

San Elijo Joint Powers Authority

Cardiff by the Sea, California

Financial Statements and Independent Auditors' Report

For the Year Ended June 30, 2020



San Elijo Joint Powers Authority
Financial Statements
For the Year Ended June 30, 2020

Table of Contents

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report on the Financial Statements	1
Management's Discussion and Analysis – Required Supplementary Information (Unaudited)	3
Financial Statements:	
Statement of Net Position.....	11
Statement of Revenues, Expenses, and Changes in Net Position.....	13
Statement of Cash Flows.....	14
Notes to the Financial Statements	19
Required Supplementary Information (Unaudited):	
Schedules of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios	49
Schedule of Pension Contributions	50
Schedule of Changes in Net OPEB Liability and Related Ratios	51
Supplementary Information:	
Combining Statement of Net Position.....	55
Combining Statement of Revenues, Expenses, and Changes in Net Position.....	57
Combining Statement of Cash Flows.....	58
Other Information (Unaudited):	
Operating Budget Comparison Schedule – Wastewater (Unaudited)	60
Operating Budget Comparison Schedule – Recycled (Unaudited)	61

This page intentionally left blank.

FINANCIAL SECTION

This page intentionally left blank.



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the San Elijo Joint Powers Authority
Cardiff by the Sea, California

Report on Financial Statements

We have audited the accompanying financial statements of the San Elijo Joint Powers Authority ("SEJPA"), which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Elijo Joint Powers Authority as of June 30, 2020, and the 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.

4365 Executive Drive, Suite 710, San Diego, California 92122

Tel: 858-242-5100 • Fax: 858-242-5150

www.pungroup.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion, Analysis, the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of Pension Contributions, and the Schedule of Changes in Net OPEB Liability and Related Ratios, as identified in the accompanying table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the SEJPA. The Combining Schedule of Net Position, the Combining Schedule of Revenues, Expenses and Changes in Net Position, the Combining Schedule of Cash Flows, the Operating Budget Comparison Schedule - Wastewater, and the Operating Budget Comparison Schedule – Recycled, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Combining Schedule of Net Position, the Combining Schedule of Revenues, Expenses, and Changes in Net Position, and the Combining Statement of Cash Flows are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedule of Net Position, Combining Schedule of Revenues, Expenses, and Changes in Net Position, and Combining Schedule of Cash Flows are fairly stated, in all material respects, in relation to the financial statements as a whole.

The Operating Budget Comparison Schedule - Wastewater and the Operating Budget Comparison Schedule - Recycled have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or any assurance on them.

The PwC Group, LLP

San Diego, California
November 5, 2020

San Elijo Joint Powers Authority
Management’s Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

Our discussion and analysis of the financial performance of the San Elijo Joint Powers Authority’s (the “SEJPA”) provides an overview of the SEJPA’s financial activities as of and for the year ended June 30, 2020. Please read it in conjunction with the SEJPA’s financial statements which begin on page 9.

Financial Statements

This discussion and analysis provide an introduction and a brief description of the SEJPA’s financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The SEJPA’s financial statements include four components:

- Statement of Net Position;
- Statement of Revenues, Expenses and Changes in Net Position;
- Statement of Cash Flows; and
- Notes to the Financial Statements

The Statement of Net Position includes all of the SEJPA’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position may be displayed in three categories:

- Net investment in capital assets;
- Restricted net position; and
- Unrestricted net position

The *Statement of Net Position* provides the basis for computing rate of return evaluating the capital structure of the SEJPA and assessing its liquidity and financial flexibility.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information which shows how the SEJPA’s net position changed during the year. All of the current year’s revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses and changes in net position measures the results of the SEJPA’s operations over the past year and determines whether the SEJPA has recovered its costs through charges for services and other expenses.

The *Statement of Cash Flows* provides information regarding the SEJPA’s cash receipts and cash disbursements during the year. This statement may report cash activity in four categories:

- Operating;
- Non-capital financing;
- Capital and related financing; and
- Investing

This statement differs from the statement of revenues, expenses and changes in net position because the statement accounts only for transactions that result in cash receipts or cash disbursements.

The *notes to the financial statements* provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

San Elijo Joint Powers Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2020

Financial Highlights

The SEJPA's net position increased by \$1,021,875 for the year ended June 30, 2020.

The SEJPA's revenues totaled \$11,472,600 for the year ended June 30, 2020, an increase of \$1,396,418 resulting from contributions and assessments related to wastewater treatment and capital improvement projects.

The SEJPA's expenses totaled \$10,450,725 for the year ended June 30, 2020. The expense increase was \$898,284 or 9.4% primarily due to increase in the pension liability, PARS Public Agencies Post-Employment Benefits Trust Program deposit, and depreciation.

Financial Analysis of the SEJPA

Net Position

The following is a summary of the SEJPA's statements of net position at June 30:

	2020	2019	Increase (Decrease)	Percent Increase (Decrease)
Assets:				
Current and other assets	\$ 49,114,481	\$ 48,765,851	\$ 348,630	0.7%
Capital assets	54,803,442	53,312,302	1,491,140	2.8%
Total Assets	103,917,923	102,078,153	1,839,770	1.8%
Deferred Outflows of Resources	799,780	743,254	56,526	7.6%
Liabilities:				
Current liabilities	5,218,303	3,119,185	2,099,118	67.3%
Non-current liabilities	29,439,275	30,692,617	(1,253,342)	(4.1%)
Total Liabilities	34,657,578	33,811,802	845,776	2.5%
Deferred Inflows of Resources	172,705	144,060	28,645	19.9%
Net Position:				
Net investment in capital assets	28,332,591	25,245,211	3,087,380	12.2%
Restricted	630,000	630,000	-	0.0%
Unrestricted	40,924,829	42,990,334	(2,065,505)	(4.8%)
Total Net Position	\$ 69,887,420	\$ 68,865,545	\$ 1,021,875	1.5%

Net position increased by \$1,021,875 from fiscal year 2019 to 2020. Net investment in capital assets increased \$3,087,380 in fiscal year 2020. This increase is the result of principal paid on long-term debt, and the investment in capital assets, net of depreciation expense.

San Elijo Joint Powers Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2020

Financial Analysis of the SEJPA (Continued)

Net Position (Continued)

Restricted net position is unchanged for the year ended June 30, 2020 as funds restricted for bond reserves remain in place.

Unrestricted net position (those that can be used to finance day-to-day operations) decreased \$2,065,505 primarily due to funding for the Building Improvement project.

Revenues, Expenses and Changes in Net Position

The following is a summary of the SEJPA's revenues, expenses and changes in net position for the years ended June 30:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Revenues				
Operating contributions from members	\$ 3,511,851	\$ 3,278,174	\$ 233,677	7.1%
Charges for services to other government agencies	5,103,323	4,472,156	631,167	14.1%
Other nonoperating revenue	1,595,422	2,179,588	(584,166)	(26.8%)
Member agency assessments	1,172,279	153,514	1,018,765	663.6%
State grants	89,725	(7,250)	96,975	1337.6%
Total revenues	<u>11,472,600</u>	<u>10,076,182</u>	<u>1,396,418</u>	<u>13.9%</u>
Expenses				
Operating expenses	9,608,197	8,599,404	1,008,793	11.7%
Nonoperating expenses	842,528	953,037	(110,509)	(11.6%)
Total expenses	<u>10,450,725</u>	<u>9,552,441</u>	<u>898,284</u>	<u>9.4%</u>
Increase in net position	<u>\$ 1,021,875</u>	<u>\$ 523,741</u>	<u>\$ 498,134</u>	<u>95.1%</u>

Capital Assets

The following is a summary of capital assets at June 30:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Construction in progress	\$ 7,520,610	\$ 4,037,434	\$ 3,483,176	86.3%
Plant equipment	86,844,963	86,593,683	251,280	0.3%
Lab equipment	85,524	87,335	(1,811)	(2.1%)
Office equipment	83,896	83,896	-	0.0%
Vehicles	488,234	289,287	198,947	68.8%
Subtotal	<u>95,023,227</u>	<u>91,091,635</u>	<u>3,931,592</u>	<u>4.3%</u>
Less accumulated depreciation	<u>(40,219,785)</u>	<u>(37,779,333)</u>	<u>(2,440,452)</u>	<u>6.5%</u>
Total capital assets, net	<u>\$ 54,803,442</u>	<u>\$ 53,312,302</u>	<u>\$ 1,491,140</u>	<u>2.8%</u>

San Elijo Joint Powers Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2020

Financial Analysis of the SEJPA (Continued)

Capital Assets (Continued)

The net additions to capital assets for fiscal year 2020 totaled \$3,931,592. Capital asset additions are primarily related to the Building Improvement project.

