



# **Comprehensive Annual Financial Report For the Year Ended June 30, 2019**

Leucadia Wastewater District

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## **Comprehensive Annual Financial Report**

**For the Year Ended**

**June 30, 2019**

**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, 2019**

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## **Introductory Section**

October 29, 2019

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, 2019 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, 2019 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, 2019 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 5, 2019 report, the UCLA Anderson Forecast's outlook for California estimates total employment growth at 1.7% in 2019, 0.8% in 2020, and 0.4% in 2021. Growth in real personal income in 2020 is expect to continue and is reflective of the changing mix of employment in California and tight labor markets in high wage occupations. The rate of home building will be lower this year than estimated but is expected to grow through the end of the 2020, in response to easing zoning and regulatory requirements for developers, and an expected reduction in interest rates by 2021.

The County of San Diego Office of Financial Planning Economic Indicators for San Diego County as of July 2019 reported an unemployment rate of 3.6%. July 2019 marked a small monthly gain in home sales following a prior monthly decline. In July the median price of an existing detached single-family home grew 0.6% to \$655,000 and an existing attached home grew 1.2% to \$435,000 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. 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 13% of the District's total revenue for FY 2019. 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.

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

On September 12, 2012, Governor Brown signed Assembly Bill 340 creating the Public Employees' Pension Reform Act (PEPRA). The new law creates a new benefit tier for new employees/members entering public agency employment and public retirement system membership for the first time on or after January 1, 2013. 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) As a result of the closed-circuit television (CCTV) inspections and evaluations of District pipelines, structural defects were found in several lines requiring rehabilitation or repair to prevent sewer spills. Several pipeline segment rehabilitations, spot repairs, and manhole rehabilitations were selected for action in FY 2018. These rehabilitations and repairs were completed in September 2019 for a total cost of approximately \$990,000.
- 2) 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. This rehabilitation project is currently in the design phase. Funds budgeted through FY 2020 were \$3.6 million and it is anticipated that construction will begin in March 2020.
- 3) 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, which is currently in the preliminary design phase.
- 4) 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 11 defects and realign the Quebrada pipeline. Total Costs are estimated at \$1.2 million and it is anticipated that construction will begin in February 2020.
- 5) 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 is constructing a second parallel encased gravity pipeline under the tracks. The cost to the District is estimated to be about \$1.0 million. The project is expected to be completed in December 2019.
- 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 \$115,023 in pipeline rehabilitation costs under this account during FY 2019.
- 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 2019, the District contributed \$43,686 for the replacement & repair of sixteen 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, 2018. 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 only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

On September 26, 2018, the District received the District Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF) for recognition of the District's completion of all transparency program requirements designed to promote transparency in their operations and governance to the public and other stakeholders.

In January 2019, the District received a Community Engagement & Outreach award from the California Water Environment Association (CWEA) - San Diego Local Section; for Best Use of Social Media.

In April 2019, the District received a Community Engagement & Outreach award from the California Water Environment Association (CWEA) for the state of California; for Best Use of Social Media.

## **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, Mark Brechbiel, the District's Administrative Specialist, and Maggie McEniry, the District's Accounting Technician, for their assistance with developing this report. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Leucadia Wastewater District's fiscal policies.

Best regards,

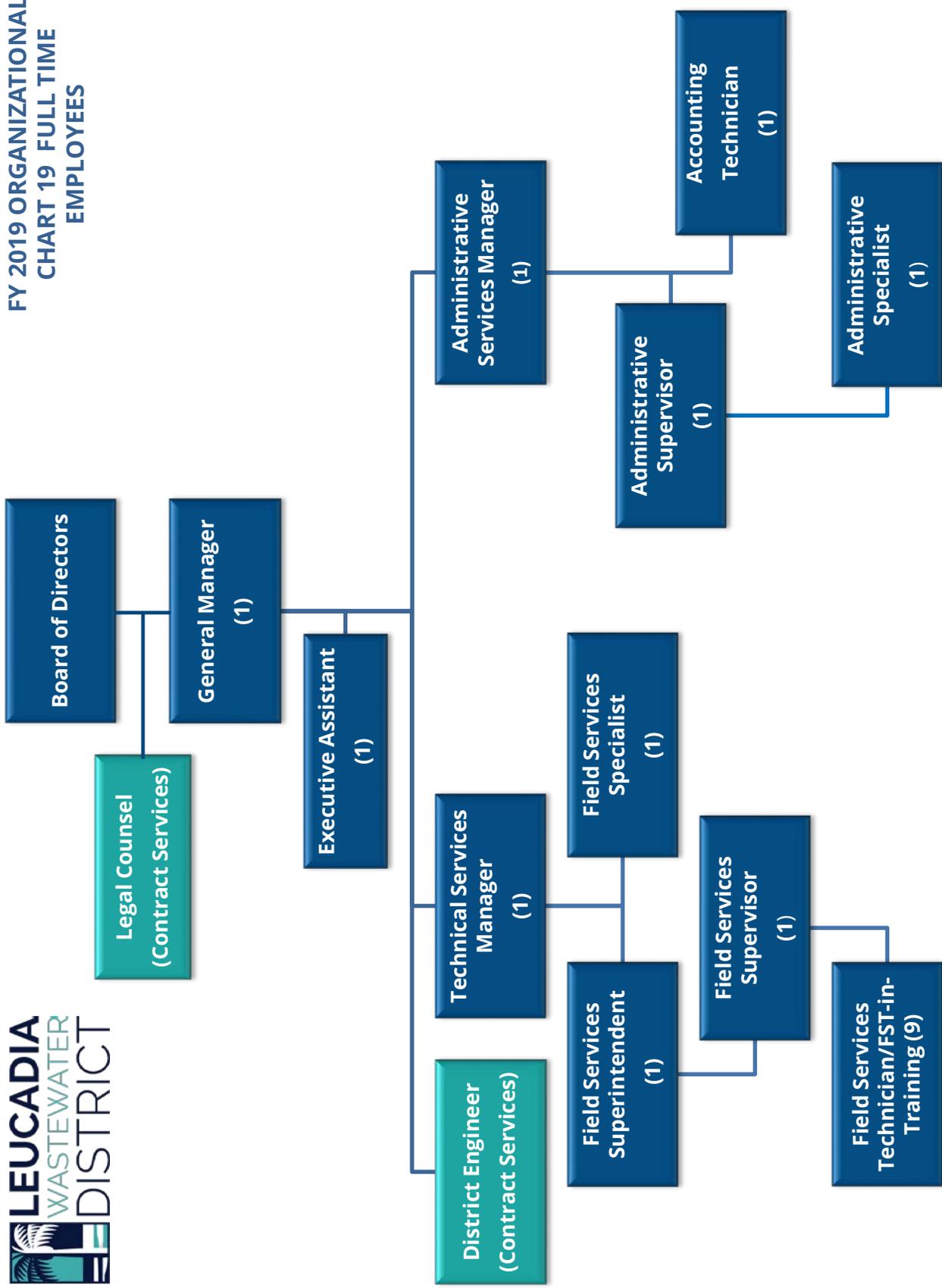
A handwritten signature in blue ink that reads "Paul J. Bushee". The signature is written in a cursive style.

Paul J. Bushee  
General Manager

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FY 2019 ORGANIZATIONAL  
CHART 19 FULL TIME  
EMPLOYEES





**LEUCADIA**  
WASTEWATER  
DISTRICT

LEADERS IN  
ENVIRONMENTAL  
PROTECTION

## List of Principal Officials

### Board of Directors as of June 30, 2019

<u>Name</u>	<u>Title</u>	<u>Elected/Appointed</u>	<u>Current Term</u>
David Kulchin	President	Elected	12/18 - 12/22
Allan Juliussen	Vice President	Elected	12/16 - 12/20
Elaine Sullivan	Director	Elected	12/18 - 12/22
Donald F. Omsted	Director	Elected	12/16 - 12/20
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](http://www.lwwd.org)



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California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

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## **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 (District), as of and for the year ended June 30, 2019, 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 Leucadia Wastewater District as of June 30, 2019, and the respective changes in financial position and cash flows for the year then ending in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited Leucadia Wastewater District's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 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 Leucadia Wastewater 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 October 29, 2019 on our consideration of the Leucadia Wastewater 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 Leucadia Wastewater District's internal control over financial reporting and compliance.

*DAVIS FARR LLP*

Irvine, California  
October 29, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2019**

Management's Discussion and Analysis (MD&A) offers readers of the Leucadia Wastewater District's (District) financial statements a narrative overview of the District's financial activities for the fiscal year (FY) ended June 30, 2019. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of financial position and results of operations, a discussion on restrictions, commitments and limitations, a discussion of significant activity involving capital assets and long-term debt, and currently known facts, conditions, or decisions.

### **FINANCIAL HIGHLIGHTS**

- The District's wastewater service charge was unchanged at \$343.68 per EDU per year for the fiscal year ended June 30, 2019.
- Operating revenues remained relatively flat while operating expenses (before depreciation expense) increased by 2%.
- During the FY ending June 30, 2019, the District's added 159 new equivalent dwelling units (EDU's), bringing the total connected EDU's to 28,721. This is a 0.6% 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 \$55,000 worth of contributed capital assets (0.03 miles of dedicated sewer lines) and \$742,994 in capacity charges.
- Capital construction cost for the year ended June 30, 2019 amounted to \$6 million. During the year, the District completed the construction of the Gafner Advanced Wastewater Treatment Improvement project and the Headquarters Building Meter Switchboard Installation project. The District also did substantial work on the Leucadia Pump Station Rehabilitation project, the Poinsettia Station Gravity Pipeline project, the FY2018 Gravity Pipeline Rehabilitation project, the La Costa Gravity Line Improvement project, and Encina Wastewater Pollution Control capital projects.
- The District's net position for the FY ending June 30, 2019 increased by \$2,897,772, or 2% over the prior year. This was primarily due to net non-operating revenues of \$2,780,969 (mostly from property taxes and investment income) and capital contributions of \$797,994 (capacity fees, and contributed assets). Two thirds of this increase was invested in capital assets, with the remaining amount going into restricted and unrestricted reserves.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

## Leucadia Wastewater District

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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, 2019 and June 30, 2018. These financial statements have been prepared using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities. Each financial statement is identified and defined in this section, and analyzed in subsequent sections of this MD&A.

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

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

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

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

Operating revenues and expenses are related to the District's core activities (providing wastewater services, and processing and delivering recycled water). 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, 2019.

**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 2019	FY 2018	FY 2018-2019 Change	
			Amount	%
<b>ASSETS</b>				
Current Assets	\$ 23,700,174	\$ 21,182,391	\$ 2,517,783	11.9%
Non-Current Assets	17,503,102	18,278,231	(775,129)	-4.2%
Capital Assets, Net	110,480,358	108,555,413	1,924,945	1.8%
<b>Total Assets</b>	<b>151,683,634</b>	<b>148,016,035</b>	<b>3,667,599</b>	<b>2.5%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Amounts on Pensions	1,171,962	1,323,002	(151,040)	-11.4%
Deferred Amounts on OPEB	13,349	21,235	(7,886)	100.0%
<b>Total Deferred Outflows</b>	<b>1,185,311</b>	<b>1,344,237</b>	<b>(158,926)</b>	<b>-11.8%</b>
<b>LIABILITIES</b>				
Current Liabilities	2,974,158	2,310,378	663,780	28.7%
Non-Current Liabilities	4,080,283	4,135,154	(54,871)	-1.3%
<b>Total Liabilities</b>	<b>7,054,441</b>	<b>6,445,532</b>	<b>608,909</b>	<b>9.4%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Amounts on Pensions	350,054	348,638	1,416	0.4%
Deferred Amounts on OPEB	10,456	9,880	576	100.0%
<b>Total Deferred Inflows</b>	<b>360,510</b>	<b>358,518</b>	<b>1,992</b>	<b>0.6%</b>
<b>NET POSITION</b>				
Investment in Capital Assets	110,480,358	108,555,413	1,924,945	1.8%
Restricted	2,258,975	2,044,897	214,078	10.5%
Unrestricted	32,714,661	31,955,912	758,749	2.4%
<b>Total Net Position</b>	<b>\$ 145,453,994</b>	<b>\$ 142,556,222</b>	<b>\$ 2,897,772</b>	<b>2.0%</b>

The District’s financial position remains strong with a \$145.5 million net position and with \$7.1 million in total liabilities at June 30, 2019.

