



FOR THE YEAR **2022**
ENDED JUNE 30,

ANNUAL COMPREHENSIVE FINANCIAL REPORT



LEUCADIA
WASTEWATER
DISTRICT

LEADERS IN
ENVIRONMENTAL
PROTECTION

1960 La Costa Avenue
Carlsbad, CA 92009
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LEUCADIA
WASTEWATER
DISTRICT

LEADERS IN
ENVIRONMENTAL
PROTECTION

Annual Comprehensive Financial Report

For the Year Ended

June 30, 2022

LEUCADIA WASTEWATER DISTRICT

1960 La Costa Avenue
Carlsbad, California 92009

Prepared by:

Paul J. Bushee, General Manager

Ryan Green, Finance & Administration Director

LEUCADIA WASTEWATER DISTRICT

Annual Comprehensive Financial Report For the Year Ended June 30, 2022

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Introductory Section



LEADERS IN
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October 12, 2022

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 a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP). 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. 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.

State law requires that the report be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants each fiscal year. The Annual Comprehensive Financial Report (ACFR) of the Leucadia Wastewater District (District) for fiscal year ended June 30, 2022 is hereby submitted as required. Rogers, Anderson, Malody & Scott, LLP, a firm of licensed certified public accountants, has audited the Leucadia Wastewater District's financial statements.

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, 2022 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, 2022 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 60,000 residents. Wastewater from the District's service area is transported to the Encina Water Pollution Control Facility, where it is treated to federally mandated standards to protect the public health. The Encina plant is a regional facility located in Carlsbad that is jointly owned by the District and five other public entities.

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

Governance

A five-member Board of Directors, who were elected by electoral voters of the District, direct the affairs of the District. The directors, who serve four-year staggered terms, are residents 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, adopted in 2021, estimates that by 2050 the region's population will grow by about half a million people, jobs will also increase by half a million, and housing units will increase by almost 300,000. There is an increasing trend for more housing and job growth to occur in the existing urbanized areas and along the transportation corridors.

In 2022 the local economy, mirroring the national economy, had fully rebounded from the pandemic-related recession. In June 2022, the unemployment rate decreased to 3.2% in San Diego County, down significantly from 13.8% in 2020 and 5.9% in 2021. Many employers are having difficulty finding and retaining workers. Nationally, there were two open jobs for every unemployed worker, one of the underlying causes of increased wage pressures.

Wage pressures coupled with built-up consumer savings have facilitated in driving consumer prices up 9.1% over the 12-months ending in June 2022, the largest increase in 40 years. The Federal Reserve has responded by increasing the federal funds effective rate by 3% between March and October 2022 to counter inflation.

Similarly, assessed values of properties increased significantly in 2022. The California Association of Realtors published that the median price of an existing detached single-family home in San Diego County in June 2022 was 7.5% higher than a year ago.

As an independent enterprise special district having the ability to adjust service rates as required, the District's operating revenues are somewhat insulated from the local economy. Other than by service rate adjustment, the District's operating revenues tend to increase with growth periods and stabilize during non-growth periods. Conceivably, the greatest threat to operating revenues will be from a significant reduction in the service area population or from the inability of the ratepayers to pay their property taxes. (The majority of the sewer service charges are collected through the property tax rolls). As the District reaches build-out, it is anticipated that growth in District revenues will be slow but remain stable.

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

Property taxes accounted for approximately 15% of the District's total revenue for fiscal year 2022. Due to the recent increase in home values and high rate of property transactions, property tax revenues increased by almost 6% when compared to the prior fiscal year.

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 cornerstone 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 reviews the plan annually and comprehensively updates it on a five-year cycle – the next update is scheduled in fiscal year 2023.

Public Employees' Pension Reform

On September 12, 2012, Governor Brown signed Assembly Bill 340 creating the Public Employees' Pension Reform Act (PEPRA). This law created a new benefit tier for members entering public agency employment and the public retirement system 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 plan for Classic members (those that entered the public retirement system prior to 2013). It is anticipated that PEPRA will lower future retirement costs for the District over the next 20 years. The District currently employs ten Classic members and nine PEPRA employees.

RELEVANT FINANCIAL POLICIES

Reserve Policy

The District established a Reserve Fund Policy to anticipate and prepare for future funding requirements as well as for unforeseen events. The Reserve Fund Policy defines restricted and unrestricted reserves and describes the flow of funds to and from the various reserves. For information on District reserves, refer to footnotes 1 and 8 of the 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 completed and initiated several major projects to upgrade infrastructure and ensure the adequacy of facilities.

- 1) The Encinitas Estates pump station was replaced with a submersible pump station. The District invested \$2.3 million for this project which was placed in service in April 2022.
- 2) The Leucadia pump station rehabilitation project assets were placed in service in July 2021. The project replaced the pumps, piping, discharge header and check valve configuration; installation of a permanent submersible pump; and installation of an odor control system. The District invested \$4.9 million for this project.
- 3) The District has allocated \$917,000 to replace the almost 50 year old Village Park 7 pump station in fiscal year 2023.
- 4) With ongoing CCTV inspections of the collection systems, additional defects were discovered. As a result, the fiscal year 2021 and 2022 Gravity Pipeline Rehabilitation Projects will consist correcting defects and rehabilitating manholes. Total funding for these two projects is \$1.1 million, and much of the work is completed or underway.
- 5) 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 \$97,000 in pipeline rehabilitation costs under this account during fiscal year 2022, and has budgeted \$205,000 in fiscal year 2023 for this effort.
- 6) The District maintains a Lateral Grant Program to assist with repairs or replacement of 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 encourage District customers to maintain their private laterals. During fiscal year 2022, the District contributed \$55,049 for the replacement and/or repair of twenty-four damaged private laterals. The District budgeted \$100,000 in fiscal year 2023 for the Lateral Grant Program.

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 Rogers, Anderson, Malody & Scott, 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 annual comprehensive financial report for the fiscal year ended June 30, 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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 Ryan Green, the District's Finance and Administration Director, and Kelly Gil, the District's Accounting Technician, and Trisha Hill, the District's Administrative Supervisor, 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.

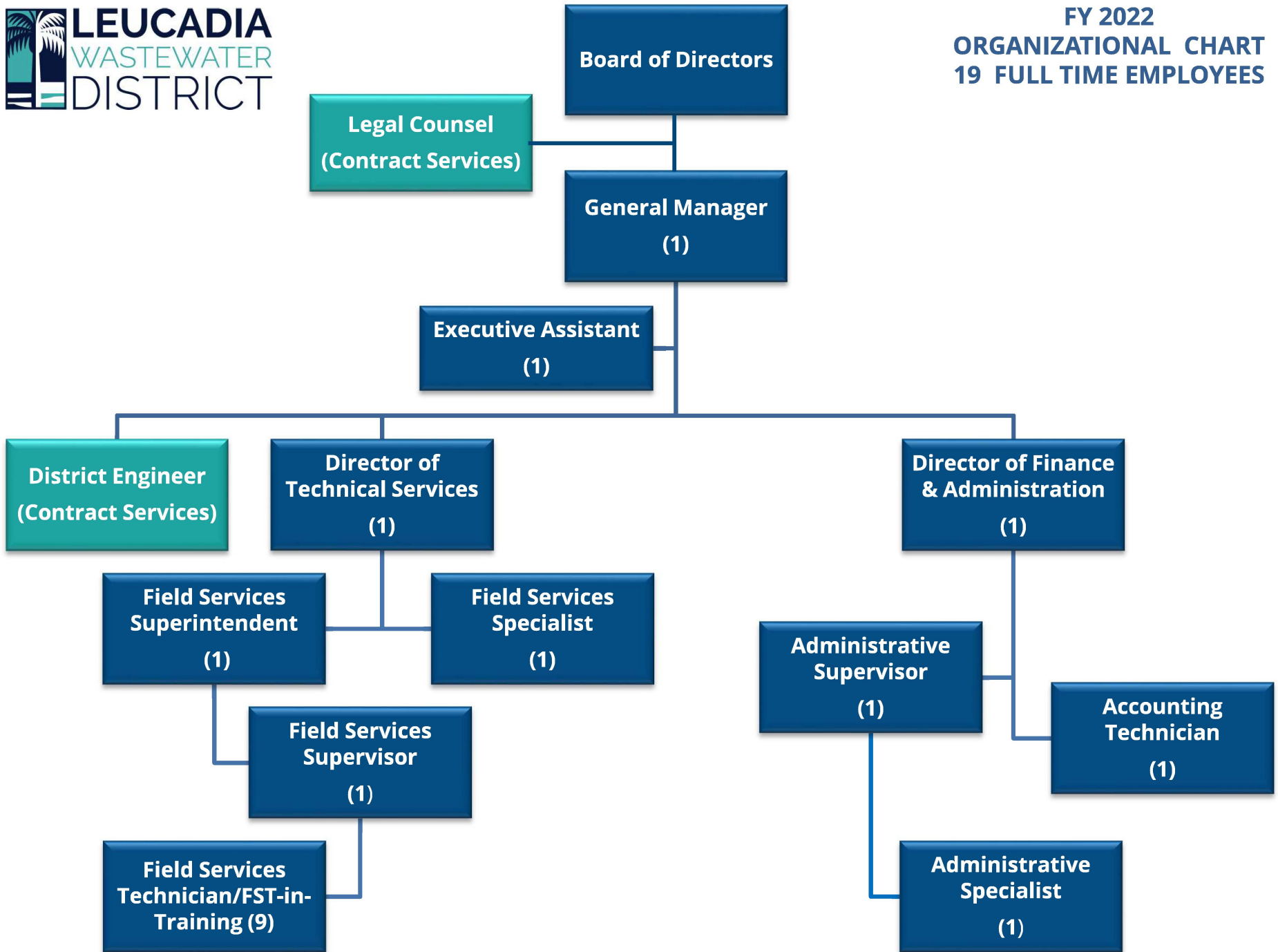
Best regards,

A handwritten signature in blue ink that reads "Paul J. Bushee". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Paul J. Bushee
General Manager



FY 2022
ORGANIZATIONAL CHART
19 FULL TIME EMPLOYEES





LEUCADIA
WASTEWATER
DISTRICT

LEADERS IN
ENVIRONMENTAL
PROTECTION

List of Principal Officials

Board of Directors as of June 30, 2022

| <u>Name</u> | <u>Title</u> | <u>Elected/Appointed</u> | <u>Current Term</u> |
|------------------|----------------|--------------------------|---------------------|
| Judy Hanson | President | Elected | 12/20-12/24 |
| Elaine Sullivan | Vice President | Elected | 12/18-12/22 |
| Donald Omsted | Director | Elected | 12/20-12/24 |
| Matthew S. Brown | Director | Appointed | 9/20-12/22 |
| Chris Roesink | Director | Appointed | 6/21-12/22 |

Leucadia Wastewater District
Paul J. Bushee, General Manager
1960 La Costa Avenue
Carlsbad, California 9200
(760) 753-0155
www.lwwd.org



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California**

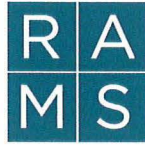
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

Financial Section



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

Independent Auditor's Report

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San Bernardino, CA 92408
909 889 0871 T
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Board of Directors
Leucadia Wastewater District
Carlsbad, California

PARTNERS

Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST
Brenda L. Odle, CPA, MST (Partner Emeritus)

MANAGERS / STAFF

Gardenya Duran, CPA, CGMA
Brianna Schultz, CPA, CGMA
Seong-Hyea Lee, CPA, MBA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Laura Arvizu, CPA
Xinlu Zoe Zhang, CPA, MSA
John Maldonado, CPA, MSA
Thao Le, CPA, MBA
Julia Rodriguez Fuentes, CPA, MSA
Demi Hite, CPA

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California Society of
Certified Public Accountants



Report on the Financial Statements

Opinion

We have audited the financial statements of the Leucadia Wastewater District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the District as of June 30, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

As discussed in Note 4 to the financial statements, in the year ended June 30, 2022, the District adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The District's 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, the *Schedule of the Plan's Proportionate Share of the Net Pension Liability*, the *Schedule of Contributions-Defined Benefit Pension Plan*, *Schedule of Changes in Net OPEB Liability and Related Ratios* and *Schedule of OPEB Contributions* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the *introductory section*, the *statistical section* and *other information* are included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October 12, 2022

Leucadia Wastewater District

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

Management's Discussion and Analysis (MD&A) offers readers of the Leucadia Wastewater District's (District) financial statements a narrative overview and analysis of the District's financial activities for the fiscal year (FY) ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS for fiscal year ended June 30, 2022

- The District's revenues increased 9% primarily due to a 10% rate increase. The District's wastewater service charge in fiscal year 2022 was \$378.04 per EDU per year.
- Operating expenses (before depreciation expense) decreased by 7%. The decrease was largely due to a favorable adjustment of the District's pension related to high returns by CalPERS on their investments offset partially by increased utilities costs and other account variances.
- During the current fiscal year, the District added 28 new equivalent dwelling units (EDU's), but this was offset by 20 due to an update in the District's capacity ordinance related to a change in State law. At June 30, 2022 the Districts had 28,782 total connected EDUs, a 0.03% increase over the prior year's total.
- Development activity in the District's service area created \$228,000 worth of contributed capital assets and \$138,675 in capacity charges.
- Capital construction and acquisition costs for the year ended June 30, 2022 amounted to \$7.6 million. During the year, the District and Encina Wastewater Authority completed the construction of several capital projects and is in design or construction on several more. See the Financial Position section and the Capital Asset section presented below for more information on these capital projects.
- Investment in capital assets increased \$1,596,00 million while restricted and unrestricted reserves decreased \$3.1 million.
- The District's net position remains strong at \$146.4 million as of June 30, 2022 after decreasing by \$311,637 or 0.2% from the prior year.

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

The financial statements accompanying this MD&A present the financial position, results of operations, and changes in cash flow during the fiscal years ending June 30, 2022 and June 30, 2021. 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 outflows of resources, liabilities, deferred inflows 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 Statement 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: as a whole, is the District 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 continues to be in a strong financial position at June 30, 2022.

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 2022 | FY 2021 | FY 2022-2021 Change | |
|---------------------------------------|----------------------|----------------------|---------------------|------------------|
| | | | Amount | % |
| ASSETS | | | | |
| Current assets | \$ 8,224,900 | \$ 12,725,743 | \$ (4,500,843) | (35.37%) |
| Non-current assets | 20,023,557 | 21,290,470 | (1,266,913) | (5.95%) |
| Capital assets, net | 122,717,769 | 119,975,176 | 2,742,593 | 2.29% |
| Total Assets | 150,966,226 | 153,991,389 | (3,025,163) | (1.96%) |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred amounts on pensions | 1,274,038 | 1,344,994 | (70,956) | (5.28%) |
| Deferred amounts on OPEB | 74,182 | 86,509 | (12,327) | (14.25%) |
| Total Deferred Outflows | 1,348,220 | 1,431,503 | (83,283) | (5.82%) |
| LIABILITIES | | | | |
| Current liabilities | 1,654,582 | 3,919,228 | (2,264,646) | (57.78%) |
| Non-current liabilities | 2,152,380 | 4,647,677 | (2,495,297) | (53.69%) |
| Total Liabilities | 3,806,962 | 8,566,905 | (4,759,943) | (55.56%) |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred amounts on pensions | 2,004,660 | 181,483 | 1,823,177 | 1,004.60% |
| Deferred amounts on OPEB | 146,751 | 6,794 | 139,957 | 2,060.01% |
| Total Deferred Inflows | 2,151,411 | 188,277 | 1,963,134 | 1,042.68% |
| NET POSITION | | | | |
| Investment in capital assets | 122,704,750 | 119,956,055 | 2,748,695 | 2.29% |
| Restricted | 445,200 | 2,041,200 | (1,596,000) | (78.19%) |
| Unrestricted | 23,206,123 | 24,670,455 | (1,464,332) | (5.94%) |
| Total Net Position | \$146,356,073 | \$146,667,710 | \$ (311,637) | (0.21%) |

Leucadia Wastewater District

The District's financial position remains strong with a \$146 million net position and with \$3.8 million in total liabilities at June 30, 2022.