Long-Term Debt

The following is a summary of long-term debt at June 30:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
2011 Refunding Revenue Bonds	\$ 120,000	\$ 294,886	\$ (174,886)	(59.3%)
2017 Revenue Bonds	23,576,047	24,081,271	(505,224)	(2.1%)
State loan payable	814,318	1,608,773	(794,455)	(49.4%)
Private placement loan payable	1,343,998	1,433,578	(89,580)	(6.2%)
SFID Reimbursement Agreement payable	422,971	425,702	(2,731)	(0.6%)
SDG&E loan	373,719	427,107	(53,388)	(12.5%)
Total long-term debt	<u>\$ 26,651,053</u>	<u>\$ 28,271,317</u>	<u>\$ (1,620,264)</u>	<u>(5.7%)</u>

The total long-term debt decreased by \$1,620,264 primarily due to principal payments on the 2017 Revenue Bonds and the state loan payable.

Economic Factors

Consistent with the prior year, SEJPA's fiscal year 2020-21 sanitary fund operations and maintenance budget is \$5,839,115. The water reclamation budget is \$1,867,279. Sales of reclaimed water are budgeted to be approximately 1,570 acre-feet in the upcoming year.

Contingency funding for each program area has been reviewed and budgeted on the basis of the potential for unforeseen events within each activity area. For all programs, the amount in contingency funding is \$164,228 and is \$24,172 lower than last year's budget levels.

The capital project program will have a budget of \$1,730,000 during the upcoming year. This is primarily for improvements to the wastewater, ocean outfall, pump stations, and reclamation programs.

Costs of sanitary services are allocated on the basis of percentage of use, as indicated by measured flows, or level of effort, as appropriate. On the basis of connected equivalent dwelling units (EDU's) for wastewater treatment provided to the member agencies, the budgeted cost is approximately \$169 per EDU per year for 2020-21. This represents a 3% increase from 2019-20. The Encinitas Ranch Golf Course pays a set annual price for interruptible water service. For the remaining water agencies, recycled water sales are based on individual contracts which may include minimum annual purchase volumes and negotiated water rate prices. These revenues are supplemented by incentives from the Metropolitan Water District and the San Diego County Water Authority.

San Elijo Joint Powers Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2020

Economic Factors (Continued)

On October 8, 2012, the Board adopted a resolution to amend the contract between CalPERS and the SEJPA. This resolution amended the contract to include Section 20475 (Different Level of Benefits) for new Miscellaneous Members of the Public Employees' Retirement System, Section 21353 (2% at 60 Full Formula), and Section 20037 (Three-Year Final Compensation) this resolution will be applicable to all SEJPA employees entering membership for the first time in the miscellaneous classification after June 30, 2015. The lower benefit payout will result in a lower contribution rate for the SEJPA in the future as new employees enter the SEJPA workforce. All employees will pay the full employee portion of the CalPERS retirement benefit.

Contacting the Authority's Financial Manager

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the SEJPA's finances and to demonstrate the SEJPA's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the SEJPA, at (760) 753-6203, ext. 73.

This page intentionally left blank.

FINANCIAL STATEMENTS

This page intentionally left blank.

San Elijo Joint Powers Authority
Statement of Net Position
June 30, 2020

ASSETS

Current assets:

Cash and investments	\$	25,094,146
Due from other governmental agencies		1,245,425
Accrued interest receivable		329,245
Prepaid items		15,578
Current portion of loans receivable		570,000
Total current assets		27,254,394

Non-current assets:

Restricted cash and cash equivalents		630,087
Loans receivable - net of current portion		21,230,000
Capital assets:		
Nondepreciable		7,520,610
Depreciable, net of accumulated depreciation		47,282,832
Total capital assets		54,803,442
Total non-current assets		76,663,529
Total assets		103,917,923

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions		744,311
Deferred outflows of resources related to OPEB		55,469
Total deferred outflows of resources		799,780

San Elijo Joint Powers Authority
Statement of Net Position (Continued)
June 30, 2020

LIABILITIES

Current liabilities:

Accounts payable	2,531,910
Accrued liabilities	529,993
Accrued interest payable	320,176
Retention payable	193,517
Unearned revenue	74,275
Revenue refunding bonds - due within one year	120,000
Revenue bonds - due within one year	450,000
State loan payable - due within one year	814,318
Private placement loan payable - due within one year	93,336
SDG&E loan - due within one year	53,388
Compensated absences - due within one year	37,390
Total current liabilities	5,218,303

Non-current liabilities:

Due to member agencies payable from restricted assets	87
Revenue bonds - due in more than one year	23,126,047
Private placement loan payable - due in more than one year	1,250,662
SFID reimbursement agreement payable	422,971
SDG&E loan - due in more than one year	320,331
Net pension liability	3,305,214
Total OPEB liability	542,934
Compensated absences - due in more than one year	471,029
Total non-current liabilities	29,439,275
Total liabilities	34,657,578

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	172,705
Total deferred inflows of resources	172,705

NET POSITION

Net investment in capital assets	28,332,591
Restricted for debt service	630,000
Unrestricted	40,924,829
Total Net Position	\$ 69,887,420

San Elijo Joint Powers Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020

Operating revenues:	
Charges for services to other government agencies	\$ 5,103,323
Contributions from the City of Encinitas	1,967,184
Contributions from the City of Solana Beach	<u>1,544,667</u>
Total operating revenues	<u>8,615,174</u>
Operating expenses:	
Personnel costs	3,853,526
Depreciation and amortization	2,631,256
Utilities	755,919
Contracted services	902,684
Supplies	604,882
Disposal services	264,497
Miscellaneous	75,902
Repair parts expense	170,819
Rent	134,474
Permit/purveyor fees	121,581
Insurance	<u>92,657</u>
Total operating expenses	<u>9,608,197</u>
Operating income (loss)	<u>(993,023)</u>
Non-operating revenues (expenses):	
Investment income	1,450,364
State grants	89,725
Rental income	29,088
Gain on disposal of assets	50,625
Interest expense	(893,153)
Other	<u>115,970</u>
Total non-operating revenues, net	<u>842,619</u>
Net income before capital contributions	(150,404)
Capital contributions:	
Assessments from City of Solana Beach	486,139
Assessments from City of Encinitas	<u>686,140</u>
Total capital contributions	<u>1,172,279</u>
Change in net position	1,021,875
Net position:	
Beginning of year	<u>68,865,545</u>
End of year	<u>\$ 69,887,420</u>

See accompanying Notes to the Financial Statements.

San Elijo Joint Powers Authority
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash flows from operating activities:	
Cash receipts from customers	\$ 7,853,820
Cash payments to vendors and suppliers for materials and services	(1,230,376)
Cash payments to employees for services	(3,140,744)
Net cash provided by operating activities	<u>3,482,700</u>
Cash flows from non-capital financing activities:	
Rental and other nonoperating income	234,783
Net cash provided by non-capital financing activities	<u>234,783</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(4,117,299)
Proceeds from the sale of capital assets	50,625
Principal paid on long-term debt	(1,490,154)
Interest paid on long-term debt	(1,017,185)
Capital contributions	1,172,279
Net cash (used in) capital and related financing activities	<u>(5,401,734)</u>
Cash flows from investing activities:	
Proceeds from loans receivable	550,000
Investment earnings	1,483,738
Net cash provided by investing activities	<u>2,033,738</u>
Net increase in cash and cash equivalents	349,487
Cash and cash equivalents:	
Beginning of year	<u>25,374,746</u>
End of year	<u>\$ 25,724,233</u>
Cash and cash equivalents:	
Cash and cash equivalents	\$ 25,094,146
Restricted cash and cash equivalents	630,087
Total cash and cash equivalents	<u>\$ 25,724,233</u>

See accompanying Notes to the Financial Statements.

San Elijo Joint Powers Authority
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2020

Reconciliation of operating income to net cash provided by operating activities:

Operating income \$ (993,023)

Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation and amortization 2,631,256

Change in assets, liabilities, deferred outflows of resources, and deferred inflows of resources:

Due from other governmental agencies (606,077)

Prepaid items 19,736

Deferred outflows related to pensions (39,248)

Deferred outflows related to OPEB (48,242)

Accounts payable 1,933,631

Accrued liabilities 355,138

Retentions payable (60,328)

Unearned revenue (155,277)

Net pension liability 307,189

Net OPEB liability 71,910

Compensated absences 37,390

Deferred inflows related to pensions 29,344

Deferred inflows related to OPEB (699)

Total adjustments 4,475,723

Net cash provided by operating activities \$ 3,482,700

Non-cash items:

Amortization of other assets \$ 3,824

Amortization of deferred amount on refunding 30,964

Total non-cash items \$ 34,788

This page intentionally left blank.

NOTES TO THE FINANCIAL STATEMENTS

This page intentionally left blank.

