

ANNUAL COMPREHENSIVE FINANCIAL REPORT

2024

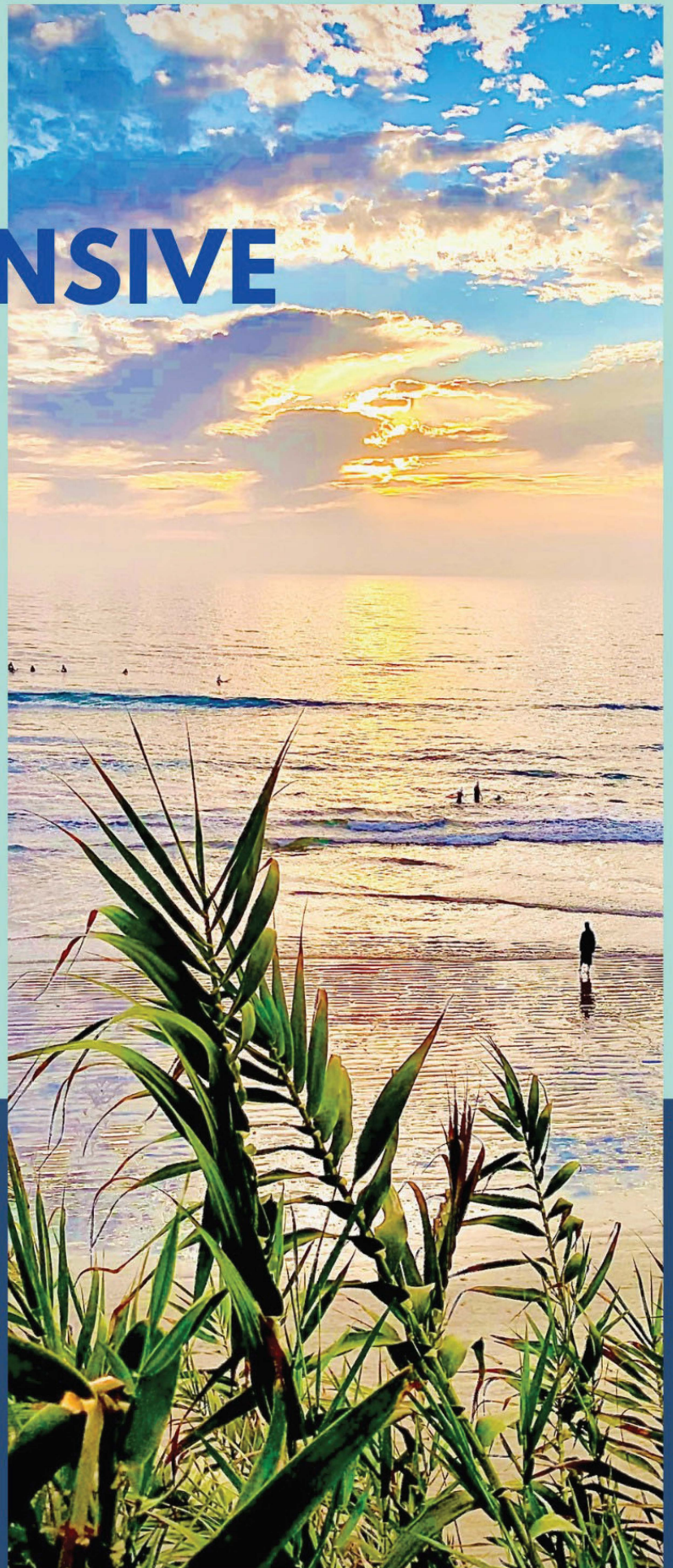
June 30, 2024



LEUCADIA
WASTEWATER
DISTRICT

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Annual Comprehensive Financial Report

For the Year Ended

June 30, 2024

LEUCADIA WASTEWATER DISTRICT

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

Prepared by:

***Paul J. Bushee, General Manager
Ryan Green, Finance & Administration Director***

Cover photo taken by Kelly Bruno

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LEUCADIA WASTEWATER DISTRICT

Annual Comprehensive Financial Report For the Year Ended June 30, 2024

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Introductory Section

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October 31, 2024

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, 2024 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, 2024 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, 2024 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 over 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 one 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 economic landscape encompasses commercial activities, tourism, and some horticulture, with no significant presence of heavy industry. The District is at approximately 91% 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 2024, estimates that by 2050 the region's population will grow by about 70,000 residents and eleven of the region's nineteen jurisdictions will experience population decreases. Over the

coming decades, the region's population will also become older; the average age of the population is projected to increase from 36 to 42. Consequently, jobs are expected to increase by over 170,000, and, given the current housing shortage, housing units will increase by over 200,000.

During fiscal year 2024, the national and local economy remained strong. The District continued to experience the impacts of a strong economy and the residual effects of the high inflation levels in the prior fiscal year, increasing costs of goods and services.

The Federal Reserve responded by increasing the interest rate from 5.25% to 5.50% in July 2024, and held rates steady throughout the remainder of the fiscal year. Potential recessionary concerns lingered throughout the fiscal year due to the impacts of interest rate increases. However, concerns were not realized due to the strong jobs market that yielded a low U.S. unemployment rate of 4.1% in June 2024.

The local economy, mirroring the national economy, experienced a robust jobs market and across-the-board price increases. In June 2023, the unemployment rate in San Diego County was 4.5%, below California's unemployment rate of 5.2%.

Price increases were also seen in the local housing market, helping boost the District's property tax revenues. The California Association of Realtors published that the median price of an existing detached single-family home in San Diego County in June 2023 was 1% higher than a year before.

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 generally slowed as the District approaches build-out.

Property taxes accounted for approximately 13% of the District's total revenue for fiscal year 2024. Due to the recent increase in home values and high rate of property transactions, property tax revenues increased by 5% 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 2023 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 comprehensively updates the plan every five-years and annually reviews the District's performance against the plan.

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 eight Classic members and eleven 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 9 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 its facilities.

- 1) In January 2024, the District completed an emergency repair to an exposed section of concrete encased gravity sewer line that crosses the San Marcos Creek. An additional \$1,056,000 was appropriated to permanently divert flow from the compromised creek crossing to an existing sewer line further east in a fortified Arizona Crossing.
- 2) With ongoing CCTV inspections of the collection systems, additional defects were discovered. As a result, the fiscal year 2023 and 2024 Gravity Pipeline Rehabilitation Projects consisted of correcting defects and rehabilitating manholes. Total funding appropriated for these two projects was \$1.2 million, and much of the work is completed or underway.
- 3) 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 \$60,000 in pipeline rehabilitation costs under this account during fiscal year 2024, and has budgeted \$185,000 in fiscal year 2025 for this effort.
- 4) An easement that will be used to upgrade the Diana pump station was secured in April 2024. Appropriations of \$564,800 have been committed and work is expected to be completed in fiscal year 2026.
- 5) The District budgeted funds in fiscal year 2025 to conduct condition assessments to evaluate all components (controls, electrical, mechanical and structural) of the District's Saxony, La Costa, Avocado, and Batiquitos pump stations.
- 6) The District budgeted funds in fiscal year 2025 to repair deteriorated concrete in the Batiquitos Pump Station's emergency basin. The project is expected to be completed in fiscal year 2025.
- 7) The 28-year old Rancho Verde pump station has been allocated a total of \$1.8 million to rehabilitate the submersible pump station with a planned completion date in 2026.
- 8) 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 to encourage District customers to maintain their private laterals. During fiscal year 2024, the District contributed over \$45,000 for the replacement and/or repair of seventeen damaged private laterals. The District has budgeted \$100,000 in fiscal year 2025 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, 2023. 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 Ashley Bobb, the District's Accounting Technician, and Trisha Hill, the District's Administrative Services 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.

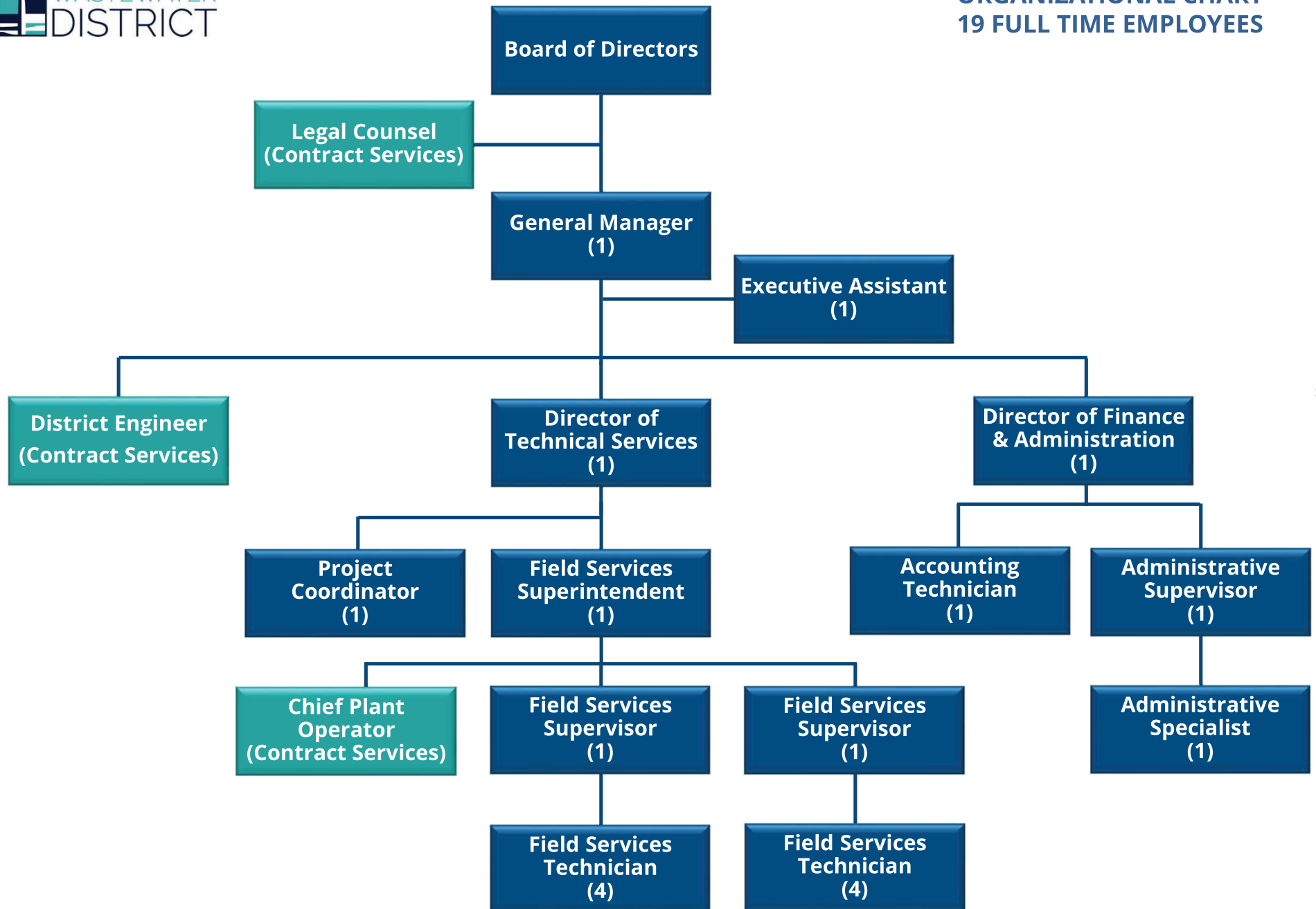
Best regards,



Paul J. Bushee
General Manager



Ryan Green
Director of Finance & Administration





List of Principal Officials

Board of Directors as of June 30, 2024

<u>Name</u>	<u>Title</u>	<u>Elected/Appointed</u>	<u>Current Term</u>
Chris Roesink	President	Elected	12/22-12/24
Rolando Saldana	Vice President	Appointed	12/22-12/26
Elaine Sullivan	Director	Elected	12/22-12/26
Donald Omsted	Director	Elected	12/20-12/24
Robert Pacilio	Director	Appointed	10/23-12/24

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



Government Finance Officers Association

Certificate of
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Presented to

**Leucadia Wastewater District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

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Financial Section

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

Independent Auditor's Report

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Carlsbad, California

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Jenny W. Liu, CPA, MST
Gardenya Duran, CPA, CGMA
Brianna Schultz, CPA, CGMA
Brenda L. Odle, CPA, MST (Partner Emeritus)
Terry P. Shea, CPA (Partner Emeritus)

MANAGERS / STAFF

Seong-Hyea Lee, CPA, MBA
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Laura Arvizu, CPA
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Julia Rodriguez Fuentes, CPA, MSA
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Jeffrey McKennan, CPA
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Report on the Audit of 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, 2024, 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 referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2024, 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 principles generally accepted in the United States of America and State Controller's Minimum Audit Requirements for California 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 (*Government Auditing Standards*), 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.