Total assets decreased by \$3 million or 2% during the fiscal year ending June 30, 2022, primarily due to a decrease in cash and investments of \$6.2 million, offset by an increase in net capital assets of \$2.8 million. The District incurred \$7.6 million in expenditures for the acquisition and construction of capital assets, primarily for the: Encina Joint System projects, Encinitas Estates Pump Station Rehabilitation project, Leucadia Pump Station Rehabilitation project, Gravity Pipeline Rehabilitation project, and various pipeline segment rehabilitations and repairs. The District received \$138,675 in capacity fees to partially help fund these expenditures. Capacity fees represent a system buy-in charge for construction of facilities and improvements identified in the 2018 Asset Management Master Plan. In addition, sewer lines worth \$228,000 were contributed to the District from developers. Net Capital Assets were reduced by depreciation expense of \$4.9 million and net capital asset deletions of \$4.2 million for the year.

Total liabilities decreased by \$4.7 million or 55% during the year, mainly due to a decrease in net pension liability and construction related payables.

The District's Net Position as of June 30, 2022 totaled \$146,356,073 compared with \$146,667,710 as of June 30, 2021, a decrease of 0.2%. 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.

Deferred outflows, although similar to "assets," are set apart because these items do not meet the technical definition of being a District asset. 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 outflows 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. When all the recognition criteria are met, the deferred inflows of resources will become revenue in future years. The District's deferred outflows of resources and deferred inflows of resources are related to the District's Pension and Other Post-Employment Benefits (OPEB) programs.

Total deferred outflows of resources of \$1,348,220 as of June 30, 2022, are comprised of deferred amounts relating to pensions of \$1,274,038 and deferred amounts relating to OPEB of \$74,182. Total deferred outflows decreased by \$83,283 during fiscal year 2022.

Total deferred inflows of resources of \$2,151,411 as of June 30, 2022, are comprised of deferred amounts relating to pensions of \$2,004,660 and deferred amounts relating to OPEB of \$146,751. Total deferred inflows increased by \$1,963,134 during fiscal year 2022. The significant increase is attributable to the high investment yield realized by CalPERS during fiscal year 2021.

Refer to Note 11 "Defined Benefit Pension Plan" and Note 12 "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 comparison 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 2022 | FY 2021 | FY 2022-2021 Change | |
|--|-----------------------|-----------------------|---------------------|-----------------|
| | | | Amount | % |
| OPERATIONS | | | | |
| Revenues | | | | |
| Wastewater service charges | \$ 10,879,815 | \$ 9,879,710 | \$ 1,000,105 | 10.12% |
| Recycled water sales | 408,839 | 449,997 | (41,158) | (9.15%) |
| Other charges and services | 150,067 | 128,178 | 21,889 | 17.08% |
| Total operating revenues | 11,438,721 | 10,457,885 | 980,836 | 9.38% |
| Operating expenses | 7,954,183 | 8,569,320 | (615,137) | (7.18%) |
| Operating income before depreciation | 3,484,538 | 1,888,565 | 1,595,973 | 84.51% |
| Depreciation expense | 4,919,137 | 4,295,162 | 623,975 | 14.53% |
| Operating income (loss) | (1,434,599) | (2,406,597) | 971,998 | (40.39%) |
| NON-OPERATIONS | | | | |
| Revenues (expenses) | | | | |
| Property tax revenue | 1,967,574 | 1,862,453 | 105,121 | 5.64% |
| Investment income revenue (loss) | (1,156,695) | 127,624 | (1,284,319) | (1,006.33%) |
| Gain (loss) on disposition of assets | (72,829) | (72,587) | (242) | 0.33% |
| Other non-operating income | 18,237 | 6,669 | 11,568 | 173.46% |
| Total non-operating revenues, net | 756,287 | 1,924,159 | (1,167,872) | (60.70%) |
| Income (loss) before capital contributions | (678,312) | (482,438) | (195,874) | 40.60% |
| CAPITAL CONTRIBUTIONS | 366,675 | 191,039 | 175,636 | 91.94% |
| Changes in net position | (311,637) | (291,399) | (20,238) | 6.95% |
| Beginning net position, restated | 146,667,710 | 146,959,109 | (291,399) | (0.20%) |
| Ending net position | \$ 146,356,073 | \$ 146,667,710 | \$ (311,637) | (0.21%) |

Leucadia Wastewater District

Highlights of the fiscal year ending June 30, 2022 are discussed below:

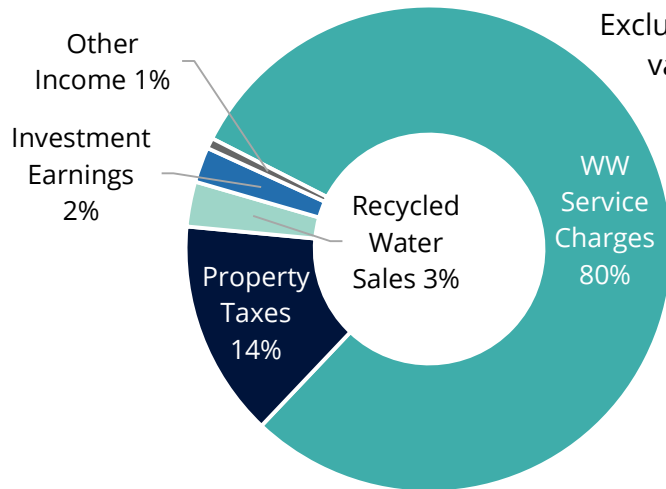
- Net position decreased \$311,637 (0.2%), which is subtracted from beginning net position of \$146,667,710 to arrive at ending total net position of \$146,356,073. The District incurred an operating loss of \$1,434,559 (which includes non-cash depreciation expense of \$4,919,137). This operating loss was compounded by non-operating losses from asset disposals (non-cash) and investment valuation changes (non-cash); the District holds investments to maturity, so the investment valuation changes are temporary and do not effect current or future interest earnings. Revenues from property taxes and other non-operating income of \$1,985,811 and contributed capital assets of \$366,675 partially offset the loss.
- The District's total operating revenue increased by \$980,836. Total wastewater service charges increased 10% due to a 10% increase in the sewer service rate and a slight increase in the customer base. Lower recycled water consumption drove the decrease of 9% in recycled water revenues.
- The District's total operating expenses (before depreciation expense) decreased by \$615,137 or 7%. The decrease was largely due to a favorable adjustment of the District's pension related to high returns by CalPERS on their investments offset partially by increased utilities costs and other account variances.
- The District participates in three different investment pools and in the CAMP Individual Portfolio program. It also deposits funds in a bank reserve and purchases investments directly through two broker/dealers. As of June 30, 2022, the District's investments contained laddered investments in US treasury notes, US government sponsored agency bonds/notes, corporate notes, commercial paper, negotiable certificates of deposits, insured certificates of deposits, and California based municipal bonds, for a total of \$19.2 million.

Investment earnings include not only interest income, which was \$320,152 for the fiscal year, but also changes in the fair-value of investments – a non-cash adjustment. In total, investment earnings were \$1.3 million lower than the prior year. The fair-value adjustment was \$1.5 million during the fiscal year; however, the District holds investments to maturity, so the investment valuation changes are temporary and do not impact current or future interest earnings.

- Capacity fees were down by 13% as development continues to slow down as the District approaches build out.
- Property taxes increased by 5.6% due to increases in assessed valuations as the housing market continued 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 increased by 10%, from \$28.64 per EDU per month in fiscal year 2021 to \$31.50 per EDU per month in fiscal year 2022.

FY 2022 Revenues

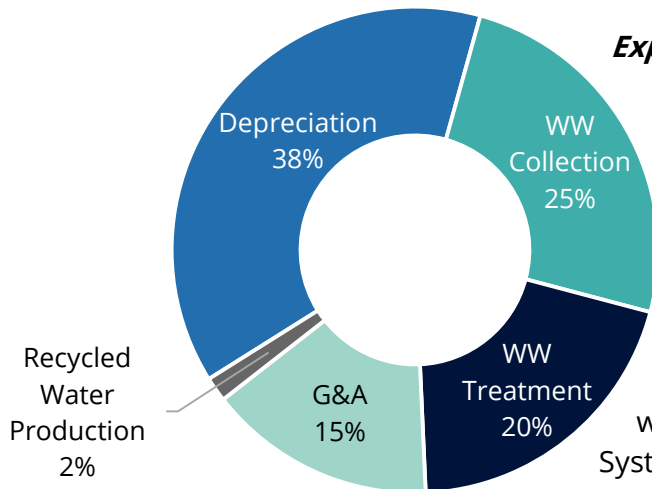
Revenues:



Excluding the investment adjustment to fair market value (\$1,476,578), revenues for fiscal year 2022 totaled \$13,671,586 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 80% of the District's revenues. The second largest source of revenue is property tax at 14%.

FY 2022 Expenses

Expenses:



Expenses for fiscal year 2022 totaled \$12,873,320. Depreciation represents the largest component at 38% of total expenses. Wastewater Collection (25%), Wastewater Treatment (20%), and General and Administrative (15%) 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.

Leucadia Wastewater District

Cash Flows

District cash flows, for the fiscal year ended June 30, 2022, have been categorized into one of the following four activities: operating, noncapital financing, capital and related financing, and investing. The total of these categories resulted in a decrease in cash and cash equivalents of \$6,190,975 which is subtracted from beginning cash and cash equivalents of \$12,359,345, to arrive at ending cash and cash equivalents of \$6,168,370. Decreases in cash and cash equivalents were primarily a result of capital costs (\$10.4 million) and investments purchases (\$1.5 million), offset by the District's operating activities (\$3.4 million) and proceeds from property taxes (\$2.0 million).

The ending cash and cash equivalents are represented on the Statement of Net Position as the following: unrestricted cash and cash equivalents of \$6,014,942, current restricted cash and cash equivalents of \$70,205, and noncurrent restricted cash and cash equivalents of \$83,223.

Financial Ratios

Table 3 lists several ratios to help measure the District's financial position and financial resources and uses for the year.

TABLE 3. SELECTED FINANCIAL RATIOS

| Ratio | FY 2022 | FY 2021 |
|--|----------------|----------------|
| Current ratio | 5.0 | 3.3 |
| Operating margin ratio (before depreciation expense) | 1.4 / 1 | 1.2 / 1 |
| Total margin (total revenues / expenses) | 95% | 97% |
| Capital asset condition ratio | 36% | 37% |
| Total debt to equity | 1 / 17 | 1 / 17 |

The **current ratio** (*current assets divided by current liabilities*) indicates the District can pay 5.0 times its current liabilities from current assets. The District's current ratio 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 1.4 indicates good coverage of the operating expenses, excluding depreciation. (*Depreciation expense is a non-cash systematic write down of existing capital assets*). If depreciation expense is included, the result is the **total margin ratio**, which measures the coverage of total revenues to total expense, including depreciation expense. The District's total margin ratio of 95% indicates the District is living slightly above its financial means and is not quite covering its expenses including depreciation expense. This is largely due to the rate increase deferral that occurred as a result of the COVID-19 pandemic. 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 in a future period.

Leucadia Wastewater District

The District routinely updates its 20-year Comprehensive Financial Plan and its 20-year Asset Management Plan to address the replacement and financing of these depreciated capital assets. The District maximizes a pay-as-you-go method and minimizes the use of debt to finance capital projects. Another key indicator that the District's financial position is strong is that the **debt-to-equity ratio** continues to be favorable. For every \$1 of debt at June 30, 2022 the District had \$17 in net position (equity). This low ratio indicates a high degree of solvency and the ability to obtain financing, if needed.

RESTRICTIONS, COMMITMENTS, AND LIMITATIONS

District Reserves:

In February 2005, the District adopted its Reserve Fund Policy, which was last revised in February 2022. This policy categorizes 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 one restricted reserve, the Encina Wastewater Authority (EWA) Deposit Reserve.

During the fiscal year ended on June 30, 2022, there was a net reduction in the EWA Deposit Reserve of \$1,596,000, or 78%, due a change in EWA's billing methodology. Beginning in June 2022, EWA billed the District for the District's proportional share of EWA's expected expenditures for the following quarter. Advance billing by EWA reduces the need for EWA to hold large deposits from its member agencies.

The restricted reserve balance as of year-end is as follows:

| <u>Restricted Reserve Designation</u> | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
|---------------------------------------|----------------------|----------------------|
| EWA deposits reserve | <u>\$ 445,200</u> | <u>\$ 2,041,200</u> |

Unrestricted Reserves:

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

Leucadia Wastewater District

During fiscal year 2022, the Replacement Reserve decreased by \$1.5 million due to \$7.4 million of net capital replacement additions during the year and the allocation of investments losses of \$1.3 million (due to the fair market value adjustment). The decrease was partially offset by \$138,675 from capacity fees (100% buy-in portion), \$2.0 million of property taxes, and \$5.1 million of net transfers from other reserves. The unrestricted reserve balances are as follows:

| Unrestricted Reserve Designation | June 30, 2022 | June 30, 2021 |
|----------------------------------|---------------|---------------|
| Operations reserve | \$ 2,770,758 | \$ 2,831,306 |
| Replacement reserve | 11,375,633 | 12,870,043 |
| Water recycling reserve | 1,559,732 | 1,469,106 |
| Emergency reserve | 7,500,000 | 7,500,000 |
| Total | \$ 23,206,123 | \$ 24,670,455 |

Overall, the District's restricted and unrestricted reserves totaled \$23,651,323 as of June 30, 2022. This is a decrease of \$3,060,332 from the prior year and is mostly the result of expenditures for anticipated capital projects during the year and the adjustment to investment fair market value. Positive operating income (before depreciation expense), property tax revenue, and capacity fees partially offset the decrease. The remaining reserve balances show that the District remains in a strong financial position to fund the remaining balance of its estimated \$122 million in capital projects over the next 20 years as identified in the District's 2018 Wastewater Financial Plan.

CASH AND INVESTMENTS

The District's cash and investments were valued at \$25,416,743 as of June 30, 2022. This was a decrease of \$6,018,342, or 19%, from the prior year and was primarily due to spending on capital replacement additions during the year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets:

At June 30, 2022, the District's investment in capital assets amounted to \$122.7 million, net of accumulated depreciation of \$65.3 million. This investment in capital assets includes land, buildings, donated subsurface lines, collection and transmission facilities, equipment, vehicles, construction-in-progress, and the District's share of treatment and disposal facilities of the Encina Joint System. Development activity in the District's service area and implementation of the Capital Improvement Program projects identified in the Asset Management Master Plan resulted in contributions to the District's infrastructure. The following list provides a summary of significant additions to capital assets during the fiscal year ending June 30, 2022:

| | |
|--|--------------|
| Encina Joint System | \$ 4,345,267 |
| Gravity Pipeline Rehabilitation Projects | 489,523 |
| Pump Station Rehabilitation Projects | 2,368,498 |
| Vehicles and Equipment | 359,218 |

Leucadia Wastewater District

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

Long-Term Debt:

During fiscal years ending June 30, 2022 and June 30, 2021, the District had no significant long-term financing debt.

CURRENTLY KNOWN FACTS, CONDITIONS, OR DECISIONS

The District considered the recommendations from the 2018 Wastewater Financial Plan, the 2018 Asset Management Plan, and the following economic factors in establishing the fiscal year 2023 budget amounts and fees:

- A declining level of growth within the District, estimating the addition of 30 equivalent dwelling units (EDU) in fiscal year 2023.
- The need to replace or rehabilitate existing, aging District infrastructure.
- Continuing economic uncertainties, significant inflation, and the volatility of revenues such as interest income.
- Rising costs.
- Emerging regulatory and environmental pressures.