San Elijo Joint Powers Authority
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 – Reporting Entity

The San Elijo Joint Powers Authority (SEJPA), a Joint Powers Authority authorized by California Government Code Section 6500, was established on June 17, 1987 with the power to own, operate, maintain and upgrade the San Elijo Water Reclamation Facility (WRF) through an agreement between the Cardiff Sanitation District (Cardiff) and the Solana Beach Sanitation District (Solana Beach) (collectively, the “member agencies”). The SEJPA which is governed by a board consisting of four members, two from each member agency; serves as a wastewater treatment facility for the member agencies as well as portions of Rancho Santa Fe Community Services District, Improvement Areas 2 and 3, and portions of the City of San Diego. On July 1, 1990, the City of Solana Beach succeeded to the powers and responsibilities of the Solana Beach Sanitation District; and on October 18, 2001, the City of Encinitas succeeded to the powers and responsibilities of the Cardiff Sanitation District.

Under the agreement establishing the SEJPA, Cardiff retained its right to 56% of the available treatment capacity of the plant, and Solana Beach retained its right to the remaining 44%. In May 1989 through an agreement between the SEJPA and the member agencies to upgrade and expand the WRF; Solana Beach paid Cardiff to increase its ownership percentage and capacity rights to 50%.

The SEJPA and the City of Escondido are joint owners and users, 21% and 79% respectively, of the San Elijo Ocean Outfall which is generally comprised of a regulator station and piping extending from an on-shore location out into the ocean.

The criteria used in determining the scope of the reporting entity is based on the provisions of GASB Code Sections 2100 “Defining the Financial Reporting Entity.” The SEJPA is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the SEJPA appoints a voting majority of the component units board, or because the component unit will provide a financial benefit or impose a financial burden on the SEJPA. The SEJPA has no component units.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (“GASB”) commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Method of Accounting

The Financial Statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the SEJPA.

The SEJPA utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, the Financial Statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Method of Accounting (Continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

- ***Deferred Outflows of Resources*** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.
- ***Deferred Inflows of Resources*** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Operating revenues are those revenues that are generated from the primary operations of the SEJPA. The SEJPA reports a measure of operations by presenting the change in net position from operations as "operating income" in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the SEJPA as all activities other than financing and investing activities (interest expense and investment income, rental income, etc.), and other infrequently occurring transaction of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the SEJPA. All other expenses are reported as non-operating expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The SEJPA recognizes revenue from charges for services to other government agencies and contributions from its members when they are earned. Operating activities generally result from providing services and producing and delivering goods. As such, the SEJPA considers charges for services to other government agencies and contributions from the cities to be operating revenues.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value. The majority of the SEJPA's cash and investments are invested in the State of California's Local Agency Investment Fund ("LAIF"). The SEJPA does not own any specifically identifiable securities or investments in LAIF. As a participant in LAIF, the SEJPA has rights to its ratable share of the pooled cash and investments in LAIF, on a dollar-for-dollar basis. The SEJPA's ratable share of investment income from the LAIF pool is calculated and distributed on a quarterly basis. Investment income is reported as non-operating revenue in the Statement of Revenues, Expenses and Changes in Net Position. Since all amounts invested in LAIF are available upon demand, the SEJPA considers all amounts invested in LAIF to be cash equivalents.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

Certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk

Investments

Investments are stated at their fair value which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management’s evaluation of outstanding receivables. Management believes that all amounts due from other government agencies, loans receivable and the retrofit loans receivable were fully collectible; therefore, no allowance for doubtful accounts was recorded at June 30, 2020.

Capital Assets

Capital assets consist of construction in progress, plant equipment, lab equipment, office equipment, and vehicles. Capital assets purchased or acquired with a cost exceeding \$2,000 and an estimated useful life of more than one year are reported at historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Plant equipment	5 - 50
Lab equipment	5 - 40
Office equipment	5 - 20
Vehicles	5

Capitalized Interest

The SEJPA incurred interest charges on long-term debt. No interest was capitalized as a cost of construction for the year ended June 30, 2020.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Amortization

2011 Refunding Bonds

Bond insurance costs are being amortized on the straight-line method over periods not to exceed the debt maturities. Amortization expense totaled \$3,824 for the year ended June 30, 2020.

The original issue premium is being amortized on the straight-line method over the remaining life of the related debt. Amortization of the original issue premium totaled \$59,886 for the year ended June 30, 2020 and is included in interest expense.

The deferred amount on refunding is being amortized over the remaining life of the refunded debt. Amortization expense totaled \$30,964 for the year ended June 30, 2020, and is included in interest expense.

2017 Revenue Bonds

The original issue premium is being amortized on the straight-line method over 30 years. Amortization of the original issue premium totaled \$70,224 for the year ended June 30, 2020 and is included in interest expense.

Classification of Liabilities

Certain liabilities which are currently payable have been classified as noncurrent because they will be funded from restricted assets.

Compensated Absences

Employees are entitled to accrue vacation leave up to a maximum amount equal to twice the employees' annual accrual rate, after which accrual ceases until the balance of maximum accrued falls below the maximum accumulation (208 – 368 hours, depending on length of service). Upon separation of employment, accrued vacation benefits that have not been used are paid to the employee. Sick leave benefits may be accrued up to a maximum of 1,000 hours after which accrual ceases. Employee who are not terminated for cause and have given the SEJPA 14 calendar days written notice are paid for 50% of their sick leave balance upon separation. Accumulated and unpaid vacation and sick-leave totaling \$508,419 is accrued when incurred and included in noncurrent liabilities at June 30, 2020.

Risk Management

The SEJPA is a member of the California Sanitation Risk Management Authority (CSRMA). CSRMA is a risk-pooling self-insurance authority created under provisions of California Government Code Sections 6500 et. seq. The purpose of CSRMA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Each insured agency pays for its proportionate share of its individually contracted insurance coverage and consulting services. At June 30, 2020, the SEJPA participated in the programs of CSRMA as follows:

- **General Liability including Bodily Injury, Property Damage, Public Entity Errors and Omissions, Employment Practices Liability and Automobile Liability**

The CSRMA Pooled Liability (shared risk) Program provides \$25,500,000 per occurrence and in aggregate. CSRMA is self-insured up to \$15,500,000 and additional \$10,000,000 in excess insurance has been purchased to bring the total limit of liability coverage to \$25,500,000. SEJPA has a \$100,000 deductible in the CSRMA Pooled Liability Program.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Risk Management (Continued)

- **Property Damage**

\$77,997,177 in scheduled values is covered through the APIP Property Program with a \$1,000,000,000 shared loss limit per occurrence with a \$25,000 deductible. Coverage includes: all risk property coverage, mobile equipment, auto physical damage and boiler and machinery. The SEJPA has a \$5,000 to \$350,000 deductible for boiler and machinery coverage depending on the size of the machinery.

- **Faithful Performance/Employee Dishonesty Bond**

SEJPA is insured up to \$2,000,000 with a \$2,500 deductible. Coverage includes: employee dishonesty, faithful performance forgery or alteration, computer fraud, money and securities theft, disappearance and destruction.

- **Workers' Compensation**

SEJPA participates in CSRMA's Workers' Compensation Program, which currently self-insures the first \$750,000 of each claim. The members have no deductible or self-insured retention. Excess insurance provides statutory limits for Workers' Compensation and \$750,000 for each accident or each employee for disease in limits for Employers Liability.

The SEJPA pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of the adjustments cannot be estimated and are charged to expense as invoiced. The SEJPA's insurance expense totaled \$92,657 for the year ended June 30, 2020. There were no instances in the past three years where a settlement exceeded the SEJPA's coverage.

Pensions

For purposes of measuring the net pension liability at June 30, 2020, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 10). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation date	June 30, 2018
Measurement date	June 30, 2019
Measurement period	July 1, 2018 to June 30, 2019

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 expenses for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and/or deferred inflows of resources related to pensions and are recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5-year. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefits

For purposes of measuring the total OPEB liability at June 30, 2020, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 9). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for OPEB reporting:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Measurement period	July 1, 2019 to June 30, 2020

Gains and losses related to changes in total pension liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expenses for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and/or deferred inflows of resources related to OPEB and are recognized in future OPEB expense. The amortization period differs depending on the source of the gain or loss. All amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Net Position

In the financial statements, net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, other borrowings, and deferred inflows and outflows of resources that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted resources are available for use, it is the SEJPA's policy to use restricted resources first, then unrestricted resources as they are needed.