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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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. Such information 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. The 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 GAAS. In our opinion, the accompanying supplementary information 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* and the *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does 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 31, 2024 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 the effectiveness of the District's 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 31, 2024

LEUCADIA WASTEWATER DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2024

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, 2024. 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, 2024

- The primary driver of a 10% increase in operating revenues was the 10% increase of the District's wastewater service charge in fiscal year 2024 to \$457.42 per EDU per year. Recycled water revenues were flat due to the second consecutive wet winter season.
- Operating expenses (before depreciation expense) increased by 12% as anticipated and within budget. The increase was largely due to increases in the cost of wastewater treatment at the Encina Water Pollution Control Facility driven by higher chemical costs, higher utility costs, and increased personnel.
- Development activity in the District's service area resulted in capacity charges totaling \$305,000. During the current fiscal year, the District added 48 new equivalent dwelling units (EDU's), bringing the total connected EDU's to 28,987. Outlook for growth remains small and sporadic as the District approaches build-out.
- Capital construction and acquisition costs for the year ended June 30, 2024 amounted to \$6.9 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 income continued to improve due to higher federal funds rate levels compared to the recent past.
- Investment in capital assets increased by \$1.1 million while unrestricted reserves increased by \$1.8 million.
- The District's net position for the fiscal year ending June 30, 2024 increased by almost \$3 million or 2% from the prior year.

LEUCADIA WASTEWATER DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The financial statements accompanying this MD&A present the financial position, results of operations, and changes in cash flow during the fiscal years ending June 30, 2024 and June 30, 2023. 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.

LEUCADIA WASTEWATER DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2024

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

An essential question regarding the District's finances is whether its overall financial health improved or deteriorated as a result of the year's operations. Drawing insights from the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows, it's evident that the District's financial condition experienced an improvement, maintaining a robust financial standing as of June 30, 2024. Further analysis is provided below.

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.

LEUCADIA WASTEWATER DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2024

TABLE 1. CONDENSED STATEMENT OF NET POSITION

	FY 2024	FY 2023	FY 2024-2023 Change	
			Amount	%
ASSETS				
Current assets	\$ 9,494,108	\$ 9,846,813	\$ (352,705)	-3.6%
Non-current assets	21,016,883	19,024,518	1,992,365	10.5%
Capital assets, net	125,344,283	124,232,576	1,111,707	0.9%
Total assets	155,855,274	153,103,907	2,751,367	1.8%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on pensions	2,342,470	2,452,372	(109,902)	-4.5%
Deferred amounts on OPEB	279,439	111,455	167,984	150.7%
Total deferred outflows	2,621,909	2,563,827	58,082	2.3%
LIABILITIES				
Current liabilities	1,455,614	1,688,739	(233,125)	-13.8%
Non-current liabilities	4,941,776	4,906,967	34,809	0.7%
Total liabilities	6,397,390	6,595,706	(198,316)	-3.0%
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts on pensions	253,714	247,136	6,578	2.7%
Deferred amounts on OPEB	154,946	77,393	77,553	100.2%
Total deferred inflows	408,660	324,529	84,131	25.9%
NET POSITION				
Investment in capital assets	125,333,641	124,238,636	1,095,005	0.9%
Restricted	445,200	445,200	-	0.0%
Unrestricted	25,892,292	24,063,663	1,828,629	7.6%
Total net position	\$ 151,671,133	\$ 148,747,499	\$ 2,923,634	2.0%

The District's financial position remains strong with a \$151.7 million net position and with \$6.4 million in total liabilities at June 30, 2024.

LEUCADIA WASTEWATER DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2024

Total assets increased by \$2.8 million or 1.8% during the fiscal year ending June 30, 2024. The increase was primarily driven by an increase in cash and investments of \$1.6 million, an increase in construction in progress of \$1.1 million, and an increase in prepayments of \$100,000. The District invested \$6.6 million for the acquisition and construction of capital assets, primarily for the: Encina Joint System projects, Village Park No. 7 Pump Station Rehabilitation project, Gravity Pipeline Rehabilitation project, and various pipeline segment rehabilitations and repairs. The District received \$305,000 in capacity fees to partially help fund these expenditures. Capacity fees represent a system buy-in charge and are collected in the Capital Replacement Reserve for construction of facilities and improvements identified in the 2024 Asset Management Master Plan. Net Capital Assets were reduced by depreciation expense and net capital asset deletions of \$5.1 million for the year. Investments and cash increased because sewer fee collections exceeded expenditures, which will help fund future capital projects.

Total liabilities decreased by \$200,000 or 3% during the year due primarily to the timing of payments to vendors.

The District's Net Position as of June 30, 2024 totaled \$151.7 million compared with \$148.7 million as of June 30, 2023, an increase of 2%. Net position is accumulated from revenues, expenses, and capital contributions combined with the beginning balance of net position as presented in the Statement of Revenues, Expenses, and Changes in Net Position.

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 \$2.6 million as of June 30, 2024 are comprised of deferred amounts relating to pensions of \$2.4 million and deferred amounts relating to OPEB of \$279,000. Total deferred outflows were updated using the latest actuary information available and remained relatively flat.

Total deferred inflows of resources of \$409,000 as of June 30, 2024 are comprised of deferred amounts relating to pensions of \$254,000 and deferred amounts relating to OPEB of \$155,000. Total deferred inflows increased by \$84,000 during fiscal year 2024. The increase is primarily attributable to assumptions changes made in the OPEB actuary report.

LEUCADIA WASTEWATER DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2024

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 2024	FY 2023	FY 2024-2023 Change	
			Amount	%
OPERATIONS				
Operating revenues				
Wastewater service charges	\$ 13,248,383	\$ 11,996,035	\$ 1,252,348	10.4%
Recycled water sales	303,038	298,307	4,731	1.6%
Other charges & services	132,065	154,548	(22,483)	-14.5%
Total operating revenues	13,683,486	12,448,890	1,234,596	9.9%
Operating expenses	9,258,242	8,299,263	958,979	11.6%
Operating income before depreciation	4,425,244	4,149,627	275,617	6.6%
Depreciation expense	5,460,378	5,050,451	409,927	8.1%
Operating income/(loss)	(1,035,134)	(900,824)	(134,310)	14.9%
NON-OPERATIONS				
Non-operating revenues/(expenses)				
Property tax revenue	2,235,675	2,129,874	105,801	5.0%
Investment income/(loss)	1,391,327	371,575	1,019,752	274.4%
Gain/(loss) on disposition of assets	(28,859)	(1,712)	(27,147)	1,585.7%
Other non-operating income	55,501	9,725	45,776	470.7%
Total non-operating revenues, net	3,653,644	2,509,462	1,144,182	45.6%
Income/(loss) before capital contributions	2,618,510	1,608,638	1,009,872	62.8%
CAPITAL CONTRIBUTIONS	305,124	782,788	(477,664)	-61.0%
Changes in net position	2,923,634	2,391,426	532,208	22.3%
Beginning net position	148,747,499	146,356,073	2,391,426	1.6%
ENDING NET POSITION	\$ 151,671,133	\$ 148,747,499	\$ 2,923,634	2.0%

Highlights of the fiscal year ending June 30, 2024 are discussed below:

LEUCADIA WASTEWATER DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2024

- Net position increased \$2.9 million or 2%, which is added to the District's beginning net position of \$148.7 million to arrive at ending total net position of \$151.7 million. The District incurred an operating loss of \$1 million (which includes non-cash depreciation expense of \$5.5 million). This operating loss was offset by non-operating property tax revenue, investment income and other items totaling \$3.7 million.
- 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 \$34.65 per EDU per month in fiscal year 2023 to \$38.12 per EDU per month in fiscal year 2024.
- The District's total operating revenue increased by \$1.2 million. Total wastewater service charges increased 10% due to a 10% increase in the sewer service rate and a slight increase in the customer base.
- Total operating expenses (before depreciation) increased \$276,000 or 7%. The increase was primarily due to increases in the cost of wastewater treatment at the Encina Water Pollution Control Facility driven by higher chemical costs, higher utility costs, and increased personnel.
- The District participates in four 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, 2024, the District's investments contained laddered investments in US treasury notes, US government sponsored agency bonds/notes, corporate notes, insured certificates of deposits, and municipal bonds, for a total of \$27.2 million.

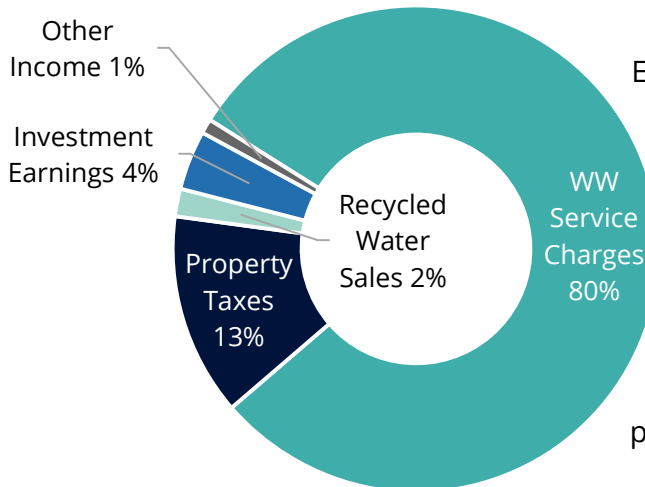
In total, investment earnings were significantly higher than the prior year because the portfolio's yield increased with the Federal Reserve's interest rate increases, and investment holdings increased. Investment earnings include not only interest income, which was \$658,000 for the fiscal year, but also changes in the fair-value of investments. The fair-value adjustment, which has an inverse relationship with the interest rate, resulted in a \$733,000 adjustment during the fiscal year. The District typically holds investments to maturity, making fair-value adjustments temporary in nature.

- Capacity fees were down by 61% because there were two large developments that purchased capacity in fiscal year 2023, and the same volume of development didn't recur in fiscal year 2024.
- Property taxes increased by 5% due to increases in assessed valuations and turnover in the local housing market.

LEUCADIA WASTEWATER DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2024

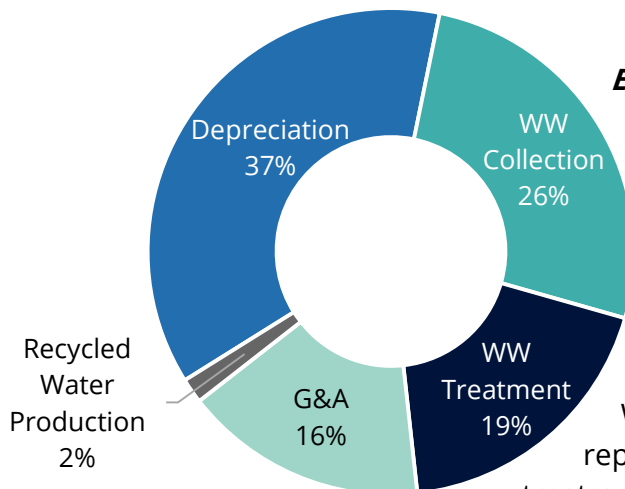
FY 2024 Revenues



Revenues:

Excluding the investment adjustment to fair market value (\$734,000), revenues for fiscal year 2024 totaled \$16.6 million 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 13%.

FY 2024 Expenses



Expenses:

Expenses for fiscal year 2024 totaled \$14.7 million. Depreciation represents the largest component at 37% of total expenses. Wastewater Collection (26%), Wastewater Treatment (19%), and General and Administrative (16%) 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

Management's Discussion and Analysis For the Year Ended June 30, 2024

Cash Flows

District cash flows for the fiscal year ended June 30, 2024 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 \$530,000 which is added to beginning cash and cash equivalents of \$7.7 million, to arrive at ending cash and cash equivalents of \$7.2 million. Inflows of cash and cash equivalents were primarily from operating activities of \$4.6 million, proceeds from property taxes of \$2.2 million, and \$305,000 in capacity fee collections. The acquisition and construction of capital assets in the amount of \$6.9 million and the net investment activity of \$2.2 million more than offset the increases in cash and cash equivalents. The ending cash and cash equivalents are represented on the Statement of Net Position as the following: unrestricted cash and cash equivalents of \$7,024,226, current restricted cash and cash equivalents of \$149,516 from developer deposits, and noncurrent restricted cash and cash equivalents of \$22,992 for a capital project retention.