As a result of these factors, the fiscal year 2023 budget includes:

- An increase in annual wastewater service charges to \$415.84 per EDU per year.
- Capacity Fee charges remain at \$5,089 per EDU.
- Appropriations for capital improvement and replacement projects totaling \$7,654,946.
- A 4% increase in personnel costs which includes a \$266,643 additional discretionary PERS payment to help paydown the PERS unfunded pension liability.
- A 3.2% decrease in overall operating costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our Board of Directors, District residents, 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 Director of Finance & Administration at the Leucadia Wastewater District, 1960 La Costa Avenue, Carlsbad, California 92009, (760) 753-0155, or info@lwwd.org, or visit our website at www.lwwd.org.

LEUCADIA WASTEWATER DISTRICT

Statement of Net Position

June 30, 2022

(with comparative information for prior year)

| | 2022 | 2021 |
|---|--------------------|--------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents (Note 2) | \$ 6,014,942 | \$ 12,205,608 |
| Restricted cash and cash equivalents (Note 2) | 70,205 | 53,583 |
| Accrued interest receivable | 85,589 | 85,481 |
| Accounts receivable - wastewater service charges | 87,511 | 221,131 |
| Accounts receivable - property taxes | 46,227 | 32,055 |
| Accounts receivable - due from other governments | 28,320 | 58,238 |
| Prepaid expenses and other deposits | 1,892,106 | 69,647 |
| Total current assets | <u>8,224,900</u> | <u>12,725,743</u> |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents (Note 2) | 83,223 | 100,154 |
| Investments (Note 2) | 19,248,373 | 19,075,740 |
| Encina Wastewater Authority reserve deposits (Note 6) | 445,200 | 2,041,200 |
| Net OPEB asset (Note 12) | 246,761 | 73,376 |
| Land (Note 4) | 12,878 | 12,878 |
| Construction in progress (Note 4) | 5,164,305 | 10,494,281 |
| Capital assets, net of depreciation (Note 4) | 117,540,586 | 109,468,017 |
| Total noncurrent assets | <u>142,741,326</u> | <u>141,265,646</u> |
| Total assets | <u>150,966,226</u> | <u>153,991,389</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred amounts on pension (Note 11) | 1,274,038 | 1,344,994 |
| Deferred amounts on OPEB (Note 12) | 74,182 | 86,509 |
| Total deferred outflows of resources | <u>1,348,220</u> | <u>1,431,503</u> |

The accompanying notes are an integral part of these financial statements.

LEUCADIA WASTEWATER DISTRICT

Statement of Net Position (continued)

June 30, 2022

(with comparative information for prior year)

| | 2022 | 2021 |
|--|-----------------------|-----------------------|
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 1,204,779 | \$ 3,462,918 |
| Accrued salaries and wages | 43,110 | 62,745 |
| Restricted accounts payable | 83,223 | 100,154 |
| Restricted developer deposits | 70,205 | 53,583 |
| Long-term liabilities - due within one year: | | |
| Capital lease (Note 8) | 6,201 | 6,102 |
| Compensated absences (Note 7) | 247,064 | 233,726 |
| Total current liabilities | <u>1,654,582</u> | <u>3,919,228</u> |
| Noncurrent liabilities: | | |
| Long-term liabilities - due in more than one year: | | |
| Net pension liability (Note 11) | 2,094,667 | 4,523,924 |
| Capital lease (Note 8) | 6,818 | 13,019 |
| Compensated absences (Note 7) | 50,895 | 110,734 |
| Total noncurrent liabilities | <u>2,152,380</u> | <u>4,647,677</u> |
| Total liabilities | <u>3,806,962</u> | <u>8,566,905</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred amounts on pension (Note 11) | 2,004,660 | 181,483 |
| Deferred amounts on OPEB (Note 12) | 146,751 | 6,794 |
| Total deferred inflows of resources | <u>2,151,411</u> | <u>188,277</u> |
| NET POSITION (Note 9) | | |
| Net Investment in capital assets | 122,704,750 | 119,956,055 |
| Restricted for Encina Wastewater Authority deposit reserves | 445,200 | 2,041,200 |
| Unrestricted | 23,206,123 | 24,670,455 |
| Total net position | <u>\$ 146,356,073</u> | <u>\$ 146,667,710</u> |

The accompanying notes are an integral part of these financial statements.

LEUCADIA WASTEWATER DISTRICT

Statement of Revenues, Expenses and Changes in Net Position For the Year Ended June 30, 2022 (with comparative information for prior year)

| | 2022 | 2021 |
|--|----------------------|----------------------|
| OPERATING REVENUES | | |
| Wastewater service charges | \$ 10,879,815 | \$ 9,879,710 |
| Recycled water sales | 408,839 | 449,997 |
| Other charges and services | 150,067 | 128,178 |
| Total operating revenues | <u>11,438,721</u> | <u>10,457,885</u> |
| OPERATING EXPENSES | | |
| Wastewater collection | 3,191,343 | 3,717,785 |
| Wastewater treatment - Encina Joint System | 2,599,925 | 2,558,112 |
| Recycled water production | 212,042 | 291,074 |
| General and administrative | 1,950,873 | 2,002,349 |
| Total operating expenses | <u>7,954,183</u> | <u>8,569,320</u> |
| Operating income before depreciation expense | 3,484,538 | 1,888,565 |
| Depreciation expense | <u>(4,919,137)</u> | <u>(4,295,162)</u> |
| Operating income (loss) | <u>(1,434,599)</u> | <u>(2,406,597)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Property taxes | 1,967,574 | 1,862,453 |
| Interest and investment income (loss) | (1,156,695) | 127,624 |
| Gain/(loss) on disposition of capital assets | (72,829) | (72,587) |
| Other nonoperating revenues | 18,237 | 6,669 |
| Total nonoperating revenues (expenses) | <u>756,287</u> | <u>1,924,159</u> |
| Income (loss) before capital contributions | <u>(678,312)</u> | <u>(482,438)</u> |
| CAPITAL CONTRIBUTIONS | | |
| Capacity charges | 138,675 | 159,031 |
| Developers | 228,000 | 32,008 |
| Total capital contributions | <u>366,675</u> | <u>191,039</u> |
| Changes in net position | (311,637) | (291,399) |
| Net position, beginning of year, restated | <u>146,667,710</u> | <u>146,959,109</u> |
| Net position, end of year | <u>\$146,356,073</u> | <u>\$146,667,710</u> |

The accompanying notes are an integral part of these financial statements.

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LEUCADIA WASTEWATER DISTRICT

Statement of Cash Flows For the Year Ended June 30, 2022 (with comparative information for prior year)

| | 2022 | 2021 |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from customers for wastewater sales and service | \$ 11,620,388 | \$ 10,384,198 |
| Cash paid to vendors and suppliers for materials and services | (5,227,252) | (4,163,315) |
| Cash paid for employee wages, benefits and related costs | (3,023,851) | (3,969,970) |
| Net cash provided by operating activities | 3,369,285 | 2,250,913 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Proceeds from property taxes | 1,953,402 | 1,860,803 |
| Net cash provided by noncapital financing activities | 1,953,402 | 1,860,803 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (10,446,481) | (11,349,762) |
| Proceeds from sale of capital assets | 129,574 | 62,216 |
| Proceeds from capacity fees | 138,675 | 159,031 |
| Capital lease payments | (6,102) | (6,006) |
| Net cash used for capital and related financing activities | (10,184,334) | (11,134,521) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale and maturities of investments | 4,048,000 | 8,989,901 |
| Purchases of investments | (5,576,752) | (11,425,689) |
| Interest and investment earnings | 199,424 | 379,807 |
| Net cash used for investing activities | (1,329,328) | (2,055,981) |
| Net decrease in cash and cash equivalents | (6,190,975) | (9,078,786) |
| Cash and cash equivalents, beginning of year | 12,359,345 | 21,438,131 |
| Cash and cash equivalents, end of year | \$ 6,168,370 | \$ 12,359,345 |
| Financial statement classification | | |
| Cash and cash equivalents | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 6,014,942 | \$ 12,205,608 |
| Restricted cash and cash equivalents - Current | 70,205 | 53,583 |
| Non-current assets: | | |
| Restricted cash and cash equivalents - Non-current | 83,223 | 100,154 |
| Total cash and cash equivalents, end of year | \$ 6,168,370 | \$ 12,359,345 |

The accompanying notes are an integral part of these financial statements.

LEUCADIA WASTEWATER DISTRICT

Statement of Cash Flows (continued) For the Year Ended June 30, 2022 (with comparative information for prior year)

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Reconciliation of operating income (loss) to net cash flows provided (used) by operating activities: | | |
| Operating income (loss) | \$ (1,434,599) | \$ (2,406,597) |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities: | | |
| Depreciation | 4,919,137 | 4,295,162 |
| Other miscellaneous expense | - | 137,233 |
| Other nonoperating revenues (expense), net | 18,237 | 6,669 |
| Changes in operating assets, deferred outflows, operating liabilities and deferred inflows: | | |
| (Increase) decrease in operating assets and deferred outflows: | | |
| Accounts receivable - wastewater service charges | 133,620 | (96,649) |
| Accounts receivable - due from other governments | 29,918 | 17,732 |
| Accounts receivable - other | (108) | 5,230 |
| Net OPEB asset | (173,385) | 2,483 |
| Prepaid expenses and other deposits | 956,778 | (10,320) |
| Deferred outflows - pension | 70,956 | 51,809 |
| Deferred outflows - OPEB | 12,327 | (9,861) |
| Increase (decrease) in operating liabilities and deferred inflows: | | |
| Accounts payable and accrued expenses | (647,959) | 375,533 |
| Accrued salaries and wages | (19,635) | (67,601) |
| Compensated absences | (46,501) | 21,552 |
| Restricted developer deposits | 16,622 | (33,612) |
| Deferred inflows - pension | 1,823,177 | (177,348) |
| Deferred inflows - OPEB | 139,957 | 2,397 |
| Net pension liability | (2,429,257) | 137,101 |
| Total adjustments | 4,803,884 | 4,657,510 |
| Net cash provided by operating activities | <u>\$ 3,369,285</u> | <u>\$ 2,250,913</u> |
| Supplemental disclosures: | | |
| Noncash investing and financing activities: | | |
| Capital assets contributed by developers and others | <u>\$ 228,000</u> | <u>\$ 32,008</u> |

The accompanying notes are an integral part of these financial statements.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

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's Legends 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 and recycled water sales. 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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B) Measurement Focus, Basis of Accounting and Financial Statements Presentation (continued)

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:

Net 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.

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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C) New Accounting Pronouncements

Current Year Standards

- GASB Statement No. 87 – “Leases”, effective for reporting periods beginning after June 15, 2021. See Note 8 and Note 14 for the effect on the District’s financial reporting.
- GASB Statement No. 91 – “Conduit Debt Obligations,” effective for reporting period beginning after December 15, 2021.
- GASB Statement No. 92 – “Omnibus 2020,” effective for reporting period beginning after June 15, 2021.
- GASB Statement No. 93 – “Replacement of Interbank Offered Rates,” effective for reporting period beginning after June 15, 2021.
- GASB Statement No. 98 – “The Annual Comprehensive Financial Report”, effective for reporting period ending after December 15, 2021.
- GASB Statement No. 97 – “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation.
- Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32,” effective for reporting period beginning after June 15, 2021.

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

- GASB Statement No. 94 – “Public-Private and Public-Public partnerships and Availability Payment Arrangements,” effective for reporting period beginning after June 15, 2022.
- GASB Statement No. 96 – “Subscription-Based Information Technology Arrangements,” effective for reporting period beginning after June 15, 2022.
- GASB Statement No. 99 – “Omnibus 2022”, various implementation dates with the earliest being effective for fiscal years beginning after June 15, 2022.
- GASB Statement No. 100 – “Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62”, effective for reporting periods beginning after June 15, 2023.
- GASB Statement No. 101 – “Compensated Absences”, effective for reporting periods beginning after December 15, 2023.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

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 11 and 12 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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E) Fair Value Measurements (continued)

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

F) Cash and Cash Equivalents

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

G) Investments and Investment Policy

The District has adopted an investment policy authorizing the District's General Manager to deposit funds in financial institutions. Investments are recorded at fair value. Certain investments are reported at amortized cost, which approximates fair value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

H) Accounts Receivable

The District has made no provision for uncollectible receivables as all accounts are considered collectible as of June 30, 2022.

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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L) Ownership in Encina Joint System (continued)

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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

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, 2022 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 11 |

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 District's prior year financial statements, from which this selected financial data was derived.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and can be found on the CalPERS website at www.calpers.ca.gov under forms and publications.

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, 2020 |
| Measurement Date (MD) | June 30, 2021 |
| Measurement Period (MP) | July 1, 2020 to June 30, 2021 |

U) Other Post-Employment 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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U) Other Post-Employment Benefits (OPEB) (continued)

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

| | |
|-------------------------|-------------------------------|
| Valuation Date (VD) | June 30, 2021 |
| Measurement Date (MD) | June 30, 2021 |
| Measurement Period (MP) | July 1, 2020 to June 30, 2021 |

2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

| | |
|---|-----------------------------|
| Cash and investments | \$ 6,014,942 |
| Restricted cash and cash equivalents | 70,205 |
| Restricted cash and cash equivalents - noncurrent | 83,223 |
| Investments - noncurrent | <u>19,248,373</u> |
| Total cash and investments | <u><u>\$ 25,416,743</u></u> |

Cash and investments as of June 30, 2022 consist of the following:

| | |
|--------------------------------------|-----------------------------|
| Cash on hand | \$ 500 |
| Deposits with financial institutions | 246,955 |
| Investments | <u>25,169,288</u> |
| Total cash and investments | <u><u>\$ 25,416,743</u></u> |

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

2) CASH AND INVESTMENTS (continued)

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

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

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|--|------------------|---------------------------------|----------------------------------|
| U.S. Treasury Obligations | 5 years* | 100% | None |
| U.S. Government Sponsored Entities | 5 years* | 75% | None |
| State and Local Agency Debt | 5 years* | 10% | None |
| Negotiable Certificates of Deposit - Uninsured | 5 years* | 10% | None |
| Bank Deposits | 5 years* | 30% | None |
| Bank Certificates of Deposit - Insured | 5 years* | 30% | None |
| Medium-Term Notes | 5 years | 25% | None |
| Placement Service Deposits | 5 years* | 20% | None |
| Commercial Paper | 270 days | 10% | 10% |
| Banker's Acceptances | 180 days | 10% | 30% |
| Repurchase Agreements | 30 days | 10% | None |
| Money Market Mutual funds | N/A | 20% | 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 the District's legislative body in accordance with Government Code Section 53601.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

2) CASH AND INVESTMENTS (continued)

Custodial Credit Risk

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

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

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Local Agency Investment Fund).

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, 2022, the District's deposit in collateralized accounts with financial institutions, exceeded Federal depository insurance limits.

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).

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

2) CASH AND INVESTMENTS (continued)

Investment in State Investment Pool (continued)

Currently, LAIF does not have an investment rating. LAIF has a minimum \$5,000 transaction amount in increments of \$1,000 with a maximum of 15 transactions (combination of deposits and withdrawals) per month. LAIF requires a one-day prior notice for deposits and withdrawals of \$10 million or more.

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.

