflows – pension	8,777	1,416
Deferred inflows – OPEB	(6,059)	576
Net pension liability	385,934	(73,673)
Total adjustments	4,555,453	3,337,298
Net Cash Provided (Used) by Operating Activities	\$ 2,742,175	\$ 2,656,107
Financial Statement Classification		
Cash and cash equivalents		
Current assets:		
Cash and cash equivalents	\$ 21,149,485	\$ 23,095,846
Restricted cash and cash equivalents	87,195	59,909
Non-current assets:		
Restricted cash and cash equivalents	201,451	599,607
Total Cash and Cash Equivalents	\$ 21,438,131	\$ 23,755,362
Supplemental Disclosures:		
Noncash Investing and Financing Activities:		
Capital assets contributed by developers and others	\$ 338,177	\$ 55,000
The notes to the financial statements are an integral part of this statement.		32

June 30, 2020

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 Omni 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

Net Position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Unrestricted Net Position

Unrestricted Net Position is the remaining portion of net position that is not restricted to use.

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 Statement No. 90 – "Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61," effective for reporting periods beginning after December 15, 2019.
- GASB Statement No. 95 – "*Postponement of the Effective Dates of Certain Authoritative Guidance*," effective immediately.

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

Pending Accounting Standards

- GASB Statement No. 84 – "*Fiduciary Activities*," effective for reporting periods beginning after December 15, 2020.
- GASB Statement No. 87 – "*Leases*," effective for reporting periods beginning after June 15, 2021.
- GASB Statement No. 89 – "*Accounting for Interest Cost Incurred before the End of a Construction Period*," effective for reporting periods beginning after December 15, 2020.
- GASB Statement No. 91 – "*Conduit Debt Obligations*," effective for reporting period beginning after December 15, 2021.
- GASB Statement No. 92 – "*Omnibus 202*," effective for reporting period beginning after June 15, 2021.
- GASB Statement No. 93 – "*Replacement of Interbank Offered Rates*," effective for reporting period beginning after June 15, 2021.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. New Accounting Pronouncements (Continued):

- GASB Statement No. 94 - *"Public-Private and Public-Public partnerships and Availability Payment Arrangements,"* effective for reporting period beginning after June 15, 2022.
- GASB Statement No. 96 - *"Subscription-Based Information Technology Arrangements,"* effective for reporting period beginning after June 15, 2022.
- GASB Statement No. 97 - *"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32,"* effective for reporting period beginning after June 15, 2021.

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 reports deferred outflows related to pensions and OPEB in this category. See notes 10 and 11 for further information.

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 reports deferred inflows related to pensions and OPEB in this category. See notes 10 and 11 for further information.

e. Fair Value Measurements:

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

e. Fair Value Measurements (Continued):

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

f. 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.

g. Investments and Investment Policy:

The District has adopted an investment policy authorizing the District's General Manager to deposit funds in financial institutions. Investments are recorded at fair value. Certain investments are reported at amortized cost, which approximates fair value. 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.

h. Accounts Receivable:

The District has made no provision for uncollectible receivables as all accounts are considered collectible as of June 30, 2020.

i. Prepaid Expenses:

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

j. 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.

k. 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 acquisition 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

k. Capital Assets (Continued):

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

l. 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.k. See notes 4 and 5 for further information.

m. 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.

n. 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.

o. Wastewater Service:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

p. 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, 2020 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

q. 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 acquisition value on the date contributed.

r. Prior Year Data:

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

s. 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.

t. Pensions:

For purposes of measuring the net pension liability and deferred outflows and 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 currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at a CalPERS' website under Forms and Publications.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

t. Pensions (Continued):

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

u. Other Postemployment Benefits (OPEB):

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District’s plan (OPEB Plan), the assets of which are held by the California Employers’ Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

2. CASH AND INVESTMENTS:

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 21,149,485
Restricted cash and cash equivalents	87,195
Restricted cash and cash equivalents - noncurrent	201,451
Investments - noncurrent	<u>16,876,169</u>
Total cash and investments	<u>\$ 38,314,300</u>

Cash and investments as of June 30, 2020 consist of the following:

Cash on hand	\$ 500
Deposits with financial institutions	9,156,542
Investments	<u>29,157,258</u>
Total cash and investments	<u>\$ 38,314,300</u>

2. CASH AND INVESTMENTS (CONTINUED):

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
State and Local Agency Debt	5 years*	10%	None
U.S. Treasury Obligations	5 years*	75%	None
U.S. Government Sponsored Entities	5 years*	75%	None
Banker's Acceptances	180 days	10%	30%
Commercial Paper	270 days	10%	10%
Bank Deposits	5 years*	25%	None
Placement Service Deposits	5 years*	20%	None
Negotiable Certificates of Deposit - Uninsured	5 years*	10%	None
Bank Certificates of Deposit - Insured	5 years*	30%	None
Medium-Term Notes	5 years	20%	None
Repurchase Agreements	30 days	10%	None
Money Market Mutual funds	N/A	10%	10%
California Local Agency Investment Fund (LAIF)	N/A	75%	None
California Asset Management Program (CAMP)	N/A	75%	None
San Diego County Pooled Investment Fund	N/A	75%	None

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

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities.

2. CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk (Continued):

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, 2020, \$9,297,146 of the District's deposit with financial institutions, in excess of Federal depository insurance limits, were held in collateralized accounts.

Investment in State Investment Pool:

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

Investment in California Asset Management Program:

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

The pool seeks to maintain, but does not guarantee, a constant net asset value of \$1.00 per share. A participant may withdraw funds from its Pool accounts at any time by check or wire transfers. Requests for wire transfers must be made by 9:00 AM that day. The pool is valued at amortized cost, which approximates fair value.

2. CASH AND INVESTMENTS (CONTINUED):

Investment in San Diego County Investment Pool:

The District is a voluntary participant in the San Diego County Treasurer's Pooled Money Fund which is managed by San Diego County Treasurer-Tax Collector's office on behalf of the County of San Diego, school districts, colleges, special districts, and local agencies in San Diego. Permissible investments in the Pool are made in accordance with California State law. The maximum effective duration for the portfolio is 1.5 years. Before a participant can withdraw funds from the Pool it must submit a withdrawal request 2 working days prior to its desired withdrawal date. Also, the County Treasurers' Office must ensure 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:

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
CAMP Pool	\$ 1,917,439	\$ 1,917,439	\$ -	\$ -
Commercial Paper	499,750	499,750	-	-
Corporate Notes	5,095,991	1,875,505	2,019,559	1,200,927
Federal Agency Securities (FHLB)	758,710	501,453	257,257	-
Federal Agency Securities (FNMA)	1,005,000	1,005,000	-	-
Insured Certificate of Deposit	5,354,893	-	251,680	5,103,213
Municipal Bonds	314,622	-	-	314,622
Negotiable Certificate of Deposit	1,214,015	853,311	360,704	-
SD County Pool	3,990,387	3,990,387	-	-
State of California LAIF	6,373,263	6,373,263	-	-
Treasury Securities	2,633,188	1,622,250	1,010,938	-
Total	<u>\$ 29,157,258</u>	<u>\$ 18,638,358</u>	<u>\$ 3,900,138</u>	<u>\$ 6,618,762</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, 2020 for each investment type (CAMP and the San Diego County Pool are rated by Standard and Poor's and Fitch, respectively).

Investment Type	Total	Minimum Legal Rating	Ratings as of Year End			
			AAA	AA	A	Not Rated
CAMP Pool	\$ 1,917,439	N/A	\$ 1,917,439	\$ -	\$ -	\$ -
Commercial Paper	499,750	A	499,750	-	-	-
Corporate Notes	5,095,991	A	-	768,108	4,327,883	-
Federal Agency Securities (FHLB)	758,710	N/A	758,710	-	-	-
Federal Agency Securities (FNMA)	1,005,000	N/A	1,005,000	-	-	-
Insured Certificate of Deposit	5,354,893	N/A	5,354,893	-	-	-
Municipal Bonds	314,622	A	-	314,622	-	-
Negotiable Certificate of Deposit	1,214,015	N/A	853,311	360,704	-	-
SD County Pool	3,990,387	N/A	3,990,387	-	-	-
State of California LAIF	6,373,263	N/A	-	-	-	6,373,263
Treasury Securities	2,633,188	N/A	2,633,188	-	-	-
Total	\$ 29,157,258		\$ 17,012,678	\$ 1,443,434	\$ 4,327,883	\$ 6,373,263

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.