Total assets increased by \$3.7 million or 2.5% during the FY ending June 30, 2019, primarily due to a net increase in net capital assets of \$1.9 million and an increase in cash and investments of \$1.1 million. The District incurred \$6.0 million in expenditures for the acquisition and construction of capital assets, primarily for the: La Costa Golf Course Gravity Line Improvement project, Poinsettia Gravity Pipeline project, Encina Joint System projects, and various pipeline segment rehabilitations and repairs. The District received \$742,994 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 \$55,000 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 \$13,294 for the year.

## Leucadia Wastewater District

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Total liabilities increased by \$608,909 or 9%, mainly due to an increase in construction related payables at year-end.

The District's Net Position as of June 30, 2019 totaled \$145,453,994 compared with \$142,556,222 as of June 30, 2018, an increase of 2%. 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 2019 and FY 2018, the District has a net OPEB asset of \$135,445 and \$123,127, 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 \$1,185,311 as of June 30, 2019, is comprised of deferred amounts on Pension of \$1,171,962 and deferred amounts on OPEB of \$13,349. Total deferred outflows decreased by \$158,926 during FY 2019.

The reported deferred inflows, as of June 30, 2019, is \$360,510 and is comprised of deferred amounts on pensions of \$350,054 and deferred inflows of resources attributable to the OPEB in the amount of \$10,456. Total deferred inflows increased by \$1,992 during FY 2019.

*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 2019	FY 2018	FY 2019-2018 Change		
			Amount	%	
<b>OPERATIONS</b>					
Operating revenues					
Wastewater service charges	\$ 9,850,635	\$ 9,787,703	\$ 62,932	0.6%	
Recycled water sales	315,379	315,118	261	0.1%	
Other charges & services	156,504	187,765	(31,261)	-16.6%	
Total operating revenues	10,322,518	10,290,586	31,932	0.3%	
Operating expenses	6,921,833	6,788,292	133,541	2.0%	
Operating income before depreciation	3,400,685	3,502,294	(101,609)	-2.9%	
Depreciation expense	4,081,876	3,953,584	128,292	3.2%	
Operating income (loss)	(681,191)	(451,290)	(229,901)	50.9%	
<b>NON-OPERATIONS</b>					
Nonoperating revenues (expenses)					
Property tax revenue	1,706,279	1,622,117	84,162	5.2%	
Investment income revenue	1,059,467	406,296	653,171	160.8%	
Gain/Loss on disposition of assets	10,051	(77,433)	87,484	-113.0%	
Other non-operating income	5,172	3,148	2,024	64.3%	
Total non-operating revenues, net	2,780,969	1,954,128	826,841	42.3%	
Income (loss) before capital contributions	2,099,778	1,502,838	596,940	39.7%	
<b>CAPITAL CONTRIBUTIONS</b>	797,994	1,211,964	(413,970)	-34.2%	
<b>Changes in Net Position</b>	<b>2,897,772</b>	<b>2,714,802</b>	<b>182,970</b>	6.7%	
Beginning net position,	142,556,222	139,750,828	2,714,802	1.9%	
Prior period adjustment	-	90,592	(90,592)		
Beginning net position, Restated	142,556,222	139,841,420	2,624,210	1.9%	
<b>ENDING NET POSITION</b>	<b>\$ 145,453,994</b>	<b>\$ 142,556,222</b>	<b>\$ 2,897,772</b>	2.0%	

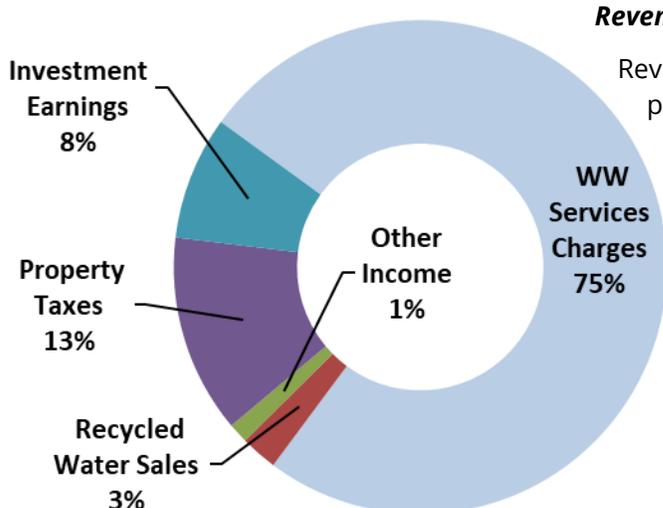
FY ending June 30, 2019 highlights are discussed below:

- Net position increased \$2,897,772 (2%), which is added to beginning net position of \$142,556,222 to arrive at ending total net position of \$145,453,994. The District incurred an operating loss of \$681,191 (which includes non-cash depreciation expense of \$4,081,876). This operating loss was more than offset by non-operating revenues from property taxes and investment income of \$2,765,746, and by capital contributions from capacity charges, and contributed capital assets of \$797,994.

## Leucadia Wastewater District

- The District’s total operating revenue increased by \$31,932 or 0.3%. Total wastewater service charges increased by 0.6%, due to a slight increase in the customer base in FY 2019. There was no increase in the wastewater service rate from FY 2018 to FY 2019. Revenue from recycled water sales were almost flat with only a 0.1% increase.
- The District’s total operating expenses (before depreciation) increased \$133,541 or 2%, which was due to increases in personnel and benefit costs, legal service costs, and repair and maintenance costs. This was partially offset by decreases in professional services costs and Encina wastewater treatment costs
- Investment earnings were up \$653,171 or 161% 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 2.8% increase in investments and cash equivalents during the year, a 45% increase in the average rate of return on these investments and cash equivalents, and a \$297,339 increase in the fair-value adjustment during the year. The District participates in three different investment pools, a bank reserve, and a CAMP Individual Portfolio program. As of June 30, 2019, the CAMP individual portfolio contained laddered investments in US treasury notes, US government sponsored agency bonds/notes, corporate notes, commercial paper, and negotiable certificates of deposits totaling \$14.7 million.
- Capacity fees were up by 88% as the result of a couple large projects initiating development activity during FY 2019.
- Property taxes increased by 5% 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 2019 from FY 2018.

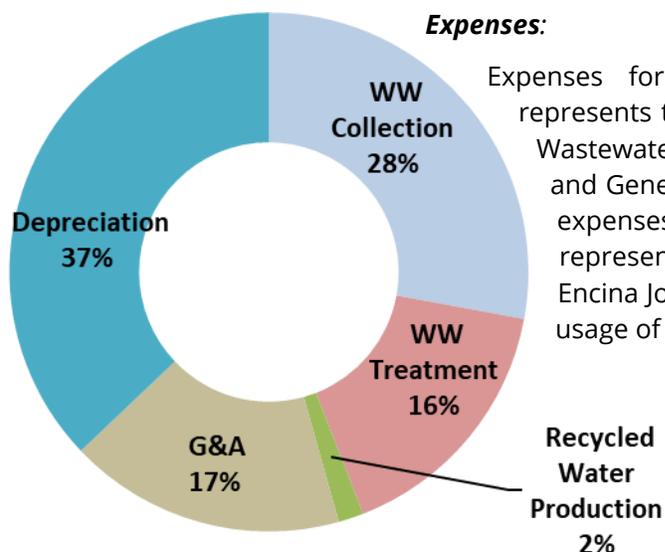
### FY 2019 Revenues



#### Revenues:

Revenues for FY 2019 totaled \$13,103,487 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 13% and investment earnings at 8%.

## FY 2019 Expenses



**Expenses:**

Expenses for FY 2018 totaled \$11,003,709. Depreciation represents the largest component at 37% of total expenses. Wastewater Collection (28%), Wastewater Treatment (16%), 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, 2019, 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 an increase in cash and cash equivalents of \$2,446,507 which is added to beginning cash and cash equivalents of \$21,308,855 to arrive at ending cash and cash equivalents of \$23,755,362. The main increases in cash and cash equivalents were from: operating activities of \$2.7 million, proceeds from property taxes of \$1.7 million, and net proceeds from sale and maturities of investments over purchases of investments of \$2.4 million. The decreases in cash and cash equivalents were primarily due to the acquisition and construction of capital assets in the amount of \$4.3 million. The ending cash and cash equivalents are represented on the Statement of Net Position as the following: unrestricted cash and cash equivalents of \$23,095,846, current restricted cash and cash equivalents of \$59,909, and noncurrent restricted cash and cash equivalents of \$599,607.

### Financial Ratios

**TABLE 3. SELECTED FINANCIAL RATIOS**

Ratio	FY 2019	FY 2018
Current Ratio	8.0	9.2
Operating Margin Ratio (before depreciation expense)	1.5/1	1.5/1
Total Margin Ratio (total revenues to expenses)	1.2/1	1.2/1
Capital Asset Condition Ratio	36%	35%
Total Debt to Equity	1 / 21	1 / 22

## 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 8 times its current liabilities from current assets. The District's current ratio of 8 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 1.5 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 1.2, for FY 2019, 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 Master Plan to address the replacement and financing of these depreciated capital assets. The District maximizes a pay-as-you-go method and minimizes the use of debt to finance capital projects. Another key indicator that the District's financial position is strong, is that the debt-to-equity ratio continues to be favorable. For every \$1 of debt at June 30, 2019 the District had \$21 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 2011, the District adopted its Revised Reserve Fund Policy. To reflect the District's compliance with GASB 34, the Policy categorizes the District reserves into two general types: 1) Restricted Reserves and 2) Unrestricted Reserves. The Policy also established target amounts for the reserves and described the flow of funding to and from the reserves. A brief overview of the various reserve designations is provided as follows:

#### ***Restricted Reserves:***

Restricted reserves are those that have conditions or restrictions placed on their use by outside sources such as creditors, 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) Deposit Reserve.

During FY ended June 30, 2019, there was a net reduction in the Capital Improvement Reserve of \$340,322, or 61%, due to the continued implementation of the District's growth-related capital projects. Also, EWA requested an additional deposit of \$554,00 at the beginning of FY2019 for its required operating, inventory, and capital reserves.

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

<u>Restricted Reserve Designation</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Capital Improvement Reserve	\$ 217,775	\$ 558,097
EWA Deposit Reserve	<u>2,041,200</u>	<u>1,486,800</u>
Total	<u>\$2,258,975</u>	<u>\$2,044,897</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, 2019, the Replacement Reserve had an increase of \$380,194 for the year. This increase was due to the addition of \$742,994 from capacity fees (100 % buy-in portion), \$773,367 from allocated investment earnings, \$1.7 million of property taxes, and \$2.7 million of net transfers from other reserves, less \$5.5 million from net capital replacement additions during the year.

The unrestricted reserve balances are as follows:

<u>Unrestricted Reserve Designation</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Operations Reserve	\$ 2,608,294	\$ 2,279,588
Replacement Reserve	21,291,147	20,910,954
Water Recycling Reserve	1,315,220	1,265,370
Emergency Reserve	<u>7,500,000</u>	<u>7,500,000</u>
Total	<u>\$32,714,661</u>	<u>\$31,955,912</u>

Overall, the District's restricted and unrestricted reserves totaled \$34,973,636 as of June 30, 2019. This is an increase of \$972,827 from the prior year. This increase is mostly the result of positive operating income (before depreciation expense), property tax revenue, investment earnings, and capacity fees, which were partially offset by anticipated capital projects during the year. The remaining reserve balances show that the District remains in a strong financial position to fund the remaining balance of its estimated \$122 million in capital projects over the next 20 years as identified in the District's 2018 Comprehensive Financial Plan.