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 2024	FY 2023
Current ratio	6.5	5.8
Operating margin ratio (before depreciation expense)	1.5 / 1	1.5 / 1
Total margin (total revenues / expenses)	118%	112%
Capital asset condition ratio	37%	36%
Total debt to equity	1 / 24	1 / 23

The **current ratio** (*current assets divided by current liabilities*) indicates the District can pay 6.5 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 1.5 indicates very good coverage of the operating expenses, excluding depreciation. (*Depreciation expense is a non-cash systematic write down of existing capital assets*). If depreciation expense and non-operating items are 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 118% indicates the District is living within its financial means and is covering its expenses including depreciation expense. Another ratio, the **capital asset condition ratio** (*accumulated*

LEUCADIA WASTEWATER DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2024

depreciation divided by depreciable capital assets) reflects the age and use of the capital assets. A capital condition ratio of 37% shows that about a third of the capital asset value has been depreciated and will have to be replaced in a future period.

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, 2024 the District had \$24 in net position (equity). This low ratio indicates a high degree of solvency and is favorable if the District needed to obtain financing.

RESTRICTIONS, COMMITMENTS, AND LIMITATIONS

District Reserves:

In February 2005, the District adopted its Reserve Fund Policy, which was last revised in February 2024. 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) Reserve. The restricted reserve balance as of year-end is as follows:

<u>Restricted Reserve Designation</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
EWA Reserve	\$445,200	\$445,200

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 wastewater operations, wastewater capital replacement, recycled water, and a wastewater emergency.

During fiscal year 2024, the Wastewater Replacement Reserve increased by \$1.7 million due to \$4.6 million of net transfers from other reserves, \$2.2 million in property tax revenues,

LEUCADIA WASTEWATER DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2024

\$305,000 from capacity fees, and \$1 million in investment income. Those increases were partially offset by \$6.5 million of net capital replacement additions during the year. The decrease in the Recycled Water Reserve was primarily driven by the replacement of an air compressor, chemical tank, and upgrades to safety rails and a controller. The unrestricted reserve balances are as follows:

<u>Reserve Designation</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Wastewater Operating Reserve	\$ 3,145,490	\$ 2,984,725
Wastewater Replacement Reserve	14,591,170	12,824,585
Recycled Water Reserve	655,632	754,353
Wastewater Emergency Reserve	<u>7,500,000</u>	<u>7,500,000</u>
Unrestricted subtotal	25,892,292	24,063,663
Restricted EWA Reserve	<u>445,200</u>	<u>445,200</u>
Total	<u>\$ 26,337,492</u>	<u>\$ 24,508,663</u>

Overall, the District's restricted and unrestricted reserves totaled \$26.3 million as of June 30, 2024. This is an increase of \$1.8 million from the prior year. Positive operating income (before depreciation expense), property tax revenue, and capacity fees were partially offset by capital expenditures. The remaining reserve balances show that the District remains in a strong financial position to fund the remaining balance of its estimated \$168 million in capital projects over the 20 year period identified in the District's 2024 Wastewater Financial Plan.

CASH AND INVESTMENTS

The District's cash and investments were valued at \$27.7 million as of June 30, 2024. This was an increase of \$1.6 million or 6%, from the prior year and was due to normal operations, property tax and capacity fee collections, and investing activities, offset by spending on capital replacement additions during the year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets:

At June 30, 2024, the District's investment in capital assets amounted to \$125.4 million, net of accumulated depreciation of \$70 million. This investment in capital assets includes land, buildings, donated subsurface lines, collection facilities and pump stations, 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 Plan resulted in contributions to the District's infrastructure. The following list

LEUCADIA WASTEWATER DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2024

provides a summary of significant additions to capital assets during the fiscal year ending June 30, 2024:

Encina Joint System	\$ 4,375,735
Pipeline Rehabilitation Projects	128,689
Pump Station Rehabilitation Projects	130,348
Vehicles, Equipment and Tools	259,637
Building and Grounds	80,332

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, 2024 and June 30, 2023, the District's only debt was from a five-year lease for office copy machines.

CURRENTLY KNOWN FACTS, CONDITIONS, OR DECISIONS

The District considered the recommendations from the 2023 Wastewater Financial Plan, the 2023 Asset Management Plan, and the following economic factors in establishing the fiscal year 2025 budget amounts and fees:

- A declining level of growth within the District, estimating the addition of 30 equivalent dwelling units (EDU) in fiscal year 2025.
- The need to replace or rehabilitate existing, aging District infrastructure.
- Rising costs due to inflationary pressures.
- Emerging regulatory and environmental pressures.

As a result of these factors, the fiscal year 2025 budget includes:

- An increase in annual wastewater service charges which are \$516.96 per EDU per year.
- Capacity fee of \$6,240 per EDU.
- Appropriations for capital improvement and replacement projects totaling \$9,882,606.
- A 4% increase in personnel costs which includes a \$250,000 additional discretionary PERS payment to help paydown the PERS unfunded pension liability.
- A 5% increase in overall operating costs.

LEUCADIA WASTEWATER DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2024

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.

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LEUCADIA WASTEWATER DISTRICT

Statement of Net Position

June 30, 2024

(with comparative information for prior year)

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 7,024,226	\$ 7,608,105
Restricted cash and cash equivalents (Note 2)	149,516	71,500
Accrued interest receivable	131,503	104,763
Accounts receivable - wastewater service charges	96,519	69,921
Accounts receivable - property taxes	43,408	47,094
Accounts receivable - due from other governments	41,478	49,872
Prepaid expenses and other deposits	2,007,458	1,895,558
Total current assets	9,494,108	9,846,813
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	22,992	47,882
Investments (Note 2)	20,498,037	18,369,455
Encina Wastewater Authority reserve deposits (Note 6)	445,200	445,200
Net OPEB asset (Note 12)	37,776	149,103
Land (Note 4)	12,878	12,878
Construction in progress (Note 4)	5,128,338	4,011,776
Capital assets, net of depreciation (Note 4)	120,215,945	120,220,800
Total noncurrent assets	146,361,166	143,257,094
Total assets	155,855,274	153,103,907
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on pension (Note 11)	2,342,470	2,452,372
Deferred amounts on OPEB (Note 12)	279,439	111,455
Total deferred outflows of resources	2,621,909	2,563,827

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

LEUCADIA WASTEWATER DISTRICT

Statement of Net Position (continued)

June 30, 2024

(with comparative information for prior year)

	2024	2023
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 951,935	\$ 1,240,480
Accrued salaries and wages	51,813	55,850
Restricted accounts payable	22,992	47,882
Restricted developer deposits	149,516	71,500
Long-term liabilities - due within one year:		
Leases (Note 8)	528	6,290
Compensated absences (Note 7)	278,830	266,737
Total current liabilities	1,455,614	1,688,739
Noncurrent liabilities:		
Long-term liabilities - due in more than one year:		
Net pension liability (Note 11)	4,922,025	4,848,371
Leases (Note 8)	-	528
Compensated absences (Note 7)	19,751	58,068
Total noncurrent liabilities	4,941,776	4,906,967
Total liabilities	6,397,390	6,595,706
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts on pension (Note 11)	253,714	247,136
Deferred amounts on OPEB (Note 12)	154,946	77,393
Total deferred inflows of resources	408,660	324,529
NET POSITION (Note 9)		
Net Investment in capital assets	125,333,641	124,238,636
Restricted for Encina Wastewater Authority		
deposit reserves	445,200	445,200
Unrestricted	25,892,292	24,063,663
Total net position	\$ 151,671,133	\$ 148,747,499

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, 2024 (with comparative information for prior year)

	2024	2023
OPERATING REVENUES		
Wastewater service charges	\$ 13,248,383	\$ 11,996,035
Recycled water sales	303,038	298,307
Other charges and services	132,065	154,548
Total operating revenues	13,683,486	12,448,890
OPERATING EXPENSES		
Wastewater collection	3,858,276	3,515,827
Wastewater treatment - Encina Joint System	2,774,435	2,411,905
Recycled water production	242,362	185,200
General and administrative	2,383,169	2,186,331
Total operating expenses	9,258,242	8,299,263
Operating income before depreciation expense	4,425,244	4,149,627
Depreciation expense	(5,460,378)	(5,050,451)
Operating income (loss)	(1,035,134)	(900,824)
NONOPERATING REVENUES (EXPENSES)		
Property taxes	2,235,675	2,129,874
Interest and investment income (loss)	1,391,327	371,575
Gain/(loss) on disposition of capital assets	(28,859)	(1,712)
Other nonoperating revenues	55,501	9,725
Total nonoperating revenues (expenses)	3,653,644	2,509,462
Income (loss) before capital contributions	2,618,510	1,608,638
CAPITAL CONTRIBUTIONS		
Capacity charges	305,124	782,788
Total capital contributions	305,124	782,788
Changes in net position	2,923,634	2,391,426
Net position, beginning of year	148,747,499	146,356,073
Net position, end of year	\$ 151,671,133	\$ 148,747,499

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

LEUCADIA WASTEWATER DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2024

(with comparative information for prior year)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers for wastewater sales and service	\$ 13,694,043	\$ 12,435,479
Cash paid to vendors and suppliers for materials and services	(5,036,732)	(4,526,020)
Cash paid for employee wages, benefits and related costs	(4,102,236)	(4,115,778)
Net cash provided by operating activities	4,555,075	3,793,681
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from property taxes	2,239,361	2,129,007
Net cash provided by noncapital financing activities	2,239,361	2,129,007
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(6,891,882)	(6,399,153)
Proceeds from sale of capital assets	5,114	8,502
Proceeds from capacity fees	305,124	782,788
Lease payments	(6,290)	(6,201)
Net cash used for capital and related financing activities	(6,587,934)	(5,614,064)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	3,613,514	3,102,000
Purchases of investments	(5,801,520)	(2,466,065)
Interest and investment earnings	1,450,751	614,558
Net cash provided by (used for) investing activities	(737,255)	1,250,493
Net increase (decrease) in cash and cash equivalents	(530,753)	1,559,117
Cash and cash equivalents, beginning of year	7,727,487	6,168,370
Cash and cash equivalents, end of year	\$ 7,196,734	\$ 7,727,487
Financial statement classification		
Cash and cash equivalents		
Current assets:		
Cash and cash equivalents	\$ 7,024,226	\$ 7,608,105
Restricted cash and cash equivalents - Current	149,516	71,500
Non-current assets:		
Restricted cash and cash equivalents - Non-current	22,992	47,882
Total cash and cash equivalents, end of year	\$ 7,196,734	\$ 7,727,487

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, 2024 (with comparative information for prior year)

	2024	2023
Reconciliation of operating income (loss) to net cash flows provided (used) by operating activities:		
Operating income (loss)	\$ (1,035,134)	\$ (900,824)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	5,460,378	5,050,451
Other nonoperating revenues (expenses)	55,501	9,725
Changes in operating assets, deferred outflows, operating liabilities and deferred inflows:		
(Increase) decrease in operating assets and deferred outflows:		
Accounts receivable - wastewater service charges	(26,598)	17,590
Accounts receivable - due from other governments	8,394	(21,552)
Accounts receivable - other	(26,740)	(19,174)
Net OPEB asset	111,327	97,658
Prepaid expenses and other deposits	(226,429)	(89,579)
Deferred outflows - pension	109,902	(1,178,334)
Deferred outflows - OPEB	(167,984)	(37,273)
Increase (decrease) in operating liabilities and deferred inflows:		
Accounts payable and accrued expenses	86,918	(102,710)
Accrued salaries and wages	(4,037)	12,740
Compensated absences	(26,224)	26,846
Restricted developer deposits	78,016	1,295
Deferred inflows - pension	6,578	(1,757,524)
Deferred inflows - OPEB	77,553	(69,358)
Net pension liability	73,654	2,753,704
Total adjustments	5,590,209	4,694,505
Net cash provided by operating activities	\$ 4,555,075	\$ 3,793,681
Supplemental disclosures:		
Noncash investing and financing activities:		
Capital assets included in accounts payable and prepaids	\$ -	\$ 189,197

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

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LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

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, 2024

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) net 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, 2024

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C) New Accounting Pronouncements

Current Year Standards

- 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.
- Implementation Guide No. 2023-1, *Implementation Guidance update—2023*, effective for reporting periods beginning after June 30, 2024.

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

- GASB Statement No. 102 – *Certain Risk Disclosures*, effective for reporting periods beginning after June 15, 2024.
- GASB Statement No. 103 – *Financial Reporting Model Improvements*, effective for reporting periods beginning after June 15, 2025.
- GASB Statement No. 104 – *Disclosure of Certain Capital Assets*, effective for reporting periods beginning after June 15, 2025.

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 assets 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 11 and 12 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 assets 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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E) Fair Value Measurements

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

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

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

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

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

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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2024.