3. FAIR VALUE MEASUREMENT:

The District categorizes certain assets and liabilities within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2020:

Investment Type	Total	Fair Value Hierarchy		
		Level 1	Level 2	Level 3
<u>Investments measured at fair value</u>				
Commercial Paper	\$ 499,750	\$ -	\$ 499,750	\$ -
Corporate Notes	5,095,991	-	5,095,991	-
Federal Agency Securities (FHLB)	758,710	-	758,710	-
Federal Agency Securities (FNMA)	1,005,000	-	1,005,000	-
Insured Certificate of Deposit	5,354,893	-	5,354,893	-
Municipal Bonds	314,622	-	314,622	-
Negotiable Certificate of Deposit	1,214,015	-	1,214,015	-
Treasury Securities	2,633,188	2,633,188	-	-
Total investments measured at fair value	\$ 16,876,169	\$ 2,633,188	\$ 14,242,981	\$ -
<u>Investments not subject to fair value hierarchy</u>				
Local Agency Investment Fund (LAIF)	6,373,263			
California Asset Management Program (CAMP)	1,917,439			
San Diego County Investment Pool	3,990,387			
	12,281,089			
Total Investments	\$ 29,157,258			

4. CAPITAL ASSETS:

Capital assets consists of the following at June 30, 2020:

	Balance July 1, 2019	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2020
Non-depreciable assets:				
Land	\$ 12,878	\$ -	\$ -	\$ 12,878
Construction-in-progress - Encina	2,614,190	3,881,201	(2,631,792)	3,863,599
Construction-in-progress	4,146,217	1,767,852	(3,731,152)	2,182,917
	<u>6,773,285</u>	<u>5,649,053</u>	<u>(6,362,944)</u>	<u>6,059,394</u>
Total non-depreciable assets				
Depreciable assets:				
Sewer collection facilities	36,051,953	2,428,778	(93,060)	38,387,671
Sewage treatment facilities	138,290	-	-	138,290
Sewage transmission facilities	20,303,542	1,384,029	-	21,687,571
Advanced water treatment facility	8,444,615	50,703	-	8,495,318
Subsurface lines	35,439,618	338,177	-	35,777,795
Vulcan sewer line	210,889	-	-	210,889
Site buildings and grounds	14,093,692	66,240	-	14,159,932
Equipment	2,355,492	320,667	(344,888)	2,331,271
Encina Joint System	45,908,562	2,688,735	(2,291,157)	46,306,140
	<u>162,946,653</u>	<u>7,277,329</u>	<u>(2,729,105)</u>	<u>167,494,877</u>
Total depreciable assets				
Accumulated depreciation:				
Sewer collection facilities	(16,773,873)	(1,147,622)	57,613	(17,863,882)
Sewage treatment facilities	(112,548)	(4,610)	-	(117,158)
Sewage transmission facilities	(6,551,869)	(533,881)	-	(7,085,750)
Advanced water treatment facility	(3,717,268)	(252,380)	-	(3,969,648)
Subsurface lines	(11,616,352)	(514,577)	-	(12,130,929)
Vulcan sewer line	(124,877)	(4,218)	-	(129,095)
Site buildings and grounds	(3,150,472)	(301,081)	-	(3,451,553)
Equipment	(1,457,538)	(177,943)	344,888	(1,290,593)
Encina Joint System	(15,734,783)	(1,165,156)	2,102,871	(14,797,068)
	<u>(59,239,580)</u>	<u>(4,101,468)</u>	<u>2,505,372</u>	<u>(60,835,676)</u>
Total accumulated depreciation	<u>(59,239,580)</u>	<u>(4,101,468)</u>	<u>2,505,372</u>	<u>(60,835,676)</u>
Total depreciable assets, net	<u>103,707,073</u>	<u>3,175,861</u>	<u>(223,733)</u>	<u>106,659,201</u>
Total capital assets, net	<u>\$ 110,480,358</u>	<u>\$ 8,824,914</u>	<u>\$ (6,586,677)</u>	<u>\$ 112,718,595</u>

During the fiscal year ended June 30, 2020 major capital assets additions included the Leucadia Pump Station Rehabilitation project, the Batiqitos Force Main (B3) Discharge Section Replacement project, and Encina Joint System projects.

Depreciation expense for the year ended June 30, 2020 was \$4,101,468.

4. 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, 2020 are as follows:

Misc. Line Repairs	\$ 31,544
Water Recycling Group	510,872
Recycled Water Pump Station Design	75,723
Leucadia Pump Station Rehabilitation	1,005,645
Encinitas Estates PS Rehab	215,288
Orchard Wood Rd. Sewer Rehab	139,490
B1 Force Main North Sect Replacement	22,791
Pump Station Assessment	35,461
FY20 Gravity Pipeline/Quebrada	110,299
Diana Pump Station Upgrade	35,804
Total Construction-in-Progress	<u>\$ 2,182,917</u>

5. 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 4). Ownership percentages are determined by joint agreement at the time the assets are acquired. As of June 30, 2020, the Member Agencies have the following approximate ownership interest:

City of Vista	25.20%
City of Carlsbad	24.24%
Vallecitos Water District	22.42%
Leucadia Wastewater District	16.80%
Buena Vista Sanitation District	7.09%
City of Encinitas	4.25%

6. 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 EWA'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.

6. ENCINA WASTEWATER AUTHORITY (CONTINUED):

At June 30, 2020, Leucadia Wastewater District was required to maintain an operating reserve of \$462,000, an inventory reserve of \$218,400, and a capital reserve of \$1,360,800 for a total of \$2,041,200.

The latest available financial statements of the Encina Wastewater Authority dated June 30, 2019 can be obtained at 6200 Avenida Encinas, Carlsbad, California 92011.

7. 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 July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year	Due in More Than One Year
\$ 283,011	\$ 232,024	\$ (192,127)	\$ 322,908	\$ 219,211	\$ 103,697

8. NET POSITION:

Calculation of net position as of June 30, 2020 was as follows:

Investment in capital assets:	
Land	\$ 12,878
Construction in progress	6,046,516
Capital assets, net of depreciation	106,659,201
Total investment in capital assets	<u>112,718,595</u>
Restricted net position:	
Restricted for capital projects	102,422
Restricted for Encina Wastewater Authority Reserves	2,041,200
Total restricted net position	<u>2,143,622</u>
Unrestricted net position:	
Reserve for operations	2,748,321
Reserve of capital replacement	20,454,735
Reserve for water recycling	1,393,983
Reserve for emergencies	7,500,000
Total unrestricted net position	<u>32,097,039</u>
Total net position	<u>\$ 146,959,256</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 and are not legally restricted. Encina Wastewater Authority Reserves on Deposit are restricted by the Encina Wastewater Authority.

9. 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. Fair value of all plan assets held in trust by the District's two deferred compensation plans at June 30, 2020 amounted to \$2,266,006.

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.

10. DEFINED BENEFIT PENSION PLAN:

Plan Description:

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 at www.calpers.ca.gov under forms and publications.

Benefits Provided:

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The Plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>Miscellaneous Plan</u>	<u>PEPRA Miscellaneous Plan</u>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% at 60	2.0% 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	8.000%	6.750%
Estimated employer contribution rates	32.465%	7.195%

10. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Discount Rate (Continued):

Asset Class ¹	Assumed Asset Allocation	Real Return Years 1 - 10 ²	Real Return Years 11 + ³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	77.00%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

¹ In the System's CAFR, Fixed income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used for this period.

³ An expected inflation of 2.92% used for this period.

Allocation of Net Pension Liability and Pension Expense to Individual Employers:

The following table shows the District's proportionate share of the net pension liability over the measurement period:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 06/30/2018	\$ 17,137,764	\$ 13,136,875	\$ 4,000,889
Balance at: 06/30/2019	18,119,070	13,732,247	4,386,823
Net Changes during 2018-19	\$ 981,306	\$ 595,372	\$ 385,934

The net pension liability of the plan is measured as of June 30, 2019, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans 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, 2018 and 2019 was as follows:

	Miscellaneous Plan
Proportion - June 30, 2018	0.1062%
Proportion - June 30, 2019	<u>0.1096%</u>
Change - Increase (Decrease)	<u>0.0034%</u>

10. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Contributions:

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability.

The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2019 (the measurement date), the active employee contribution rate is 8.000 percent of annual pay, and the average employer’s contribution rate is 28.888 percent of annual payroll. For PEPPA employees the active employee contribution rate is 6.250 percent annual pay and the employer’s contribution rate is 7.032 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Contributions made for the fiscal year ended June 30, 2019 were as follows:

	Miscellaneous
	Plan
Contributions - employer	\$ 442,015

Actuarial Methods and Assumptions used to determine Total Pension Liability:

For the measurement period ending June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability determined in the June 30, 2018 actuarial valuation. The June 30, 2019 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS’ Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

10. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Actuarial Methods and Assumptions used to determine Total Pension Liability (Continued):

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions:

There were no change of assumptions in 2019.

Discount Rate:

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed that the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund.

The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was 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. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2018.

10. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Discount Rate (Continued):

Asset Class ¹	Assumed Asset Allocation	Real Return Years 1 - 10 ²	Real Return Years 11 + ³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	77.00%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

¹ In the System's CAFR, Fixed income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used for this period.

³ An expected inflation of 2.92% used for this period.

Allocation of Net Pension Liability and Pension Expense to Individual Employers:

The following table shows the District's proportionate share of the net pension liability over the measurement period:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 06/30/2018	\$ 17,137,764	\$ 13,136,875	\$ 4,000,889
Balance at: 06/30/2019	18,119,070	13,732,247	4,386,823
Net Changes during 2018-19	\$ 981,306	\$ 595,372	\$ 385,934

The net pension liability of the plan is measured as of June 30, 2019, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans 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, 2018 and 2019 was as follows:

	Miscellaneous Plan
Proportion - June 30, 2018	0.1062%
Proportion - June 30, 2019	<u>0.1096%</u>
Change - Increase (Decrease)	<u>0.0034%</u>

10. DEFINED BENEFIT PENSION PLAN (CONTINUED):

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Net Pension Liability	\$ 6,823,893	\$ 4,386,823	\$ 2,375,194

Deferred Outflows and Deferred Inflows of Resources:

Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

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

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

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

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the Plan for the June 30, 2019 measurement date is 3.8 years, which was obtained by dividing the total services years by the total number of participants (active, inactive, and retired) in the Plan.

10. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Deferred Outflows and Deferred Inflows of Resources (Continued):

Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

For the year ended June 30, 2020, the District recognized a pension expense of \$923,405 for the Plan. As of June 30, 2020, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 753,534	\$ -
Differences between actual contributions made and proportionate share of contributions	-	184,375
Differences between expected and actual experience	304,683	23,607
Changes of assumptions	209,184	74,154
Net difference between projected and actual earnings on pension plan investments	-	76,695
Adjustment due to differences in proportions	129,402	-
Total	<u>\$ 1,396,803</u>	<u>\$ 358,831</u>

\$753,534 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 fiscal year ending June 30, 2021. Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2021	\$ 284,592
2022	(48,801)
2023	33,150
2024	15,497
2025	-
Thereafter	-

11. OTHER POST-EMPLOYMENT BENEFITS:

Plan Description – Benefits:

The District provides post-retirement health care benefits under a defined benefit retiree healthcare plan (Plan).

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 (PERS), which acts as a common investment and administrative agent for participating public employers within the State of California. Benefit provisions and all other requirements are established by state statute and the Board. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy:

The District provides the minimum required employer contribution under the CalPERS Health Plan for eligible retirees and surviving spouses in receipt of a pension benefit from CalPERS. An employee is eligible for this employer contribution provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit within 120 days of retirement from the District. Vesting requires at least 5 years of CalPERS total service. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon death of the retiree. Board Members during or prior to 1994 are also eligible for a District contribution at retirement.

Employees Covered:

As of the June 30, 2019 measurement date, the following current and former employees were covered by the benefit terms under the plan:

Active plan members	23
Retirees and beneficiaries receiving benefits	<u>3</u>
Total plan membership	<u><u>26</u></u>

Contributions:

The Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2020, the District's cash contributions were \$4,950 in payments to the trust and the estimated implied subsidy was \$13,260 resulting in total payments of \$18,210.

11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Net OPEB Liability (Asset):

The District’s net OPEB asset was measured as of June 30, 2019 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2019 that was used to determine the June 30, 2019 total OPEB asset, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.50%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	7.00%, assuming actuarially determined contributions funded into CERBT Investment Strategy 1
Mortality Rate (1)	Derived using CalPERS’ Membership Data for all funds
Pre-Retirement Turnover (2)	Derived using CalPERS’ Membership Data for all funds
Healthcare Trend Rate	Based on recent premium experience assuming 1%-2% increase due to market trends then reduced to a rate reflecting medical price inflation

Notes:

(1) Pre-retirement mortality information was derived from data collected during 1997 to 2015 CalPERS Experience Study dated December 2017 and post-retirement mortality information was derived from the 2005 to 2015 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

(2) The pre-retirement turnover information was developed based on CalPERS’ specific data. For more details, please refer to the December 2017 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Net OPEB Liability (Asset) (Continued):

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	STRATEGY 1	
	Target Allocation	Long-Term expected real rate of return
Global Equity	59.00%	5.50%
Global Debt Securities	25.00%	2.35%
Inflation Assets	5.00%	1.50%
Commodities	3.00%	1.75%
REITs	8.00%	3.65%
Total	100.00%	

* Long-term expected rate of return is 7.00%.

Discount Rate:

The discount rate used to measure the total OPEB asset was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Changes in the OPEB Liability (Asset):

The changes in the net OPEB liability (asset) for the Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability / (Asset) (c) = (a) - (b)
Balance at June 30, 2019 (Measurement Date: June 30, 2018)	\$ 290,778	\$ 426,223	\$ (135,445)
Changes recognized for the measurement period:			
Service Cost	11,652	-	11,652
Interest	20,703	-	20,703
Difference in experience	29,797	-	29,797
Changes of assumptions	36,990	-	36,990
Contributions - employer	-	13,349	(13,349)
Net investment income	-	26,298	(26,298)
Benefit payments	(13,349)	(13,349)	-
Administrative expense	-	(91)	91
Net Changes	<u>85,793</u>	<u>26,207</u>	<u>59,586</u>
Balance at June 30, 2020 (Measurement Date: June 30, 2019)	<u>\$ 376,571</u>	<u>\$ 452,430</u>	<u>\$ (75,859)</u>

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate:

The following presents the net OPEB liability (asset) of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	1% Decrease (6.00%)	Discount Rate Current (7.00%)	1% Increase (8.00%)
Net OPEB Liability (Asset)	<u>\$ (33,044)</u>	<u>\$ (75,859)</u>	<u>\$ (111,896)</u>

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rates:

	1% Decrease (5.5% to 4%)	Current Healthcare Cost Trend Rate (6.5% to 5%)	1% Increase (7.5% to 6%)
Net OPEB Liability (Asset)	<u>\$ (92,356)</u>	<u>\$ (75,859)</u>	<u>\$ (51,205)</u>

OPEB Plan Fiduciary Net Position:

PERS issues a publicly available financial report that may be obtained from the CalPERS website.

11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Recognition of Deferred Outflows and Deferred Inflows of Resources:

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

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

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB:

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$8,438. As of fiscal year ended June 30, 2020, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions subsequent to measurement date	\$ 18,210	\$ -
Changes of Assumptions	32,366	-
Differences between expected and actual experiences	26,072	-
Differences between projected and actual earnings on investments	-	4,397
Total	\$ 76,648	\$ 4,397

The \$18,210 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized as expense as follows:

<u>Fiscal Year Ended June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 5,824
2022	5,824
2023	8,296
2024	9,055
2025	8,349
Thereafter	16,693

12. 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 62 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 can make additional assessments to its members based on a retrospective premium adjustment process. At June 30, 2020, 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.

Special Form Property Coverage - Up to \$26,219,479 with a deductible of \$10,000 per claim.

Public Entity Physical Damage - For the replacement cost up to \$1,168,950 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 - As part of the purchase of the general liability policy, the District acquired a \$25,000,000 public entity pollution liability policy, with \$2,000,000 per pollution condition and a \$75,000 per condition retention.

Cyber Liability Coverage - Up to \$2,000,000 for third party coverage and \$2,000,000 for first party coverage for computer security with a \$50,000 retention.

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 an ID Fraud Master Identity Theft policy with a \$25,000 limit and \$2,500 deductible.

Deadly Weapons Response - Up to \$500,000 per event with an annual aggregated of \$2,500,000. This policy has various sub limits of \$250,000.

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, 2020, 2019 and 2018. 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 claims payable as of June 30, 2020 and 2019.

13. COMMITMENTS AND CONTINGENCIES:

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of wastewater facilities and collection 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 \$3,705,441 in open construction contracts as of June 30, 2020. These include the following:

Project Name	Total Approved Contracts	Construction Costs to Date	Remaining Obligation
Leucadia Pump Station Rehabilitation	\$ 4,395,866	\$ (710,548)	\$ 3,685,318
FY2020 Gravity Pipeline Project	85,995	(75,795)	10,200
Encinitas Estates PS Rehabilitation	142,751	(140,959)	1,792
Orchard Wood Road Sewer Rehabilitation	100,695	(99,708)	987
Diana Pump Station Upgrade	8,320	(6,523)	1,797
Pump Station Assessment	34,946	(29,599)	5,347
Total	\$ 4,768,573	\$ (1,063,132)	\$ 3,705,441

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.

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Required Supplementary Information

Schedule of the Plan's Proportionate Share of Net Pension Liability
Last Ten Years*

Measurement Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the Collective Net Pension Liability	0.1096%	0.1062%	0.1034%	0.0998%	0.0949%	0.0921%
Proportionate Share of the Collective Net Pension Liability	\$ 4,386,823	\$ 4,000,889	\$ 4,074,562	\$ 3,466,620	\$ 2,604,135	\$ 2,277,414
Covered Payroll	\$ 1,926,315	\$ 1,798,709	\$ 1,757,813	\$ 1,664,178	\$ 1,537,839	\$ 1,511,503
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered Payroll	227.73%	222.43%	231.80%	208.31%	169.34%	150.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.79%	76.65%	75.82%	76.68%	81.30%	83.03%

Notes to Schedule:

Benefit Changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2018 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Changes in Assumptions:

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies.

On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.500 percent to 7.000 percent using a three year phase-in beginning with the June 30, 2016 actuarial valuations.

The minimum employer contributions for Fiscal Year 2019-20 determined in this valuation were calculated using a discount rate of 7.25 percent.

In 2015, amounts reported reflect an adjustment of the discount rate from 7.500 percent (net of administrative expense) to 7.650 percent (without a reduction for pension plan administrative expense.)

In 2014, amounts reported were based on the 7.500 percent discount rate.