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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

2) CASH AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

| Investment Type | Total | Remaining Maturity (in Months) | | |
|------------------------------------|----------------------|--------------------------------|---------------------|----------------------|
| | | 12 Months or Less | 13 to 24 Months | 25 to 60 Months |
| CAMP Pool | \$ 283,878 | \$ 283,878 | \$ - | \$ - |
| Corporate Notes | 5,238,445 | 550,725 | 1,975,833 | 2,711,887 |
| Federal Agency Securities (FFCB) | 1,099,368 | - | - | 1,099,368 |
| Federal Agency Securities (FHLB) | 1,522,402 | 497,430 | - | 1,024,972 |
| Federal Agency Securities (FHLMC) | 482,120 | - | 482,120 | - |
| Federal Agency Securities (FHLN) | 235,625 | - | - | 235,625 |
| Insured Certificates of Deposit | 6,554,718 | 1,201,060 | 1,444,805 | 3,908,853 |
| Municipal Bonds | 2,534,165 | - | 462,874 | 2,071,291 |
| Negotiable Certificates of Deposit | 349,946 | 349,946 | - | - |
| SD County Pool | 2,978,181 | 2,978,181 | - | - |
| State of California LAIF | 2,658,856 | 2,658,856 | - | - |
| Treasury Securities | 1,231,584 | - | 247,813 | 983,771 |
| Total | <u>\$ 25,169,288</u> | <u>\$ 8,520,076</u> | <u>\$ 4,613,445</u> | <u>\$ 12,035,767</u> |

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LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

2) CASH AND INVESTMENTS (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating by Moody's as of June 30, 2022 for each investment type (CAMP and the San Diego County Pool are rated by Standard and Poor's and Fitch, respectively).

| Investment Type | Total | Minimum Legal Rating | Exempt From Disclosure | Ratings as of Year End | | | |
|------------------------------------|---------------------|----------------------------|------------------------------|------------------------|---------------------|---------------------|---------------------|
| | | | | AAA | AA | A | Not Rated |
| CAMP Pool | \$ 283,878 | N/A | - | \$ 283,878 | \$ - | \$ - | \$ - |
| Corporate Notes | 5,238,446 | A | - | 249,442 | 3,991,546 | 997,458 | - |
| Federal Agency Securities (FFCB) | 1,099,368 | N/A | - | 1,099,368 | - | - | - |
| Federal Agency Securities (FHLB) | 1,522,402 | N/A | - | 1,522,402 | - | - | - |
| Federal Agency Securities (FHLMC) | 482,120 | N/A | - | 482,120 | - | - | - |
| Federal Agency Securities (FHLN) | 235,625 | N/A | - | 235,625 | - | - | - |
| Insured Certificates of Deposit | 6,554,717 | N/A | - | 6,554,717 | - | - | - |
| Municipal Bonds | 2,534,166 | A | - | - | 2,534,166 | - | - |
| Negotiable Certificates of Deposit | 349,946 | N/A | - | - | - | 349,946 | - |
| SD County Pool | 2,978,181 | N/A | - | 2,978,181 | - | - | - |
| State of California LAIF | 2,658,856 | N/A | - | - | - | - | 2,658,856 |
| Treasury Securities | 1,231,583 | N/A | - | 1,231,583 | - | - | - |
| Total | <u>\$25,169,288</u> | | <u>\$ -</u> | <u>\$14,637,316</u> | <u>\$ 6,525,712</u> | <u>\$ 1,347,404</u> | <u>\$ 2,658,856</u> |

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.

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LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

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, 2022:

| Investment Type | Total | Fair Value Hierarchy | | |
|--|----------------------|----------------------|--------------|---------|
| | | Level 1 | Level 2 | Level 3 |
| <u>Investments measured at fair value</u> | | | | |
| Corporate Notes | \$ 5,238,446 | \$ - | \$ 5,238,446 | \$ - |
| Federal Agency Securities (FFCB) | 1,099,368 | - | 1,099,368 | - |
| Federal Agency Securities (FHLB) | 1,522,402 | - | 1,522,402 | - |
| Federal Agency Securities (FHLMC) | 482,120 | - | 482,120 | - |
| Federal Agency Securities (FHLN) | 235,625 | - | 235,625 | - |
| Insured Certificate of Deposit | 6,554,717 | - | 6,554,717 | - |
| Municipal Bonds | 2,534,166 | - | 2,534,166 | - |
| Negotiable Certificates of Deposit | 349,946 | - | 349,946 | - |
| Treasury Securities | 1,231,583 | - | 1,231,583 | - |
| Total investments measured at fair value | 19,248,373 | - | 19,248,373 | - |
| <u>Investments not subject to fair value hierarchy</u> | | | | |
| State of California LAIF | 2,658,856 | | | |
| CAMP Pool | 283,878 | | | |
| SD County Pool | 2,978,181 | | | |
| | 5,920,915 | | | |
| | <u>\$ 25,169,288</u> | | | |

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LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

4) CAPITAL ASSETS

Capital assets consists of the following at June 30, 2022:

| | Balance June 30, 2021* | Additions/ Transfers | Deletions/ Transfers | Balance June 30, 2022 |
|-----------------------------------|---------------------------|-------------------------|-------------------------|--------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 12,878 | \$ - | \$ - | \$ 12,878 |
| Construction-in-progress - Encina | 4,268,574 | 4,281,330 | (4,279,384) | 4,270,520 |
| Construction-in-progress | 6,225,707 | 2,923,614 | (8,255,536) | 893,785 |
| Total non-depreciable assets | <u>10,507,159</u> | <u>7,204,944</u> | <u>(12,534,920)</u> | <u>5,177,183</u> |
| Depreciable assets: | | | | |
| Sewer collection facilities | 40,332,629 | 1,029,755 | (1,167,410) | 40,194,974 |
| Sewage treatment facilities | 138,290 | - | - | 138,290 |
| Sewage transmission facilities | 21,783,635 | 7,303,702 | (3,395) | 29,083,942 |
| Advanced water treatment facility | 8,513,400 | 19,516 | (258,083) | 8,274,833 |
| Subsurface lines | 35,809,803 | 228,000 | - | 36,037,803 |
| Vulcan sewer line | 210,889 | - | - | 210,889 |
| Site buildings and grounds | 14,203,365 | 5,091 | - | 14,208,456 |
| Equipment | 3,147,559 | 264,724 | (433,361) | 2,978,922 |
| Leased equipment | 30,590 | - | - | 30,590 |
| Encina joint system | 49,621,362 | 4,343,321 | (2,317,173) | 51,647,510 |
| Total depreciable assets | <u>173,791,522</u> | <u>13,194,109</u> | <u>(4,179,422)</u> | <u>182,806,209</u> |
| Accumulated depreciation: | | | | |
| Sewer collection facilities | (18,962,347) | (1,222,670) | 1,073,133 | (19,111,884) |
| Sewage treatment facilities | (121,768) | (4,609) | - | (126,377) |
| Sewage transmission facilities | (7,600,197) | (1,051,088) | 3,395 | (8,647,890) |
| Advanced water treatment facility | (4,222,709) | (257,698) | 258,083 | (4,222,324) |
| Subsurface lines | (12,620,882) | (490,891) | - | (13,111,773) |
| Vulcan sewer line | (133,312) | (4,217) | - | (137,529) |
| Site buildings and grounds | (3,757,681) | (308,128) | - | (4,065,809) |
| Equipment | (1,365,506) | (283,961) | 325,235 | (1,324,232) |
| Leased equipment | (11,730) | (6,120) | - | (17,850) |
| Encina joint system | (15,527,373) | (1,289,755) | 2,317,173 | (14,499,955) |
| Total accumulated depreciation | <u>(64,323,505)</u> | <u>(4,919,137)</u> | <u>3,977,019</u> | <u>(65,265,623)</u> |
| Total depreciable assets, net | <u>109,468,017</u> | <u>8,274,972</u> | <u>(202,403)</u> | <u>117,540,586</u> |
| Total capital assets, net | <u>\$ 119,975,176</u> | <u>\$ 15,479,916</u> | <u>\$ (12,737,323)</u> | <u>\$ 122,717,769</u> |

* The beginning total capital assets net, was adjusted for GASB 87 implementation. See note 8 for details.

During the fiscal year ended June 30, 2022, major capital assets additions included the Leucadia Pump Station Rehabilitation project, Encinitas Estates Pump Station Rehabilitation project, and Encina Joint System projects.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

4) CAPITAL ASSETS (continued)

Depreciation expense for the year ended June 30, 2022 was \$4,919,137.

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, 2022 are as follows:

| | |
|---|-------------------|
| Misc. line repairs | \$ 22,516 |
| Water recycling group | 590,090 |
| Recycled water pump station design | 75,723 |
| B1 force main north sect. replacement | 23,291 |
| Diana pump station upgrade | 71,163 |
| Village Park No.7 pump station rehabilitation | 99,022 |
| Equipment CIP | <u>11,980</u> |
| Total construction-in-progress | <u>\$ 893,785</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, 2022, 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% |

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

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 and administrator at the discretion of the member agencies.

As the operator and 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, 2022, Leucadia Wastewater District was required to maintain a capital reserve of \$445,200.

The latest available financial statements of the Encina Wastewater Authority 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 | Due Within | Due in More |
|---------------|------------|--------------|---------------|------------|---------------|
| June 30, 2021 | Additions | Deletions | June 30, 2022 | One Year | Than One Year |
| \$ 344,460 | \$ 239,121 | \$ (285,622) | \$ 297,959 | \$ 247,064 | \$ 50,895 |

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

8) LONG- TERM LIABILITIES

A summary of long-term liabilities of the District at June 30, 2022 is as follows:

| Description | Outstanding Beginning of Year | Additions | Deletions | Outstanding End of Year | Due Within One Year |
|-------------------------|-------------------------------------|-----------|-----------|----------------------------|------------------------|
| Lease Payable - Copiers | \$ 19,121 | \$ - | \$ 6,102 | \$ 13,019 | \$ 6,201 |

In August 2019, the District entered into a five-year lease agreement with Aztec Leasing in the amount of \$31,853 for the rental of office copy machines. The lease is paid monthly installments of \$531 and bears an implicit interest rate of 1.6%. As resulted from the GASB 87 implementation, the outstanding balance of this lease at June 30, 2022 is reported \$13,019. The value of the right to use asset as of June 30, 2022 of \$30,590 with an accumulated amortization of \$6,120 is included with equipment in the Note 4.

Debt service requirements to maturity:

| June 30, | Lease Payable - Copiers | | |
|----------|-------------------------|----------|-----------|
| | Principal | Interest | Total |
| 2023 | \$ 6,201 | \$ 169 | \$ 6,370 |
| 2024 | 6,290 | 80 | 6,370 |
| 2025 | 528 | 2 | 530 |
| Total | \$ 13,019 | \$ 251 | \$ 13,270 |

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

9) NET POSITION

Calculation of net position as of June 30, 2022 was as follows:

| | |
|--|-----------------------|
| Net Investment in capital assets: | |
| Land | \$ 12,878 |
| Construction in progress | 5,164,305 |
| Capital assets, net of depreciation | 117,540,586 |
| Capital leases payable | (13,019) |
| Total investment in capital assets | <u>122,704,750</u> |
| Restricted net position: | |
| Restricted for Encina Wastewater Authority reserve | <u>445,200</u> |
| Total restricted net position | <u>445,200</u> |
| Unrestricted net position: | |
| Reserve for operations | 2,770,758 |
| Reserve of capital replacement | 11,375,633 |
| Reserve for water recycling | 1,559,732 |
| Reserve for emergencies | <u>7,500,000</u> |
| Total unrestricted net position | <u>23,206,123</u> |
| Total net position | <u>\$ 146,356,073</u> |

For internal purposes, the Board of Directors adopted a reserve policy to reserve Unrestricted Net Position. The reserves are meant to reflect the intentions of the Board and are not legally restricted. Encina Wastewater Authority Reserves on Deposit are restricted by the Encina Wastewater Authority.

10) 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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

10) DEFERRED COMPENSATION SAVINGS PLAN (continued)

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, 2022 amounted to \$2,825,265.

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 in accordance with Generally Accepted Accounting Principles.

11) DEFINED BENEFIT PENSION PLAN

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The Plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

| | Classic Miscellaneous Plan | PEPRA Miscellaneous Plan |
|--|-------------------------------|-----------------------------|
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 3.0% at 60 | 2.0% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50-60 | 50-67 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 3.0% | 1.0% to 2.5% |
| Required employee contribution rates | 8.000% | 6.750% |
| Required employer contribution rates | 15.250% | 7.590% |

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

11) 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. 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.

Employer contributions to the Plan for the fiscal year ended June 30, 2022 were \$874,006. The actual employer payments of \$834,916 made to CalPERS by the District during the measurement period ended June 30, 2021, differed from the District's proportionate share of the employer's contributions of \$704,658 by \$130,258, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

11) DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Methods and Assumptions Used to determine Total Pension Liability

For the measurement period ending June 30, 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020 total pension liability determined in the June 30, 2020 actuarial valuation. The June 30, 2021 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 ¹ | Derived using CalPERS' Membership Date for all funds |
| Post retirement benefit Increase | Contract COLA up to 2.00% until Purchasing Power Protection Allowance |

All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, www.calpers.ca.gov under Forms and Publications.

Change of Assumptions

There were no change of assumptions in 2021.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

11) DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate

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

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

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

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

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

11) DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate (continued)

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.

| <u>Asset Class⁽¹⁾</u> | <u>Assumed Asset Allocation</u> | <u>Real Return Years 1-20⁽²⁾</u> | <u>Real Return Years 11+⁽³⁾</u> |
|----------------------------------|---------------------------------|---|--|
| Public 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% |

¹ In the CalPERS ACFR, Liquidity is included in Short-Term Investments, Inflation Assets are included in both Public Equity and Fixed Income.

² An expected inflation of 2.00 percent was used for this period

³ An expected inflation of 2.92 percent was used for this period

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

11) DEFINED BENEFIT PENSION PLAN (continued)

Subsequent Events (continued)

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.80% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022 measurement date.

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

Proportionate Share of Net Pension Liability

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 June 30, 2020 | \$ 19,191,000 | \$ 14,667,076 | \$ 4,523,924 |
| Balance at June 30, 2021 | 20,010,513 | 17,915,846 | 2,094,667 |
| Net changes during 2020-21 | <u>\$ 819,513</u> | <u>\$ 3,248,770</u> | <u>\$ (2,429,257)</u> |

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

11) DEFINED BENEFIT PENSION PLAN (continued)

Proportionate Share of Net Pension Liability (continued)

The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The District's proportionate share of the net pension liability for the plan as of June 30, 2020 and 2021 was as follows:

| | <u>Miscellaneous Plan</u> |
|------------------------------|-------------------------------|
| Proportion - June 30, 2020 | 0.1073% |
| Proportion - June 30, 2021 | 0.1103% |
| Change - Increase (decrease) | <u>0.0030%</u> |

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:

| | <u>Discount Rate - 1% 6.15%</u> | <u>Current Discount Rate 7.15%</u> | <u>Discount Rate +1% 8.15%</u> |
|-----------------------|-------------------------------------|--|------------------------------------|
| Net pension liability | \$ 4,736,673 | \$ 2,094,667 | \$ (89,441) |

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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

11) DEFINED BENEFIT PENSION PLAN (continued)

Deferred Outflows and Deferred Inflows of Resources (continued)

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, 2021 measurement date is 3.7 years, which was obtained by dividing the total services years by the total number of participants (active, inactive, and retired) in the Plan.

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.

As of the start of the measurement period (July 1, 2020), the District's net pension liability was \$4,523,924. For the measurement period ending June 30, 2021 (the measurement date), the District incurred a pension expense of \$338,881.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

11) DEFINED BENEFIT PENSION PLAN (continued)

Deferred Outflows and Deferred Inflows of Resources (continued)

As of June 30, 2022, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Pension contributions subsequent to the measurement date | \$ 874,006 | \$ - |
| Differences between actual contributions made and proportionate share of contributions | 141,574 | 26,736 |
| Differences between expected and actual experience | 234,894 | - |
| Changes of assumptions | - | - |
| Net difference between project and actual earnings on pension plan investments | - | 1,828,534 |
| Adjustments due to differences in proportions | <u>23,564</u> | <u>149,390</u> |
| Total | <u>\$ 1,274,038</u> | <u>\$ 2,004,660</u> |

Deferred outflows of resources totaling \$874,006 related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

| <u>Fiscal Year Ended June 30:</u> | <u>Deferred Outflows/(Inflows) of Resources</u> |
|---------------------------------------|---|
| 2023 | \$ (334,429) |
| 2024 | (357,442) |
| 2025 | (407,442) |
| 2026 | (505,315) |
| 2027 | - |
| Thereafter | - |

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

12) 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 found on the CalPERS website at www.calpers.ca.gov under investments, about the investment office and investment & financial reports.