I) Prepaid Expenses

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

J) Restricted Assets

Certain assets of the District are restricted in use by ordinance or debt covenant and accordingly are shown as restricted assets on the accompanying Statement of Net Position. 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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K) Capital Assets (continued)

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

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

L) Ownership in Encina Joint System

The District records ownership in the Encina Joint System as a component of capital assets. Investment in the Encina Joint System is broken down into completed plant and equipment and construction in progress. Completed plant and equipment is capitalized at a percentage of ownership of accumulated expenditures made by the Encina Joint System.

Ownership percentages are determined by joint agreement at the time the assets are acquired. Construction in progress is recorded as the accumulation of actual payments made by the District. Depreciation is calculated on the same basis as Note 1.k. See notes 4 and 5 for further information.

M) Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and sick leave are recorded when benefits are fully vested. Cash payments of unused vacation hours and unused sick leave hours are available to those qualified employees when retired or terminated. Unused sick leave hours are paid at the rate of 75% of the employee's final rate of pay at the time of separation.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements
For the Year Ended June 30, 2024

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2024 was as follows:

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

Q) Capital Contributions

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

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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, 2022
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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)	July 1, 2023
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2024 are classified in the accompanying financial statements as follows:

Cash and investments	\$ 7,024,226
Restricted cash and cash equivalents	149,516
Restricted cash and cash equivalents - noncurrent	22,992
Investments - noncurrent	<u>20,498,037</u>
Total cash and investments	<u>\$ 27,694,771</u>

Cash and investments as of June 30, 2024 consist of the following:

Cash on hand	\$ 500
Deposits with financial institutions	450,716
Investments	<u>27,243,555</u>
Total cash and investments	<u>\$ 27,694,771</u>

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

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
Other 49 States Debt	5 years*	5%	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%
Money Market Mutual funds	N/A	20%	None
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
California Coop Liquid Assets Sec. Sys. (CLASS)	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, 2024

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 fair 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, 2024, 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, 2024

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. CAMP also offers an investment which allows Participants to invest in a fixed-rate, fixed term investment over a specified timeframe, determined by the Participant ("Term"). 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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

2) CASH AND INVESTMENTS (continued)

Investment in San Diego County Investment Pool

The District is a voluntary participant in the San Diego County Treasurer's Pooled Money Fund which is managed by San Diego County Treasurer-Tax Collector's office on behalf of the County of San Diego, school districts, colleges, special districts, and local agencies in San Diego. Permissible investments in the pool are made in accordance with California State law. The maximum effective duration for the portfolio is 1.5 years. Before a participant can withdraw funds from the pool it must submit a withdrawal request 2 working days prior to its desired withdrawal date. Also, the County Treasurers' Office must ensure that any withdrawals will not adversely affect the interest of all other depositors in the pool.

Investment in the California Cooperative Liquid Assets Securities System

The California Cooperative Liquid Assets Securities System (CLASS) is a public joint powers authority that provides California Public Agencies with investment management services for surplus funds. CLASS offers participants a means to pool and invest excess funds in a diversified portfolio of high-quality, short-term investments, while maintaining liquidity and safety of principal. Managed in accordance with the Government Code and Investment Policy, California CLASS aims to provide competitive yield with daily liquidity. Investments in the pool are made only in investments in which Public Agencies are permitted by California statute.

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 wire transfer. Requests for wire transfers must be made by 11:00AM that day.

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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

2) CASH AND INVESTMENTS (continued)

Interest Rate Risk (continued)

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
CA CLASS	\$ 2,960,464	\$ 2,960,464	\$ -	\$ -
CAMP Pool	3,368,382	3,368,382	-	-
Corporate Notes	5,100,913	-	1,343,138	3,757,775
Federal Agency Securities (FAMC)	243,998	-	-	243,998
Federal Agency Securities (FFCB)	2,133,347	286,518	849,662	997,167
Federal Agency Securities (FHLB)	1,269,234	-	279,222	990,012
Federal Agency Securities (FHLMC)	231,883	-	-	231,883
Insured Certificates of Deposit	6,961,399	2,193,376	1,357,047	3,410,976
Municipal Bonds	2,302,713	1,768,904	533,809	-
San Diego County Pool	74	74	-	-
State of California LAIF	416,597	416,597	-	-
Treasury Securities	2,254,551	542,953	-	1,711,598
Total	<u>\$ 27,243,555</u>	<u>\$ 11,537,268</u>	<u>\$ 4,362,878</u>	<u>\$ 11,343,409</u>

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, 2024 for each investment type (CAMP and the San Diego County Pool are rated by Standard and Poor's and Fitch, respectively).

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

2) CASH AND INVESTMENTS (continued)

Credit Risk (continued)

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Ratings as of Year End			
				AAA	AA	A	Not Rated
CA CLASS	\$ 2,960,464		\$ -	\$ 2,960,464	\$ -	\$ -	\$ -
CAMP Pool	3,368,382	N/A	-	3,368,382	-	-	-
Corporate Notes	5,100,913	A	-	-	2,515,492	2,585,421	-
Federal Agency securities (FAMC)	243,998		-	243,998	-	-	-
Federal Agency Securities (FFCB)	2,133,347	N/A	-	2,133,347	-	-	-
Federal Agency Securities (FHLB)	1,269,234	N/A	-	1,269,234	-	-	-
Federal Agency Securities (FHLMC)	231,883	N/A	-	231,883	-	-	-
Insured Certificates of Deposit	6,961,399	N/A	-	6,961,399	-	-	-
Municipal Bonds	2,302,713	A	-	-	2,302,713	-	-
San Diego County Pool	74	N/A	-	74	-	-	-
State of California LAIF	416,597	N/A	-	-	-	-	416,597
Treasury Securities	2,254,551	N/A	-	2,254,551	-	-	-
Total	<u>\$ 27,243,555</u>		<u>\$ -</u>	<u>\$19,423,332</u>	<u>\$ 4,818,205</u>	<u>\$ 2,585,421</u>	<u>\$ 416,597</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, 2024

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, 2024:

Investment Type	Total	Fair Value Hierarchy		
		Level 1	Level 2	Level 3
<u>Investments measured at fair value</u>				
Corporate Notes	\$ 5,100,913	\$ -	\$ 5,100,913	\$ -
Federal Agency Securities (FAMC)	243,998	-	243,998	-
Federal Agency Securities (FFCB)	2,133,347	-	2,133,347	-
Federal Agency Securities (FHLB)	1,269,234	-	1,269,234	-
Federal Agency Securities (FHLMC)	231,883	-	231,883	-
Insured Certificate of Deposit	6,961,399	-	6,961,399	-
Municipal Bonds	2,302,713	-	2,302,713	-
Treasury Securities	2,254,551	-	2,254,551	-
Total investments measured at fair value	20,498,038	\$ -	\$ 20,498,038	\$ -
<u>Investments not subject to fair value hierarchy</u>				
CA CLASS	2,960,464			
CAMP Pool	3,368,382			
San Diego County Pool	74			
State of California LAIF	416,597			
	6,745,517			
	\$ 27,243,555			

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LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

4) CAPITAL ASSETS

Capital assets consists of the following at June 30, 2024:

	Balance June 30, 2023	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2024
Non-depreciable assets:				
Land	\$ 12,878	\$ -	\$ -	\$ 12,878
Construction-in-progress - Encina	3,388,783	4,362,014	(3,487,444)	4,263,353
Construction-in-progress	622,993	1,631,320	(1,389,328)	864,985
Total non-depreciable assets	4,024,654	5,993,334	(4,876,772)	5,141,216
Depreciable assets:				
Sewer collection facilities	43,872,772	1,196,350	(26,461)	45,042,661
Sewer pump stations	26,461,687	341,267	(113,574)	26,689,380
Advanced water treatment facility	9,858,339	110,745	(140,185)	9,828,899
Subsurface lines	36,037,802	-	-	36,037,802
Vulcan sewer line	210,889	-	-	210,889
Site buildings and grounds	14,408,613	80,332	(217,759)	14,271,186
Equipment	3,308,226	259,637	(57,006)	3,510,857
Leased equipment	30,590	-	-	30,590
Encina joint system	53,757,596	3,501,165	(2,640,967)	54,617,794
Total depreciable assets	187,946,514	5,489,496	(3,195,952)	190,240,058
Accumulated depreciation/amortization:				
Sewer collection facilities	(17,644,980)	(1,129,105)	26,461	(18,747,624)
Sewer pump stations	(12,032,794)	(1,222,684)	88,020	(13,167,458)
Advanced water treatment facility	(4,498,390)	(310,691)	131,766	(4,677,315)
Subsurface lines	(13,602,967)	(491,194)	-	(14,094,161)
Vulcan sewer line	(141,747)	(4,218)	-	(145,965)
Site buildings and grounds	(4,507,069)	(330,456)	217,759	(4,619,766)
Equipment	(1,634,905)	(345,586)	57,006	(1,923,485)
Leased equipment	(23,969)	(6,090)	-	(30,059)
Encina joint system	(13,638,893)	(1,620,354)	2,640,967	(12,618,280)
Total accumulated depreciation depreciation/amortization	(67,725,714)	(5,460,378)	3,161,979	(70,024,113)
Total depreciable assets, net	120,220,800	29,118	(33,973)	120,215,945
Total capital assets, net	\$ 124,245,454	\$ 6,022,452	\$ (4,910,745)	\$ 125,357,161

During the fiscal year ended June 30, 2024, major capital assets additions included fiscal year 2023 and fiscal year 2024 gravity pipeline repair projects, and Encina Joint System Projects.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

4) CAPITAL ASSETS (continued)

Depreciation expense for the year ended June 30, 2024 was \$5,460,378.

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, 2024 are as follows:

Misc. line repairs	\$ 20,685
Diana pump station upgrade	340,391
Rancho Verde Pump Station Rehab	257,168
BPS Emrgcy Basin	110,916
San Macros Creek	<u>135,825</u>
Total construction-in-progress	<u>\$ 864,985</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 (member agencies). 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, 2024, 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, 2024

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 member agency 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, 2024, 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 or www.encinajpa.com.

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 June 30, 2023	Net Change	Balance June 30, 2024	Due Within One Year	Due in More Than One Year
\$ 324,805	\$ (26,224)	\$ 298,581	\$ 278,830	\$ 19,751

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

8) LONG-TERM LIABILITIES

A summary of long-term liabilities of the District at June 30, 2024 is as follows:

Description	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year
Lease Payable - Copiers	<u>\$ 6,818</u>	<u>\$ -</u>	<u>\$ 6,290</u>	<u>\$ 528</u>	<u>\$ 528</u>

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 in monthly installments of \$530 and bears an implicit interest rate of 1.6%. The outstanding balance of this lease at June 30, 2024 is reported \$528. The value of the right to use asset as of June 30, 2024 of \$30,590 with an accumulated amortization of \$30,059 is included with equipment in the Note 4.

Debt service requirements to maturity:

Lease Payable - Copiers			
June 30,	Principal	Interest	Total
2025	<u>\$ 528</u>	<u>\$ 2</u>	<u>\$ 530</u>
Total	<u>\$ 528</u>	<u>\$ 2</u>	<u>\$ 530</u>

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LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

9) NET POSITION

Calculation of net position as of June 30, 2024 was as follows:

Net Investment in capital assets:	
Land	\$ 12,878
Construction in progress	5,128,338
Capital assets, net of depreciation	120,215,945
Leases payable	(528)
Retention payable	(22,992)
Total investment in capital assets	<u>125,333,641</u>
Restricted net position:	
Restricted for Encina Wastewater Authority reserves	<u>445,200</u>
Total restricted net position	<u>445,200</u>
Unrestricted net position:	
Wastewater operating reserve	3,145,490
Wastewater replacement reserve	14,591,170
Recycled water reserve	655,632
Emergency reserve	<u>7,500,000</u>
Total unrestricted net position	<u>25,892,292</u>
Total net position	<u>\$ 151,671,133</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, 2024

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, 2024 amounted to \$3,824,948.

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.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

11) DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided (continued)

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan's provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Classic Miscellaneous Plan	PEPRA Miscellaneous Plan
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% at 60	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-60	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.0% to 2.5%
Required employee contribution rates	8.000%	7.750%
Required employer contribution rates	17.260%	7.680%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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 CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

11) DEFINED BENEFIT PENSION PLAN (continued)

Contributions (continued)

Employer Contributions to the Plan for the fiscal year ended June 30, 2024 were \$849,267. The actual employer payments of \$885,375 made to CalPERS by the District during the measurement period ended June 30, 2023 differed from the District's proportionate share of the employer's contributions of \$721,991 by \$163,384, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2023, using an annual actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

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LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements
For the Year Ended June 30, 2024

11) DEFINED BENEFIT PENSION PLAN (continued)

Net Pension Liability (continued)

The collective total pension liability for the June 30, 2023 measurement period was determined by an actuarial valuation as of June 30, 2022, with update procedures used to roll forward the total pension liability to June 30, 2023. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Actuarial Cost Method
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

11) DEFINED BENEFIT PENSION PLAN (continued)

Long-term Expected Rate of Return (continued)

The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset	
	Allocation	Real Return ^{1, 2}
Global Equity - cap-weighted	30.00%	4.54%
Global Equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study.