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

Schedule of the Plan's Proportionate Share of Net Pension Liability
Last Ten Years*

Measurement Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
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**Fiscal year 2015 was the first year of implementation, therefore only six years are shown.*

Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Years*

Measurement Date	<u>06/30/2019</u>	<u>06/30/2018</u>	<u>06/30/2017</u>
Total OPEB Liability			
Service cost	\$ 11,652	\$ 11,313	\$ 10,573
Interest on the total OPEB liability	20,703	19,426	18,533
Actual and expected experience difference	29,797	-	-
Changes in assumptions	36,990	-	-
Changes in benefit terms	-	-	-
Benefit payments	<u>(13,349)</u>	<u>(12,324)</u>	<u>(21,841)</u>
Net change in total OPEB liability	85,793	18,415	7,265
Total OPEB liability - beginning	<u>290,778</u>	<u>272,363</u>	<u>265,098</u>
Total OPEB liability - ending (a)	<u>\$ 376,571</u>	<u>\$ 290,778</u>	<u>\$ 272,363</u>
Plan Fiduciary Net Position			
Contribution - employer	\$ 13,349	\$ 12,324	\$ 27,373
Net investment income	26,298	31,467	37,240
Benefit payments	(13,349)	(12,324)	(21,841)
Administrative expense	<u>(91)</u>	<u>(734)</u>	<u>(189)</u>
Net change in plan fiduciary net position	26,207	30,733	42,583
Plan fiduciary net position - beginning	<u>426,223</u>	<u>395,490</u>	<u>352,907</u>
Plan fiduciary net position - ending (b)	<u>\$ 452,430</u>	<u>\$ 426,223</u>	<u>\$ 395,490</u>
Net OPEB liability (asset) - ending (a)-(b)	<u>\$ (75,859)</u>	<u>\$ (135,445)</u>	<u>\$ (123,127)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	120.14%	146.58%	145.21%
Covered-employee payroll	\$ 2,112,219	\$ 1,960,900	\$ 1,922,264
Net OPEB liability (asset) as a percentage of covered-employee payroll	-3.59%	-6.91%	-6.41%

Notes to Schedule:

**Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.*

Schedule of OPEB Contributions

Last Ten Fiscal Years*

Fiscal Year Ended June 30	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ -	\$ -	\$ -
Contributions in relation to the ADC	<u>(18,210)</u>	<u>(13,349)</u>	<u>(12,324)</u>
Contribution deficiency (excess)	<u>\$ (18,210)</u>	<u>\$ (13,349)</u>	<u>\$ (12,324)</u>
Covered-employee payroll	\$ 2,197,527	\$ 2,112,219	\$ 1,960,900
Contributions as a percentage of covered-employee payroll	0.83%	0.63%	0.63%

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020 were from the June 30, 2019 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll over a closed rolling 15-year period
Asset Valuation Method	Market value
Inflation	2.50% per annum
Payroll Growth	2.75% per annum, in aggregate
Investment Rate of Return	7.00% per annum. Assumes investing in California Employers' Retiree Benefit Trust asset allocation Strategy 1.
Healthcare cost-trend rates	7.0% initial, decreasing 0.5% per year to trend rate that reflects medical price inflation.
Retirement Age	Tier 1 employees - 3% @60 and Tier 2 employees - 2.0% @62 The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Pre-retirement mortality probability based on 2014 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS.

**Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.*

Supplementary Information

COMBINING SCHEDULE OF CHANGES IN NET POSITION
For the year ended June 30, 2020

	Restricted			Unrestricted, Reserved For			Total Net Position	
	Investment in Capital Assets	Capital Improvements	EWA Reserves	Operations	Capital Replacement	Water Recycling		Emergencies
Balance, June 30, 2019	\$ 110,480,358	\$ 217,775	\$ 2,041,200	\$ 2,608,294	\$ 21,291,147	\$ 1,315,220	\$ 7,500,000	\$ 145,453,994
Net operating income (loss)	-	-	-	(1,678,813)	-	(134,465)	-	(1,813,278)
Contributed capital, sewer lines	338,177	-	-	-	-	-	-	338,177
Capacity fees (Buy-in)	-	-	-	-	230,786	-	-	230,786
Net additions to Utility plant and equipment	6,001,528	(118,653)	-	-	(5,977,338)	(91,943)	-	(186,406)
Depreciation charged to net income	(4,101,468)	-	-	3,849,088	-	252,380	-	-
Interest income allocated	-	3,300	-	78,000	857,762	28,300	158,300	1,125,662
Property taxes	-	-	-	-	1,781,657	-	-	1,781,657
Miscellaneous non-operating income	-	-	-	-	4,173	24,491	-	28,664
Transfers	-	-	-	(2,108,248)	2,266,548	-	(158,300)	-
Balance, June 30, 2020	\$ 112,718,595	\$ 102,422	\$ 2,041,200	\$ 2,748,321	\$ 20,454,735	\$ 1,393,983	\$ 7,500,000	\$ 146,959,256

Statistical Section

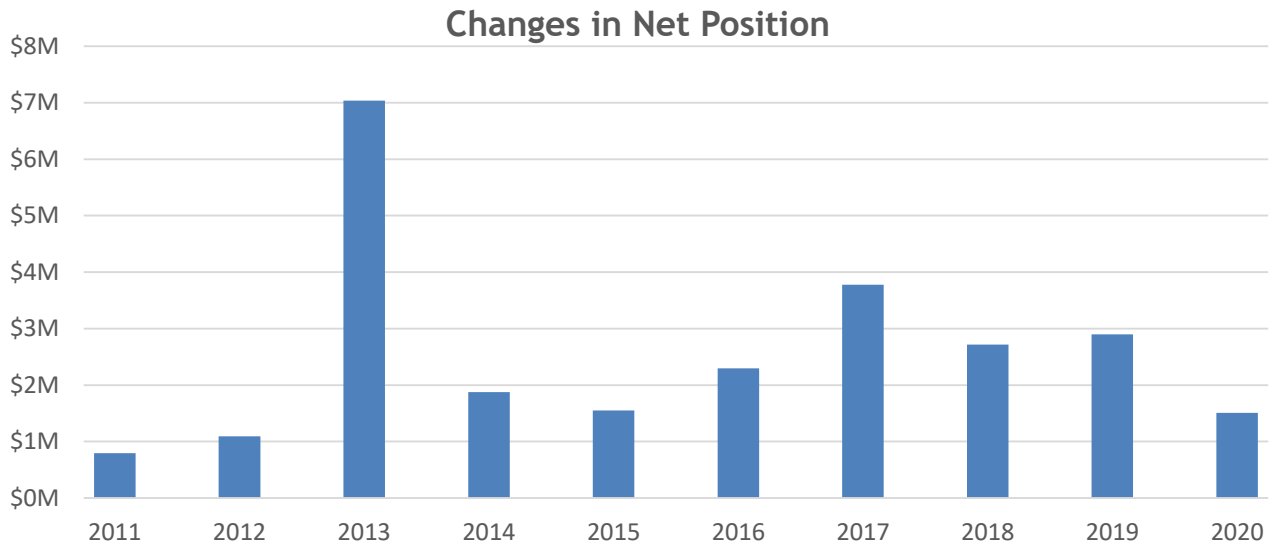
This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

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	<u>Page No.</u>
Financial Trends These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	71-72
Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, wastewater service.	73-79
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.	80-81
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	82-83
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.	84-85

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

	Fiscal Year			
	2011	2012	2013	2014
Changes in net position				
Operating revenues (See schedule 2)	\$ 7,729,492	\$ 7,855,094	\$ 7,873,007	\$ 7,958,080
Operating expenses (See schedule 3)	(5,709,060)	(5,598,224)	(5,799,853)	(5,878,182)
Depreciation & amortization	(3,053,044)	(3,189,262)	(3,413,314)	(3,527,059)
Operating Income(loss)	(1,032,612)	(932,392)	(1,340,160)	(1,447,161)
Non-operating revenues (expenses)				
Property taxes	1,194,074	1,177,125	1,207,630	1,263,119
Investment income (loss)	260,858	240,343	(11,993)	213,607
Gain/(Loss) on sale/disposition of assets	(679,920)	(36,166)	6,310,855	(146,913)
Interest expense	(185,417)	-	-	-
Other revenue/(expense), net	(1,181)	23,490	8,448	1,911
Total non-operating revenues/(expenses) net	588,414	1,404,792	7,514,940	1,331,724
Net income before capital contributions	(444,198)	472,400	6,174,780	(115,437)
Capital contributions	1,237,807	621,685	861,421	1,989,096
Changes in net position	\$ 793,609	\$ 1,094,085	\$ 7,036,201	\$ 1,873,659
Net position by component				
Net investment in capital assets	\$ 87,411,700	\$ 86,970,327	\$ 97,565,846	\$ 98,011,150
Restricted	3,278,218	3,233,139	2,335,165	2,118,651
Unrestricted	34,894,296	36,474,833	33,813,489	35,458,358
Total net position	\$ 125,584,214	\$ 126,678,299	\$ 133,714,500	\$ 135,588,159