Economic Dependency

SEJPA received approximately 43.5% of its operating revenues from its member agencies for the year ended June 30, 2020.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 3 – Cash and Cash Equivalents

At June 30, 2020, cash and investments are reported at fair value based on quoted market prices. The following table presents the fair value measurements of investments recognized in the accompanying statement of net position measured at fair value on a recurring basis and the level within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2020:

	Amount Invested	Percentage of Portfolio	Measurement Input
Petty cash	\$ 174	0.00%	N/A
Deposits held with financial institutions	16,442,008	63.92%	N/A
Local Agency Investment Fund (LAIF)	9,282,051	36.08%	Uncategorized
Total cash and investments	<u>\$ 25,724,233</u>	<u>100.00%</u>	

Cash and investments reported in the accompanying
Statement of Net Position:

Cash and investments	\$ 25,094,146
Restricted cash and cash equivalents	<u>630,087</u>
Total cash, investments, and cash equivalents	<u>\$ 25,724,233</u>

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

The table below identifies the investment types that are authorized for the SEJPA by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate 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 SEJPA, rather than the general provision of the California Government Code or the SEJPA's investment policy:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Minimum Rating
Local agency bonds	5 years	None	None
U.S. Treasury obligations	5 years	None	None
State obligations	5 years	None	None
CA local agency obligations	5 years	None	None
U.S. agency securities	5 years	None	None
Bankers' acceptances	180 days	40%	None
Commercial paper	270 days	25%	A1
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20%	None
Medium-term notes	5 years	30%	A
Mutual funds	n/a	20%	Multiple
Money market mutual funds	n/a	20%	Multiple
Collateralized bank deposits	5 years	None	None
Mortgage pass-through securities	5 years	20%	AA
Time deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	n/a	None	None
County pooled investments	n/a	None	None

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 3 – Cash and Cash Equivalents (Continued)

The SEJPA’s Investment Policy is more restrictive than the California Government Code. The SEJPA may invest in the California Local Agency Investment Fund and the San Diego County Pooled Money Investment account. Open ended money market mutual funds are being held by the bond trustee.

Disclosures Relating to 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 is to changes in market interest rates. The SEJPA manages its exposure to interest rate risk by purchasing shorter term investments so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the SEJPA’s investments (including investments held by the bond trustee) to market interest rate fluctuations is shown via the distribution of the SEJPA’s investments by maturity at June 30, 2020 as follows:

Description	Balance	Maturity 12 Months or Less
Cash on hand	\$ 174	\$ 174
Deposits held with financial institutions	16,442,008	16,442,008
California Local Agency Investment Fund (LAIF)	9,282,051	9,282,051
Total cash and cash equivalents	<u>\$ 25,724,233</u>	<u>\$ 25,724,233</u>

Disclosures Relating to Credit Risk

Credit risk is defined as 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 organization. Presented below is the minimum rating required by (where applicable) the Government Code, the Investment Policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings as of June 30, 2020 were as follows:

Description	Minimum Legal Rating	Standards & Poor's Rating at June 30, 2020
Local Agency Investment Fund (LAIF)	N/A	Not Rated

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 3 – Cash and Cash Equivalents (Continued)

Disclosures Relating to Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude to the SEJPA's investment in a single issue. GASB Statement No. 40 requires disclosure by amount and issuer, of investments in any one issuer that represent 5% or more of total investments.

The investment policy of the SEJPA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The SEJPA holds no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the SEJPA's total investments at June 30, 2020.

Disclosures Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the SEJPA 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 counter-party (e.g., broker-dealer) the SEJPA will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the SEJPA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure SEJPA deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2020, none of the SEJPA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2020, no SEJPA investments were held by the same broker-dealer (counterparty) that was used by the SEJPA to buy the securities.

Investment in State of California Local Agency Investment Fund

The SEJPA is a voluntary participant in the Local Agency Investment Fund ("LAIF") that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of the SEJPA's investment in this pool is reported in the accompanying financial statements at amounts based upon the SEJPA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

SEJPA's investments with Local Agency Investment Fund (LAIF) include a portion of the pool funds invested in structured notes and asset-backed securities. These investments include the following:

- Structured Notes - debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 3 – Cash and Cash Equivalents (Continued)

Investment in State of California Local Agency Investment Fund (Continued)

- Asset-Backed Securities - entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's), small business loans or credit card receivables.

LAIF is overseen by the Local Investment Advisory Board, which consists of five members, in accordance with State statute. The fair value of our position in the pool is the same as the value of the pool shares.

As of June 30, 2020, SEJPA had \$9,282,051 invested in LAIF, which had invested 3.37% of the pool investment funds in structured notes and asset-backed securities. The LAIF fair value factor of 1.004912795 was used to calculate the fair value of the investment in LAIF.

Note 4 – Due from Other Government Agencies

The SEJPA provides reclaimed water and wastewater treatment to a variety of governmental agencies within San Diego County. The following is a detail of amounts owed to/from the SEJPA by these agencies at June 30, 2020:

<u>Description</u>	<u>Balance</u>
City of Solana Beach	\$ 575,076
San Dieguito Water District	215,680
City of Del Mar	146,336
Santa Fe Irrigation District	99,129
San Diego County Water Authority	92,115
Olivenhain Municipal Water District	59,203
Rancho Santa Fe CSD	32,046
Other	25,840
Total due from other governmental agencies	<u>\$ 1,245,425</u>

Note 5 – Restricted Assets

Restricted assets were provided by and are to be used for the following at June 30, 2020:

<u>Funding Source</u>	<u>Use</u>	<u>Amount</u>
Receipts from customers	State loan reserve requirement	\$ 630,000
Debt proceeds and interest earned	Debt service - Solana Beach	46
Debt proceeds and interest earned	Debt service - Encinitas	41
		<u>\$ 630,087</u>

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 6 – Loans Receivable

The City of Encinitas and the City of Solana Beach have entered into the fourth amendment and restated loan agreements with the SEJPA. The loans bear interest from 2% to 4%. Principal and interest are payable semi-annually four days prior to each September 1 and March 1 of each year, in order to provide the SEJPA with sufficient funds to service the debt on the 2011 Refunding Revenue Bonds and 2017 Revenue Bonds (See Note 8). Loans receivable consist of the following at June 30, 2020:

	June 30, 2020
City of Solana Beach	\$ 10,900,000
City of Encinitas	10,900,000
Subtotal	21,800,000
Less: current portion	(570,000)
Loans receivable, net of current portion	\$ 21,230,000

Note 7 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2020 is as follows:

Description	Balance July 1, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Non-depreciable assets:					
Construction in progress	\$ 4,037,434	\$ 3,625,982	\$ -	\$ (142,806)	\$ 7,520,610
Total non-depreciable assets	4,037,434	3,625,982	-	(142,806)	7,520,610
Depreciable assets:					
Plant equipment	86,593,683	133,382	(24,908)	142,806	86,844,963
Lab equipment	87,335	4,547	(6,358)	-	85,524
Office equipment	83,896	-	-	-	83,896
Vehicles	289,287	353,388	(154,441)	-	488,234
Total depreciable assets	87,054,201	491,317	(185,707)	142,806	87,502,617
Accumulated depreciation:					
Plant equipment	(37,345,252)	(2,580,713)	24,907	-	(39,901,058)
Lab equipment	(70,128)	(8,847)	6,358	-	(72,617)
Office equipment	(74,664)	(3,794)	-	-	(78,458)
Vehicles	(289,289)	(32,804)	154,441	-	(167,652)
Total accumulated depreciation	(37,779,333)	(2,626,158)	185,706	-	(40,219,785)
Total depreciable assets, net	49,274,868	(2,134,841)	(1)	142,806	47,282,832
Total capital assets, net	\$ 53,312,302	\$ 1,491,141	\$ (1)	\$ -	\$ 54,803,442

Depreciation totaled \$2,626,158 for the year ended June 30, 2020. Depreciation plus amortization of other assets of \$5,098, as reported in the Statement of Revenues, Expenses, and Changes in Net Position, totaled \$2,631,256 for the year ended June 30, 2020.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 8 – Noncurrent Liabilities

A summary of changes in noncurrent liabilities for the year ended June 30, 2020 is as follows:

	Balance			Balance June 30, 2020	Classification	
	July 1, 2019	Additions	Deletions		Due Within One Year	Due in More Than One Year
Payable from Restricted Assets:						
Due to member agencies payable from restricted assets	\$ 645	\$ -	\$ (558)	\$ 87	\$ -	\$ 87
Total payable from restricted assets	645	-	(558)	87	-	87
Long-Term Debt:						
2011 Refunding Revenue Bonds	235,000	-	(115,000)	120,000	120,000	-
add: original issue premium	59,886	-	(59,886)	-	-	-
2017 Revenue Bonds	22,115,000	-	(435,000)	21,680,000	450,000	21,230,000
add: original issue premium	1,966,271	-	(70,224)	1,896,047	-	1,896,047
State loan payable	1,608,773	-	(794,455)	814,318	814,318	-
Private placement loan payable	1,433,578	-	(89,580)	1,343,998	93,336	1,250,662
SFID reimbursement agreement payable	425,702	-	(2,731)	422,971	-	422,971
SDG&E financing	427,107	-	(53,388)	373,719	53,388	320,331
Total long-term debt	28,271,317	-	(1,620,264)	26,651,053	1,531,042	25,120,011
Other Noncurrent Liabilities:						
Compensated absences	471,029	292,253	(254,863)	508,419	37,390	471,029
Total OPEB liability	471,024	71,910	-	542,934	-	542,934
Net pension liability	2,998,025	307,189	-	3,305,214	-	3,305,214
Total other noncurrent liabilities	3,940,078	671,352	(254,863)	4,356,567	37,390	4,319,177
Total long-term obligations	\$ 32,212,040	\$ 671,352	\$ (1,875,685)	\$ 31,007,707	\$ 1,568,432	\$ 29,439,275

2011 Refunding Revenue Bonds

In December 2011, SEJPA issued the 2011 Revenue Refunding Bonds in the amount of \$9,235,000 for the purpose of refunding its 2003 Refunding Revenue Bonds and prepaying a note to the California Energy Commission. The 2003 Refunding Revenue Bonds had been issued to refund the 1993 Refunding Revenue Bonds, the proceeds of which had been loaned to its two member agencies to finance the upgrade and expansion of the water pollution control facility.