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, 2021 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 | 3 |
| Total plan membership | <u>23</u> |

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

12) OTHER POST-EMPLOYMENT BENEFITS (continued)

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, 2022, the District's cash contributions were \$6,436 in payments to the trust and the estimated implied subsidy was \$10,111, resulting in total payments of \$16,547.

Net OPEB Liability (Asset)

The District's net OPEB asset was measured as of June 30, 2021 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2021, based on the following actuarial methods and assumptions:

| | |
|---------------------------|--|
| Actuarial Cost Method: | Entry Age Normal |
| Actuarial Assumptions: | |
| Discount rate | 6.50% |
| Inflation | 2.50% |
| Salary increases | 2.75% per annum, plus merit increases based on Miscellaneous rates from CalPERS 2017 Pension Plan Experience Study |
| Investment rate of return | 6.5%, assuming actuarially determined contributions funded into CERBT Investment Strategy |
| Healthcare trend rate | 6.50% initial, decreasing to an ultimate rate of 4.50% |

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 expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation of 2.50%.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

12) OTHER POST-EMPLOYMENT BENEFITS (continued)

Net OPEB Liability (Asset) (continued)

The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2021 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return (11+ years)*</u> |
|------------------------|------------------------------|--|
| Global Equity | 59.00% | N/A |
| Global Debt Securities | 25.00% | N/A |
| Inflation Assets | 5.00% | N/A |
| Commodities | 3.00% | N/A |
| REITs | 8.00% | N/A |
| Total | <u>100.00%</u> | <u>6.50%</u> |

*Long-term expected rate of return is assumed to be 6.50%

Change of Assumptions

The discount rate decreased from 7.00% to 6.50%.

The mortality table has been updated from the 2017 CalPERS Mortality to the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 for Employees and retirees, and to the SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021 for Surviving Spouses:

Health care trend rates have been updated to an initial rate of 6.50% decreasing by 0.25% annually to an ultimate rate of 4.50%.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

12) OTHER POST-EMPLOYMENT BENEFITS (continued)

Discount Rate

The discount rate used to measure the total OPEB asset was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

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, 2021 (Measurement Date: June 30, 2020) | \$ 394,815 | \$ 468,191 | \$ (73,376) |
| Changes recognized for the measurement period: | | | |
| Service cost | 17,723 | - | 17,723 |
| Interest | 27,992 | - | 27,992 |
| Difference in experience | (82,510) | - | (82,510) |
| Changes of assumptions | 17,661 | - | 17,661 |
| Contributions - employer | - | 25,748 | (25,748) |
| Net investment income | - | 128,680 | (128,680) |
| Benefit payments | (25,748) | (25,748) | - |
| Administrative expense | - | (177) | 177 |
| Net Changes | <u>(44,882)</u> | <u>128,503</u> | <u>(173,385)</u> |
| Balance at June 30, 2022 (Measurement Date: June 30, 2021) | <u>\$ 349,933</u> | <u>\$ 596,694</u> | <u>\$ (246,761)</u> |

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

12) OTHER POST-EMPLOYMENT BENEFITS (continued)

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, 2021:

| | 1% Decrease 5.50% | Discount Rate Current (6.50%) | 1% Increase 7.50% |
|----------------------------|----------------------|----------------------------------|----------------------|
| Net OPEB Liability (Asset) | <u>\$ (200,491)</u> | <u>\$ (246,761)</u> | <u>\$ (285,195)</u> |

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

The following presents the net OPEB liability (asset) of the District if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

| | 1% Decrease (5.5% to 3.5%) | Current Healthcare Cost Trend Rate (6.5% to 4.5%) | 1% Increase (7.5% to 5.5%) |
|----------------------------|-------------------------------|--|-------------------------------|
| Net OPEB Liability (Asset) | <u>\$ (259,020)</u> | <u>\$ (246,761)</u> | <u>\$ (189,202)</u> |

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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

12) OTHER POST-EMPLOYMENT BENEFITS (continued)

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

| | |
|---|---|
| Net difference between project 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, 2022, the District recognized OPEB income of \$4,554. As of fiscal year ended June 30, 2022, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| OPEB contributions subsequent to measurement date | \$ 16,547 | \$ - |
| Changes of assumptions | 39,013 | - |
| Differences between expected and actual experiences | 18,622 | 80,082 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 66,669 |
| Total | <u>\$ 74,182</u> | <u>\$ 146,751</u> |

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

12) OTHER POST-EMPLOYMENT BENEFITS (continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (continued)

The \$16,547 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized as expense as follows:

| <u>Fiscal Year Ended June 30:</u> | <u>Deferred Outflows/(Inflows) of Resources</u> |
|---------------------------------------|---|
| 2023 | \$ (15,207) |
| 2024 | (14,448) |
| 2025 | (15,154) |
| 2026 | (18,288) |
| 2027 | 888 |
| Thereafter | (26,907) |

13) 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 59 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, 2022, the District participated in the self-insurance programs of the CSRMA as follows:

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

13) RISK MANAGEMENT (continued)

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, \$15,500,000 of commercial reinsurance is purchased above the pool layer with an additional \$10,000,000 in excess insurance above the reinsurance layer for a total maximum coverage of \$25,500,000.

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

Special Form Property Coverage - Up to \$26,936,595 with a deductible of \$10,000 per claim.

Public Entity Physical Damage - For the replacement cost up to \$916,043 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 \$300,000 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 \$0 deductible.

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

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

13) RISK MANAGEMENT (continued)

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, 2022, 2021 and 2020. 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, 2022 and 2021.

14) 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 \$139,536 in open construction contracts as of June 30, 2022. These include the following:

| <u>Project Name</u> | <u>Total Approved Contracts</u> | <u>Construction Costs to Date</u> | <u>Remaining Obligation</u> |
|--|---|---|---------------------------------|
| Encinitas Estates PS Replacement Project | \$ 1,919,358 | \$(1,894,951) | \$ 24,407 |
| Village Park 7 PS Replacement Project | 101,321 | (76,066) | 25,255 |
| Citrix Setup | 8,678 | (7,570) | 1,108 |
| FY2022 Gravity Sewer Repair Project | 327,145 | (261,557) | 65,588 |
| Vaughn Submersible Chopper Pump | 23,178 | - | 23,178 |
| Total | <u>\$ 2,379,680</u> | <u>\$(2,240,144)</u> | <u>\$ 139,536</u> |

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2022

14) COMMITMENTS AND CONTINGENCIES (continued)

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.

15) RESTATEMENT OF BEGINNING NET POSITION

As discussed in Note 1 and Note 8, the District implemented GASB Statement No. 87 in the fiscal year ended June 30, 2022. Accordingly, beginning net position was restated for the changes related to GASB Statement 87. The net effect to beginning net position was a reduction of \$261.

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Required Supplementary Information

LEUCADIA WASTEWATER DISTRICT

Required Supplementary Information Schedule of the Plan's Proportionate Share of Net Pension Liability Last Ten Fiscal Years*

| Measurement Date | 6/30/2021 | 6/30/2020 | 6/30/2019 | 6/30/2018 |
|--|-------------|-------------|-------------|-------------|
| Proportion of the collective net pension liability | 0.1103% | 0.1073% | 0.1096% | 0.1062% |
| Proportionate share of the collective net pension liability | \$2,094,667 | \$4,523,924 | \$4,386,823 | \$4,000,889 |
| Covered payroll | \$2,055,804 | \$2,009,626 | \$1,926,315 | \$1,798,709 |
| Proportionate share of the collective net pension liability as percentage of covered payroll | 101.89% | 225.11% | 227.73% | 222.43% |
| Plan fiduciary net position as a percentage of the total pension liability | 89.53% | 76.43% | 75.79% | 76.65% |

Notes to Schedule:

Benefit Changes: There were no changes in the benefit terms.

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2020 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: There were no changes of 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 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for fiscal year 2021-22 determined in this valuation were calculated using a discount rate of 7.00 percent. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.)

In 2014, amounts reported were based on the 7.50 percent discount rate.

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

LEUCADIA WASTEWATER DISTRICT

Required Supplementary Information Schedule of the Plan's Proportionate Share of Net Pension Liability (continued) Last Ten Fiscal Years*

| Measurement Date | <u>6/30/2017</u> | <u>6/30/2016</u> | <u>6/30/2015</u> | <u>6/30/2014</u> |
|--|------------------|------------------|------------------|------------------|
| Proportion of the collective net pension liability | 0.1034% | 9.9800% | 0.0949% | 0.0921% |
| Proportionate share of the collective net pension liability | \$4,074,562 | \$3,466,620 | \$2,604,135 | \$2,277,414 |
| Covered payroll | \$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 | 231.80% | 208.31% | 169.34% | 150.67% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.82% | 76.68% | 81.30% | 83.03% |

LEUCADIA WASTEWATER DISTRICT

Required Supplementary Information Schedule of Contributions – Defined Benefit Pension Plan Last Ten Fiscal Years*

| | 2022 | 2021 | 2020 | 2019 |
|---|---------------------|---------------------|---------------------|-------------|
| Fiscal Year Ended June 30 | | | | |
| Actuarially determined contribution | \$ 587,418 | \$ 561,027 | \$ 513,576 | \$ 442,015 |
| Contributions in relation to the actuarially determined contribution | 874,006 | 834,916 | 753,534 | 442,015 |
| Contribution deficiency (excess) | <u>\$ (286,588)</u> | <u>\$ (273,889)</u> | <u>\$ (239,958)</u> | <u>\$ -</u> |
| Covered payroll | \$2,055,804 | \$2,055,804 | \$2,009,626 | \$1,926,315 |
| Contributions as a percentage of Covered payroll | 42.51% | 40.61% | 37.50% | 22.95% |

Notes to Schedule:

Fiscal Year End: 06/30/22
Valuation Date: 06/30/20

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 | 7.00% |
| Inflation | 2.50% |
| Payroll growth | 2.75% per annum plus merit |

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

LEUCADIA WASTEWATER DISTRICT

Required Supplementary Information Schedule of Contributions – Defined Benefit Pension Plan (continued) Last Ten Fiscal Years*

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------|----------------|----------------|----------------|
| Fiscal Year Ended June 30 | | | | |
| Actuarially determined contribution | \$ 373,044 | \$ 338,782 | \$ 229,609 | \$ 242,055 |
| Contributions in relation to the actuarially determined contribution | <u>373,044</u> | <u>338,782</u> | <u>229,609</u> | <u>242,055</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | |
| Covered payroll | \$ 1,798,709 | \$ 1,757,813 | \$ 1,664,178 | \$ 1,537,839 |
| Contributions as a percentage of Covered payroll | 20.74% | 19.27% | 18.00% | 15.74% |

LEUCADIA WASTEWATER DISTRICT

Required Supplementary Information Schedule of Changes in Net OPEB Liability and Related Ratios Last Ten Fiscal Years*

| Measurement Date | 6/30/2021 | 6/30/2020 | 6/30/2019 | 6/30/2018 | 6/30/2017 |
|---|--------------|--------------|--------------|--------------|--------------|
| Total OPEB liability: | | | | | |
| Service cost | \$ 17,723 | \$ 17,276 | \$ 11,652 | \$ 11,313 | \$ 10,573 |
| Interest | 27,992 | 26,943 | 20,703 | 19,426 | 18,533 |
| Actual and expected experience difference | (82,510) | (7,765) | 29,797 | - | - |
| Changes in assumptions | 17,661 | - | 36,990 | - | - |
| Changes in benefit terms | - | - | - | - | - |
| Benefit payments | (25,748) | (18,210) | (13,349) | (12,324) | (21,841) |
| Net change in total OPEB liability | (44,882) | 18,244 | 85,793 | 18,415 | 7,265 |
| Total OPEB liability - beginning | 394,815 | 376,571 | 290,778 | 272,363 | 265,098 |
| Total OPEB liability - ending (a) | 349,933 | 394,815 | 376,571 | 290,778 | 272,363 |
| Plan fiduciary net position: | | | | | |
| Contribution - employer | 25,748 | \$ 18,210 | \$ 13,349 | \$ 12,324 | \$ 27,373 |
| Net interest income | 128,680 | 15,982 | 26,298 | 31,467 | 37,240 |
| Benefit payments | (25,748) | (18,210) | (13,349) | (12,324) | (21,841) |
| Administrative expense | (177) | (221) | (91) | (734) | (189) |
| Net change in plan fiduciary net position | 128,503 | 15,761 | 26,207 | 30,733 | 42,583 |
| Plan fiduciary net position - beginning | 468,191 | 452,430 | 426,223 | 395,490 | 352,907 |
| Plan fiduciary net position - ending (b) | 596,694 | 468,191 | 452,430 | 426,223 | 395,490 |
| Net OPEB liability (asset) - ending (a)-(b) | \$ (246,761) | \$ (73,376) | \$ (75,859) | \$ (135,445) | \$ (123,127) |
| Plan fiduciary net position as a percentage of the total OPEB liability | | | | | |
| | 170.52% | 118.58% | 120.14% | 146.58% | 145.21% |
| Covered-employee payroll | \$ 2,260,140 | \$ 2,197,527 | \$ 2,112,219 | \$ 1,960,900 | \$ 1,922,264 |
| Net OPEB liability (asset) as a percentage of covered-employee payroll | -10.92% | -3.34% | -3.59% | -6.91% | -6.41% |

Notes to Schedule:

The following assumptions were changed from the prior valuation:

Discount rate: The discount rate decreased from 7.00% to 6.50%.

Mortality tables: Employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021. Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021

Healthcare trend rates: Health care trend rates have been updated to an initial rate of 6.50% decreasing by 0.25% annually to an ultimate rate of 4.50%.

*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.

LEUCADIA WASTEWATER DISTRICT

Required Supplementary Information Schedule of OPEB Contributions Last Ten Fiscal Years*

| Fiscal Year Ended June 30 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|--------------|--------------|
| Actuarially Determined Contribution (ADC) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the ADC | (16,547) | (25,748) | (18,210) | (13,349) | (12,324) |
| Contribution deficiency (excess) | \$ (16,547) | \$ (25,748) | \$ (18,210) | \$ (13,349) | \$ (12,324) |
| Covered-employee payroll | \$ 2,140,654 | \$ 2,260,140 | \$ 2,197,527 | \$ 2,112,219 | \$ 1,960,900 |
| Contributions as a percentage of Covered-employee payroll | -0.77% | 1.14% | 0.83% | 0.63% | 0.63% |

Notes to Schedule:

Actuarially methods and assumptions used to set the actuarially determined contributions for fiscal year 2022 were form the June 30, 2021 actuarial valuation.