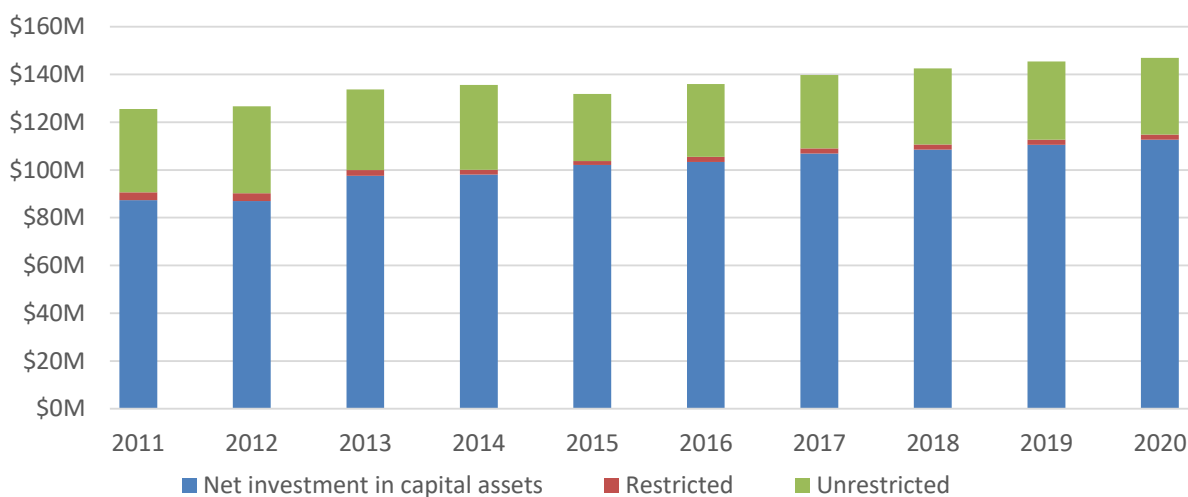


Source: Leucadia Wastewater District Accounting Department

Fiscal Year

2015	2016	2017	2018	2019	2020
\$ 8,497,441	\$ 9,365,918	\$ 10,285,854	\$ 10,290,586	\$ 10,322,518	\$ 10,327,319
(6,142,492)	(6,260,595)	(6,508,623)	(6,788,292)	(6,921,833)	(8,039,129)
(3,693,901)	(3,766,355)	(3,831,850)	(3,953,584)	(4,081,876)	(4,101,468)
(1,338,952)	(661,032)	(54,619)	(451,290)	(681,191)	(1,813,278)
1,382,197	1,482,357	1,554,673	1,622,117	1,706,279	1,781,657
255,144	243,702	224,064	406,296	1,059,467	1,125,662
(185,686)	(500,547)	(149,481)	(77,433)	10,051	(186,406)
-	-	-	-	-	-
16,054	10,911	10,697	3,148	5,172	28,664
1,467,709	1,236,423	1,639,953	1,954,128	2,780,969	2,749,577
128,757	575,391	1,585,334	1,502,838	2,099,778	936,299
1,419,831	1,718,556	2,191,251	1,211,964	797,994	568,963
\$ 1,548,588	\$ 2,293,947	\$ 3,776,585	\$ 2,714,802	\$ 2,897,772	\$ 1,505,262
\$ 102,080,041	\$ 103,352,670	\$ 106,913,511	\$ 108,555,413	\$ 110,480,355	\$ 112,718,595
1,595,655	2,155,040	2,131,849	2,044,897	2,258,975	2,143,622
28,188,300	30,466,533	30,705,468	31,955,912	32,714,664	32,097,039
\$ 131,863,996	\$ 135,974,243	\$ 139,750,828	\$ 142,556,222	\$ 145,453,994	\$ 146,959,256

Net Position by Component



LEUCADIA WASTEWATER DISTRICT

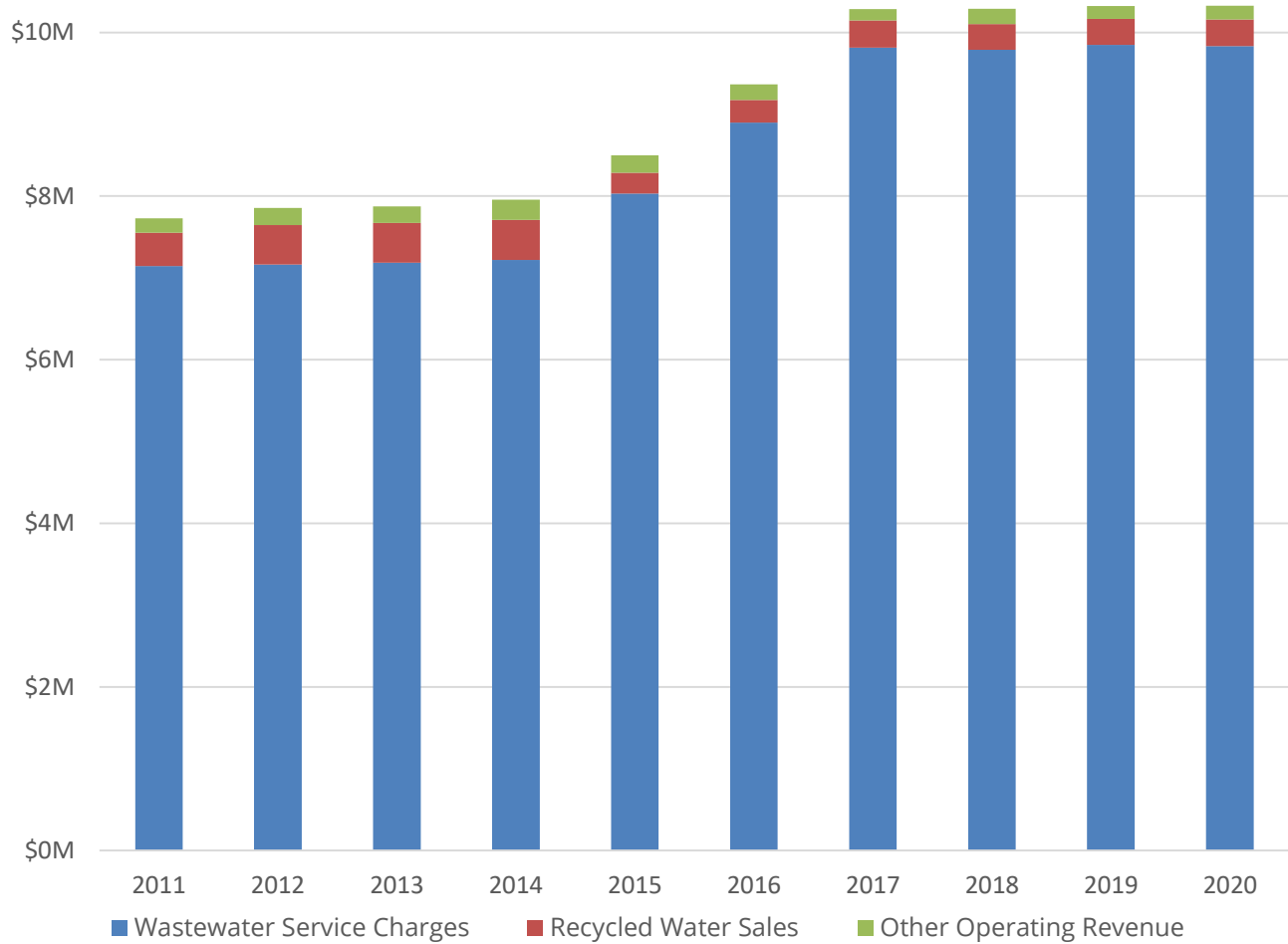
Operating Revenue By Source

Last Ten Fiscal Years

Schedule 2

Fiscal Year	Wastewater Service Charges	Recycled Water Sales	Other Operating Revenue	Total Operating Revenue
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
2016	8,897,385	279,064	189,469	9,365,918
2017	9,816,627	330,306	138,921	10,285,854
2018	9,787,703	315,118	187,765	10,290,586
2019	9,850,635	315,379	156,504	10,322,518
2020	9,833,533	325,469	168,317	10,327,319

Operating Revenues by Source

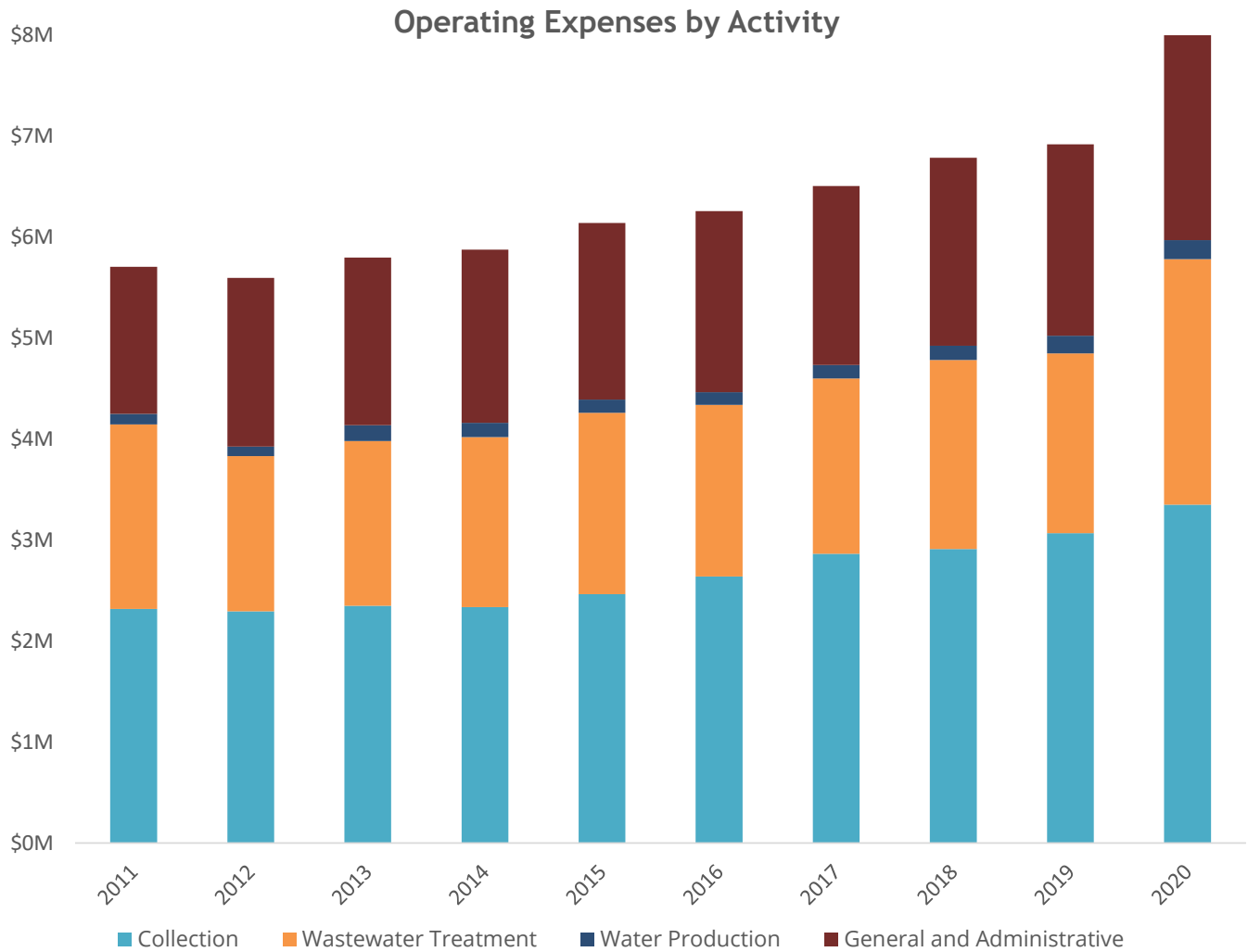


Source: Leucadia Wastewater District Accounting Department

LEUCADIA WASTEWATER DISTRICT
Operating Expenses by Activity
Last Ten Fiscal Years