Although the refunding resulted in a deferred amount on refunding of \$340,611, SEJPA in effect reduced the aggregate debt service payments by approximately \$222,000 each year over the next six years and obtained an economic gain (difference between the present values of the old debt and the new debt service payments) of \$1,251,450. The deferred amount on refunding totaled was fully amortized to \$0 at June 30, 2020.

The 2011 Refunding Revenue Bonds are payable in annual principal installments ranging from \$50,000 to \$1,415,000 through March 1, 2021. Interest payments are due semiannually on September 1, and March 1. Interest rates on the bonds range from 2% to 4%. The 2011 Refunding Revenue Bonds outstanding total \$120,000 at June 30, 2020. Accrued interest totaled \$1,140 at June 30, 2020. The member agencies have covenanted to make payments of loan installments in each year from net revenues derived from the operation of each Agency's respective wastewater collection system.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 8 – Noncurrent Liabilities (Continued)

2011 Refunding Revenue Bonds (Continued)

Debt service requirements on the 2011 Refunding Revenue Bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 120,000	\$ 3,420	\$ 123,420
Total	\$ 120,000	\$ 3,420	\$ 123,420

2017 Revenue Bonds

On June 21, 2017, SEJPA issued \$22,115,000 of 2017 Revenue Bonds (Clean Water Projects) (the “Bonds”) that were funded on July 6, 2017. The Bonds were issued for the purpose of funding facilities and improvements as part of SEJPA’s capital improvement plan. SEJPA entered into *Series 2017 Loan Agreements* with the City of Encinitas and the City of Solana Beach (together the “Cities”) to assist in the financing of the Cities’ respective shares of the Bonds. Each *Series 2017 Loan Agreement* is an absolute and unconditional obligation of the City of Encinitas and the City of Solana Beach, respectively, to make payments from and secured by a pledge of system revenues and other funds of each respective City lawfully available therefor and does not constitute an obligation of the other City. Each of the Cities has agreed to pay its respective loan installments from its system revenues comprised of gross revenues derived from its respective wastewater collection and disposal system (including SEJPA’s treatment of wastewater collected by its system) after the deduction of operation and maintenance expenses, in an amount sufficient to pay the annual principal and interest due under its respective *Series 2017 Loan Agreement*. In addition, each City has made covenants under its respective *Series 2017 Loan Agreement* regarding the collection of its System Revenues, and SEJPA has made certain covenants with respect to the operation and maintenance of its facilities.

The Loan Installments paid by Encinitas would pay approximately 50% of the total debt service on the Bonds and the Loan Installments paid by Solana Beach would pay approximately 50% of the debt service on the Bonds.

Debt service requirements on the 2017 Revenue Bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 450,000	\$ 889,725	\$ 1,339,725
2022	460,000	876,225	1,336,225
2023	475,000	862,425	1,337,425
2024	490,000	848,175	1,338,175
2025	510,000	828,575	1,338,575
2026-2030	2,955,000	3,734,375	6,689,375
2031-2035	3,735,000	2,949,625	6,684,625
2036-2040	4,580,000	2,104,113	6,684,113
2041-2045	5,505,000	1,182,200	6,687,200
2046-2047	2,520,000	152,200	2,672,200
Total	\$ 21,680,000	\$ 14,427,638	\$ 36,107,638

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 8 – Noncurrent Liabilities (Continued)

State Loan Payable

In March 1998, SEJPA entered into an agreement with the State Water Resources Control Board for funding of the San Elijo Water Reclamation System. The loan was funded through the State Revolving Fund loan program administered by the State of California in the amount of \$12,633,522. The State Revolving Fund loan program provides funding for water reclamation projects at a reduced interest rate of 2.5%. The state loan payable outstanding totaled \$814,318 at June 30, 2020. Accrued interest totaled \$17,813 at June 30, 2020. The San Elijo Water Reclamation Project represented the construction of tertiary treatment, operational storage facilities, effluent pump stations and a reclaimed water distribution system. Annual loan payments are made by SEJPA in the amount of \$834,675 and continue through August 2020. SEJPA has agreed to maintain a dedicated source of revenue sufficient to provide reasonable assurance of repayment of the loan.

The terms of the state loan payable require SEJPA to place \$63,000 into a reserve fund each year for ten (10) years, beginning with the issuance of the loan. The reserve fund balance was \$630,000 at June 30, 2020 (See Note 5).

Debt service requirements on the State Loan Payable are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 814,318	\$ 20,358	\$ 834,676
Total	<u>\$ 814,318</u>	<u>\$ 20,358</u>	<u>\$ 834,676</u>

Private Placement Loan Payable

In November 2011, SEJPA entered into a private placement loan payable with Municipal Finance Corporation in the amount of \$2,000,000 to fund advanced water treatment improvements (Advanced Water Treatment Project) at the San Elijo Water Reclamation Facility. Interest accrues at 4.15% on the unpaid principal balance and is payable in forty semi-annual payments of \$74,077 including principal and interest and continue through December 2031. The private placement loan payable outstanding totaled \$1,343,998 at June 30, 2020. Accrued interest totaled \$4,648 at June 30, 2020. SEJPA's obligation to pay the loan repayments is a special obligation limited solely to the net revenues as defined in the loan agreement. SEJPA has covenanted that it will fix, prescribe and collect rates, fees and charges sufficient to generate net revenues at least equal to 115% of the amount of the maximum annual debt service.

Debt service requirements on the private placement loan payable are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 93,336	\$ 54,817	\$ 148,153
2022	97,249	50,904	148,153
2023	101,327	46,826	148,153
2024	105,876	42,277	148,153
2025	110,002	38,151	148,153
2026-2030	623,189	117,576	740,765
2031-2032	213,019	9,212	222,231
Total	<u>\$ 1,343,998</u>	<u>\$ 359,763</u>	<u>\$ 1,703,761</u>

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 8 – Noncurrent Liabilities (Continued)

SFID Reimbursement Agreement Payable

The Santa Fe Irrigation District (SFID) constructed a reclaimed water distribution pipeline extension of 3,400 linear feet to SEJPA’s reclaimed water distribution system in order to extend SEJPA’s existing recycled water distribution system and enable SFID to serve new reclaimed water customers. SEJPA agreed to reimburse SFID for the cost of design and construction of the extension in the amount of \$526,149 and SFID agreed to convey ownership of the extension to SEJPA effective October 1, 2012. Under the terms of the agreement, the reimbursement amount shall be increased each July 1st by adding interest at the rate equivalent to the average LAIF rate for the past four quarters, but not less than 1% nor greater than 2.5% calculated on the unpaid monthly balance. SEJPA shall reimburse SFID at a monthly rate of \$450 per acre foot of recycled water delivered through the extension including water delivered to purveyors other than SFID. In addition, SEJPA made an initial down payment of \$50,000. SEJPA will further make a lump sum payment of all remaining principal and interest due after completion of the 20th year (2032) of this agreement if the average annual delivery volume of the extension from year 13 (2025) through year 15 (2028) exceeds 50-acre feet annually. Future payments on the SFID reimbursement agreement payable are contingent upon future reclaimed water sales, therefore future maturities have not been estimated and the agreement is considered noncurrent. The SFID reimbursement agreement payable totaled \$422,971 at June 30, 2020.

San Diego Gas & Electric Loan:

On July 3, 2017, SEJPA entered into an on-bill financing loan agreement with San Diego Gas & Electric (SDG&E) in the amount of \$533,883 in order to retrofit certain electrical equipment. SEJPA will pay an additional \$4,449 on their monthly SDG&E bills. This retrofitting is expected to save SEJPA \$68,120 per year and be paid off in under eight years.