Methods and assumptions used to determine contributions:

| | |
|-----------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method/Period | Level percent of payroll over a closed rolling 15-year period |
| Asset Valuation Method | Market value |
| Inflation | 2.50% per annum |
| Payroll Growth | 2.75% per annum, plus merit increases based on Miscellaneous rates from the CalPERS 2017 Pension Plan Experience Study |
| Investment Rate of Return | 6.50% per annum. Assumes investing in California Employers' Retiree Benefit Trust asset allocation. |
| Healthcare cost-trend rates | 6.50% initial, decreasing to an ultimate rate of 4.50% |
| Mortality | SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 |

**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

LEUCADIA WASTEWATER DISTRICT

Supplementary Information Combining Schedule of Changes in Net Position For the Year Ended June 30, 2022

| | Net Investment in Capital Assets | Restricted | Unrestricted, Reserved For | | | Total Net Position | |
|---|-------------------------------------|-------------------|----------------------------|------------------------|---------------------|-----------------------|-----------------------|
| | | EWA Reserves | Operations | Capital Replacement | Water Recycling | | Emergencies |
| Balance, June 30, 2021 | \$ 119,956,055 | \$ 2,041,200 | \$ 2,831,306 | \$ 12,870,043 | \$ 1,469,106 | \$ 7,500,000 | \$ 146,667,710 |
| Net operating income (loss) | - | - | (1,327,558) | - | (107,041) | - | (1,434,599) |
| Contribute capital, sewer lines | 228,000 | - | - | - | - | - | 228,000 |
| Capacity fees (buy-in) | - | - | - | 138,675 | - | - | 138,675 |
| Net additions to utility plant and equipment | 7,433,730 | - | - | (7,432,931) | (73,628) | - | (72,829) |
| Depreciation charged to net income | (4,919,137) | - | 4,661,442 | - | 257,695 | - | - |
| Interest income allocated | - | - | 40,432 | (1,278,427) | 13,600 | 67,700 | (1,156,695) |
| Property taxes | - | - | - | 1,967,574 | - | - | 1,967,574 |
| Miscellaneous non-operating income | - | - | 10,990 | 7,247 | - | - | 18,237 |
| Reduction of lease payables | 6,102 | - | - | (6,102) | - | - | - |
| Transfers | - | (1,596,000) | (3,445,854) | 5,109,554 | - | (67,700) | - |
| Balance, June 30, 2022 | <u>\$ 122,704,750</u> | <u>\$ 445,200</u> | <u>\$ 2,770,758</u> | <u>\$ 11,375,633</u> | <u>\$ 1,559,732</u> | <u>\$ 7,500,000</u> | <u>\$ 146,356,073</u> |

Statistical Section

LEUCADIA WASTEWATER DISTRICT

Statistical Section

TABLE OF CONTENTS

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

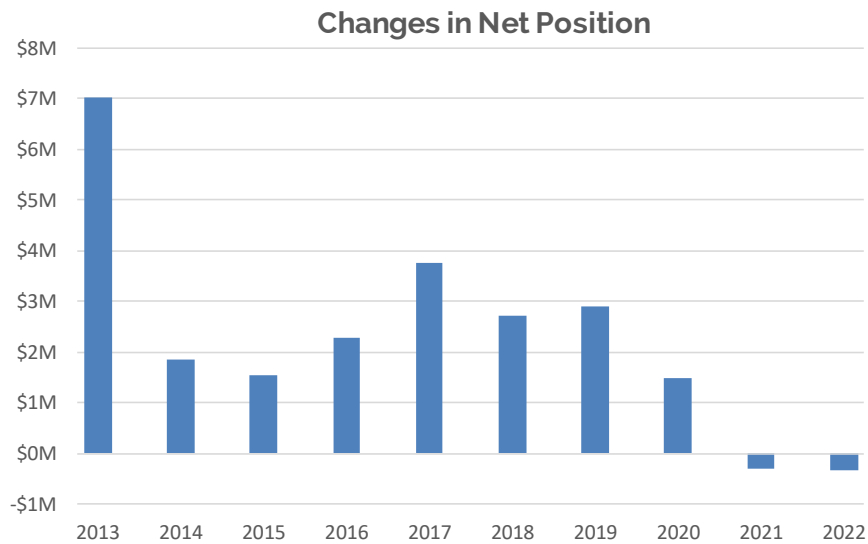
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LEUCADIA WASTEWATER DISTRICT

Changes in Net Position by Component Last Ten Fiscal Years

Schedule 1

| | Fiscal Year | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2013 | 2014 | 2015 | 2016 |
| Changes in net position | | | | |
| Operating revenues (See schedule 2) | \$ 7,873,007 | \$ 7,958,080 | \$ 8,497,441 | \$ 9,365,918 |
| Operating expenses (See schedule 3) | (5,799,853) | (5,878,182) | (6,142,492) | (6,260,595) |
| Depreciation & amortization | (3,413,314) | (3,527,059) | (3,693,901) | (3,766,355) |
| Operating income(loss) | (1,340,160) | (1,447,161) | (1,338,952) | (661,032) |
| Non-operating revenues (expenses) | | | | |
| Property taxes | 1,207,630 | 1,263,119 | 1,382,197 | 1,482,357 |
| Investment income (loss) | (11,993) | 213,607 | 255,144 | 243,702 |
| Gain/(loss) on sale/disposition of assets | 6,310,855 | (146,913) | (185,686) | (500,547) |
| Other revenue/(expense), net | 8,448 | 1,911 | 16,054 | 10,911 |
| Total non-operating revenues/(expenses) net | 7,514,940 | 1,331,724 | 1,467,709 | 1,236,423 |
| Net income before capital contributions | 6,174,780 | (115,437) | 128,757 | 575,391 |
| Capital contributions | 861,421 | 1,989,096 | 1,419,831 | 1,718,556 |
| Changes in net position | 7,036,201 | 1,873,659 | 1,548,588 | 2,293,947 |
| Net position by component | | | | |
| Net investment in capital assets | \$ 97,565,846 | \$ 98,011,150 | \$ 102,080,041 | \$ 103,352,670 |
| Restricted | 2,335,165 | 2,118,651 | 1,595,655 | 2,155,040 |
| Unrestricted | 33,813,489 | 35,458,358 | 28,188,300 | 30,466,533 |
| Total net position | \$ 133,714,500 | \$ 135,588,159 | \$ 131,863,996 | \$ 135,974,243 |



Source: Leucadia Wastewater District Accounting Department

LEUCADIA WASTEWATER DISTRICT

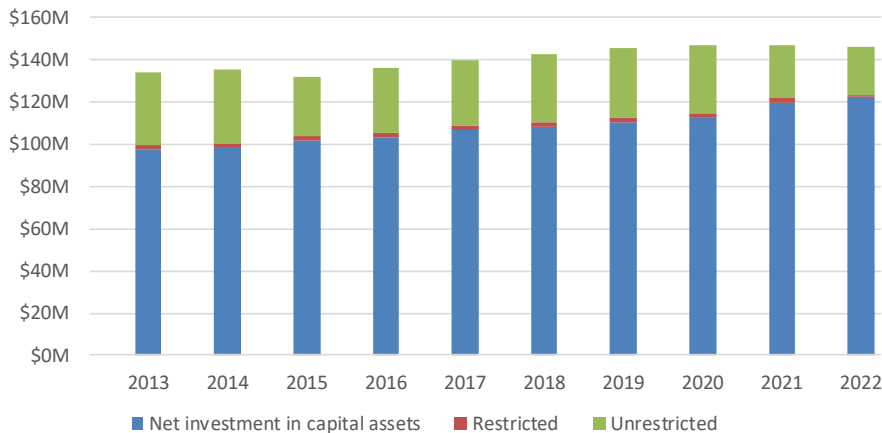
Changes in Net Position by Component (continued)

Last Ten Fiscal Years

Schedule 1

| Fiscal Year | | | | | |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| \$ 10,285,854 | \$ 10,290,586 | \$ 10,322,518 | \$ 10,327,319 | \$ 10,457,885 | \$ 11,438,721 |
| (6,508,623) | (6,788,292) | (6,921,833) | (8,033,666) | (8,569,320) | (7,954,183) |
| (3,831,850) | (3,953,584) | (4,081,876) | (4,107,078) | (4,295,162) | (4,919,137) |
| (54,619) | (451,290) | (681,191) | (1,813,425) | (2,406,597) | (1,434,599) |
| 1,554,673 | 1,622,117 | 1,706,279 | 1,781,657 | 1,862,453 | 1,967,574 |
| 224,064 | 406,296 | 1,059,467 | 1,125,662 | 127,624 | (1,156,695) |
| (149,481) | (77,433) | 10,051 | (186,406) | (72,587) | (72,829) |
| 10,697 | 3,148 | 5,172 | 28,664 | 6,669 | 18,237 |
| 1,639,953 | 1,954,128 | 2,780,969 | 2,749,577 | 1,924,159 | 756,287 |
| 1,585,334 | 1,502,838 | 2,099,778 | 936,152 | (482,438) | (678,312) |
| 2,191,251 | 1,211,964 | 797,994 | 568,963 | 191,039 | 366,675 |
| 3,776,585 | 2,714,802 | 2,897,772 | 1,505,115 | (291,399) | (311,637) |
| \$ 106,913,511 | \$ 108,555,413 | \$ 110,480,355 | \$ 112,718,448 | \$ 119,956,055 | \$ 122,704,750 |
| 2,131,849 | 2,044,897 | 2,258,975 | 2,143,622 | 2,041,200 | 445,200 |
| 30,705,468 | 31,955,912 | 32,714,664 | 32,097,039 | 24,670,455 | 23,206,123 |
| \$ 139,750,828 | \$ 142,556,222 | \$ 145,453,994 | \$ 146,959,109 | \$ 146,667,710 | \$ 146,356,073 |

Net Position by Component

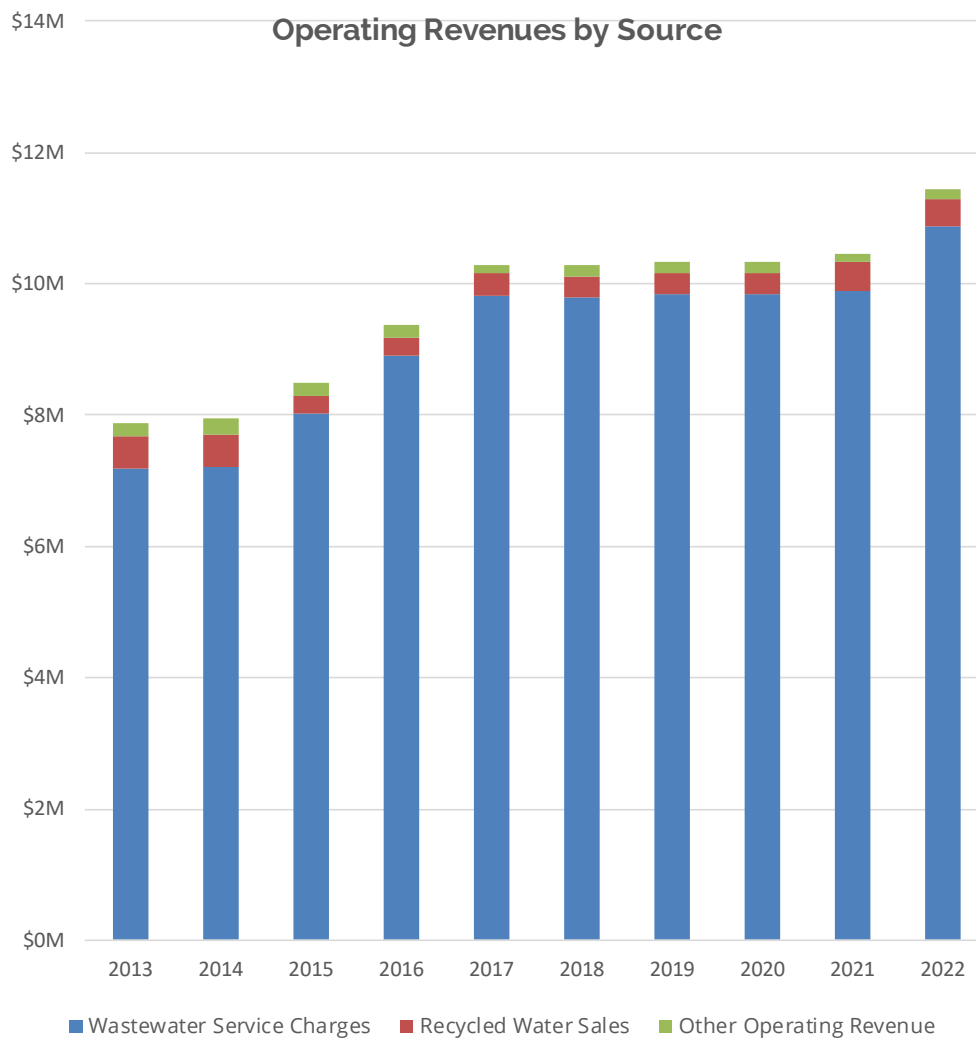


LEUCADIA WASTEWATER DISTRICT

Operating Revenue By Source Last Ten Fiscal Years

Schedule 2

| Fiscal Year | Wastewater Service Charges | Recycled Water Sales | Other Operating Revenue | Total Operating Revenue |
|-------------|----------------------------|----------------------|-------------------------|-------------------------|
| 2013 | \$ 7,185,020 | \$ 487,210 | \$ 200,777 | \$ 7,873,007 |
| 2014 | 7,218,040 | 492,421 | 247,619 | 7,958,080 |
| 2015 | 8,029,799 | 254,427 | 213,215 | 8,497,441 |
| 2016 | 8,897,385 | 279,064 | 189,469 | 9,365,918 |
| 2017 | 9,816,627 | 330,306 | 138,921 | 10,285,854 |
| 2018 | 9,787,703 | 315,118 | 187,765 | 10,290,586 |
| 2019 | 9,850,635 | 315,379 | 156,504 | 10,322,518 |
| 2020 | 9,833,533 | 325,469 | 168,317 | 10,327,319 |
| 2021 | 9,879,710 | 449,997 | 128,178 | 10,457,885 |
| 2022 | 10,879,815 | 408,839 | 150,067 | 11,438,721 |



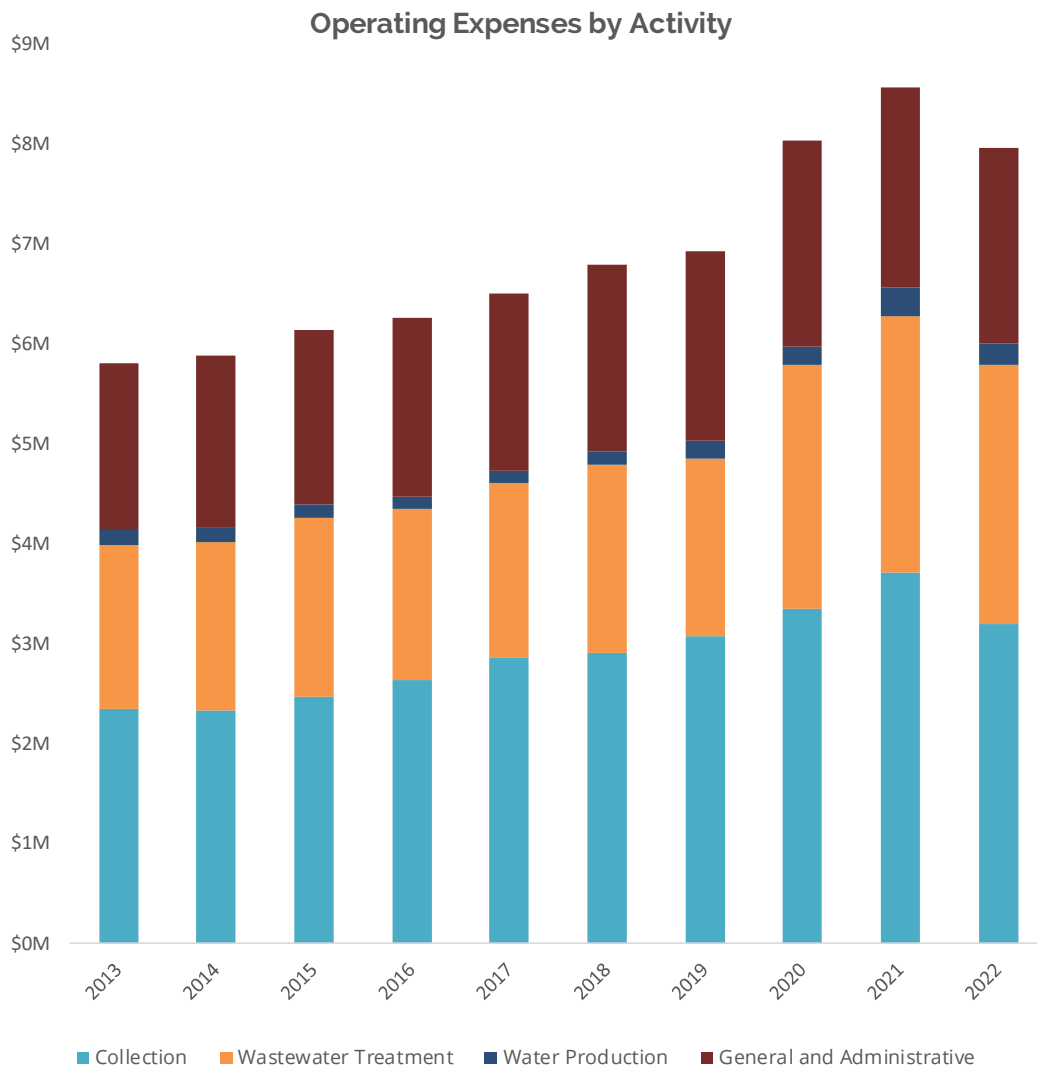
Source: Leucadia Wastewater District Accounting Department