Schedule 3

Fiscal Year	Wastewater Collection	Wastewater Treatment	Recycled Water Production	General and Administrative	Total Operating Expenses
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
2016	2,639,345	1,701,954	124,822	1,794,474	6,260,595
2017	2,866,367	1,735,063	132,554	1,774,639	6,508,623
2018	2,911,285	1,874,335	139,662	1,863,010	6,788,292
2019	3,069,899	1,780,954	173,567	1,897,413	6,921,833
2020	3,351,640	2,432,147	189,000	2,066,342	8,039,129

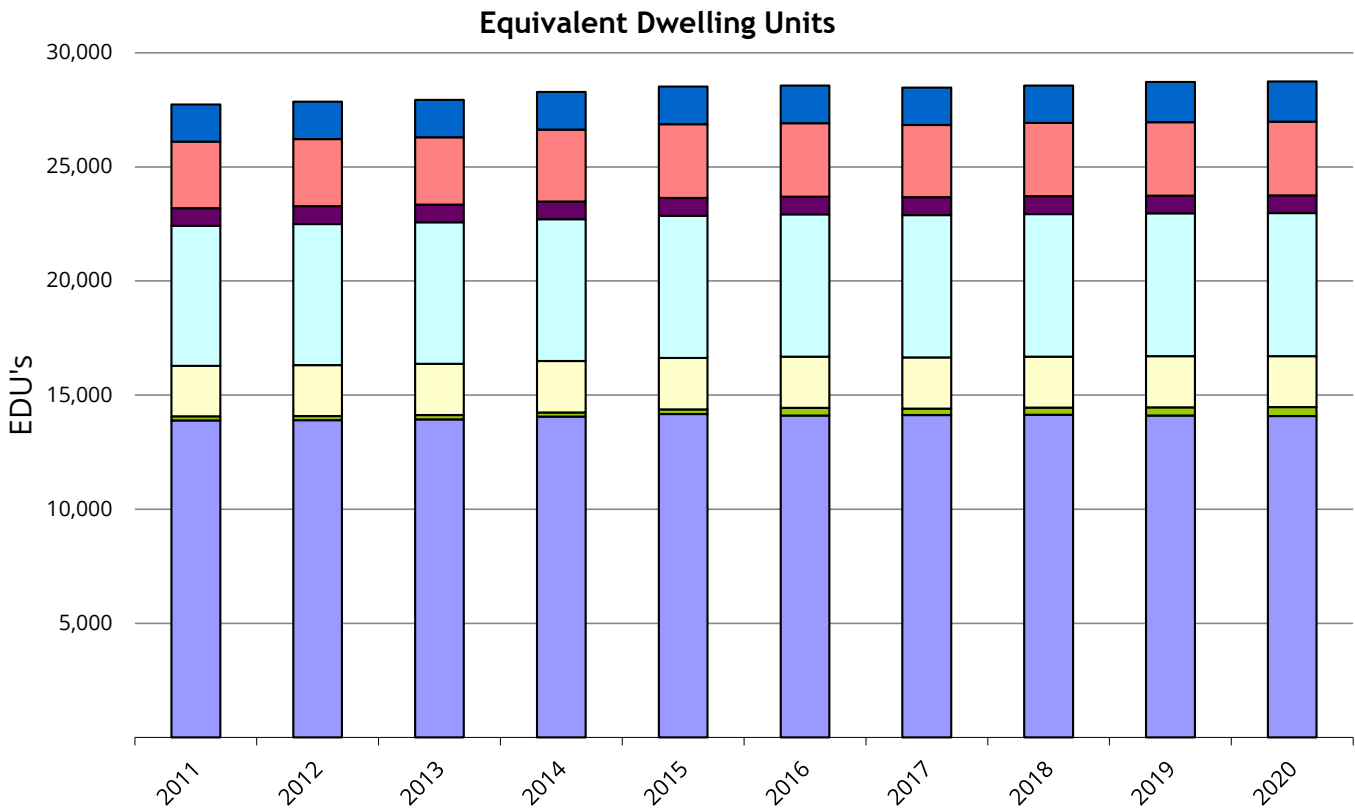


Source: Leucadia Wastewater District Accounting Department

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

Schedule 4

Fiscal Year	Customer Type							Total
	Single Family Residential	Single Fam with Access Unit	Apartments	Condos and Duplexes	Senior Care Facilities	Commercial	Other (3)	
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
2016	14,107.00	328.72	2,250.62	6,232.20	780.73	3,218.13	1,642.81	28,560.21
2017	14,124.50	277.00	2,246.52	6,241.00	779.74	3,164.17	1,636.88	28,469.81
2018	14,136.00	312.00	2,236.52	6,248.00	779.74	3,207.70	1,641.78	28,561.74
2019	14,105.00	362.50	2,236.52	6,260.00	779.74	3,219.10	1,758.58	28,721.44
2020	14,083.00	391.00	2,237.27	6,263.25	779.74	3,224.60	1,759.68	28,738.54



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.
- (3) Other category includes mobile homes.

Source: Leucadia Wastewater District Operations Department

LEUCADIA WASTEWATER DISTRICT
Wastewater Service Charges⁽¹⁾
Last Ten Fiscal Years

Schedule 5

Price Per EDU Per Month/Per Fiscal Year									
2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
21.52	21.52	21.52	21.52	23.67	26.04	28.64	28.64	28.64	28.64
Wastewater Use Categories									EDU Factors (2)
Single Family Residence									1.0
Accessory Dwelling Units & Junior Accessory Dwelling Units (3)									
Accessory Dwelling Unit 500 square feet or smaller									0.25
Accessory Dwelling Unit between 501-1000 square feet									0.50
Accessory Dwelling Unit 1,001 square feet or larger									1.0
Multiple Dwelling (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
Medical Care or Elder Care Facilities:									
Minimum									1.0
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, or fraction thereof									1.0
Schools									
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
Each Trade, Vocational, University or College per 30 pupils or fraction thereof									1.0
Self-service Laundries, per wash machine									0.75
Food Services Establishments									
Low Food Preparation Establishments									
Minimum up to 14 seats w/ multi-use utensils or up to 30 seats with single-use									2.0
Establishments with multi-use utensils									1.0 per each add'l 7 seats
Establishments with single-use utensils									1.0 per each add'l 15 seats
High Food Preparation Establishments									
Minimum up to 21 seats w/ multi-use utensils or up to 45 seats with single-use									3.0
Establishments with multi-use utensils									1.0 per each add'l 7 seats
Establishments with single-use utensils									1.0 per each add'l 15 seats
Ballrooms, Banquet Facilities and Convention Facilities, per block of 40 seats									1.0
Automobile Service Stations									
Auto service stations with 4 or less gas pumps									2.0
Auto service stations with more than 4 gas pumps									3.0
Washing rack, pit, or floor drain (additional)									2.0 per each
Car washes									Per Review
Banks, per 3,000 square foot or fraction thereof									1.0
Other Commercial and Industrial Users (Including Limited Food Preparation Establishments)									
First 1,000 square feet									1.0
Each additional 1,000 up to 5,000 square feet									0.60
Each additional 1,000 over 5,000 square feet									0.40
Establishments with unusual sewer characteristics or not described above									Per case

Notes:

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

(2) EDU = Equivalent Dwelling Unit

(3) Certain Accessory Dwelling Units & Junior Accessory Dwelling Units are exempt from capacity charges under state law

Source: Leucadia Wastewater District Board of Directors approved rate ordinances and resolutions

LEUCADIA WASTEWATER DISTRICT
Principal Customers
Current Fiscal Year and Ten Years Ago

Schedule 6

<u>Customer</u>	<u>2020</u>		<u>2011</u>	
	<u>EDU's (1)</u>	<u>Percentage of Total</u>	<u>EDU's (1)</u>	<u>Percentage of Total</u>
La Costa Glen	723	2.54%	723	2.64%
La Costa Resort & Spa	498	1.75%	474	1.73%
Encinitas Town Center	344	1.21%	276	1.01%
La Costa Racquet Club	320	1.12%	424	1.55%
The Forum @ Carlsbad	234	0.82%	234	0.85%
La Costa Town Square Commercial	213	0.75%	-	0.00%
Mission Ridge Apartments	196	0.69%	196	0.72%
La Costa Affordable Housing	185	0.65%	-	0.00%
Encinitas Village	180	0.63%	151	0.55%
Camino Village Plaza	169	0.59%	174	0.64%
Riviera Mobile Home Park	158	0.55%	158	0.58%
La Costa Shopping Center	150	0.53%	128	0.47%
Colonial Apartments	145	0.51%	145	0.53%
Weigand Plaza II	135	0.47%	131	0.48%
Encinitas Heights Apartments	122	0.43%	122	0.45%
Total EDU's: Principal customers	<u>3,772</u>	<u>13.25%</u>	<u>3,336</u>	<u>12.18%</u>
Total Equivalent Dwelling Units	<u>28,470</u>	<u>100.00%</u>	<u>27,396</u>	<u>100.00%</u>

Notes:

(1) EDU's = Equivalent Dwelling Units

Source: Leucadia Wastewater District Operations Department

LEUCADIA WASTEWATER DISTRICT
Assessed Value of Taxable Property
Last Ten Years

Schedule 7

<u>Fiscal Year</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Total Assessed Value</u>
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
2016	13,067,537,215	115,068,809	13,182,606,024
2017	13,688,462,176	113,692,139	13,802,154,315
2018	14,342,252,801	114,042,989	14,456,295,790
2019	15,063,864,539	125,962,401	15,189,826,940
2020	15,778,407,531	126,132,812	15,904,540,343

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.