Debt service requirements on the SDG&E loan payable are as follows:

June 30	Principal	Interest	Total
2021	\$ 53,388	\$ -	\$ 53,388
2022	53,388	-	53,388
2023	53,388	-	53,388
2024	53,388	-	53,388
2025	53,388	-	53,388
2026-2027	106,779	-	106,779
Total	\$ 373,719	\$ -	\$ 373,719

Note 9 – Postemployment Benefits

Plan Description

SEJPA provides medical insurance benefits to eligible retirees in accordance with various labor agreements subject to SEJPA’s vesting schedule. Medical benefits are typically available at age 55 and are only available to those retirees that select CalPERS medical upon the date of retirement. The current maximum contribution by SEJPA to the retiree is \$139 per month, which is set by CalPERS.

San Elajo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 9 – Postemployment Benefits (Continued)

Eligibility

Employees of SEJPA are eligible for retiree health benefits if they retire within 120 days of their separation date. Membership in the plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Active plan members	21
Retirees	4
Total	25

Contributions

The obligation of SEJPA to contribute to the plan is established and may be amended by the Board of Directors. The Board of Directors has established a policy of funding the actuarially determined contribution (ADC) on a pay as you go basis. For the fiscal year ended June 30, 2020, SEJPA’s average contribution rate was 0.79% of covered-employee payroll. Employees are not required to contribute to the plan.

Total OPEB Liability

SEJPA’s total OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability at June 30, 2020 was:

Total OPEB liability	\$ 542,934
Total OPEB liability	\$ 542,934

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:

Discount Rate	2.45%	
Inflation	2.75%	
Aggregate payroll increases	3.00%	
Expected long-term investment rate of return	n/a	
Mortality, Termination, and Disability	Most recent CalPERS pension plan experience study.	
Mortality Improvement Scale	Modified MP-2014, which converge to ultimate mortality improvement rates in 2022.	
Pre-retirement turnover	Ranging from 0.01% to 17.42% based on termination rates under the CalPERS pension plan.	
Healthcare Trend Rate	An annual healthcare cost trend rate of 6.5% initially reduced by decrements to an ultimate of 5.0% therefore.	

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2019. SEJPA completes a new actuarial valuation every two years. The next valuation will be dated June 30, 2021 and will be used for financial reporting for fiscal years ending June 30, 2021 and 2022.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 9 – Postemployment Benefits (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.45% percent. This discount rate is the mid-point, rounded to five basis points, of the range of 3-20 year municipal bond rate indices; S&P Municipal bond 20-Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO AA 20 Year Bond Index.

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	\$ 471,024
Changes Recognized for the Measurement Period:	
Service cost	23,405
Interest on the total OPEB liability	15,314
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	49,719
Contributions from the employer	-
Net investment income	-
Administrative expenses	-
Benefit payments	(16,528)
Net Changes during July 1, 2019 to June 30, 2020	71,910
Balance at June 30, 2020 (Measurement Date)	\$ 542,934

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the SEJPA, as well as what the SEJPA's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.45 percent) or 1-percentage-point higher (3.45 percent) than the current discount rate:

Plan's Total OPEB Liability/(Asset)		
Discount Rate - 1% (1.45%)	Current Discount Rate (2.45%)	Discount Rate + 1% (3.45%)
\$ 628,730	\$ 542,934	\$ 474,080

Change in Assumptions

For the measurement period ended June 30, 2020, the discount rate used to calculate the net OPEB liability changed from 3.15% to 2.45%.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 9 – Postemployment Benefits (Continued)

Change in the Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the SEJPA, as well as what the SEJPA’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

Plan's Total OPEB Liability		
Discount Rate - 1%	Healthcare Cost Trend Rates	Discount Rate + 1%
(5.5% decreasing to 4.0%)	(6.5% decreasing to 5.0%)	(7.5% decreasing to 6.0%)
\$ 460,242	\$ 542,934	\$ 648,986

OPEB Expense

For the fiscal year ended June 30, 2020, the SEJPA recognized OPEB expense of \$46,121.

Deferred outflows or deferred inflows of resources associated with OPEB at June 30, 2020 were the following:

	Deferred outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	\$ 6,195	\$ -
Changes of assumptions	49,274	-
Total	\$ 55,469	\$ -

These deferred outflows or deferred inflows related to OPEB will be recognized as OPEB expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources
2021	\$ 7,402
2022	7,402
2023	7,402
2024	7,402
2025	7,402
Thereafter	18,459
	\$ 55,469

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 10 – Defined Benefit Pension Plan

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Plan of the San Elijo Joint Powers Authority, (All Plans) a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS) in which the SEJPA participates with other public agencies that each have fewer than 100 active members and share the same benefit formula. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The SEJPA participates in the miscellaneous 2.5% at 55 pool, for those employees hired before July 1, 2012. New employees with no prior CalPERS membership and those with prior CalPERS membership with a break in service greater than six months, hired after July 1, 2012 participate in the miscellaneous 2% at 62 pool. Employees hired after July 1, 2012 with prior CalPERS membership with less than six months break in service, participate in the miscellaneous 2% at 60 pool.

The Plan’s provisions and benefits in effect at June 30, 2020, are summarized as follows:

Hire Date	Miscellaneous		
	Prior to	On or After July 1, 2012	
	July 1, 2012	Second Tier	PEPRA
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.25%
Required employer contribution rates	11.432%	8.081%	6.985%

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

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 10 – Defined Benefit Pension Plan (Continued)

Employees Covered by the Benefit Terms

For the year ended June 30, 2020, the SEJPA’s plan’s proportionate share of aggregate employer contributions made for the plan was as follows:

	Miscellaneous
Contributions - employer	\$ 404,110

At June 30, 2020, the following employees were covered by the benefit terms for the miscellaneous plan:

	Miscellaneous
Active employees	21
Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to, but not yet receiving benefits	13
Total	52

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions

As of June 30, 2020, the SEJPA reported net pension liabilities for its proportionate shares of the net pension liability of the plan as follows:

	Miscellaneous
Proportionate share of net pension liability	\$ 3,305,214

The SEJPA’s net pension liability for the plan is measured as the proportionate share of the net pension liability. The net pension liability of the plan is measured as of June 30, 2019, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The SEJPA’s proportion of the net pension liability was based on a projection of the SEJPA’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2018). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 10 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions (Continued)

- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2019). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2019 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2018-19).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The SEJPA's proportionate share of the net pension liability for the plan as of the June 30, 2019 measurement date was as follows:

	Miscellaneous
Proportion June 30, 2018	0.079550%
Proportion June 30, 2019	0.082537%
Change - increase (decrease)	0.002987%

For the year ended June 30, 2020, the SEJPA recognized pension expense of \$778,816. At June 30, 2020, the SEJPA reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 404,110	\$ -
Difference between expected and actual experience	211,775	-
Changes of assumptions	101,737	-
Net difference between projected and actual earnings on pension plan investments	-	(57,785)
Employer contributions in excess/(under) proportionate share of contributions	-	(114,920)
Adjustments due to difference in proportions	26,689	-
Total	\$ 744,311	\$ (172,705)

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 10 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions (Continued)

The \$404,110 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources
2021	\$ 199,507
2022	(67,871)
2023	24,186
2024	11,674
2025	-
Thereafter	-
Total	\$ 167,496

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

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

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

The underlying mortality assumption and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2014. Further details for the Experience Study can be found on the CalPERS website under "Forms and Publications."

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

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 10 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions (Continued)

Change of Assumption

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.65 percent to 7.15 percent as of the June 30, 2017 measurement date to correct the adjustment, which previously reduced the discount rate for administrative expense. The discount rate remained at 7.15% as of the June 30, 2019 measurement date.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

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

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 10 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions (Continued)

Discount Rate (Continued)

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 ¹</u>	<u>Real Return Years 11 + ²</u>
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation sensitive assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

¹ An expected inflation of 2.0% was used for this period.

² An expected inflation of 2.92% was used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the plan, as of the measurement date calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<u>Plan's Net Pension Liability/(Asset)</u>		
<u>Discount Rate - 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
\$ 5,278,092	\$ 3,305,214	\$ 1,676,743

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2020, the SEJPA reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 11 – Net Position

At June 30, 2020, net investment in capital assets consisted of the following:

Description	Balance
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 7,520,610
Capital assets, net – being depreciated	47,282,832
Retention payable	(193,517)
2011 Refunding Revenue Bonds	(120,000)
2017 Revenue Bonds	(23,576,047)
State loan payable	(814,318)
Private placement loan	(1,343,998)
SFID loan payable	(422,971)
Total net investment in capital assets	\$ 28,332,591

Note 12 – Commitments and Contingencies

Contracts

The SEJPA has entered into various contracts for the purchase of material and construction of capital assets. The amounts contracted are based on the contractor’s estimated cost of construction. At June 30, 2020, the total unpaid amount on these contracts is approximately \$16,514,586.