Change of Assumptions

There were no assumption changes for the June 30, 2023 measurement period. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016, and 7.50% for measurement date June 30, 2014.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

11) DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

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 the CalPERS' website, 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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

11) DEFINED BENEFIT PENSION PLAN (continued)

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, 2022 (VD)	\$ 21,587,178	\$ 16,738,807	\$ 4,848,371
Balance at June 30, 2023 (MD)	22,289,371	17,367,346	4,922,025
Net changes during 2022-23	<u>\$ 702,193</u>	<u>\$ 628,539</u>	<u>\$ 73,654</u>

Valuation Date (VD), Measurement Date (MD)

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, 2022 and 2023 measurement dates was as follows:

	Miscellaneous Plan
Proportion - June 30, 2022	0.1036%
Proportion - June 30, 2023	0.0984%
Change - Increase (decrease)	<u>-0.0052%</u>

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

11) DEFINED BENEFIT PENSION PLAN (continued)

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.90%) or one percentage-point higher (7.90%) than the current rate:

	Discount Rate - 1 % 5.90%	Current Discount Rate 6.90%	Discount Rate +1 % 7.90%
Net pension liability	\$ 7,936,568	\$ 4,922,025	\$ 2,440,798

Recognition of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, 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 outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

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

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

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

11) DEFINED BENEFIT PENSION PLAN (continued)

Recognition of Deferred Outflows and Deferred Inflows of Resources (continued)

The expected average remaining service lifetime (EARS�) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARS� for PERF C for the measurement period ending June 30, 2023 is 3.8 years, which was obtained by dividing the total service years of 600,538 (the sum of remaining service lifetimes of the active employees) by 160,073 (the total number of participants: active, inactive, and retired) in PERF C. 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.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2022), the District's net pension liability was \$4,848,371. For the measurement period ending June 30, 2023 (the measurement date), the District incurred a pension expense of \$1,039,401.

As of June 30, 2024, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 849,267	\$ -
Differences between actual contributions made and proportionate share of contributions	147,674	-
Differences between expected and actual experience	251,444	39,005
Changes of assumptions	297,165	-
Net difference between project and actual earnings on pension plan investments	796,920	-
Adjustments due to differences in proportions	-	214,709
Total	<u>\$ 2,342,470</u>	<u>\$ 253,714</u>

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

11) DEFINED BENEFIT PENSION PLAN (continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (continued)

The amounts on the previous page are net of outflows and inflows recognized in the 2022-23 measurement period expense. Contributions subsequent to the measurement date of \$849,267 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2025	\$ 369,483
2026	247,116
2027	600,025
2028	22,865
2029	-
Thereafter	-

Payable to the Pension Plan

At June 30, 2024, the District reported a payable of \$5,266 for the outstanding amount of contributions to the pension plan required for the year then ended.

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 (CalPERS), 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 CalPERS' annual financial report may be found on the CalPERS' website at www.calpers.ca.gov.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

12) OTHER POST-EMPLOYMENT BENEFITS (continued)

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 may also be eligible for a District contribution at retirement.

Employees Covered

As of the June 30, 2023 measurement date, the following current and former employees were covered by the benefit terms under the plan:

Active plan members	22
Retirees and beneficiaries receiving benefits	<u>5</u>
Total plan membership	<u><u>27</u></u>

Contributions

The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2024, the District's cash contributions were \$7,955 in payments to the trust and the estimated implied subsidy was \$11,406, resulting in total payments of \$19,361.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

12) OTHER POST-EMPLOYMENT BENEFITS (continued)

Net OPEB Asset

The District's net OPEB asset was measured as of June 30, 2023 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation dated July 1, 2023, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Amortization method:	Level % of payroll, closed
Asset Valuation Method:	Fair value
Actuarial Assumptions:	
Discount rate	6.00%
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.00%, net of OPEB plan investment expenses
Mortality	Based on most recent experience study for CalPERS members
Healthcare trend rate	5.20% initial, decreasing to an ultimate rate of 4.00%

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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

12) OTHER POST-EMPLOYMENT BENEFITS (continued)

Net OPEB 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, 2023 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Gross Rate of Return (11+ years)*
Global Equity	49.00%	± 5%
Fixed Income	23.00%	± 5%
Treasury Inflation-Protected Security	5.00%	± 3%
Commodities	3.00%	± 3%
REITs	20.00%	± 5%
Cash	0.00%	+ 2%
Total	<u>100.00%</u>	

*Long-term expected rate of return is assumed to be 6.00%

Change of Assumptions

The discount rate went from 6.50% in the prior valuation to 6.00% in the current valuation. The salary increase assumption went from 2.75% per annum to 3.00% per annum in the current valuation.

Discount Rate

The discount rate used to measure the total OPEB asset was 6.00%. 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.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

12) OTHER POST-EMPLOYMENT BENEFITS (continued)

Changes in the OPEB Asset

The changes in the net OPEB 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, 2023 (Measurement Date: June 30, 2022)	\$ 367,460	\$ 516,563	\$ (149,103)
Changes recognized for the measurement period:			
Service cost	31,176	-	31,176
Interest	25,292	-	25,292
Difference in experience	162,200	-	162,200
Changes of assumptions	(55,058)	-	(55,058)
Contributions - employer	-	19,361	(19,361)
Net investment income	-	33,368	(33,368)
Benefit payments	(19,361)	(19,361)	-
Administrative expense	-	(446)	446
Net Changes	144,249	32,922	111,327
Balance at June 30, 2024 (Measurement Date: June 30, 2023)	\$ 511,709	\$ 549,485	\$ (37,776)

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB 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, 2023:

	1% Decrease - 5.00%	Discount Rate Current - 6.00%	1% Increase - 7.00%
Net OPEB Liability (Asset)	\$ 40,981	\$ (37,776)	\$ (102,177)

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

12) OTHER POST-EMPLOYMENT BENEFITS (continued)

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

The following presents the net OPEB 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, 2023:

	1% Decrease (4.20% to 3.00%)	Current Healthcare Cost Trend Rate (5.20% to 4.00%)	1% Increase (6.20% to 5.00%)
Net OPEB Liability (Asset)	\$ (113,208)	\$ (37,776)	\$ 57,806

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

12) OTHER POST-EMPLOYMENT BENEFITS (continued)

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

For the fiscal year ended June 30, 2024, the District recognized OPEB expense of \$43,091. As of fiscal year ended June 30, 2024, 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	\$ 22,444	\$ -
Changes of assumptions	26,233	49,137
Differences between expected and actual experiences	155,931	67,445
Net difference between projected and actual earnings on OPEB plan investments	<u>74,831</u>	<u>38,364</u>
Total	<u>\$ 279,439</u>	<u>\$ 154,946</u>

The \$22,444 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2023 measurement date will be recognized as a reduction of the net OPEB liability in the upcoming fiscal year. 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>
2025	\$ 19,494
2026	16,360
2027	35,536
2028	3,474
2029	4,309
Thereafter	22,876

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

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 60 California sanitation districts. The District pays an annual premium to CSRMA for its public liability and workers compensation risk coverage.

The agreement for formation of the CSRMA provides that CSRMA will be self-sustaining through member premiums and will provide specific excess insurance through commercial companies. The CSRMA can make additional assessments to its members based on a retrospective premium adjustment process. At June 30, 2024, the District participated in the self-insurance programs of the CSRMA as follows:

General and Automotive Liability - The District obtains coverage through CSRMA's Pooled Liability Program for General and Automobile Liability, as well as Employment Practices Liability and Public Entity Errors & Omissions. The total Program Limit is \$25,750,000; of which, the first \$750,000 is self-insured (pooled) amongst the Program members, and an additional \$25,000,000 of reinsurance is purchased over this pooled layer. The District has a \$50,000 deductible, except \$2,500 for Public Entity Errors & Omissions and \$25,000 Employment Practices Liability.

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 \$101,989,150 with a deductible of \$5,000 per claim.

Public Entity Physical Damage - For the replacement cost up to \$916,043 subject to a deductible of \$2,000 per claim.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

13) RISK MANAGEMENT (continued)

Public Officials Personal Liability - Up to \$100,000 each occurrence, with an annual aggregate of \$100,000 per each 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 \$250,000 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.

Settled claims have not exceeded any of the coverage amounts in any of the last two fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2024 and 2023. 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, 2024 and 2023.

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 capital acquisitions and construction contracts is being provided primarily from the District's replacement reserve.

LEUCADIA WASTEWATER DISTRICT

Notes to Basic Financial Statements For the Year Ended June 30, 2024

14) COMMITMENTS AND CONTINGENCIES (continued)

Construction Contracts (continued)

The District has committed to approximately \$1,591,385 in open construction contracts and \$697,988 in capital acquisition contracts as of June 30, 2024. These include the following:

Project Name	Total Approved Contracts	Costs to Date	Remaining Obligation
FY2023 CIP Pipe Line Project	\$ 33,750	\$ (30,915)	\$ 2,835
FY2024 Manhole Rehab Project	463,898	(449,163)	14,735
Rancho Verde PS Rehab	1,632,171	(124,875)	1,507,296
San Marcos Creek Crossing	127,892	(98,920)	28,972
Emergency Basin Batiquitos	81,509	(43,962)	37,547
Vactor 2110 Combination Truck	697,988	-	697,988
Total	<u>\$ 3,037,208</u>	<u>\$ (747,835)</u>	<u>\$ 2,289,373</u>

Litigation

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

Required Supplementary Information

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LEUCADIA WASTEWATER DISTRICT

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

Measurement Date	Employer's Proportion of the Collective Net Pension Liability ¹	Employer's Proportionate Share of the Collective Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a percentage of the Covered Payroll	Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
6/30/2014	0.0351%	\$ 2,277,414	\$ 1,511,503	150.67%	83.03%
6/30/2015	0.0379%	2,604,135	1,537,839	169.34%	81.30%
6/30/2016	0.0400%	3,466,620	1,664,178	208.31%	76.68%
6/30/2017	0.0411%	4,074,562	1,757,813	231.80%	75.82%
6/30/2018	0.0415%	4,000,889	1,798,709	222.43%	76.65%
6/30/2019	0.0428%	4,386,823	1,926,315	227.73%	75.79%
6/30/2020	0.0416%	4,523,924	2,009,625	225.11%	76.43%
6/30/2021	0.0387%	2,094,667	2,055,804	101.89%	89.53%
6/30/2022	0.0420%	4,848,371	2,037,012	238.01%	77.54%
6/30/2023	0.0984%	4,922,025	2,164,299	227.42%	77.92%

¹ Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

LEUCADIA WASTEWATER DISTRICT

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

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	\$ 242,055	\$ (242,055)	\$ -	\$ 1,537,839	15.74%
6/30/2016	229,609	(229,609)	-	1,664,178	13.80%
6/30/2017	338,782	(338,782)	-	1,757,813	19.27%
6/30/2018	373,044	(373,044)	-	1,798,709	20.74%
6/30/2019	442,015	(442,015)	-	1,926,315	22.95%
6/30/2020	513,576	(753,534)	(239,958)	2,009,626	37.50%
6/30/2021	561,027	(834,916)	(273,889)	2,055,804	40.61%
6/30/2022	587,418	(874,006)	(286,588)	2,037,012	42.91%
6/30/2023	617,208	(885,375)	(268,167)	2,164,299	40.91%
6/30/2024	599,642	(849,642)	(250,000)	2,175,092	39.06%

Notes to Schedule:

Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions: There were no assumption changes for the 2023 measurement date. Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65% to 7.15%. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