### **CASH AND INVESTMENTS**

The District's cash and investments were \$38,482,202 as of June 30, 2019. This was an increase of \$1,065,673, or 3%, from the prior year.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

#### **Capital Assets:**

At June 30, 2019, the District's investment in capital assets amounted to \$110,480,358, net of accumulated depreciation of \$59,239,580. This investment in capital assets includes land, buildings, donated subsurface lines, collection and transmission facilities, equipment, vehicles, construction-in-progress, and the District's share of treatment and disposal facilities of the Encina Joint System. Development activity in the District's service area and implementation of the Capital Improvement Program projects identified in the Asset Management Master Plan resulted in contributions to the District's infrastructure. The following list provides a summary of significant additions to capital assets during the FY ending June 30, 2019:

Gravity Pipeline Rehabilitation Projects	\$ 2,625,365
Leucadia Pump Station Rehabilitation	246,488
Vehicles and Equipment	282,947
Encina Joint System	\$ 2,653,425

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

## Leucadia Wastewater District

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### ***Long-Term Debt:***

During FYs ending June 30, 2019 and June 30, 2018 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 Study, the 2018 Asset Management Plan, and the following economic factors in establishing the FY2019 budget amounts and fees:

- A declining level of growth within the District, estimating the addition of 60 equivalent dwelling units (EDU) in FY2020.
- The need to replace or rehabilitate existing, aging District infrastructure.
- Continuing economic uncertainties, and the volatility of revenues such as property tax and interest income.
- Rising costs.
- Emerging regulatory and environmental pressures.

As a result of these factors, the FY ended June 30, 2020 budget includes:

- No increase in annual wastewater service charges which are \$343.68/EDU/Year.
- Capacity Fee charges remain at \$5,089 per EDU.
- \$9,791,791 in appropriations for capital improvement and replacement projects.
- A 5% increase in personnel costs plus a \$239,000 additional discretionary PERS payment to help paydown the PERS unfunded pension liability.
- A 14% increase in overall operating costs, which is partially attributable to a \$667,500, or 35%, increase in the wastewater treatment cost at the Encina Joint System.

### **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](http://www.lwwd.org).

**LEUCADIA WASTEWATER DISTRICT****STATEMENT OF NET POSITION**  
**June 30, 2019**  
**(with comparative information for prior year)**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 23,095,846	\$20,691,459
Restricted cash and cash equivalents (Note 2)	59,909	56,766
Accrued interest receivable	175,770	158,943
Accounts receivable – wastewater service charges	67,733	12,607
Accounts receivable – property taxes	31,934	25,481
Accounts receivable – due from other governments	211,598	178,880
Accounts receivable – other	3,140	9,862
Prepaid expenses and other deposits	<u>54,254</u>	<u>48,393</u>
 Total Current Assets	 <u>23,700,184</u>	 <u>21,182,391</u>
 Noncurrent Assets:		
Restricted cash and cash equivalents (Note 2)	599,607	560,630
Investments (Note 2)	14,726,840	16,107,674
Encina Wastewater Authority Reserve Deposits (Note 6)	2,041,200	1,486,800
Net OPEB asset (Note 11)	135,445	123,127
Land (Note 4)	12,878	12,878
Construction in progress (Note 4)	6,760,407	5,071,676
Capital assets, net of depreciation (Note 4)	<u>103,707,073</u>	<u>103,470,859</u>
 Total Noncurrent Assets	 <u>127,983,450</u>	 <u>126,833,644</u>
 Total Assets	 <u>151,683,634</u>	 <u>148,016,035</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts on Pension (Note 10)	1,171,962	1,323,002
Deferred amounts on OPEB (Note 11)	<u>13,349</u>	<u>21,235</u>
 Total Deferred Outflows of Resources	 <u>1,185,311</u>	 <u>1,344,237</u>

(Continued)

**STATEMENT OF NET POSITION (Continued)**  
**June 30, 2019**  
**(with comparative information for prior year)**

	<b>2019</b>	<b>2018</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,229,753	\$1,941,247
Accrued salaries and wages	99,047	110,101
Restricted accounts payable	381,832	2,533
Restricted developer deposits	59,909	56,766
Long-term liabilities - due within one year:		
Compensated absences (Note 7)	203,617	199,731
Total Current Liabilities	2,974,158	2,310,378
Noncurrent Liabilities:		
Long-term liabilities - due in more than one year:		
Net pension liability (Note 10)	4,000,889	4,074,562
Compensated absences (Note 7)	79,394	60,592
Total Noncurrent Liabilities	4,080,283	4,135,154
Total Liabilities	7,054,441	6,445,532
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts on pension (Note 10)	350,054	348,638
Deferred amounts on OPEB (Note 11)	10,456	9,880
Total Deferred Inflows of Resources	360,510	358,518
<b>NET POSITION (Note 8)</b>		
Investment in capital assets	110,480,358	108,555,413
Restricted for capital projects	217,775	558,097
Restricted for Encina Wastewater Authority Deposit Reserves	2,041,200	1,486,800
Unrestricted	32,714,661	31,955,912
Total Net Position	\$ 145,453,994	\$ 142,556,222

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**LEUCADIA WASTEWATER DISTRICT****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the year ended June 30, 2019**  
**(with comparative information for prior year)**

	<b>2019</b>	<b>2018</b>
<b>OPERATING REVENUES</b>		
Wastewater service charges	\$ 9,850,635	\$ 9,787,703
Recycled water sales	315,379	315,118
Other charges and services	156,504	187,765
Total Operating Revenues	<u>10,322,518</u>	<u>10,290,586</u>
<b>OPERATING EXPENSES</b>		
Wastewater collection	3,069,899	2,911,285
Wastewater treatment – Encina Joint System	1,780,954	1,874,335
Recycled water production	173,567	139,662
General and administrative	1,897,413	1,863,010
Total Operating Expenses	<u>6,921,833</u>	<u>6,788,292</u>
Operating Income Before Depreciation Expense	3,400,685	3,502,294
Depreciation expense	<u>(4,081,876)</u>	<u>(3,953,584)</u>
Operating Income (Loss)	<u>(681,191)</u>	<u>(451,290)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Property taxes	1,706,279	1,622,117
Interest and investment income (loss)	1,059,467	406,296
Gain/(Loss) on disposition of capital assets	10,051	(77,433)
Other nonoperating revenues	5,172	3,148
Total Nonoperating Revenues (Expenses)	<u>2,780,969</u>	<u>1,954,128</u>
Income (Loss) Before Capital Contributions	<u>2,099,778</u>	<u>1,502,838</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Capacity charges	742,994	395,815
Capital grant	-	63,149
Developers	55,000	753,000
Total Capital Contributions	<u>797,994</u>	<u>1,211,964</u>
Changes in Net Position	2,897,772	2,714,802
Net Position, Beginning of Year	<u>142,556,222</u>	<u>139,841,420</u>
Net Position, End of Year	<u>\$ 145,453,994</u>	<u>\$ 142,556,222</u>

**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2019**  
**(with comparative information for prior year)**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers for wastewater sales and service	\$ 10,246,568	\$ 10,244,226
Cash paid to vendors and suppliers for materials and services	(4,329,683)	(3,463,727)
Cash paid for employee wages, benefits and related costs	(3,260,778)	(3,025,313)
Net Cash Provided (Used) by Operating Activities	2,656,107	3,755,186
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from property taxes	1,699,826	1,622,292
Net Cash Provided (Used) by Noncapital Financing Activities	1,699,826	1,622,292
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(5,099,240)	(5,360,794)
Proceeds from sale of capital assets	23,346	19,910
Proceeds from capital grants	-	384,534
Proceeds from capacity fees	742,994	395,815
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,332,900)	(4,560,535)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale and maturities of investments	8,728,507	5,286,629
Purchases of investments	(7,169,551)	(7,276,677)
Interest and investment earnings	864,518	480,322
Net Cash Provided (Used) by Investing Activities	2,423,474	(1,509,726)
Net Increase (Decrease) in Cash and Cash Equivalents	2,446,507	(692,783)
Cash and Cash Equivalents, Beginning of Year	21,308,855	22,001,638
Cash and Cash Equivalents, End of Year	\$ 23,755,362	\$ 21,308,855

(Continued)

**STATEMENT OF CASH FLOWS (Continued)**  
**For the year ended June 30, 2019**  
**(with comparative information for prior year)**

	<b>2019</b>	<b>2018</b>
<b>Reconciliation of operating income (loss) to net cash flows provided (used) by operating activities:</b>		
Operating income (loss)	\$ (681,191)	\$ (451,290)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	4,081,876	3,953,584
Other nonoperating revenues (expense), net	5,172	3,148
Changes in operating assets, deferred outflows, operating liabilities and deferred inflows:		
(Increase) Decrease in operating assets and deferred outflows:		
Accounts receivable – wastewater sales	(55,126)	(5,218)
Accounts receivable – due from other governments	(32,718)	(41,211)
Accounts receivable – other	6,722	(3,079)
Net OPEB asset	(12,318)	(7,945)
Prepaid expenses	(5,861)	3,996
Reserves with Encina Wastewater Authority	(554,400)	-
Deferred outflows pension	151,040	(504,518)
Deferred outflows OPEB	7,886	(21,235)
Increase (Decrease) in operating liabilities and deferred inflows:		
Accounts payable and accrued expenses	(198,071)	204,809
Accrued salaries and wages	(11,054)	18,483
Compensated absences	22,688	(34,491)
Restricted developer deposits	3,143	(8,516)
Deferred inflows pension	1,416	30,847
Deferred inflows OPEB	576	9,880
Net pension liability	(73,673)	607,942
 Total adjustments	 3,337,298	 4,206,476
 Net Cash Provided (Used) by Operating Activities	 \$ 2,656,107	 \$ 3,755,186

**Financial Statement Classification****Cash and cash equivalents**

## Current assets:

Cash and cash equivalents	\$ 23,095,846	\$ 20,691,459
Restricted cash and cash equivalents	59,909	56,766

## Non-current assets:

Restricted cash and cash equivalents	599,607	560,630
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Total Cash and Cash Equivalents	\$ 23,755,362	\$ 21,308,855
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**Supplemental Disclosures:**

## Noncash Investing and Financing Activities:

Capital assets contributed by developers and others	\$ 55,000	\$ 753,000
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June 30, 2019

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. 83 – “Certain Asset Retirement Obligations,” effective for financial statements starting with the fiscal year beginning after June 15, 2018.
- GASB Statement No. 84 – “*Fiduciary Activities*,” effective for reporting periods beginning after December 15, 2018.
- GASB Statement No. 88 – “*Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*,” effective for reporting periods beginning after June 15, 2018.
- 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, 2018.

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

Pending Accounting Standards

- GASB Statement No. 87 – “*Leases*,” effective for reporting periods beginning after December 15, 2019.
- GASB Statement No. 89 – “*Accounting for Interest Cost Incurred before the End of a Construction Period*,” effective for reporting periods beginning after December 15, 2019.
- GASB Statement No. 91 – “*Conduit Debt Obligations*,” effective for reporting period beginning after December 15, 2020

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

## 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.

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.