Litigation

Legal claims and lawsuits arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the SEJPA’s financial position.

Operating Leases

Under an agreement dated April 11, 1991 the SEJPA leases a maintenance facility to the City of Encinitas for \$1 per year for an initial term of 30 years. The lease may be renewed or extended at the expiration of the initial term at a rate mutually agreed upon. In addition to the annual payment of \$1, the City agreed to reimburse the SEJPA within 30 days for all engineering and inspection costs incurred as a result of the engineering and construction of the maintenance facility. The City also agreed to reimburse the SEJPA for all construction costs incurred by the SEJPA as a result of the construction of the maintenance facility in 30 equal annual installments at an interest rate equal to the interest rate on the bonds issued for construction of the upgrade and expansion of the Water Pollution Control Facility. The lease payments collected are then remitted directly to the member agencies.

In January 2007, the SEJPA entered into a Communications Site License Agreement as lessor with Omnipoint Communications, Inc. which was subsequently conveyed to T-Mobile West, LLC. The initial term of the agreement, which calls for an annual payment of \$20,400 and increasing 3% annually, is for five years commencing the earlier of the date the licensees intend to commence construction or October 1, 2007. This lease agreement may be extended automatically for five additional five-year terms on the same terms and conditions at the election of Omnipoint. The lease renewed October 1, 2017. The SEJPA recognized rental income in the amount of \$29,088 for the year ended June 30, 2020.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 12 – Commitments and Contingencies (Continued)

Operating Leases (Continued)

Under a lease/purchase agreement dated March 27, 2019, the SEJPA leased a certain real property to PCL Construction Services-PCL Construction, Inc. Joint Venture for \$1 per year to use in constructing certain public capital improvements, which will be paid by the SEJPA from installment payments determined in accordance with the provision of the Lease/Purchase Agreement. Once all installment payments have been made, title to those capital improvements shall vest in the SEJPA and this lease shall terminate.

Note 13 – New and Upcoming Governmental Accounting Standards Implementation

GASB Statement No. 95

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Application of this statement did not have a material effect on the SEJPA's financial statements for the fiscal year ending June 30, 2020.

Upcoming Governmental Accounting Standards Implementation

GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2021.

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2022.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 13 – New and Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement is effective for the SEJPA’s fiscal year ending June 30, 2022.

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests– An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Application of this statement is effective for the SEJPA’s fiscal year ending June 30, 2021.

GASB Statement No. 91

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Application of this statement is effective for the SEJPA’s fiscal year ending June 30, 2023.

GASB Statement No. 92

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Application of this statement is effective for the SEJPA’s fiscal year ending June 30, 2022.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Note 13 – New and Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 93

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Application of this statement is effective for the SEJPA’s fiscal year ending June 30, 2022.

GASB Statement No. 94

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Application of this statement is effective for the SEJPA’s fiscal year ending June 30, 2023.

GASB Statement No. 96

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Application of this statement is effective for the SEJPA’s fiscal year ending June 30, 2023.

GASB Statement No. 97

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Application of this statement is effective for the SEJPA’s fiscal year ending June 30, 2022.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED).**

This page intentionally left blank

San Elijo Joint Powers Authority
Required Supplementary Information (Unaudited)
Schedules of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios
Last Ten Fiscal Years*
As of June 30, 2020

Miscellaneous Plan						
	6/30/2019 ¹	6/30/2018 ¹	6/30/2017 ¹	6/30/2016 ¹	6/30/2015 ¹	6/30/2014 ¹
Plan's proportion of the net pension liability	0.082537%	0.079550%	0.081861%	0.079200%	0.089800%	0.081140%
Plan's proportionate share of the net pension liability	\$ 3,305,214	\$ 2,998,025	\$ 3,227,017	\$ 2,924,994	\$ 2,463,640	\$ 1,937,636
Plan's covered payroll ²	\$ 2,072,596	\$ 1,930,102	\$ 1,916,333	\$ 1,829,430	\$ 1,718,001	\$ 1,707,696
Plan's proportionate share of the net pension liability as a percentage of covered payroll	159.47%	155.33%	168.40%	159.89%	143.40%	113.46%
Plan's fiduciary net position	\$ 11,362,690	\$ 10,450,711	\$ 9,717,557	\$ 8,477,710	\$ 8,203,952	\$ 7,976,883
Plan's fiduciary net position as a percentage of the total pension liability	77.47%	77.71%	75.07%	74.35%	76.91%	80.46%
Plan's proportionate share of aggregate employer contributions ^{3,4}	\$ 470,825	\$ 398,079	\$ 367,677	\$ 315,703	\$ 308,067	\$ 215,709

Notes to Schedule:

Benefit changes. In 2015, benefit terms were modified to base miscellaneous employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of miscellaneous employees.

* - Fiscal year 2015 was the first year of implementation.

¹ Historical information is not presented for years prior to the implementation of GASB 68.

² Covered Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

³ The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

⁴ This data is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but it is being shown here because it is used in the calculation of the Plan's pension expense.

San Elijo Joint Powers Authority
Required Supplementary Information (Unaudited)
Schedule of Pension Contributions
Last Ten Fiscal Years
As of June 30, 2020

Miscellaneous Plan							
	2019-20 ¹	2018-19 ¹	2017-18 ¹	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Contractually determined contribution (actuarially determined)	\$ 403,880	\$ 356,338	\$ 302,451	\$ 302,683	\$ 286,852	\$ 267,504	\$ 256,232
Contributions in relation to the actuarially determined contributions ²	(404,110)	(356,338)	(302,451)	(437,683)	(411,852)	(267,504)	(256,232)
Contribution deficiency (excess)	\$ (230)	\$ -	\$ -	\$ (135,000)	\$ (125,000)	\$ -	\$ -
Covered payroll ^{3,4}	\$ 2,118,208	\$ 2,072,596	\$ 1,930,102	\$ 1,916,333	\$ 1,829,430	\$ 1,718,001	\$ 1,707,696
Contributions as a percentage of covered payroll ³	19.08%	17.19%	15.67%	22.84%	22.51%	15.57%	15.00%

¹ Historical information is not presented for years prior to the implementation of GASB 68.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from prior year was assumed to increase by the 3.00% payroll growth assumption.

Notes to Schedule

Valuation date: 6/30/2018

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were from the June 30, 2015 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2015 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2015 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.15%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

San Elijo Joint Powers Authority
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Fiscal Years ¹
For the Year Ended June 30, 2020

Measurement period, year ending:	<u>6/30/2020 ¹</u>	<u>6/30/2019 ¹</u>	<u>6/30/2018 ¹</u>	<u>6/30/2017 ¹</u>
Total OPEB liability				
Service cost	\$ 23,405	\$ 19,445	\$ 18,879	\$ 18,267
Interest	15,314	15,625	14,565	13,926
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	8,259	-	-
Changes of assumptions	49,719	6,771	(9,274)	-
Benefit payments, including refunds of member contributions	<u>(16,528)</u>	<u>(12,096)</u>	<u>(14,170)</u>	<u>(13,242)</u>
Net change in total OPEB liability	71,910	38,004	10,000	18,951
Total OPEB liability - beginning	<u>471,024</u>	<u>433,020</u>	<u>423,020</u>	<u>404,069</u>
Total OPEB liability - ending (a)	<u><u>\$ 542,934</u></u>	<u><u>\$ 471,024</u></u>	<u><u>\$ 433,020</u></u>	<u><u>\$ 423,020</u></u>
OPEB fiduciary net position				
Contributions - employer	\$ 16,528	\$ 12,096	\$ 14,170	\$ 13,242
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(16,528)	(12,096)	(14,170)	(13,242)
Administrative expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan net OPEB liability - ending (a) - (b)	<u><u>\$ 542,934</u></u>	<u><u>\$ 471,024</u></u>	<u><u>\$ 433,020</u></u>	<u><u>\$ 423,020</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 2,104,992	\$ 2,043,682	N/A	\$ 1,856,890
Plan total OPEB liability as a percentage of covered-employee payroll	25.79%	23.05%	N/A	22.78%

¹ Historical information is not presented for years prior to the implementation of GASB 75.

This page is intentionally left blank.

SUPPLEMENTARY INFORMATION

This page intentionally left blank.