LEUCADIA WASTEWATER DISTRICT

Operating Expenses by Activity Last Ten Fiscal Years

Schedule 3

| Fiscal Year | Wastewater Collection | Wastewater Treatment | Recycled Water Production | General and Administrative | Total Operating Expenses |
|-------------|-----------------------|----------------------|---------------------------|----------------------------|--------------------------|
| 2013 | \$ 2,349,076 | \$ 1,632,246 | \$ 156,604 | \$ 1,661,927 | \$ 5,799,853 |
| 2014 | 2,337,530 | 1,683,406 | 140,209 | 1,717,037 | 5,878,182 |
| 2015 | 2,465,884 | 1,795,007 | 130,879 | 1,750,722 | 6,142,492 |
| 2016 | 2,639,345 | 1,701,954 | 124,822 | 1,794,474 | 6,260,595 |
| 2017 | 2,866,367 | 1,735,063 | 132,554 | 1,774,639 | 6,508,623 |
| 2018 | 2,911,285 | 1,874,335 | 139,662 | 1,863,010 | 6,788,292 |
| 2019 | 3,069,899 | 1,780,954 | 173,567 | 1,897,413 | 6,921,833 |
| 2020 | 3,351,640 | 2,432,147 | 189,000 | 2,060,879 | 8,033,666 |
| 2021 | 3,717,785 | 2,558,112 | 291,074 | 2,002,349 | 8,569,320 |
| 2022 | 3,191,343 | 2,599,925 | 212,042 | 1,950,873 | 7,954,183 |



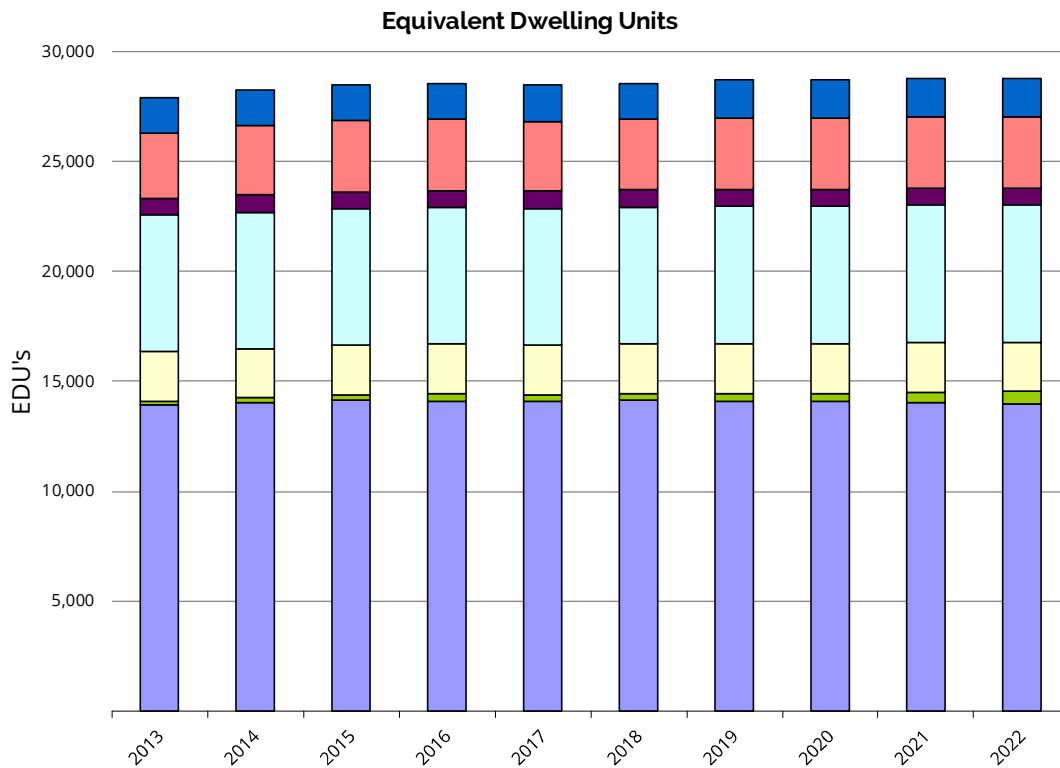
Source: Leucadia Wastewater District Accounting Department

LEUCADIA WASTEWATER DISTRICT

Equivalent Dwelling Units by Type at Fiscal Year-End Last Ten Fiscal Years

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) | |
| 2013 | 13,937.53 | 184.02 | 2,246.62 | 6,203.20 | 780.73 | 2,943.80 | 1,640.41 | 27,936.31 |
| 2014 | 14,055.53 | 188.02 | 2,246.62 | 6,213.20 | 780.73 | 3,153.30 | 1,640.41 | 28,277.81 |
| 2015 | 14,171.53 | 204.52 | 2,250.62 | 6,231.20 | 780.73 | 3,234.93 | 1,642.41 | 28,515.94 |
| 2016 | 14,107.00 | 328.72 | 2,250.62 | 6,232.20 | 780.73 | 3,218.13 | 1,642.81 | 28,560.21 |
| 2017 | 14,124.50 | 277.00 | 2,246.52 | 6,241.00 | 779.74 | 3,164.17 | 1,636.88 | 28,469.81 |
| 2018 | 14,136.00 | 312.00 | 2,236.52 | 6,248.00 | 779.74 | 3,207.70 | 1,641.78 | 28,561.74 |
| 2019 | 14,105.00 | 362.50 | 2,236.52 | 6,260.00 | 779.74 | 3,219.10 | 1,758.58 | 28,721.44 |
| 2020 | 14,083.00 | 391.00 | 2,237.27 | 6,263.25 | 779.74 | 3,224.60 | 1,759.68 | 28,738.54 |
| 2021 | 14,042.00 | 462.75 | 2,238.77 | 6,267.00 | 779.74 | 3,224.40 | 1,759.68 | 28,774.34 |
| 2022 | 14,004.00 | 532.75 | 2,241.27 | 6,259.75 | 779.74 | 3,205.40 | 1,759.18 | 28,782.09 |



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 Last Ten Fiscal Years

Schedule 5

| Price Per EDU Per Month/Per Fiscal Year | | | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|-----------------------------|---------|
| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| \$21.52 | \$21.52 | \$23.67 | \$26.04 | \$28.64 | \$28.64 | \$28.64 | \$28.64 | \$28.64 | \$31.50 |
| Wastewater Use Categories | | | | | | | | EDU Factors (2) | |
| Single Family Residence | | | | | | | | 1.0 | |
| Accessory Dwelling Units & Junior Accessory Dwelling Units (3) | | | | | | | | | |
| Accessory Dwelling Unit 500 square feet or smaller | | | | | | | | 0.25 | |
| Accessory Dwelling Unit between 501-1000 square feet | | | | | | | | 0.50 | |
| Accessory Dwelling Unit 1,001 square feet or larger | | | | | | | | 1.0 | |
| Multiple Dwelling (Apartments, condominiums, duplexes and townhouses) | | | | | | | | 1.0 per living unit | |
| Mobile Home or Trailer Park | | | | | | | | 1.0 per space | |
| Motel or Hotel without Kitchen | | | | | | | | 0.33 per living unit | |
| Hotel or Motel with Kitchen | | | | | | | | 0.55 per living unit | |
| Medical Care or Elder Care Facilities: | | | | | | | | | |
| Minimum | | | | | | | | 1.0 | |
| Multiple dwelling without kitchen but with community eating facilities | | | | | | | | 0.40 per individual bed | |
| Multiple dwelling with kitchen and with community eating facilities | | | | | | | | 0.80 per living unit | |
| Multiple dwelling with kitchen but with no community eating facilities | | | | | | | | 1.0 per living unit | |
| Single dwelling with kitchen regardless of community eating facilities | | | | | | | | 1.0 per living unit | |
| Churches and Theaters, per 115 seating capacity, or fraction thereof | | | | | | | | 1.0 | |
| Schools | | | | | | | | | |
| Elementary Schools, per 60 pupils or fraction thereof | | | | | | | | 1.0 | |
| Junior High Schools, per 50 pupils or fraction thereof | | | | | | | | 1.0 | |
| High Schools, per 30 pupils or fraction thereof | | | | | | | | 1.0 | |
| Each Trade, Vocational, University or College per 30 pupils or fraction thereof | | | | | | | | 1.0 | |
| Self-service Laundries, per wash machine | | | | | | | | 0.75 | |
| Food Services Establishments | | | | | | | | | |
| Low Food Preparation Establishments | | | | | | | | | |
| Minimum up to 14 seats w/ multi-use utensils or up to 30 seats with single-use | | | | | | | | 2.0 | |
| Establishments with multi-use utensils | | | | | | | | 1.0 per each add'l 7 seats | |
| Establishments with single-use utensils | | | | | | | | 1.0 per each add'l 15 seats | |
| High Food Preparation Establishments | | | | | | | | | |
| Minimum up to 21 seats w/ multi-use utensils or up to 45 seats with single-use | | | | | | | | 3.0 | |
| Establishments with multi-use utensils | | | | | | | | 1.0 per each add'l 7 seats | |
| Establishments with single-use utensils | | | | | | | | 1.0 per each add'l 15 seats | |
| Ballrooms, Banquet Facilities and Convention Facilities, per block of 40 seats | | | | | | | | 1.0 | |
| Automobile Service Stations | | | | | | | | | |
| Auto service stations with 4 or less gas pumps | | | | | | | | 2.0 | |
| Auto service stations with more than 4 gas pumps | | | | | | | | 3.0 | |
| Washing rack, pit, or floor drain (additional) | | | | | | | | 2.0 per each | |
| Car washes | | | | | | | | Per Review | |
| Banks, per 3,000 square foot or fraction thereof | | | | | | | | 1.0 | |
| Other Commercial and Industrial Users (Including Limited Food Preparation Establishments) | | | | | | | | | |
| First 1,000 square feet | | | | | | | | 1.0 | |
| Each additional 1,000 up to 5,000 square feet | | | | | | | | 0.60 | |
| Each additional 1,000 over 5,000 square feet | | | | | | | | 0.40 | |
| Establishments with unusual sewer characteristics or not described above | | | | | | | | Per case | |

Notes:

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

(2) EDU = Equivalent Dwelling Unit.

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

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

LEUCADIA WASTEWATER DISTRICT

Principal Customers Current Fiscal Year and Ten Years Ago

Schedule 6

| Customer | 2022 | | 2013 | |
|----------------------------------|---------------|---------------------|---------------|---------------------|
| | EDU's (1) | Percentage of Total | EDU's (1) | Percentage of Total |
| 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 | 213 | 0.75% | - | 0.00% |
| Mission Ridge Apartments | 196 | 0.69% | 196 | 0.72% |
| La Costa Affordable Housing | 185 | 0.65% | - | 0.00% |
| Encinitas Village | 180 | 0.63% | 151 | 0.55% |
| Camino Village Plaza | 169 | 0.59% | 174 | 0.64% |
| Riviera Mobile Home Park | 158 | 0.55% | 158 | 0.58% |
| La Costa Shopping Center | 150 | 0.53% | 128 | 0.47% |
| Colonial Apartments | 145 | 0.51% | 145 | 0.53% |
| Weigand Plaza II | 135 | 0.47% | 131 | 0.48% |
| Encinitas Heights Apartments | 122 | 0.43% | 122 | 0.45% |
| Total EDU's: Principal customers | <u>3,751</u> | <u>13.18%</u> | <u>3,336</u> | <u>12.18%</u> |
| Total Equivalent Dwelling Units | <u>28,470</u> | <u>100.00%</u> | <u>27,396</u> | <u>100.00%</u> |

Notes:

(1) EDU's = Equivalent Dwelling Units.

Source: Leucadia Wastewater District Operations Department

LEUCADIA WASTEWATER DISTRICT

Assessed Value of Taxable Property Last Ten Years

Schedule 7

| <u>Fiscal Year</u> | <u>Secured</u> | <u>Unsecured</u> | <u>Total Assessed Value</u> |
|------------------------|------------------|------------------|---------------------------------|
| 2013 | \$10,892,129,285 | \$ 107,678,843 | \$ 10,999,808,128 |
| 2014 | 11,283,103,814 | 110,452,174 | 11,393,555,988 |
| 2015 | 12,266,748,094 | 137,361,541 | 12,404,109,635 |
| 2016 | 13,067,537,215 | 115,068,809 | 13,182,606,024 |
| 2017 | 13,688,462,176 | 113,692,139 | 13,802,154,315 |
| 2018 | 14,342,252,801 | 114,042,989 | 14,456,295,790 |
| 2019 | 15,063,864,539 | 125,962,401 | 15,189,826,940 |
| 2020 | 15,778,407,531 | 126,132,812 | 15,904,540,343 |
| 2021 | 16,498,444,974 | 135,408,142 | 16,633,853,116 |
| 2022 | 17,285,985,770 | 116,996,553 | 17,402,982,323 |

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 |
|--------------------|-------------------------|--------------------------------|---------------------------------|-----------------------------------|---------------------------------|------------------------|
| 2013 | \$ 1,243,268 | \$ 1,226,432 | 98.6% | \$ 10,500 | 0.9% | \$ 1,236,932 |
| 2014 | 1,296,442 | 1,277,325 | 98.5% | 14,771 | 1.2% | 1,292,096 |
| 2015 | 1,417,195 | 1,396,032 | 98.5% | 17,411 | 1.2% | 1,413,443 |
| 2016 | 1,513,344 | 1,491,352 | 98.5% | 18,398 | 1.2% | 1,509,750 |
| 2017 | 1,571,940 | 1,553,390 | 98.8% | 22,042 | 1.4% | 1,575,432 |
| 2018 | 1,643,629 | 1,622,138 | 98.7% | 24,589 | 1.5% | 1,646,727 |
| 2019 | 1,726,734 | 1,703,258 | 98.6% | 23,487 | 1.4% | 1,726,745 |
| 2020 | 1,809,075 | 1,782,337 | 98.5% | 22,916 | 1.3% | 1,805,253 |
| 2021 | 1,862,728 | 1,858,958 | 99.8% | 23,129 | 1.2% | 1,882,087 |
| 2022 | 1,956,983 | 1,952,291 | 99.8% | 27,605 | 1.4% | 1,979,896 |