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

## 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, 2019.

## 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, 2019 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 statement, 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, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

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	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

2. CASH AND INVESTMENTS:

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 23,095,846
Restricted cash and cash equivalents	59,909
Restricted cash and cash equivalents - noncurrent	599,607
Investments - noncurrent	14,726,840
Total cash and investments	<u>\$ 38,482,202</u>

## 2. CASH AND INVESTMENTS (CONTINUED):

Cash and investments as of June 30, 2019, consist of the following:

Cash on hand	\$	500
Deposits with financial institutions		6,497,044
Investments		31,984,658
Total cash and investments	<u>\$</u>	<u>38,482,202</u>

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

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

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	25%	None
Negotiable Certificates of Deposit	5 years	10%	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.

## 2. CASH AND INVESTMENTS (CONTINUED):

### Custodial Credit Risk (Continued):

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

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2019, \$6,420,278 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):

## Custodial Credit Risk (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	More than 60 Months
U.S. Treasury Notes	\$ 4,010,306	\$ 2,393,592	\$ 1,616,714	\$ -	\$ -
Federal Agency Securities (FNMA, FHLM, GNMA)	2,504,826	999,530	1,500,551	-	4,745
Medium Term Notes (Corporate Stock)	5,764,154	3,294,836	1,867,399	601,919	-
Commercial Paper	494,292	494,292	-	-	-
Negotiable Certificates of Deposit	1,953,262	1,102,629	850,633	-	-
State of California LAIF	6,206,903	6,206,903	-	-	-
CAMP	6,235,915	6,235,915	-	-	-
County Investment Pool	4,815,000	4,815,000	-	-	-
Total	\$ 31,984,658	\$ 25,542,697	\$ 5,835,297	\$ 601,919	\$ 4,745

## 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, 2019 for each investment type (CAMP and the San Diego County Pool are rated by Standard and Poor's and Fitch, respectively.)

2. CASH AND INVESTMENTS (CONTINUED):

Credit Risk (Continued):

Investment Type	Total	Minimum Legal Rating	Ratings as of Year End				Not Rated
			AAA	AA	A	P-1	
U.S. Treasury Notes	\$ 4,010,306	N/A	\$ 4,010,306	\$ -	\$ -	\$ -	\$ -
Federal Agency Securities (GNMA)	4,745	N/A	4,745	-	-	-	-
Federal Agency Securities (FHLM)	998,150	N/A	998,150	-	-	-	-
Federal Agency Securities (FNMA)	1,501,931	N/A	1,501,931	-	-	-	-
Commercial Paper	494,292	A	-	-	-	494,292	-
Negotiable Certificates of Deposit	1,953,262	N/A	-	850,633	-	1,102,629	-
Medium Term Notes	5,764,154	A	-	1,206,730	4,557,424	-	-
State of California LAIF	6,206,903	N/A	-	-	-	-	6,206,903
CAMP	6,235,915	N/A	6,235,915	-	-	-	-
County Investment Pool	4,815,000	N/A	4,815,000	-	-	-	-
<b>Total</b>	<b>\$ 31,984,658</b>		<b>\$ 17,566,047</b>	<b>\$ 2,057,363</b>	<b>\$ 4,557,424</b>	<b>\$ 1,596,921</b>	<b>\$ 6,206,903</b>

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, 2019:

Investment Type	Total	Fair Value Hierarchy		
		Level 1	Level 2	Level 3
<u>Investments measured at fair value</u>				
Treasury Securities	\$ 4,010,306	\$ 4,010,306	\$ -	\$ -
Federal Agency Securities (GNMA)	4,745	-	4,745	-
Federal Agency Securities (FHLM)	998,150	-	998,150	-
Federal Agency Securities (FNMA)	1,501,931	-	1,501,931	-
Medium Term Notes	5,764,154	-	5,764,154	-
Commercial Paper	494,292	-	494,292	-
Negotiable Certificates of Deposit	1,953,262	-	1,953,262	-
<b>Total investments measured at fair value</b>	<b>\$ 14,726,840</b>	<b>\$ 4,010,306</b>	<b>\$ 10,716,534</b>	<b>\$ -</b>
<u>Investments not subject to fair value hierarchy</u>				
Local Agency Investment Fund (LAIF)	6,206,903			
California Asset Management Program (CAMP)	6,235,915			
San Diego County Investment Pool	4,815,000			
	<u>17,257,818</u>			
<b>Total Investments</b>	<b>\$ 31,984,658</b>			

## 4. CAPITAL ASSETS:

Capital assets consists of the following at June 30, 2019:

	Balance July 1, 2018	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2019
Non-depreciable assets:				
Land	\$ 12,878	\$ -	\$ -	\$ 12,878
Construction-in-progress - Encina	2,717,852	2,605,639	(2,709,301)	2,614,190
Construction-in-progress	<u>2,353,824</u>	<u>3,028,741</u>	<u>(1,236,348)</u>	<u>4,146,217</u>
Total non-depreciable assets	<u>5,084,554</u>	<u>5,634,380</u>	<u>(3,945,649)</u>	<u>6,773,285</u>
Depreciable assets:				
Sewer collection facilities	35,875,713	176,240	-	36,051,953
Sewage treatment facilities	138,290	-	-	138,290
Sewage transmission facilities	20,268,870	34,672	-	20,303,542
Advanced water treatment facility	7,428,932	1,031,898	(16,215)	8,444,615
Subsurface lines	35,384,618	55,000	-	35,439,618
Vulcan sewer line	210,889	-	-	210,889
Site buildings and grounds	13,958,183	135,509	-	14,093,692
Equipment	2,292,803	146,932	(84,243)	2,355,492
Encina Joint System	<u>43,611,527</u>	<u>2,757,087</u>	<u>(460,052)</u>	<u>45,908,562</u>
Total depreciable assets	<u>159,169,825</u>	<u>4,337,338</u>	<u>(560,510)</u>	<u>162,946,653</u>
Accumulated depreciation:				
Sewer collection facilities	(15,663,951)	(1,109,922)	-	(16,773,873)
Sewage treatment facilities	(107,938)	(4,610)	-	(112,548)
Sewage transmission facilities	(6,025,840)	(526,029)	-	(6,551,869)
Advanced water treatment facility	(3,483,893)	(248,416)	15,041	(3,717,268)
Subsurface lines	(11,105,343)	(511,009)	-	(11,616,352)
Vulcan sewer line	(120,659)	(4,218)	-	(124,877)
Site buildings and grounds	(2,825,329)	(325,143)	-	(3,150,472)
Equipment	(1,336,481)	(199,345)	78,288	(1,457,538)
Encina Joint System	<u>(15,029,532)</u>	<u>(1,153,184)</u>	<u>447,933</u>	<u>(15,734,783)</u>
Total accumulated depreciation	<u>(55,698,966)</u>	<u>(4,081,876)</u>	<u>541,262</u>	<u>(59,239,580)</u>
Total depreciable assets, net	<u>103,470,859</u>	<u>255,462</u>	<u>(19,248)</u>	<u>103,707,073</u>
Total capital assets, net	<u>\$ 108,555,413</u>	<u>\$ 5,889,842</u>	<u>\$ (3,964,897)</u>	<u>\$ 110,480,358</u>

Depreciation expense for the year ended June 30, 2019 was \$4,081,876.

## 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, 2019 are as follows:

Misc. Line Repairs	\$ 23,215
Water Recycling Group	469,629
Recycled Water Pump Station Design	75,723
La Costa Golf Course Realignment Project	1,109,962
Leucadia Pump Station Rehabilitation	458,337
Gravity Pipeline Rehabilitation	989,569
Poinsettia Station Gravity Pipeline Project	856,934
Encinitas Estates PS Rehab	9,992
Orchard Wood Rd. Sewer Rehab	60,041
B1 Force Main North Sect Replacement	22,791
Pump Station Assessment	24,173
Other projects	6,326
Batiquitos FM (B3) Discharge Section Replacement	<u>39,525</u>
Total Construction-in-Progress	<u>\$ 4,146,217</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, 2019, 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.

6. ENCINA WASTEWATER AUTHORITY (CONTINUED):

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. At June 30, 2019, 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, 2018 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			Balance	Current	Long-Term
July 1, 2018	Additions	Deletions	June 30, 2019	Portion	Portion
\$ 260,323	\$ 209,982	\$ (187,294)	\$ 283,011	\$ 203,617	\$ 79,394

8. NET POSITION:

Calculation of net position as of June 30, 2019 was as follows:

Investment in capital assets:		
Land		\$ 12,878
Construction in progress		6,760,407
Capital assets, net of depreciation		103,707,073
Total investment in capital assets		<u>110,480,358</u>
Restricted net position:		
Restricted for capital projects		217,775
Restricted for Encina Wastewater Authority Reserves		2,041,200
Total restricted net position		<u>2,258,975</u>
Unrestricted net position:		
Reserve for operations		2,608,294
Reserve of capital replacement		21,291,147
Reserve for water recycling		1,315,220
Reserve for emergencies		7,500,000
Total unrestricted net position		<u>32,714,661</u>
Total net position		<u>\$ 145,453,994</u>

8. NET POSITION (CONTINUED):

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, 2019 amounted to \$2,037,932.

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.

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, 2019, are summarized as follows:

	Miscellaneous Plan	PEPRA Miscellaneous Plan
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%	6.250%
Estimated employer contribution rates	28.888%	7.032%

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, 2018 (the measurement date), the active employee contribution rate is 8.000 percent of annual pay, and the average employer’s contribution rate is 23.748 percent of annual payroll. For PEPRA employees the active employee contribution rate is 6.250 percent annual pay and the employer’s contribution rate is 6.563 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 year ended June 30, 2018 were as follows:

	<u>Miscellaneous Plan</u>
Contributions - employer	\$ <u>373,044</u>

Actuarial Methods and Assumptions used to determine Total Pension Liability:

For the measurement period ending June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability determined in the June 30, 2017 actuarial valuation. The June 30, 2018 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, 2017 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:

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns 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 <sup>1</sup>	Assumed Asset Allocation	Real Return Years 1 - 10 <sup>2</sup>	Real Return Years 11 + <sup>3</sup>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

<sup>1</sup> 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.

<sup>2</sup> An expected inflation of 2.00% used for this period

<sup>3</sup> 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: 06/30/2017	\$ 16,854,213	\$ 12,779,651	\$ 4,074,562
Balance at: 06/30/2018	<u>17,137,764</u>	<u>13,136,875</u>	<u>4,000,889</u>
Net Changes during 2017-18	<u>\$ 283,551</u>	<u>\$ 357,224</u>	<u>\$ (73,673)</u>

The net pension liability of the plan is measured as of June 30, 2018, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation of June 30, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 was as follows:

	Miscellaneous Plan
Proportion - June 30, 2017	0.1034%
Proportion - June 30, 2018	<u>0.1062%</u>
Change - Increase (Decrease)	<u>0.0028%</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	\$ <u>6,319,135</u>	\$ <u>4,000,889</u>	\$ <u>2,087,216</u>

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, 2018 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, 2019, the District recognized a pension expense of \$520,796 for the Plan. As of June 30, 2019, 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	\$ 442,015	\$ -
Differences between actual contributions made and proportionate share of contributions	-	186,031
Differences between expected and actual experience	153,507	52,238
Changes of assumptions	456,113	111,785
Net difference between projected and actual earnings on pension plan investments	19,779	-
Adjustment due to differences in proportions	<u>100,548</u>	<u>-</u>
Total	<u>\$ 1,171,962</u>	<u>\$ 350,054</u>

\$442,015 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. 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
2020	\$ 351,504
2021	193,352
2022	(128,975)
2023	(35,988)
2024	-
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, 2018 measurement date, the following current and former employees were covered by the benefit terms under the plan:

Active plan members	20
Retirees and beneficiaries receiving benefits	<u>3</u>
Total plan membership	<u><u>23</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, 2019, the District’s cash contributions were \$4,842 in payments to the trust and the estimated implied subsidy was \$8,507 resulting in total payments of \$13,349.