Source: County of San Diego Tax Assessor

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

Schedule 8

Fiscal Year	Current Tax Levy	Current Tax Collections	Percent of Current Taxes	Prior Year Tax Collections	Percent of Current Taxes	Net Collections
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
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
2016	1,513,344	1,491,352	98.5%	18,398	1.2%	1,509,750
2017	1,571,940	1,553,390	98.8%	22,042	1.4%	1,575,432
2018	1,643,629	1,622,138	98.7%	24,589	1.5%	1,646,727
2019	1,726,734	1,703,258	98.6%	23,487	1.4%	1,726,745
2020	1,809,075	1,782,337	98.5%	22,916	1.3%	1,805,253

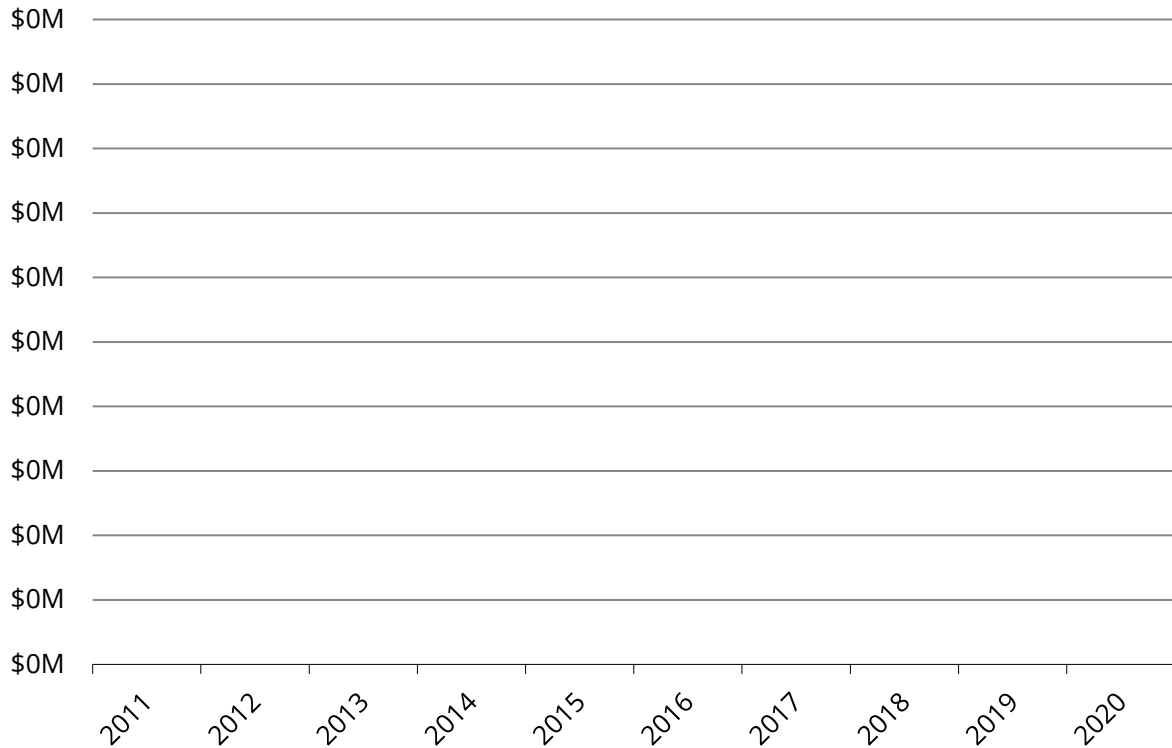
Source: County of San Diego, California "Tax/Revenue Accountability Report"

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
2011	-	-	-	-	0.00%
2012	-	-	-	-	0.00%
2013	-	-	-	-	0.00%
2014	-	-	-	-	0.00%
2015	-	-	-	-	0.00%
2016	-	-	-	-	0.00%
2017	-	-	-	-	0.00%
2018	-	-	-	-	0.00%
2019	-	-	-	-	0.00%
2020	-	-	-	-	0.00%

Outstanding Debt



Source: Leucadia Wastewater District Accounting Department

LEUCADIA WASTEWATER DISTRICT

Debt Coverage

Last Ten Fiscal Years

Schedule 10

Fiscal Year	Net Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Available Revenues	Debt Service ⁽³⁾			Coverage Ratio
				Principal	Interest	Total	
2011	8,317,906	(5,709,060)	2,608,846	2,968,130	185,417	3,153,547	0.83
2012	9,259,886	(5,598,224)	3,661,662	-	-	-	-
2013	15,387,947	(5,799,853)	9,588,094	-	-	-	-
2014	9,289,804	(5,878,182)	3,411,622	-	-	-	-
2015	9,965,150	(6,142,492)	3,822,658	-	-	-	-
2016	10,600,341	(6,260,595)	4,339,746	-	-	-	-
2017	11,925,807	(6,508,623)	5,417,184	-	-	-	-
2018	12,244,714	(6,788,292)	5,456,422	-	-	-	-
2019	13,103,487	(6,921,833)	6,181,654	-	-	-	-
2020	13,076,896	(8,039,129)	5,037,767	-	-	-	-

Notes:

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

(2) Operating expenses exclude depreciation expense.

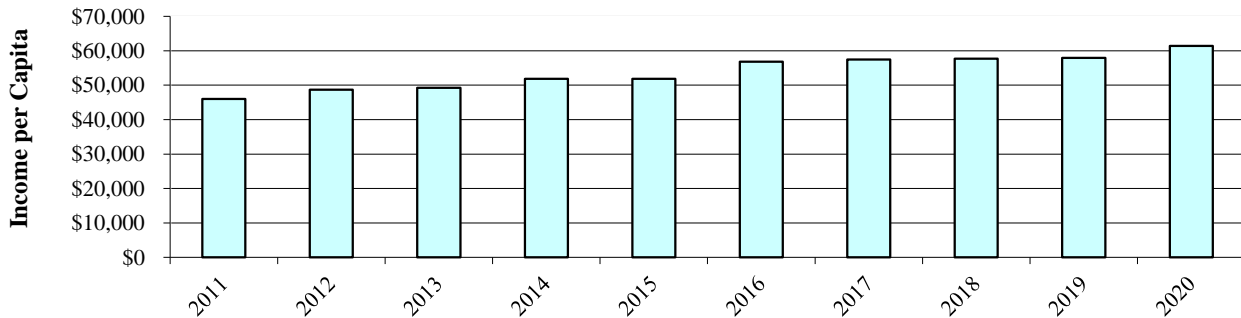
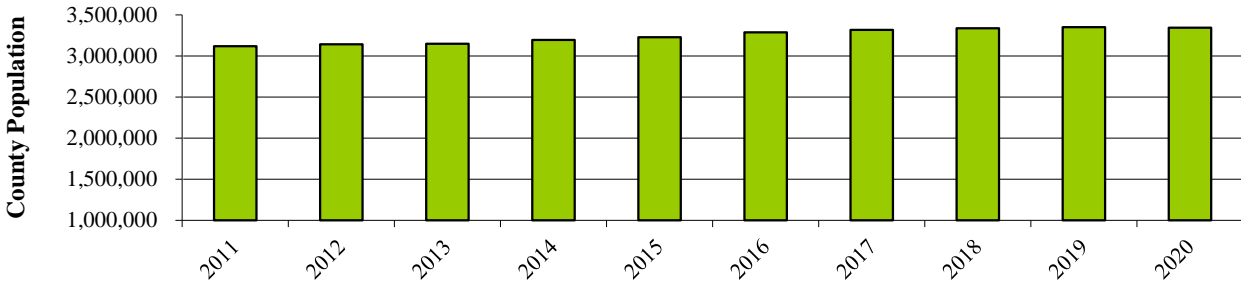
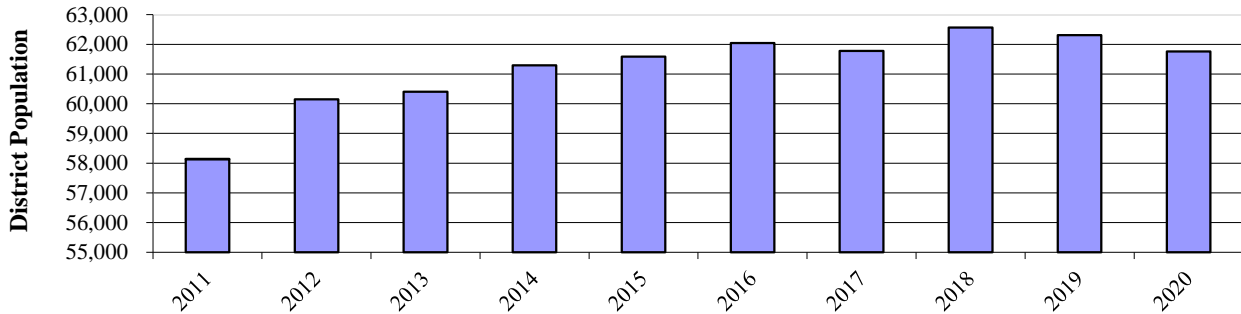
(3) Debt includes 1993 State Water Reclamation Loan and 1997 Series A Wastewater Revenue Refunding Bonds. Both debts were paid off during fiscal year 2011. As a result there is no Debt Coverage for fiscal years 2012 through 2020.