LEUCADIA WASTEWATER DISTRICT

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

Measurement Date	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Total OPEB liability:							
Service cost	\$ 31,176	\$ 17,950	\$ 17,723	\$ 17,276	\$ 11,652	\$ 11,313	\$ 10,573
Interest	25,292	23,383	27,992	26,943	20,703	19,426	18,533
Actual and expected experience difference	162,200	(7,259)	(82,510)	(7,765)	29,797	-	-
Changes in assumptions	(55,058)	-	17,661	-	36,990	-	-
Benefit payments	(19,361)	(16,547)	(25,748)	(18,210)	(13,349)	(12,324)	(21,841)
Net change in total OPEB liability	144,249	17,527	(44,882)	18,244	85,793	18,415	7,265
Total OPEB liability - beginning	367,460	349,933	394,815	376,571	290,778	272,363	265,098
Total OPEB liability - ending (a)	511,709	367,460	349,933	394,815	376,571	290,778	272,363
Plan fiduciary net position:							
Contribution - employer	19,361	16,610	25,748	\$ 18,210	\$ 13,349	\$ 12,324	\$ 27,373
Net interest income	33,368	(79,841)	128,680	15,982	26,298	31,467	37,240
Benefit payments	(19,361)	(16,547)	(25,748)	(18,210)	(13,349)	(12,324)	(21,841)
Administrative expense	(446)	(353)	(177)	(221)	(91)	(734)	(189)
Net change in plan fiduciary net position	32,922	(80,131)	128,503	15,761	26,207	30,733	42,583
Plan fiduciary net position - beginning	516,563	596,694	468,191	452,430	426,223	395,490	352,907
Plan fiduciary net position - ending (b)	549,485	516,563	596,694	468,191	452,430	426,223	395,490
Net OPEB liability (asset) - ending (a)-(b)	<u>\$ (37,776)</u>	<u>\$ (149,103)</u>	<u>\$ (246,761)</u>	<u>\$ (73,376)</u>	<u>\$ (75,859)</u>	<u>\$ (135,445)</u>	<u>\$ (123,127)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	107.38%	140.58%	170.52%	118.58%	120.14%	146.58%	145.21%
Covered-employee payroll	\$ 2,265,828	\$ 2,140,654	\$ 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	-1.67%	-6.97%	-10.92%	-3.34%	-3.59%	-6.91%	-6.41%

*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	2024	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the ADC	(24,602)	(19,610)	(16,547)	(25,748)	(18,210)	(13,349)	(12,324)
Contribution deficiency (excess)	<u>\$ (24,602)</u>	<u>\$ (19,610)</u>	<u>\$ (16,547)</u>	<u>\$ (25,748)</u>	<u>\$ (18,210)</u>	<u>\$ (13,349)</u>	<u>\$ (12,324)</u>
Covered-employee payroll	\$ 2,302,139	\$ 2,265,828	\$ 2,140,654	\$ 2,260,140	\$ 2,197,527	\$ 2,112,219	\$ 1,960,900
Contributions as a percentage of Covered-employee payroll	-1.07%	-0.87%	-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 2024 were form the June 30, 2023 actuarial valuation. The discount rate went from 6.50% in the prior valuation to 6.00% in the current valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll, closed
Asset Valuation Method	Fair value
Inflation	2.50% per annum
Payroll Growth	3.00% per annum
Investment Rate of Return	6.00% per annum, net of OPEB plan expense
Healthcare cost-trend rates	5.20% initial, decreasing to an ultimate rate of 4.00%
Mortality	Mortality rates were based on the most recent experience study for CalPERS members

**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

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LEUCADIA WASTEWATER DISTRICT

Supplementary Information Combining Schedule of Changes in Net Position For the Year Ended June 30, 2024

		Restricted	Unrestricted, Reserved For				Total
	Net Investment in Capital Assets	EWA Reserve	Wastewater Operating	Wastewater Replacement	Recycled Water	Emergency	Net Position
Balance, June 30, 2023	\$ 124,238,636	\$ 445,200	\$ 2,984,725	\$ 12,824,585	\$ 754,353	\$ 7,500,000	\$ 148,747,499
Net operating income (loss)	-	-	(718,752)	-	(316,382)	-	(1,035,134)
Contribute capital, sewer lines	-	-	-	-	-	-	-
Capacity fees (buy-in)	-	-	-	305,124	-	-	305,124
Net additions to utility plant and equipment	6,572,085	-	-	(6,490,313)	(110,631)	-	(28,859)
Retention Payable	(22,992)	-	-	22,992	-	-	-
Depreciation charged to net income	(5,460,378)	-	5,149,686	-	310,692	-	-
Interest income allocated	-	-	131,520	1,052,407	17,600	189,800	1,391,327
Property taxes	-	-	-	2,235,675	-	-	2,235,675
Miscellaneous non-operating income	-	-	-	55,501	-	-	55,501
Reduction of lease payables	6,290	-	-	(6,290)	-	-	-
Transfers	-	-	(4,401,689)	4,591,489	-	(189,800)	-
Balance, June 30, 2024	<u>\$ 125,333,641</u>	<u>\$ 445,200</u>	<u>\$ 3,145,490</u>	<u>\$ 14,591,170</u>	<u>\$ 655,632</u>	<u>\$ 7,500,000</u>	<u>\$ 151,671,133</u>

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Statistical Section

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LEUCADIA WASTEWATER DISTRICT

Statistical Section

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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.

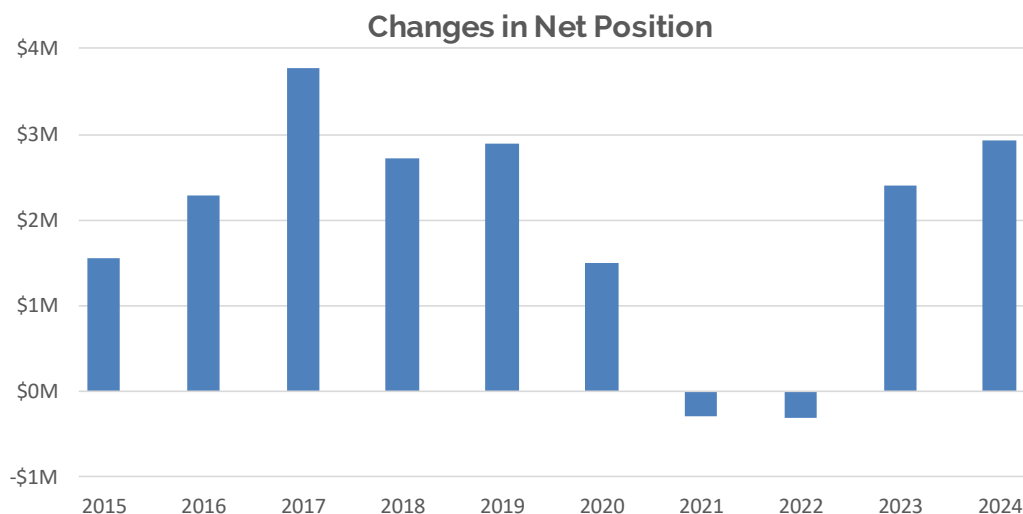
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These schedules contain information to help the reader assess the District's most significant own-source revenue, wastewater service.	
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LEUCADIA WASTEWATER DISTRICT

Changes in Net Position by Component Last Ten Fiscal Years

Schedule 1

	Fiscal Year			
	2015	2016	2017	2018
Changes in net position				
Operating revenues (See schedule 2)	\$ 8,497,441	\$ 9,365,918	\$ 10,285,854	\$ 10,290,586
Operating expenses (See schedule 3)	(6,142,492)	(6,260,595)	(6,508,623)	(6,788,292)
Depreciation & amortization	(3,693,901)	(3,766,355)	(3,831,850)	(3,953,584)
Operating Income(loss)	(1,338,952)	(661,032)	(54,619)	(451,290)
Non-operating revenues (expenses)				
Property taxes	1,382,197	1,482,357	1,554,673	1,622,117
Investment income (loss)	255,144	243,702	224,064	406,296
Gain/(Loss) on sale/disposition of assets	(185,686)	(500,547)	(149,481)	(77,433)
Other revenue/(expense), net	16,054	10,911	10,697	3,148
Total non-operating revenues/(expenses) net	1,467,709	1,236,423	1,639,953	1,954,128
Net income before capital contributions	128,757	575,391	1,585,334	1,502,838
Capital contributions	1,419,831	1,718,556	2,191,251	1,211,964
Changes in net position	\$ 1,548,588	\$ 2,293,947	\$ 3,776,585	\$ 2,714,802
Net position by component				
Net investment in capital assets	\$ 102,080,041	\$ 103,352,670	\$ 106,913,511	\$ 108,555,413
Restricted	1,595,655	2,155,040	2,131,849	2,044,897
Unrestricted	28,188,300	30,466,533	30,705,468	31,955,912
Total net position	\$ 131,863,996	\$ 135,974,243	\$ 139,750,828	\$ 142,556,222



Source: Leucadia Wastewater District Accounting Department

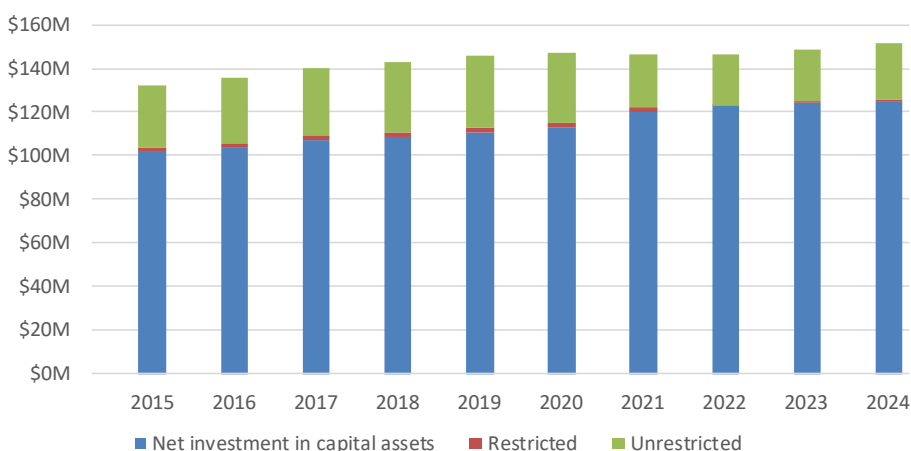
LEUCADIA WASTEWATER DISTRICT

Changes in Net Position by Component (continued) Last Ten Fiscal Years

Schedule 1

Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ 10,322,518	\$ 10,327,319	\$ 10,457,885	\$ 11,438,721	\$ 12,448,890	\$ 13,683,486
(6,921,833)	(8,039,129)	(8,575,326)	(7,954,183)	(8,299,263)	(9,258,242)
(4,081,876)	(4,101,468)	(4,289,042)	(4,919,137)	(5,050,451)	(5,460,378)
(681,191)	(1,813,278)	(2,406,483)	(1,434,599)	(900,824)	(1,035,134)
1,706,279	1,781,657	1,862,453	1,967,574	2,129,874	2,235,675
1,059,467	1,125,662	127,624	(1,156,695)	371,575	1,391,327
10,051	(186,406)	(72,587)	(72,829)	(1,712)	(28,859)
5,172	28,664	6,669	18,237	9,725	55,501
2,780,969	2,749,577	1,924,159	756,287	2,509,462	3,653,644
2,099,778	936,299	(482,324)	(678,312)	1,608,638	2,618,510
797,994	568,963	191,039	366,675	782,788	305,124
\$ 2,897,772	\$ 1,505,262	\$ (291,285)	\$ (311,637)	\$ 2,391,426	\$ 2,923,634
\$ 110,480,355	\$ 112,718,595	\$ 119,956,316	\$ 122,704,750	\$ 124,238,637	\$ 125,333,641
2,258,975	2,143,622	2,041,200	445,200	445,200	445,200
32,714,664	32,097,039	24,670,455	23,206,123	24,063,662	25,892,292
\$ 145,453,994	\$ 146,959,256	\$ 146,667,971	\$ 146,356,073	\$ 148,747,499	\$ 151,671,133