11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Net OPEB Liability:

The District’s net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was used to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	3.0% 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 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website [www.calpers.ca.gov](http://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 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Net OPEB Liability (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	57.00%	5.50%
Global Debt Securities	27.00%	2.35%
Inflation Assets	5.00%	1.50%
Commodities	3.00%	1.75%
REITs	8.00%	3.65%
Total	<u>100.00%</u>	

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

Discount Rate:

The discount rate used to measure the total OPEB liability 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 liability.

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, 2018 (Measurement Date: June 30, 2017)	\$ 272,363	\$ 395,490	\$ (123,127)
Changes recognized for the measurement period:			
Service Cost	11,313	-	11,313
Interest	19,426	-	19,426
Changes of assumptions	-	-	-
Contributions - employer	-	12,324	(12,324)
Net investment income	-	31,467	(31,467)
Benefit payments	(12,324)	(12,324)	-
Administrative expense	-	(734)	734
Net Changes	<u>18,415</u>	<u>30,733</u>	<u>(12,318)</u>
Balance at June 30, 2019 (Measurement Date: June 30, 2018)	<u>\$ 290,778</u>	<u>\$ 426,223</u>	<u>\$ (135,445)</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, 2018:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Asset	\$ (100,227)	\$ (135,445)	\$ (164,752)

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

	1% Decrease (4% to 5.5%)	Current Healthcare Cost Trend Rate (5% to 6.5%)	1% Increase (6% to 7.5%)
Net OPEB Asset	\$ (171,126)	\$ (135,445)	\$ (91,429)

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, 2019, the District recognized OPEB expense of \$582. As of fiscal year ended June 30, 2019, 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	\$ 13,349	\$ -
Differences between projected and actual earnings on investments	-	10,456
Total	\$ 13,349	\$ 10,456

The \$13,349 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year <u>Ended June 30:</u>	Deferred Outflows/(Inflows) <u>of Resources</u>
2020	\$(3,232)
2021	(3,232)
2022	(3,232)
2023	(760)
2024	-
Thereafter	-

## 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, 2019, 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 \$25,138,386 with a deductible of \$10,000 per claim.

Public Entity Physical Damage - For the replacement cost up to \$1,238,953, 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, 2019, 2018 and 2017. 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, 2019 and 2018.

## 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 \$572,928 in open construction contracts as of June 30, 2019. These include the following:

Project Name	Total Approved Contract(s)	Construction Costs to Date	Remaining Obligation
Leucadia Pump Station Rehabilitation	\$ 365,931	\$ (346,841)	\$ 19,090
FY2018 Gravity Pipeline CIPP Project	811,242	(794,608)	16,634
La Costa Golf Course Gravity Line Improvement	1,017,109	(1,016,062)	1,047
Poinsettia Station Sewer Improvement	912,197	(894,623)	17,574
Encinitas Estates PS Rehabilitation	34,590	(540)	34,050
Orchard Wood Road Sewer Rehabilitation	67,605	(47,644)	19,961
Pump Station Assessment	34,946	(18,531)	16,415
Bat FM (B3) Discharge Sec Replacement	467,920	(19,763)	448,157
Total	\$ 3,711,540	\$ (3,138,612)	\$ 572,928

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.

**Required Supplementary Information**

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

Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the Collective Net Pension Liability	0.1062%	0.1034%	0.0998%	0.0949%	0.0921%
Proportionate Share of the Collective Net Pension Liability	\$ 4,000,889	\$ 4,074,562	\$ 3,466,620	\$ 2,604,135	\$ 2,277,414
Covered Payroll	\$ 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	222.43%	231.80%	208.31%	169.34%	150.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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, 2017 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 2018-19 determined in this valuation were calculated using a discount rate of 7.375 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 five years are shown.

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

Last Ten Years\*

Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15
Actuarially Determined Contribution	\$ 442,015	\$ 373,044	\$ 338,782	\$ 299,609	\$ 242,055
Contributions in Relation to the Actuarially Determined Contribution	<u>442,015</u>	<u>373,044</u>	<u>338,782</u>	<u>299,609</u>	<u>242,055</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Payroll	1,926,315	1,798,709	1,757,813	1,664,178	1,537,839
Contributions as a Percentage of Covered Payroll	22.95%	20.74%	19.27%	18.00%	15.74%

Notes to Schedule:

Fiscal Year End: 06/30/19

Valuation Date: 06/30/16

Methods and assumptions used to determine contribution rates:

- Actuarial Cost Method    Entry age
- Amortization Method    Level percent of payroll
- Asset Valuation Method    Market Value
- Discount Rate    7.375%
- Projected Salary Increase    3.20% to 12.20% depending on age, service, and type of employment
- Inflation    2.75%
- Payroll Growth    3.00%
- Individual Salary Growth    A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

*\*Fiscal year 2015 was the first year of implementation, therefore only five years are shown*

## Schedule of Changes in Net OPEB Liability and Related Ratios

Last Ten Years\*

Measurement Date	06/30/2018	06/30/2017
Total OPEB Liability		
Service cost	\$ 11,313	\$ 10,573
Interest on the total OPEB liability	19,426	18,533
Actual and expected experience difference	-	-
Changes in assumptions	-	-
Changes in benefit terms	-	-
Benefit payments	(12,324)	(21,841)
Net change in total OPEB liability	18,415	7,265
Total OPEB liability - beginning	272,363	265,098
Total OPEB liability - ending (a)	\$ 290,778	\$ 272,363
Plan Fiduciary Net Position		
Contribution - employer	\$ 12,324	\$ 27,373
Net investment income	31,467	37,240
Benefit payments	(12,324)	(21,841)
Administrative expense	(734)	(189)
Net change in plan fiduciary net position	30,733	42,583
Plan fiduciary net position - beginning	395,490	352,907
Plan fiduciary net position - ending (b)	\$ 426,223	\$ 395,490
Net OPEB liability (asset) - ending (a)-(b)	\$ (135,445)	\$ (123,127)
Plan fiduciary net position as a percentage of the total OPEB liability	146.58%	145.21%
Covered-employee payroll	\$ 1,960,900	\$ 1,922,264
Net OPEB liability(asset) as a percentage of covered-employee payroll	-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	2019	2018
Actuarially Determined Contribution (ADC)	\$ -	\$ -
Contributions in relation to the ADC	(13,349)	(12,324)
Contribution deficiency (excess)	\$ (13,349)	\$ (12,324)
Covered-employee payroll	\$ 2,112,219	\$ 1,960,900
Contributions as a percentage of covered-employee payroll	0.63%	0.63%

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019 were from the June 30, 2017 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	2.75% per annum
Payroll Growth	3% 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, 1.0% - 2.0% near term increase then 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, 2019**

	Restricted			Unrestricted, Reserved For			Total Net Position	
	Investment in Capital Assets	Capital Improvements	EWA Reserves	Operations	Capital Replacement	Water Recycling		Emergencies
Balance, June 30, 2018, Restated	\$ 108,555,413	\$ 558,097	\$ 1,486,800	\$ 2,279,588	\$ 20,910,954	\$ 1,265,370	\$ 7,500,000	\$ 142,556,222
Net operating income (loss)	-	-	-	(542,453)	-	(138,738)	-	(681,191)
Contributed capital, sewer lines	55,000	-	-	-	-	-	-	55,000
Capacity fees (Buy-in)	-	-	-	-	742,994	-	-	742,994
Net additions to Utility plant and equipment	5,951,821	(348,722)	-	-	(5,505,319)	(87,729)	-	10,051
Depreciation charged to net income	(4,081,876)	-	-	3,833,459	-	248,417	-	-
Interest income allocated	-	8,400	-	85,800	773,367	27,900	164,000	1,059,467
Property taxes	-	-	-	-	1,706,279	-	-	1,706,279
Miscellaneous non-operating income	-	-	-	-	5,172	-	-	5,172
Transfers	-	-	554,400	(3,048,100)	2,657,700	-	(164,000)	-
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

## **Statistical Section**

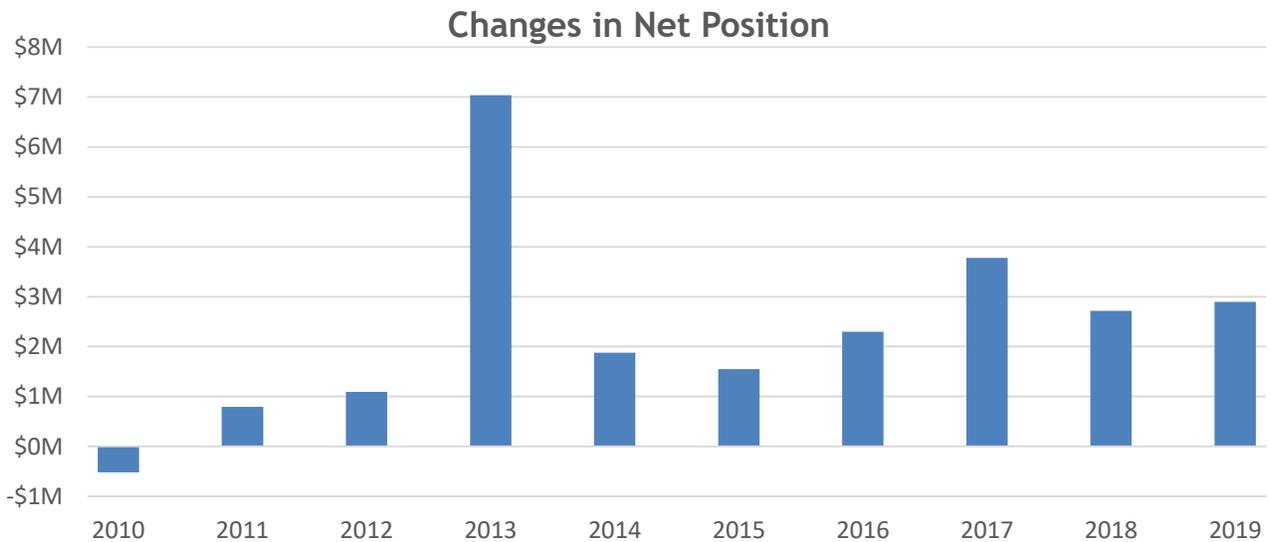
This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

### **Table of Contents**

	<b><u>Page No.</u></b>
Financial Trends These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	69-70
Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, wastewater service.	71 - 77
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.	78 - 79
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	80 - 81
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.	82- 83

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

	Fiscal Year			
	2010	2011	2012	2013
Changes in net position				
Operating revenues (See schedule 2)	\$ 7,089,681	\$ 7,729,492	\$ 7,855,094	\$ 7,873,007
Operating expenses (See schedule 3)	(5,812,872)	(5,709,060)	(5,598,224)	(5,799,853)
Depreciation & amortization	(2,966,857)	(3,053,044)	(3,189,262)	(3,413,314)
<b>Operating Income(loss)</b>	<b>(1,690,048)</b>	<b>(1,032,612)</b>	<b>(932,392)</b>	<b>(1,340,160)</b>
Non-operating revenues (expenses)				
Property taxes	1,199,025	1,194,074	1,177,125	1,207,630
Investment income (loss)	656,587	260,858	240,343	(11,993)
Gain/(Loss) on sale/disposition of assets	(1,095,299)	(679,920)	(36,166)	6,310,855
Interest expense	(193,479)	(185,417)	-	-
Other revenue/(expense), net	2,521	(1,181)	23,490	8,448
Total non-operating revenues/(expenses) net	569,355	588,414	1,404,792	7,514,940
<b>Net income before capital contributions</b>	<b>(1,120,693)</b>	<b>(444,198)</b>	<b>472,400</b>	<b>6,174,780</b>
Capital contributions	602,844	1,237,807	621,685	861,421
<b>Changes in net position</b>	<b>\$ (517,849)</b>	<b>\$ 793,609</b>	<b>\$ 1,094,085</b>	<b>\$ 7,036,201</b>
Net position by component				
Net investment in capital assets	\$ 83,253,950	\$ 87,411,700	\$ 86,970,327	\$ 97,565,846
Restricted	4,610,617	3,278,218	3,233,139	2,335,165
Unrestricted	36,926,038	34,894,296	36,474,833	33,813,489
<b>Total net position</b>	<b>\$ 124,790,605</b>	<b>\$ 125,584,214</b>	<b>\$ 126,678,299</b>	<b>\$ 133,714,500</b>