Source: Leucadia Wastewater District Accounting Department

LEUCADIA WASTEWATER DISTRICT
Demographics and Economic Statistics
Last Ten Calendar Years

Schedule 11

Fiscal Year	District (1) Service Population	County of San Diego ⁽²⁾			
		(3) Unemployment Rate	(4) Population	Personal Income (thousands of dollars) (5)	Personal Income per Capita (5)
2011	58,133	10.7%	3,118,876	143,387,200	45,974
2012	60,150	9.5%	3,143,429	153,003,263	48,674
2013	60,404	8.1%	3,150,178	155,146,267	49,250
2014	61,294	6.4%	3,194,362	165,535,033	51,821
2015	61,585	5.2%	3,227,496	167,252,070	51,821
2016	62,042	5.1%	3,288,612	186,900,000	56,832
2017	61,779	4.3%	3,316,192	190,500,000	57,445
2018	62,565	3.7%	3,337,458	192,681,910	57,733
2019	62,310	3.3%	3,351,786	194,111,983	57,913
2020	61,763	13.8%	3,343,355	205,235,190	61,386



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: US Bureau of Labor Statistics
- (4) Source: California Department of Finance
- (5) Sources: California Department of Finance and California Labor Market Info, US Bureau of Labor Statistics, Los Angeles County Economic Development Corporation, and Federal Reserve Bank of St. Louis Economic Research

LEUCADIA WASTEWATER DISTRICT
Principal Employers - City of Carlsbad
Current and Ten Years Ago

Schedule 12

Employer	2020			2011		
	Rank	Number of Employees	% of Total Employment	Rank	Number of Employees	% of Total Employment
ViaSat	1	2,345	3.0%	3	2,114	3.9%
Legoland California	2	2,300	2.9%	6	1,022	1.9%
Thermo Fisher Scientific	3	1,982	2.5%	1	4,121	7.6%
Omni La Costa Resort & Spa	4	1,300	1.6%	9	871	1.6%
Carlsbad Unified School District	5	1,056	1.3%	7	1,004	1.8%
Taylor Made Golf Company	6	960	1.2%	2	2,498	4.6%
Gemological Institute of America	7	856	1.1%	5	1,206	2.2%
City of Carlsbad	8	747	0.9%	10	699	1.3%
Nortek Security Control	9	637	0.8%		-	0.0%
Optum UnitedHealth Group	10	571	0.7%		-	0.0%
HM Electronics	10	571	0.7%		-	0.0%
Callaway Golf Company		-	0.0%	4	1,637	3.0%
Genoptix, Inc.		-	0.0%	8	984	1.8%
Subtotal		<u>13,325</u>			<u>16,156</u>	
Total Estimated Employees		<u>79,030</u>			<u>54,500</u>	

Sources:

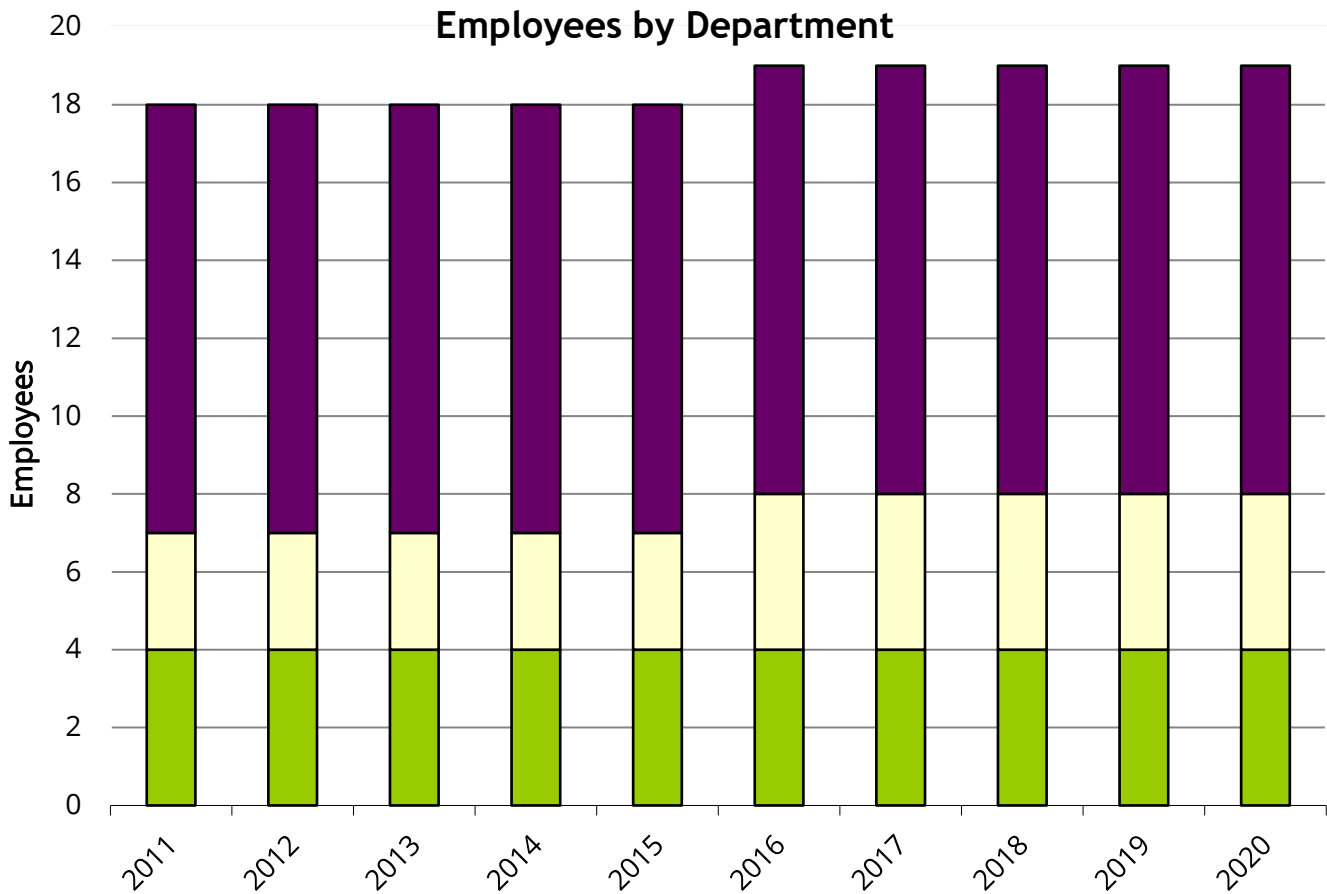
Carlsbad Business License Data - City of Carlsbad

LEUCADIA WASTEWATER DISTRICT
Operating and Capacity Indicators
Last Ten Fiscal Years

Schedule 13

Employees

Department	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Management	4	4	4	4	4	4	4	4	4	4
Administration	3	3	3	3	3	4	4	4	4	4
Field Services	11	11	11	11	11	11	11	11	11	11
Total	18	18	18	18	18	19	19	19	19	19



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) (2)	Treatment Capacity (MGD)		Total Annual Treatment (MG) (1)
				Liquids	Solids & Outfall	
2011	215	10	4.07	7.11	7.86	1,486
2012	215	10	4.09	7.11	7.86	1,493
2013	215	10	4.10	7.11	7.86	1,497
2014	215	10	4.17	7.11	7.11	1,522
2015	216	10	3.99	7.11	7.11	1,456
2016	217	10	3.80	7.11	7.11	1,387
2017	218	10	3.81	7.11	7.11	1,391
2018	219	10	3.83	7.11	7.11	1,398
2019	219	10	3.72	7.11	7.11	1,359
2020	219	10	3.73	7.11	7.11	1,363

Notes:

(1) MG - Millions of Gallons

(2) MGD - Millions of Gallons per Day

Sources: Leucadia Wastewater District Operations and Accounting Departments

Other Information

SCHEDULE OF USE OF CAPACITY CHARGES
For the year ended June 30, 2020

				Capital Improvement Fund
	Status	% Funded by Capacity Charges	Amount	
Balance at June 30, 2019				\$ 217,775
Capacity charges collected			\$ 230,786	
Less: buy-in portion			<u>(230,786)</u>	-
Capital improvements expended:				
Leucadia Pump Station Rehabilitation	In Progress	7%	\$ 38,311	
Poinsettia Station Gravity Pipeline Project	Completed	50%	8,918	
Encinitas Estates Pump Station Rehabilitation	In Progress	8%	16,424	
Diana Pump Station Upgrade	In Progress	17%	6,087	
Batiquitos FM (B3) Discharge Sec Replacement	In Progress	11%	<u>48,913</u>	(118,653)
Interest income earned				<u>3,300</u>
Balance at June 30, 2020				<u><u>\$ 102,422</u></u>

Capital improvement projects anticipated for the fiscal year 2020/2021 to be funded from capacity charges:

- Leucadia Pump Station Rehabilitation
- Encinitas Estates Pump Station Rehabilitation
- Diana Pump Station Upgrade