Net Position by Component

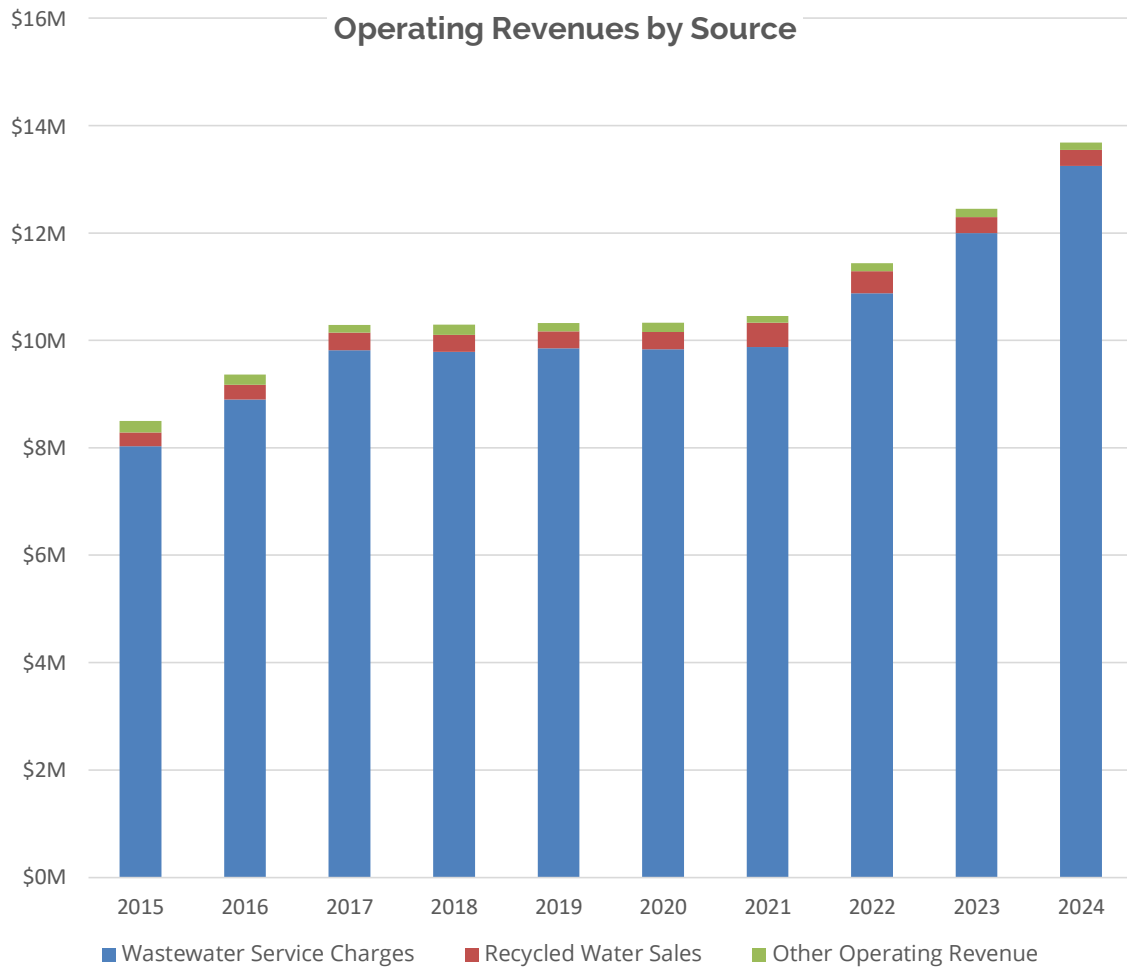


LEUCADIA WASTEWATER DISTRICT

Operating Revenue By Source Last Ten Fiscal Years

Schedule 2

Fiscal Year	Wastewater Service Charges	Recycled Water Sales	Other Operating Revenue	Total Operating Revenue
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
2023	11,996,035	298,307	154,548	12,448,890
2024	13,248,383	303,038	132,065	13,683,486

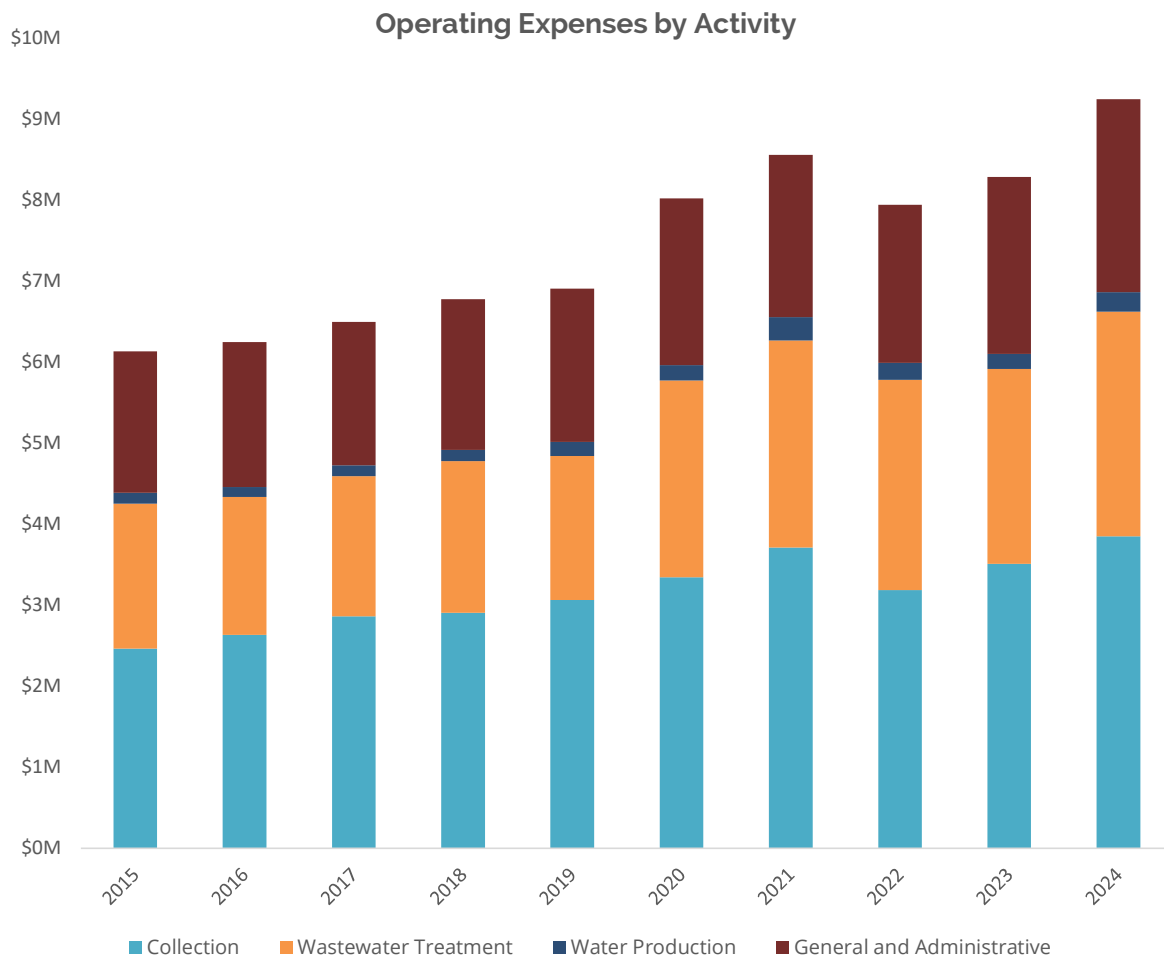


LEUCADIA WASTEWATER DISTRICT

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
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	2,008,355	8,575,326
2022	3,191,343	2,599,925	212,042	1,950,873	7,954,183
2023	3,515,827	2,411,905	185,200	2,186,331	8,299,263
2024	3,858,276	2,774,435	242,362	2,383,169	9,258,242

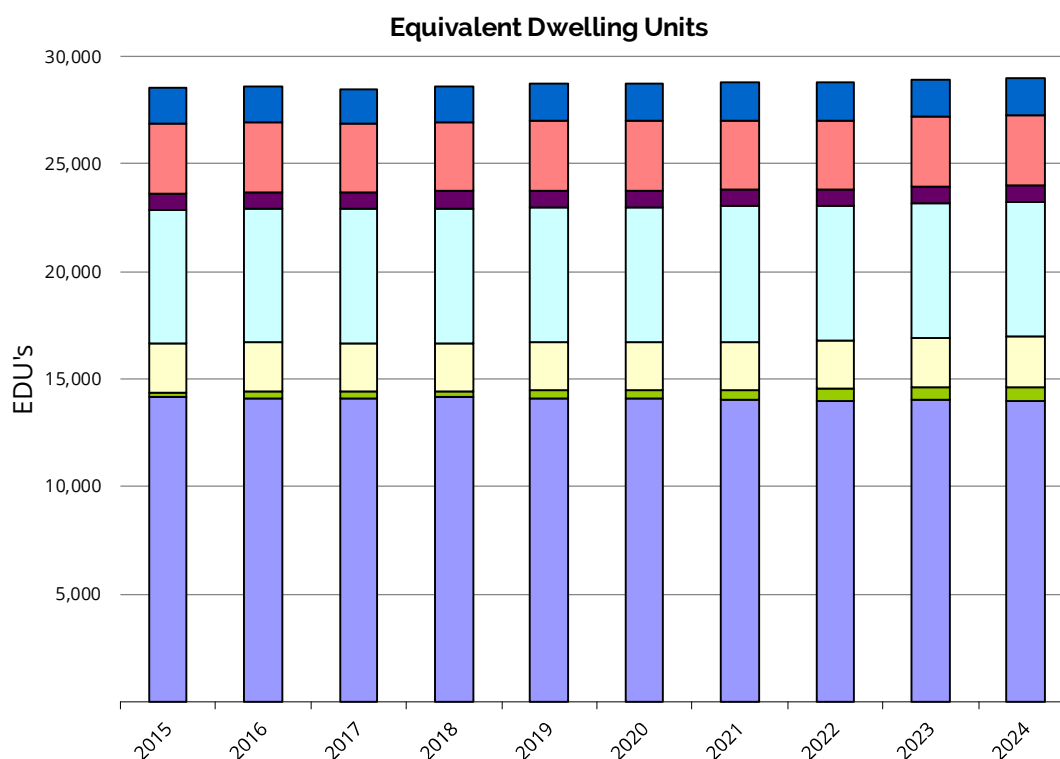


LEUCADIA WASTEWATER DISTRICT

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

Schedule 4

Fiscal Year	Customer Type							Total
	Single Family Residential	Single Fam with Access Unit	Apart-ments	Condos and Duplexes	Senior Care Facilities	Commer- cial	Other (3)	
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
2023	14,013.50	583.50	2,316.27	6,258.75	779.74	3,224.59	1,759.68	28,936.03
2024	14,002.50	611.50	2,341.52	6,254.75	779.74	3,237.09	1,759.68	28,986.78



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

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LEUCADIA WASTEWATER DISTRICT

Wastewater Service Charges Last Ten Fiscal Years

Schedule 5

Price Per EDU Per Month/Per Fiscal Year ⁽¹⁾									
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
\$ 23.67	\$ 26.04	\$ 28.64	\$ 28.64	\$ 28.64	\$ 28.64	\$ 28.64	\$ 31.50	\$ 34.65	\$ 38.12
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 501-1,000 square feet								0.50	
Accessory Dwelling Unit 1,001 square feet or larger								0.75	
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								0.4 per individual bed	
Multiple dwelling with kitchen and with community eating facilities								0.8 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								0.6	
Each additional 1,000 over 5,000 square feet								0.4	
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	2024		2015	
	EDU's (1)	Percentage of Total	EDU's (1)	Percentage of Total
La Costa Glen	723	2.54%	723	2.54%
La Costa Resort & Spa	498	1.75%	474	1.66%
Encinitas Town Center	324	1.14%	305	1.07%
La Costa Racquet Club	320	1.12%	320	1.12%
The Forum @ Carlsbad	234	0.82%	234	0.82%
La Costa Town Square Commercial	215	0.75%	247	0.87%
Mission Ridge Apartments	196	0.69%	196	0.69%
La Costa Affordable Housing	185	0.65%	185	0.65%
Encinitas Village	180	0.63%	184	0.65%
Camino Village Plaza	177	0.62%	186	0.65%
Riviera Mobile Home Park	158	0.55%	158	0.55%
La Costa Shopping Center	150	0.53%	131	0.46%
Colonial Apartments	145	0.51%	145	0.51%
Weigand Plaza II	135	0.47%	135	0.47%
Encinitas Heights Apartments	122	0.43%	122	0.43%
Total EDU's: Principal customers	3,762	13.21%	3,745	13.13%
Total Equivalent Dwelling Units	28,470	100.00%	28,516	100.00%

Notes:

(1) EDU's = Equivalent Dwelling Units.