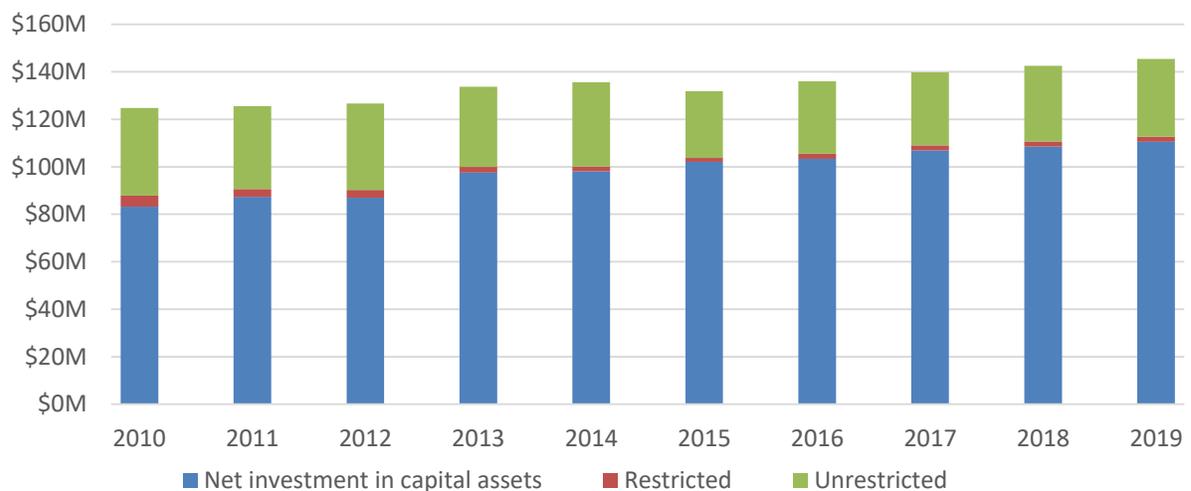


**Source:** Leucadia Wastewater District Accounting Department

## Fiscal Year

2014	2015	2016	2017	2018	2019
\$ 7,958,080	\$ 8,497,441	\$ 9,365,918	\$ 10,285,854	\$ 10,290,586	\$ 10,322,518
(5,878,182)	(6,142,492)	(6,260,595)	(6,508,623)	(6,788,292)	(6,921,833)
(3,527,059)	(3,693,901)	(3,766,355)	(3,831,850)	(3,953,584)	(4,081,876)
(1,447,161)	(1,338,952)	(661,032)	(54,619)	(451,290)	(681,191)
1,263,119	1,382,197	1,482,357	1,554,673	1,622,117	1,706,279
213,607	255,144	243,702	224,064	406,296	1,059,467
(146,913)	(185,686)	(500,547)	(149,481)	(77,433)	10,051
-	-	-	-	-	-
1,911	16,054	10,911	10,697	3,148	5,172
1,331,724	1,467,709	1,236,423	1,639,953	1,954,128	2,780,969
(115,437)	128,757	575,391	1,585,334	1,502,838	2,099,778
1,989,096	1,419,831	1,718,556	2,191,251	1,211,964	797,994
\$ 1,873,659	\$ 1,548,588	\$ 2,293,947	\$ 3,776,585	\$ 2,714,802	\$ 2,897,772
\$ 98,011,150	\$ 102,080,041	\$ 103,352,670	\$ 106,913,511	\$ 108,555,413	\$ 110,480,355
2,118,651	1,595,655	2,155,040	2,131,849	2,044,897	2,258,975
35,458,358	28,188,300	30,466,533	30,705,468	31,955,912	32,714,664
\$ 135,588,159	\$ 131,863,996	\$ 135,974,243	\$ 139,750,828	\$ 142,556,222	\$ 145,453,994

## Net Position by Component

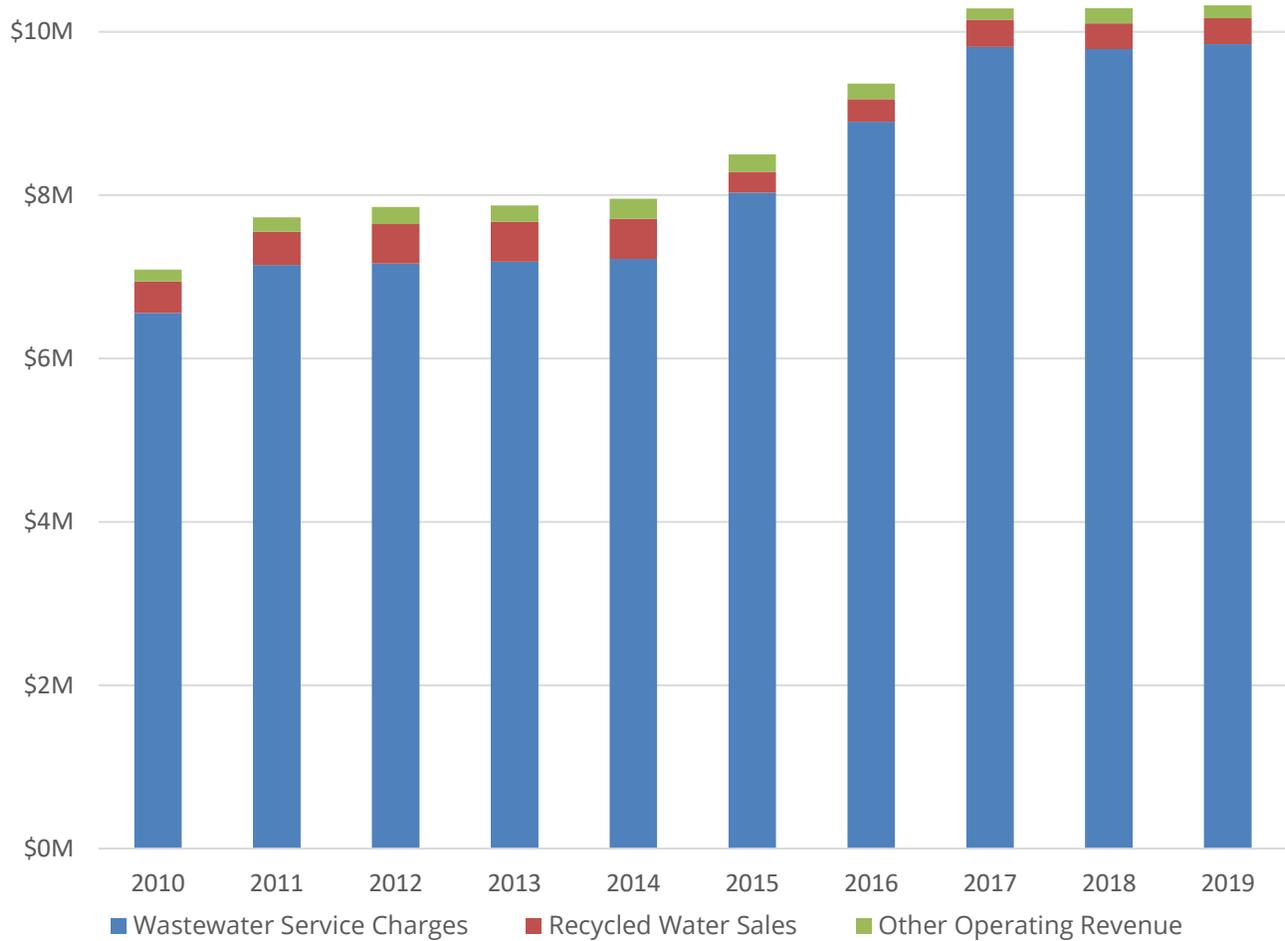


**LEUCADIA WASTEWATER DISTRICT  
Operating Revenue By Source  
Last Ten Fiscal Years**

**Schedule 2**

<b>Fiscal Year</b>	<b>Wastewater Service Charges</b>	<b>Recycled Water Sales</b>	<b>Other Operating Revenue</b>	<b>Total Operating Revenue</b>
2010	6,557,352	384,698	147,631	7,089,681
2011	7,144,501	409,202	175,789	7,729,492
2012	7,164,554	481,807	208,733	7,855,094
2013	7,185,020	487,210	200,777	7,873,007
2014	7,218,040	492,421	247,619	7,958,080
2015	8,029,799	254,427	213,215	8,497,441
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

**Operating Revenues by Source**

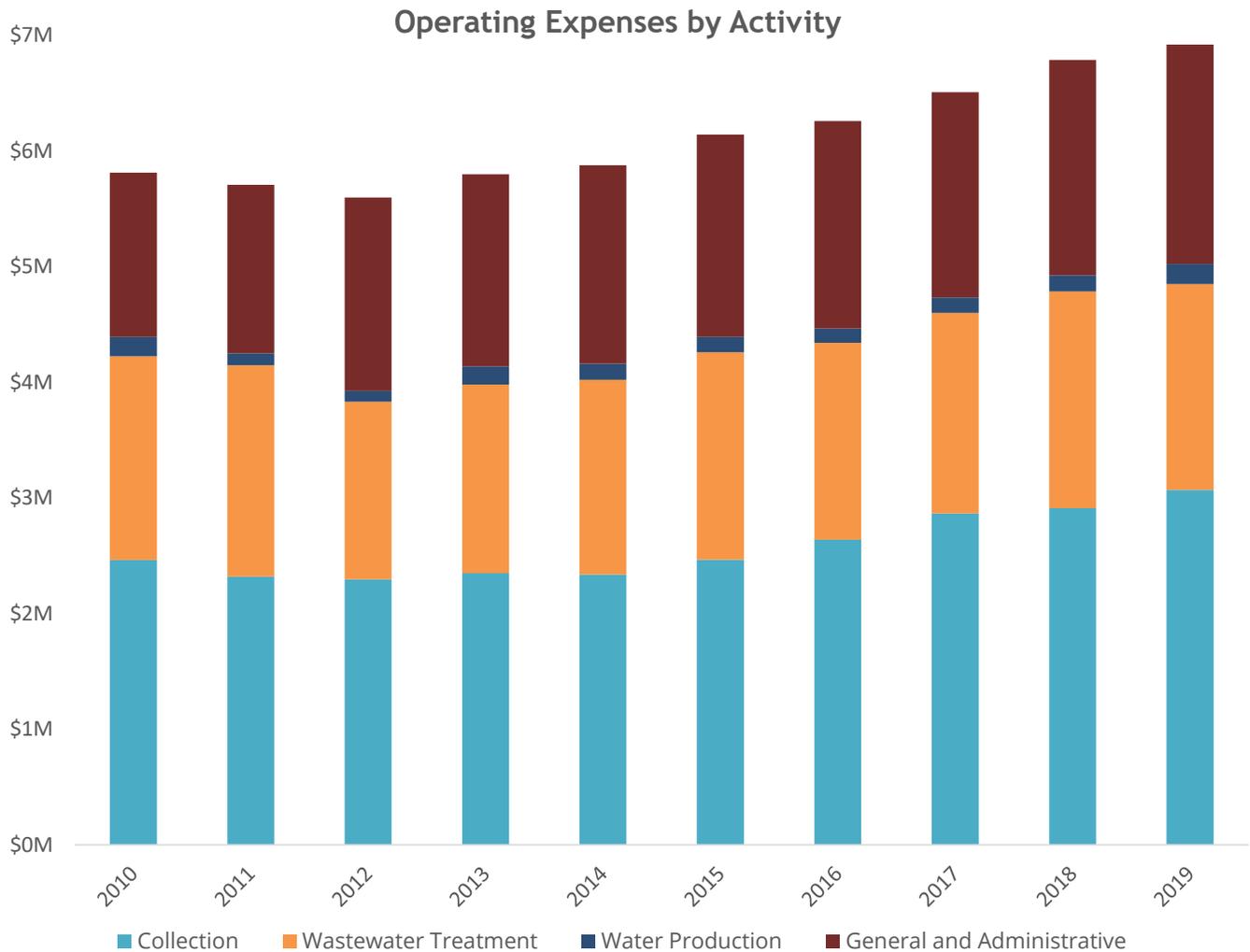


**Source:** Leucadia Wastewater District Accounting Department

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

**Schedule 3**

<b>Fiscal Year</b>	<b>Wastewater Collection</b>	<b>Wastewater Treatment</b>	<b>Recycled Water Production</b>	<b>General and Administrative</b>	<b>Total Operating Expenses</b>
2010	2,463,484	1,761,697	167,920	1,419,771	5,812,872
2011	2,319,617	1,828,330	103,048	1,458,065	5,709,060
2012	2,295,989	1,535,620	95,149	1,671,466	5,598,224
2013	2,349,076	1,632,246	156,604	1,661,927	5,799,853
2014	2,337,530	1,683,406	140,209	1,717,037	5,878,182
2015	2,465,884	1,795,007	130,879	1,750,722	6,142,492
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