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

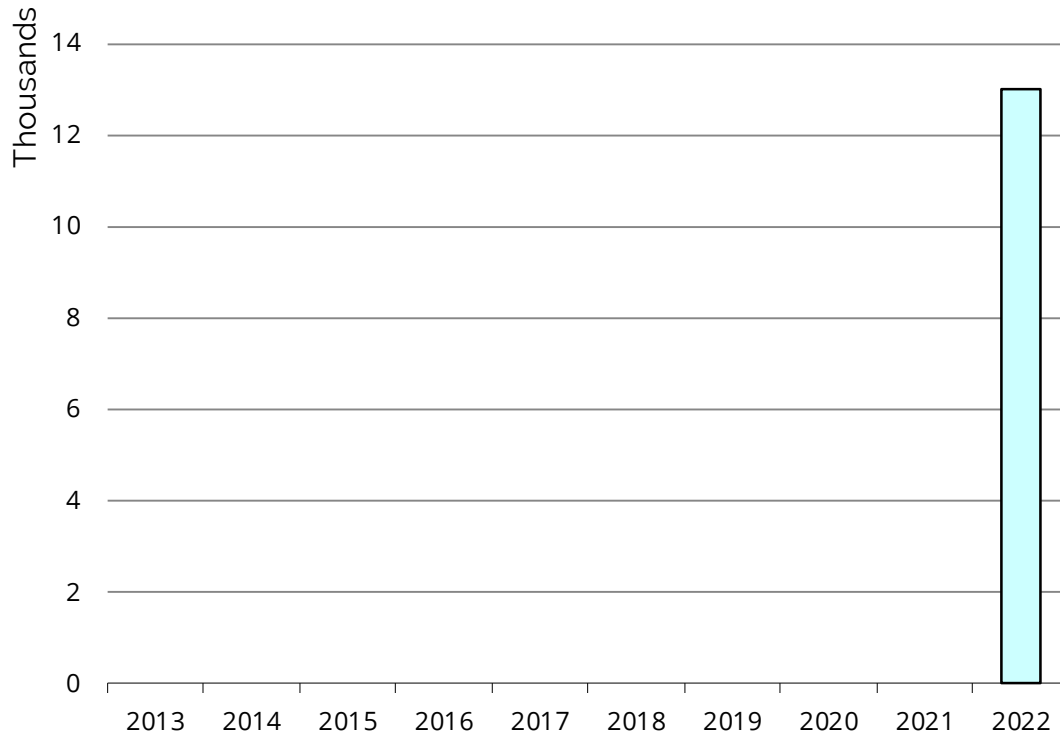
LEUCADIA WASTEWATER DISTRICT

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 |
| 2013 | - | - | - | - | 0.00% |
| 2014 | - | - | - | - | 0.00% |
| 2015 | - | - | - | - | 0.00% |
| 2016 | - | - | - | - | 0.00% |
| 2017 | - | - | - | - | 0.00% |
| 2018 | - | - | - | - | 0.00% |
| 2019 | - | - | - | - | 0.00% |
| 2020 | - | - | - | - | 0.00% |
| 2021 | - | - | - | - | 0.00% |
| 2022 | - | 13,019 | 13,019 | 0.40% | 0.00% |

Outstanding Debt



Source: Leucadia Wastewater District Accounting Department

LEUCADIA WASTEWATER DISTRICT

Debt Coverage Last Ten Fiscal Years

Schedule 10

| Fiscal Year | Net Revenues ⁽¹⁾ | Operating Expenses ⁽²⁾ | Net Available Revenues | Debt Service ⁽³⁾ | | | Coverage Ratio |
|----------------|--------------------------------|--------------------------------------|---------------------------|-----------------------------|----------|--------|-------------------|
| | | | | Principal | Interest | Total | |
| 2013 | \$ 15,387,947 | \$ (5,799,853) | \$ 9,588,094 | - | - | - | - |
| 2014 | 9,289,804 | (5,878,182) | 3,411,622 | - | - | - | - |
| 2015 | 9,965,150 | (6,142,492) | 3,822,658 | - | - | - | - |
| 2016 | 10,600,341 | (6,260,595) | 4,339,746 | - | - | - | - |
| 2017 | 11,925,807 | (6,508,623) | 5,417,184 | - | - | - | - |
| 2018 | 12,244,714 | (6,788,292) | 5,456,422 | - | - | - | - |
| 2019 | 13,103,487 | (6,921,833) | 6,181,654 | - | - | - | - |
| 2020 | 13,076,896 | (8,033,666) | 5,043,230 | - | - | - | - |
| 2021 | 12,382,044 | (8,569,320) | 3,812,724 | - | - | - | - |
| 2022 | 12,195,008 | (7,954,183) | 4,240,825 | 13,019 | 251 | 13,270 | 320 |

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 Aztec Leased Copiers implemented in FY2022 in accordance with GASB87.

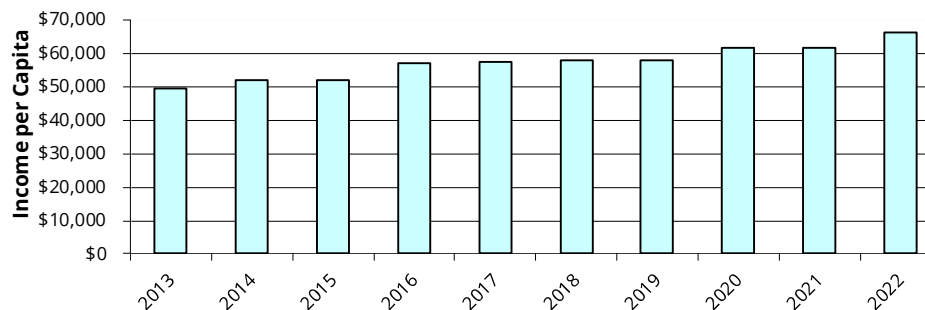
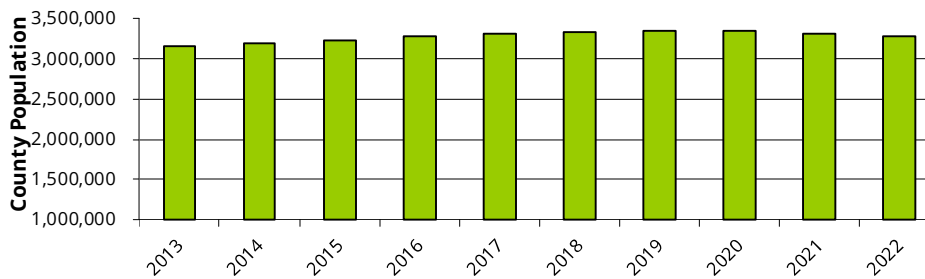
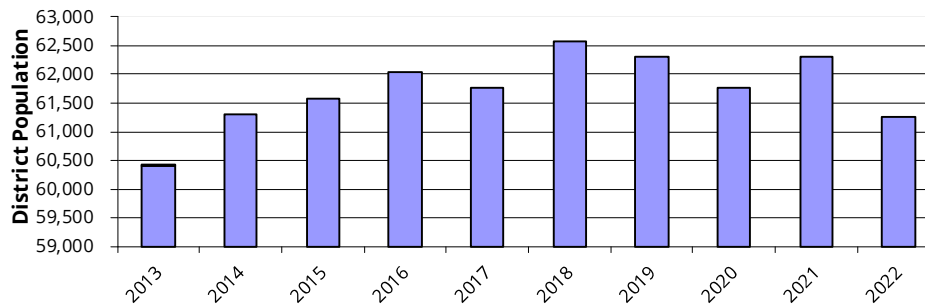
Source: Leucadia Wastewater District Accounting Department

LEUCADIA WASTEWATER DISTRICT

Demographics and Economic Statistics Last Ten Fiscal Years

Schedule 11

| Fiscal Year | District (1) Service Population | County of San Diego ⁽²⁾ | | | |
|-------------|------------------------------------|------------------------------------|-------------------|---|--------------------------------|
| | | (3) Unemployment Rate | (4) Population | Personal Income (thousands of dollars) (5) | Personal Income per Capita (5) |
| 2013 | 60,404 | 8.1% | 3,150,178 | \$ 155,146,267 | \$ 49,250 |
| 2014 | 61,294 | 6.4% | 3,194,362 | 165,535,033 | 51,821 |
| 2015 | 61,585 | 5.2% | 3,227,496 | 167,252,070 | 51,821 |
| 2016 | 62,042 | 5.1% | 3,288,612 | 186,900,000 | 56,832 |
| 2017 | 61,779 | 4.3% | 3,316,192 | 190,500,000 | 57,445 |
| 2018 | 62,565 | 3.7% | 3,337,458 | 192,681,910 | 57,733 |
| 2019 | 62,310 | 3.3% | 3,351,786 | 194,111,983 | 57,913 |
| 2020 | 61,763 | 13.8% | 3,343,355 | 205,235,190 | 61,386 |
| 2021 | 62,310 | 5.9% | 3,315,404 | 201,794,566 | 61,386 |
| 2022 | 61,257 | 5.9% | 3,287,306 | 217,836,619 | 66,266 |



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 Last Ten Fiscal Years

Schedule 12

| Employer | 2022 | | | 2013 | | |
|----------------------------------|------|---------------------|-----------------------|------|---------------------|-----------------------|
| | Rank | Number of Employees | % of Total Employment | Rank | Number of Employees | % of Total Employment |
| ViaSat, Inc | 1 | 2,481 | 3.2% | 3 | 2,193 | 3.5% |
| Legoland California | 2 | 2,300 | 3.0% | 6 | 1,158 | 1.9% |
| Thermo Fisher Scientific | 3 | 1,982 | 2.6% | 1 | 4,142 | 6.7% |
| Omni La Costa Resort & Spa | 5 | 1,300 | 1.7% | 8 | 886 | 1.4% |
| Carlsbad Unified School District | 4 | 1,092 | 1.4% | 9 | 885 | 1.4% |
| Taylor Made Golf Company | 6 | 960 | 1.3% | 2 | 2,498 | 4.0% |
| City of Carlsbad | 7 | 748 | 1.0% | | - | 0.0% |
| Nortek Security & Control | 8 | 637 | 0.8% | | - | 0.0% |
| HM Electronics, Inc. | 9 | 571 | 0.7% | | - | 0.0% |
| Gemological Institute of America | 10 | 555 | 0.7% | 5 | 1,344 | 2.2% |
| Callaway Golf Company | | | | 4 | 1,637 | 2.6% |
| Genoptix, Inc. | | | | 7 | 1,098 | 1.8% |
| Alphatec Spine, Inc. | | | | 10 | 765 | 1.2% |
| Subtotal | | <u>12,626</u> | | | <u>16,606</u> | |
| Total Estimated Employees | | <u>76,800</u> | | | <u>62,000</u> | |

Sources:

Carlsbad Business License Data - City of Carlsbad

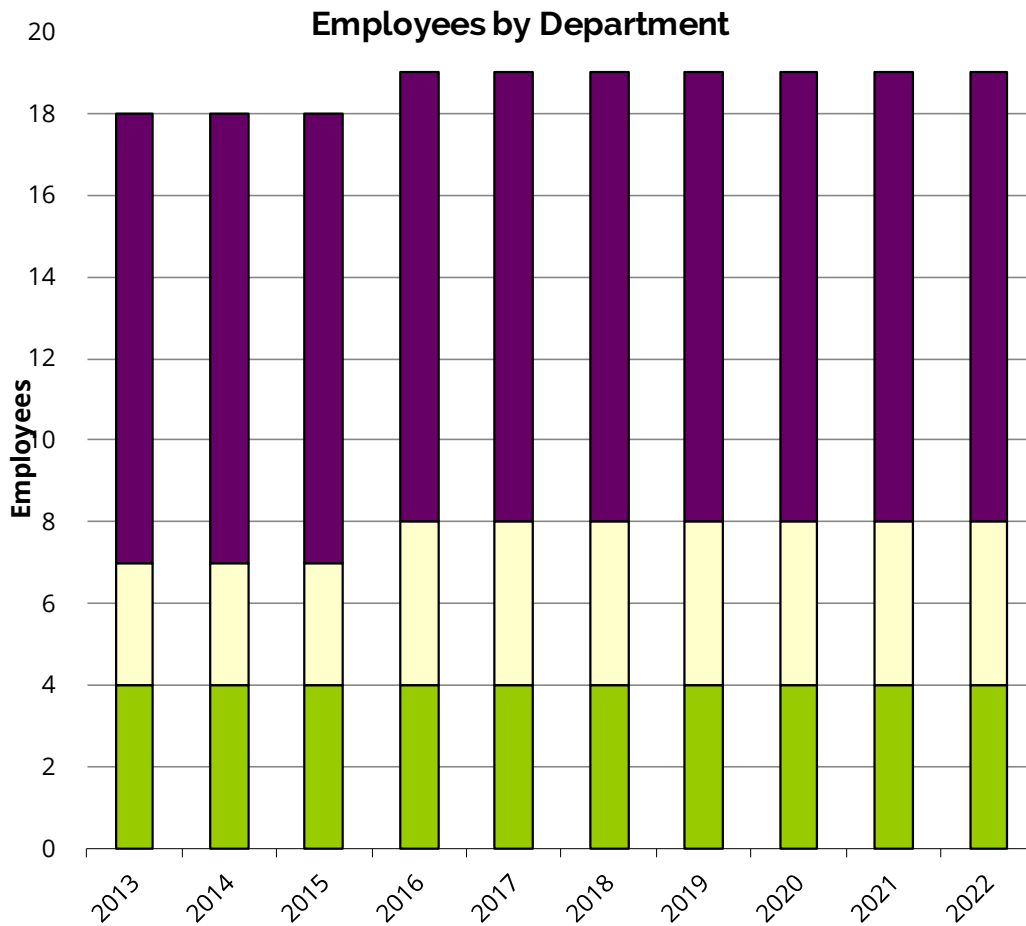
LEUCADIA WASTEWATER DISTRICT

Operating and Capacity Indicators Last Ten Fiscal Years

Schedule 13

Employees

| Department | Fiscal Year | | | | | | | | | |
|----------------|-------------|------|------|------|------|------|------|------|------|------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Management | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Administration | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Field Services | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Total | 18 | 18 | 18 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |



Source: Leucadia Wastewater District Operations and Accounting Departments

LEUCADIA WASTEWATER DISTRICT

Operating and Capacity Indicators (Continued) Last Ten Fiscal Years

Schedule 14

Other Operating and Capacity Indicators

| Fiscal Year | Miles of Sewer Lines | Number of Pump Stations | Average Dry Weather Flow (MGD) (2) | Treatment Capacity (MGD) | | Total Annual Treatment (MG) (1) |
|-------------|----------------------|-------------------------|------------------------------------|--------------------------|------------------|---------------------------------|
| | | | | Liquids | Solids & Outfall | |
| 2013 | 216 | 10 | 4.10 | 7.11 | 7.86 | 1,497 |
| 2014 | 216 | 10 | 4.17 | 7.11 | 7.11 | 1,522 |
| 2015 | 217 | 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 | 220 | 10 | 3.83 | 7.11 | 7.11 | 1,398 |
| 2019 | 220 | 10 | 3.72 | 7.11 | 7.11 | 1,359 |
| 2020 | 220 | 10 | 3.73 | 7.11 | 7.11 | 1,363 |
| 2021 | 219 | 10 | 3.74 | 7.11 | 7.11 | 1,365 |
| 2022 | 219 | 10 | 3.91 | 7.11 | 7.11 | 1,369 |

Notes:

(1) MG - Millions of Gallons

(2) MGD - Millions of Gallons per Day

Sources: Leucadia Wastewater District Operations and Accounting Departments

OTHER INFORMATION

LEUCADIA WASTEWATER DISTRICT

Schedule of Use of Capacity Charges For the Year Ended June 30, 2022

| | | Capital Improvement Fund |
|---|------------------|--------------------------------|
| Balance at June 30, 2021 | | \$ - |
| Capacity charges collected | \$ 138,675 | |
| Less: buy-in portion | <u>(138,675)</u> | - |
| Interest income (expense) | | - |
| Transfer from Capital Replacement Reserve | | <u>-</u> |
| Balance at June 30, 2022 | | <u>\$ -</u> |