Source: Leucadia Wastewater District Operations Department

LEUCADIA WASTEWATER DISTRICT

Assessed Value of Taxable Property Last Ten Fiscal Years

Schedule 7

<u>Fiscal Year</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Total Assessed Value</u>
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
2023	18,534,065,260	151,900,210	18,685,965,470
2024	19,570,181,341	175,865,913	19,746,047,254

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
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	1,888,061	1,858,958	98.5%	23,129	1.2%	1,882,087
2022	1,993,417	1,952,291	97.9%	27,605	1.4%	1,979,896
2023	2,163,554	2,115,034	97.8%	50,169	2.4%	2,165,203
2024	2,253,122	2,221,940	98.6%	52,568	2.4%	2,274,508

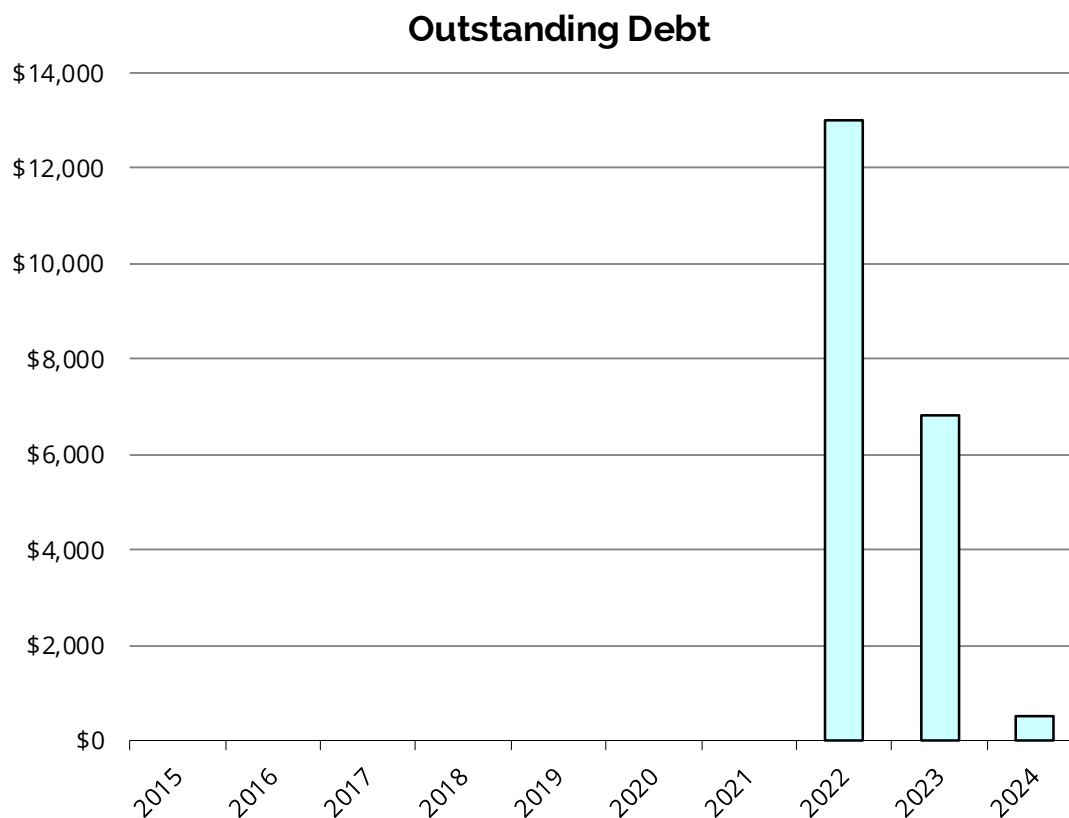
Source: County of San Diego, California "Tax/Revenue Accountability Report"

LEUCADIA WASTEWATER DISTRICT

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Schedule 9

Fiscal Year	Bonds Payable	Loans Payable	Total		
			Total Debt	Per Capita	As a Share of Personal Income
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	0.21	0.00%
2023	-	6,818	6,818	0.11	0.00%
2024	-	528	528	0.01	0.00%



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	
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	5,463	377	5,840	864
2021	12,382,044	(8,569,320)	3,812,724	6,006	364	6,370	599
2022	12,195,008	(7,954,183)	4,240,825	6,102	268	6,370	666
2023	14,958,352	(8,299,263)	6,659,089	6,201	169	6,370	1,045
2024	17,337,130	(9,258,242)	8,078,888	6,290	80	6,370	1,268

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 GASB 87.

Source: Leucadia Wastewater District Accounting Department

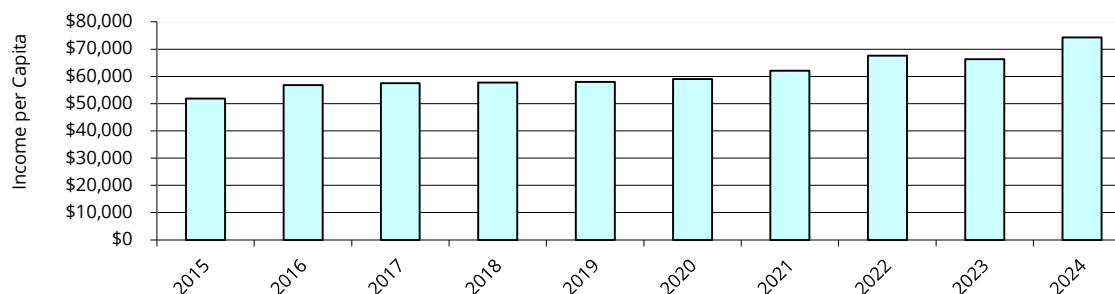
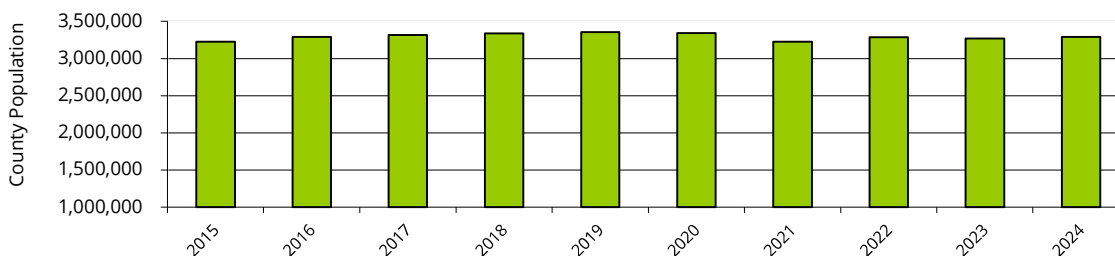
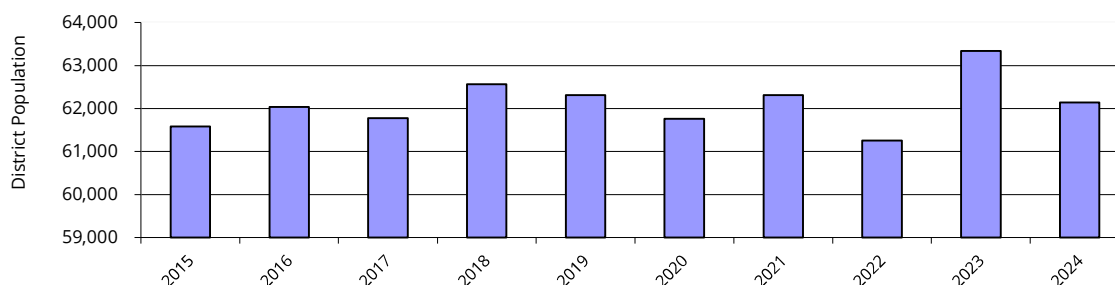
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LEUCADIA WASTEWATER DISTRICT

Demographics and Economic Statistics Last Ten Calendar Years

Schedule 11

Fiscal Year	(1) District Service Population	County of San Diego (2)			
		(3) Unemployment Rate	(4) Population	Personal Income (thousands of dollars) (5)	Personal Income per Capita (5)
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	59,014
2021	62,310	5.9%	3,223,583	205,435,721	62,034
2022	61,257	3.2%	3,287,306	217,836,619	67,536
2023	63,338	3.5%	3,269,755	216,673,585	66,266
2024	62,146	4.4%	3,291,101	244,614,373	74,326



Notes:

(1) Estimated population of Leucadia Wastewater District. Source: GANN Limit, SANDAG and Census

(2) County of San Diego data is updated annually. Therefore, the District uses County data because it most accurately represents the conditions and experiences of the District.

(3) Source: US Bureau of Labor Statistics.

(4) Source: California Department of Finance.

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

LEUCADIA WASTEWATER DISTRICT

Principal Employers – City of Carlsbad Current Fiscal year and Ten Years Ago

Schedule 12

Employer	2024			2015		
	Rank	Number of Employees	% of Total Employment	Rank	Number of Employees	% of Total Employment
ViaSat, Inc	1	4,010	5.3%	1	1,700	1.9%
Thermo Fisher Scientific	2	2,332	3.1%	3	1,454	1.6%
Legoland California	3	2,300	3.0%	4	1,422	1.6%
Carlsbad Unified School District	4	1,097	1.4%	5	975	1.1%
Omni La Costa Resort & Spa	5	900	1.2%	6	932	1.0%
City of Carlsbad	6	807	1.1%	10	670	0.7%
Ionis Pharmaceuticals	7	785	1.0%			
Gemological Institute of America	8	766	1.0%	9	723	0.8%
Park Hyatt Aviara	9	566	0.7%			
Zodiac Pool Systems LLC	10	535	0.7%			
Callaway Golf Company				2	1,637	1.8%
Taylor Made Golf Company				7	868	1.0%
OptumRx, Inc.				8	785	0.9%
Subtotal		<u>14,098</u>	<u>18.6%</u>		<u>11,166</u>	<u>12.4%</u>
Total Estimated Employees		<u>76,000</u>			<u>90,000</u>	

Source:

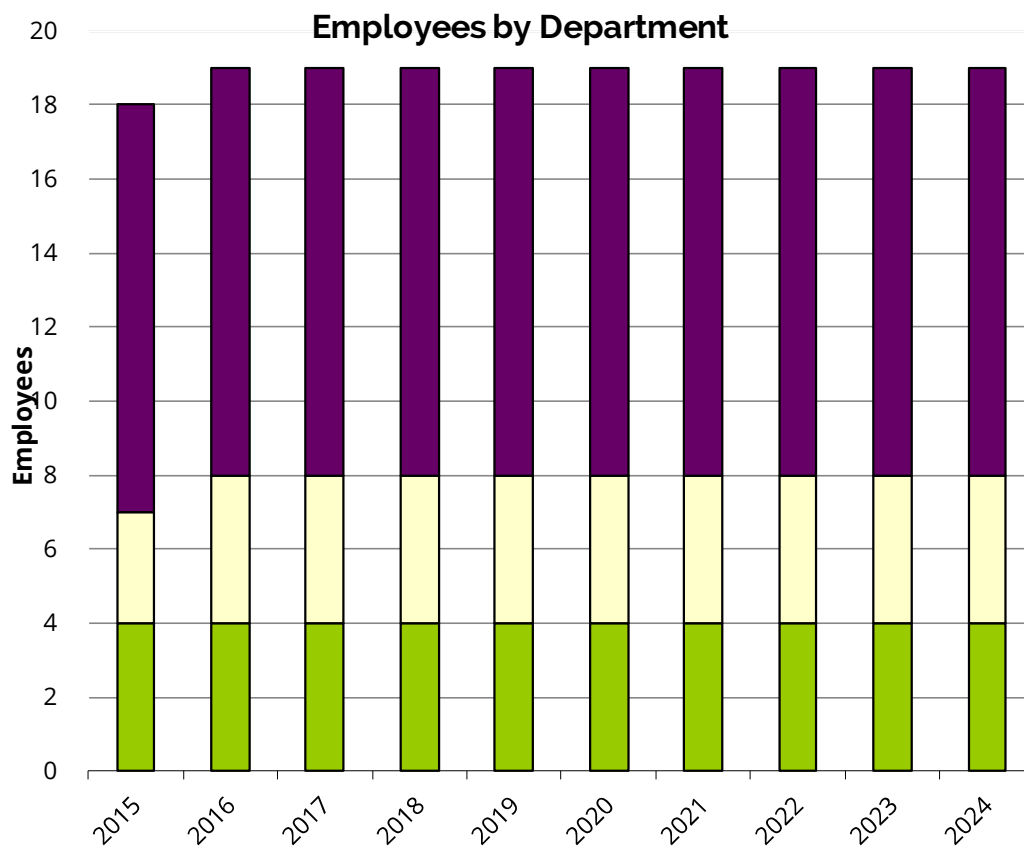
Most recently published City of Carlsbad Annual Comprehensive Financial Report

LEUCADIA WASTEWATER DISTRICT

Operating and Capacity Indicators Last Ten Fiscal Years

Schedule 13

Employees										
Department	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Management	4	4	4	4	4	4	4	4	4	4
Administration	3	4	4	4	4	4	4	4	4	4
Field Services	11	11	11	11	11	11	11	11	11	11
Total	18	19	19	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	
2015	207	10	4.17	7.11	7.11	1,418
2016	208	10	3.99	7.11	7.11	1,376
2017	209	10	3.80	7.11	7.11	1,392
2018	210	10	3.76	7.11	7.11	1,374
2019	210	10	3.84	7.11	7.11	1,386
2020	210	10	3.77	7.11	7.11	1,408
2021	210	10	3.73	7.11	7.11	1,400
2022	210	10	3.91	7.11	7.11	1,369
2023	210	10	3.81	7.11	7.11	1,409
2024	210	10	3.81	7.11	7.11	1,409

Notes:

(1) MG - Millions of Gallons

(2) MGD - Millions of Gallons per Day

Sources: Leucadia Wastewater District Operations and Accounting Departments