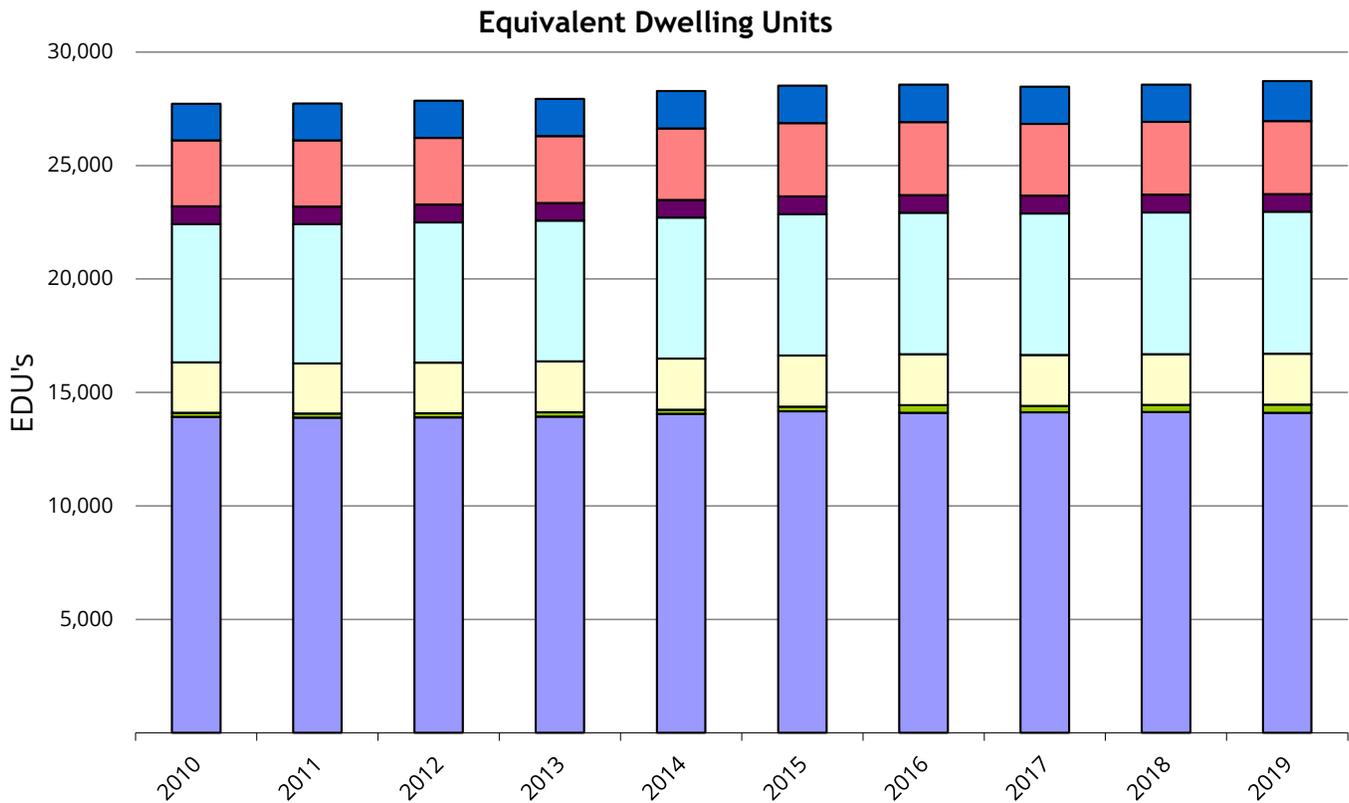


**Source:** Leucadia Wastewater District Accounting Department

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

**Schedule 4**

Fiscal Year	Customer Type							Total
	Single Family Residential	Single Fam with Access Unit	Apartments	Condos and Duplexes	Senior Care Facilities	Commercial	Other (3)	
2010	13,922.53	177.02	2,221.62	6,095.20	780.73	2,910.59	1,617.21	27,724.90
2011	13,886.53	180.02	2,210.62	6,133.20	780.73	2,920.29	1,626.41	27,737.80
2012	13,904.53	180.02	2,227.62	6,183.20	780.73	2,941.80	1,636.41	27,854.31
2013	13,937.53	184.02	2,246.62	6,203.20	780.73	2,943.80	1,640.41	27,936.31
2014	14,055.53	188.02	2,246.62	6,213.20	780.73	3,153.30	1,640.41	28,277.81
2015	14,171.53	204.52	2,250.62	6,231.20	780.73	3,234.93	1,642.41	28,515.94
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



**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<sup>(1)</sup>**  
**Last Ten Fiscal Years**

**Schedule 5**

**Price Per EDU Per Month/Per Fiscal Year**

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
19.56	21.52	21.52	21.52	21.52	23.67	26.04	28.64	28.64	28.64

**Wastewater Use Categories**

**EDU Factors (2)**

Single Family Residence	1.0
Accessory Dwelling Units (unless exempt under State law)	
Accessory Dwelling Unit 1,000 square feet or smaller	0.5
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

**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**

<b>Customer</b>	<b>2019</b>		<b>2010</b>	
	<b>EDU's (1)</b>	<b>Percentage of Total</b>	<b>EDU's (1)</b>	<b>Percentage of Total</b>
La Costa Glen	723	2.54%	723	2.64%
La Costa Resort & Spa	498	1.75%	474	1.73%
Encinitas Town Center	323	1.13%	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	210	0.74%	-	0.00%
Mission Ridge Apartments	196	0.69%	196	0.72%
La Costa Affordable Housing	185	0.65%	-	0.00%
Encinitas Village	181	0.64%	151	0.55%
Camino Village Plaza	168	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>3,748</u>	<u>13.16%</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**

<b>Fiscal Year</b>	<b>Secured</b>	<b>Unsecured</b>	<b>Total Assessed Value</b>
2010	10,869,334,361	146,872,240	11,016,206,601
2011	10,795,937,860	136,282,531	10,932,220,391
2012	10,765,754,190	126,669,729	10,892,423,919
2013	10,892,129,285	107,678,843	10,999,808,128
2014	11,283,103,814	110,452,174	11,393,555,988
2015	12,266,748,094	137,361,541	12,404,109,635
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

**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	Prop 1A Rec'b from State
2010	1,236,268	1,221,045	98.8%	10,049	0.8%	1,231,094	99,574
2011	1,231,120	1,216,713	98.8%	7,968	0.7%	1,224,681	-
2012	1,226,891	1,209,731	98.6%	9,155	0.8%	1,218,886	-
2013	1,243,268	1,226,432	98.6%	10,500	0.9%	1,236,932	(99,574)
2014	1,296,442	1,277,325	98.5%	14,771	1.2%	1,292,096	-
2015	1,417,195	1,396,032	98.5%	17,411	1.2%	1,413,443	-
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	-

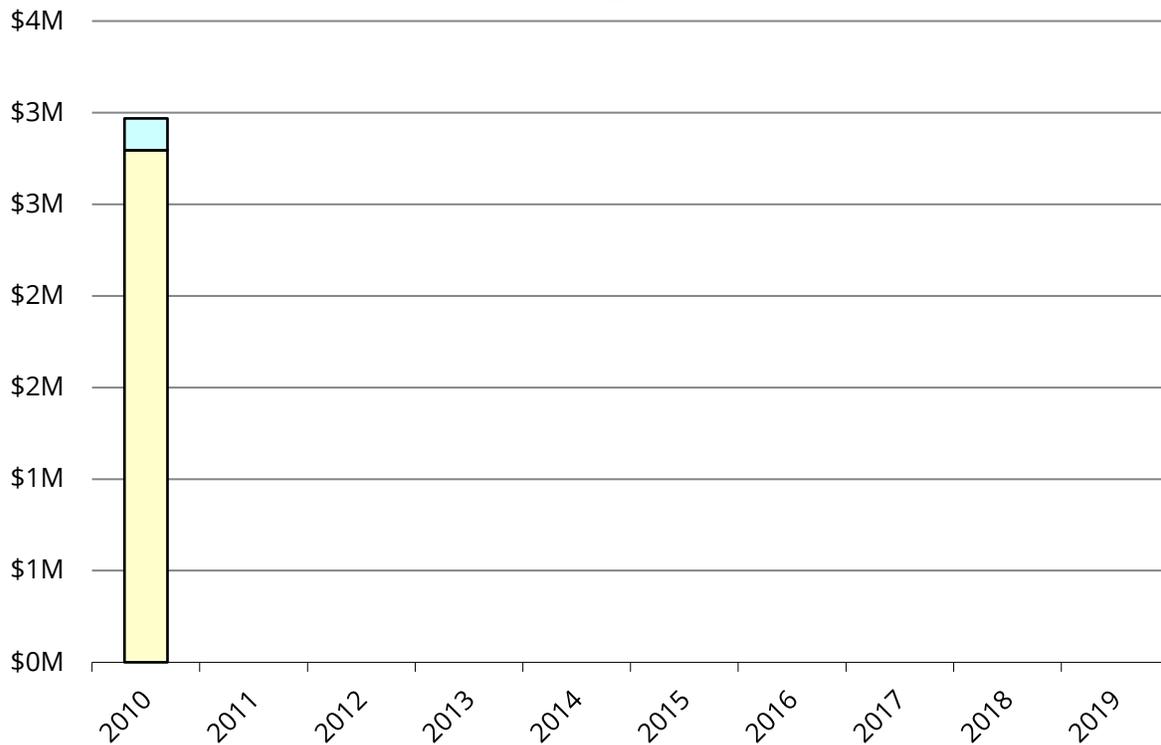
Source: County of San Diego, California "Tax/Revenue Accountability Report"

**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
2010	2,795,000	173,130	2,968,130	48.80	0.11%
2011	-	-	-	-	0.00%
2012	-	-	-	-	0.00%
2013	-	-	-	-	0.00%
2014	-	-	-	-	0.00%
2015	-	-	-	-	0.00%
2016	-	-	-	-	0.00%
2017	-	-	-	-	0.00%
2018	-	-	-	-	0.00%
2019	-	-	-	-	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 <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Available Revenues	Debt Service <sup>(3)</sup>			Coverage Ratio
				Principal	Interest	Total	
2010	7,659,036	(5,812,872)	1,846,164	531,209	193,479	724,688	2.55
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	-	-	-	-

**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.

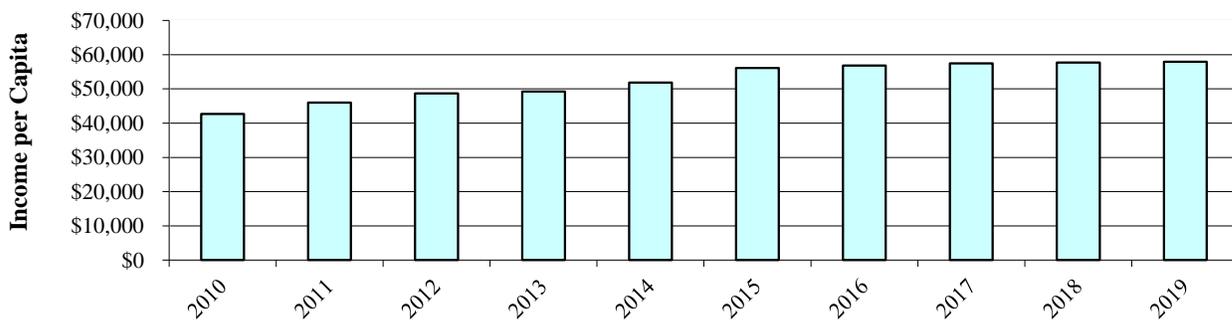
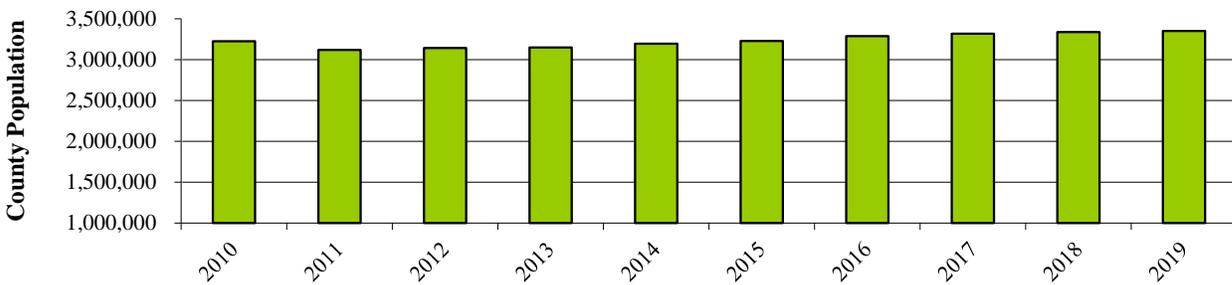
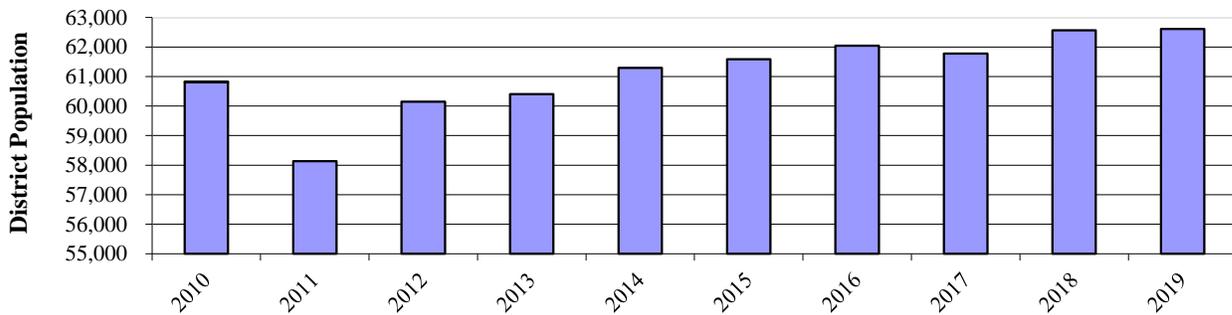
(3) Debt includes 1993 State Water Reclamation Loan and 1997 Series A Wastewater Revenue Refunding Bonds. Both debts were paid off during fiscal year 2011. As a result there is no Debt Coverage for fiscal years 2012 through 2019.

**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 <sup>(2)</sup>			
		(3) Unemployment Rate	(4) Population	Personal Income (thousands of dollars) (5)	Personal Income per Capita (5)
2010	60,821	10.7%	3,224,432	137,525,000	42,651
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	181,062,526	56,100
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	62,615	3.3%	3,351,786	194,111,983	57,913



**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	2019			2010		
	Rank	Number of Employees	% of Total Employment	Rank	Number of Employees	% of Total Employment
Legoland California	1	2,300	3.3%	5	1,022	1.9%
ViaSat	2	2,153	3.0%	3	1,940	3.6%
Life Technologies	3	1,982	2.8%	1	3,988	7.3%
Omni La Costa Resort & Spa	4	1,300	1.8%	7	838	1.5%
Carlsbad Unified School District	5	1,032	1.5%	6	983	1.8%
Gemological Institute of America	6	856	1.2%	-	-	0.0%
City of Carlsbad	7	746	1.1%	9	713	1.3%
Nortek Security Control	8	637	0.9%	-	-	0.0%
Optum UnitedHealth Group	9	571	0.8%	-	-	0.0%
HM Electronics	9	571	0.8%	-	-	0.0%
Taylor Made Golf Company	10	570	0.8%	2	2075	3.8%
Park Hyatt Aviara Resort	-	-		8	823	1.5%
Nordson Asymtek	-	-		10	671	1.2%
Callaway Golf Company	-	-		4	1,637	3.0%
Subtotal		12,718			14,690	
Total Estimated Employees		70,614			54,347	

**Sources:**

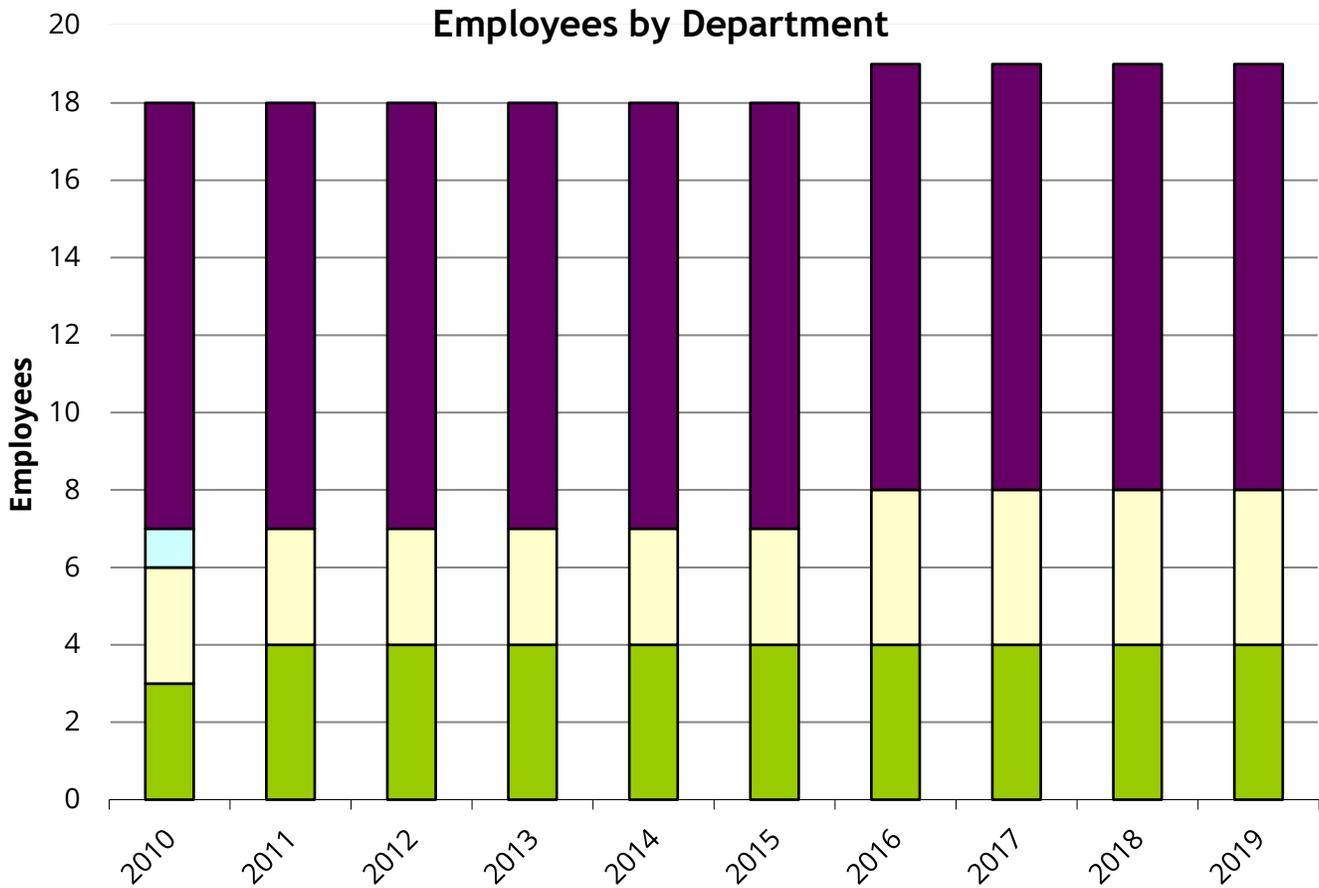
Carlsbad Business License Data - City of Carlsbad

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

**Schedule 13**

**Employees**

Department	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Management	3	4	4	4	4	4	4	4	4	4
Administration	3	3	3	3	3	3	4	4	4	4
Project Coordination	1	0	0	0	0	0	0	0	0	0
Field Services	11	11	11	11	11	11	11	11	11	11
Total	18	18	18	18	18	18	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**

<b>Fiscal Year</b>	<b>Miles of Sewer Lines</b>	<b>Number of Pump Stations</b>	<b>Average Dry Weather Flow (MGD) (2)</b>	<b>Treatment Capacity (MGD)</b>		<b>Total Annual Treatment (MG) (1)</b>
				<b>Liquids</b>	<b>Solids &amp; Outfall</b>	
2010	214	11	4.14	7.11	7.86	1,513
2011	215	10	4.07	7.11	7.86	1,486
2012	214	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

**Notes:**

(1) MG - Millions of Gallons

(2) MGD - Millions of Gallons per Day

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

## **Other Information**

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**SCHEDULE OF USE OF CAPACITY CHARGES**  
**For the year ended June 30, 2019**

				<u>Capital Improvement Fund</u>
Balance at June 30, 2018				\$558,097
Capacity charges collected				742,994
Less: buy-in portion				(742,994)
		% Funded by Capacity		
	<u>Status</u>	<u>Charges</u>	<u>Amount</u>	
Capital improvements expended:				
Leucadia Force Main West Section Replacement	Completed	7%	\$ 17,254	
Poinsettia Station Gravity Pipeline Project	In Progress	50%	326,731	
Encinitas Estates Pump Station Rehabilitation	In Progress	8%	389	
Batiquitos FM (B3) Discharge Sec Replacement	In Progress	11%	<u>4,348</u>	(348,722)
Interest income earned				<u>8,400</u>
Balance at June 30, 2019				<u><u>\$ 217,775</u></u>

Capital improvement projects anticipated for the fiscal year 2019/2020 to be funded from capacity charges:

- Leucadia Pump Station Rehabilitation
- Poinsettia Station Gravity Pipeline Project
- Encinitas Estates Pump Station Rehabilitation
- Batiquitos Force Main (B3 Discharge Section Replacement
- Diana Pump Station Upgrade