San Elijo Joint Powers Authority
Combining Statement of Net Position
June 30, 2020

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
Assets			
Current assets:			
Cash and investments	\$ 22,929,855	\$ 2,164,291	\$ 25,094,146
Due from other governmental agencies	693,398	552,027	1,245,425
Accrued interest receivable	325,642	3,603	329,245
Prepaid items	6,850	8,728	15,578
Current portion of loans receivable	570,000	-	570,000
Total current assets	<u>24,525,745</u>	<u>2,728,649</u>	<u>27,254,394</u>
Non-current assets:			
Restricted cash and cash equivalents	630,087	-	630,087
Loans receivable - net of current portion	21,230,000	-	21,230,000
Capital assets:			
Nondepreciable	6,740,440	780,170	7,520,610
Depreciable, net of accumulated depreciation	32,141,688	15,141,144	47,282,832
Total capital assets	<u>38,882,128</u>	<u>15,921,314</u>	<u>54,803,442</u>
Total non-current assets	<u>60,742,215</u>	<u>15,921,314</u>	<u>76,663,529</u>
Total assets	<u>85,267,960</u>	<u>18,649,963</u>	<u>103,917,923</u>
Deferred outflows of resources:			
Deferred outflows related to pensions	627,454	116,857	744,311
Deferred outflows related to OPEB	46,760	8,709	55,469
Total deferred outflows of resources	<u>674,214</u>	<u>125,566</u>	<u>799,780</u>

San Elijo Joint Powers Authority
Combining Statement of Net Position (Continued)
June 30, 2020

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
Liabilities			
Current liabilities:			
Accounts payable	2,352,055	179,855	2,531,910
Accrued liabilities	464,173	65,820	529,993
Accrued interest payable	297,715	22,461	320,176
Retention payable	193,517	-	193,517
Unearned revenue	74,275	-	74,275
Revenue refunding bonds - due within one year	120,000	-	120,000
Revenue bonds - due within one year	450,000	-	450,000
State loan payable - due within one year	-	814,318	814,318
Private placement loan payable - due within one year	-	93,336	93,336
SDG&E loan - due within one year	53,388	-	53,388
Compensated absences - due within one year	31,782	5,609	37,390
Total current liabilities	<u>4,036,905</u>	<u>1,181,399</u>	<u>5,218,303</u>
Non-current liabilities:			
Due to member agencies payable from restricted assets	87	-	87
Revenue bonds - due in more than one year	23,126,047	-	23,126,047
Private placement loan payable - due in more than one year	-	1,250,662	1,250,662
SFID reimbursement agreement payable	-	422,971	422,971
SDG&E loan - due in more than one year	320,331	-	320,331
Net pension liability	2,786,295	518,919	3,305,214
Total OPEB liability	457,693	85,241	542,934
Compensated absences - due in more than one year	404,064	66,966	471,029
Total non-current liabilities	<u>27,094,517</u>	<u>2,344,759</u>	<u>29,439,275</u>
Total liabilities	<u>31,131,421</u>	<u>3,526,157</u>	<u>34,657,578</u>
Deferred inflows of resources:			
Deferred inflows related to pensions	145,591	27,114	172,705
Total deferred inflows of resources	<u>145,591</u>	<u>27,114</u>	<u>172,705</u>
Net position:			
Net investment in capital assets	14,992,564	13,340,027	28,332,591
Restricted for debt service	630,000	-	630,000
Unrestricted	39,042,598	1,882,231	40,924,829
Total net position	<u>\$ 54,665,162</u>	<u>\$ 15,222,258</u>	<u>\$ 69,887,420</u>

San Elijo Joint Powers Authority
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
Operating revenues:			
Charges for services to other government agencies	\$ 2,170,674	\$ 2,932,649	\$ 5,103,323
Contributions from the City of Encinitas	1,967,184	-	1,967,184
Contributions from the City of Solana Beach	1,544,667	-	1,544,667
Total operating revenues	<u>5,682,525</u>	<u>2,932,649</u>	<u>8,615,174</u>
Operating expenses:			
Personnel costs	3,196,108	657,418	3,853,526
Depreciation and amortization	1,952,587	678,669	2,631,256
Utilities	438,362	317,557	755,919
Contracted services	723,898	178,786	902,684
Supplies	460,017	144,865	604,882
Disposal services	264,497	-	264,497
Miscellaneous	65,979	9,923	75,902
Repair parts expense	129,337	41,482	170,819
Rent	31,206	103,268	134,474
Permit/purveyor fees	89,814	31,767	121,581
Insurance	64,860	27,797	92,657
Total operating expenses	<u>7,416,665</u>	<u>2,191,532</u>	<u>9,608,197</u>
Operating income (loss)	<u>(1,734,140)</u>	<u>741,117</u>	<u>(993,023)</u>
Non-operating revenues (expenses):			
Investment income	1,416,325	34,039	1,450,364
State grants	-	89,725	89,725
Rental income	29,088	-	29,088
Gain on disposal of assets	50,625	-	50,625
Interest expense	(803,458)	(89,695)	(893,153)
Other	45,170	70,800	115,970
Total non-operating revenues (expenses), net	<u>737,750</u>	<u>104,869</u>	<u>842,619</u>
Net income (loss) before capital contributions	<u>(996,390)</u>	<u>845,986</u>	<u>(150,404)</u>
Capital contributions:			
Assessments from City of Solana Beach	486,139	-	486,139
Assessments from City of Encinitas	686,140	-	686,140
Total capital contributions	<u>1,172,279</u>	<u>-</u>	<u>1,172,279</u>
Change in net position	<u>175,889</u>	<u>845,986</u>	<u>1,021,875</u>
Net position:			
Beginning of year	<u>54,489,273</u>	<u>14,376,272</u>	<u>68,865,545</u>
End of year	<u>\$ 54,665,162</u>	<u>\$ 15,222,258</u>	<u>\$ 69,887,420</u>

San Elijo Joint Powers Authority
Combining Statement of Cash Flows
For the Year Ended June 30, 2020

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
Cash flows from operating activities:			
Cash receipts from customers	\$ 4,958,958	\$ 2,894,862	\$ 7,853,820
Cash payments to vendors and suppliers for materials and services	(504,815)	(725,561)	(1,230,376)
Cash payments to employees for services	(2,565,610)	(575,134)	(3,140,744)
Net cash provided by operating activities	<u>1,888,533</u>	<u>1,594,167</u>	<u>3,482,700</u>
Cash flows from non-capital financing activities:			
Rental and other nonoperating income	74,258	160,525	234,783
Net cash provided by non-capital financing activities	<u>74,258</u>	<u>160,525</u>	<u>234,783</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(3,857,229)	(260,070)	(4,117,299)
Proceeds from the sale of capital assets	50,625	-	50,625
Principal paid on long-term debt	(603,388)	(886,766)	(1,490,154)
Interest paid on long-term debt	(909,801)	(107,384)	(1,017,185)
Capital contributions	1,172,279	-	1,172,279
Net cash (used in) capital and related financing activities	<u>(4,147,514)</u>	<u>(1,254,220)</u>	<u>(5,401,734)</u>
Cash flows from investing activities:			
Collection of loans receivable	550,000	-	550,000
Investment earnings	1,446,515	37,223	1,483,738
Net cash provided by investing activities	<u>1,996,515</u>	<u>37,223</u>	<u>2,033,738</u>
Net increase (decrease) in cash and cash equivalents	(188,208)	537,695	349,487
Cash and cash equivalents:			
Beginning of year	23,748,150	1,626,596	25,374,746
End of year	<u>\$ 23,559,942</u>	<u>\$ 2,164,291</u>	<u>\$ 25,724,233</u>
Cash and cash equivalents	\$ 22,929,855	\$ 2,164,291	\$ 25,094,146
Restricted cash and cash equivalents	630,087	-	630,087
Total cash and cash equivalents	<u>\$ 23,559,942</u>	<u>\$ 2,164,291</u>	<u>\$ 25,724,233</u>

San Elijo Joint Powers Authority
Combining Statement of Cash Flows (Continued)
For the Year Ended June 30, 2020

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (1,734,140)	\$ 741,117	\$ (993,023)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,952,587	678,669	2,631,256
Change in assets, liabilities, deferred outflows of resources, and deferred inflows of resources:			
Due from other governmental agencies	(568,290)	(37,787)	(606,077)
Prepaid items	14,046	5,690	19,736
Deferred outflows related to pensions	(33,086)	(6,162)	(39,248)
Deferred outflows related to OPEB	(40,668)	(7,574)	(48,242)
Accounts payable	1,809,437	124,194	1,933,631
Accrued liabilities	325,971	29,167	355,138
Retentions payable	(60,328)	-	(60,328)
Unearned revenue	(155,277)	-	(155,277)
Net pension liability	258,960	48,229	307,189
Total OPEB liability	60,620	11,290	71,910
Compensated absences	34,553	2,837	37,390
Deferred inflows related to pensions	24,737	4,607	29,344
Deferred inflows related to OPEB	(589)	(110)	(699)
Total adjustments	<u>3,622,673</u>	<u>853,050</u>	<u>4,475,723</u>
Net cash provided by operating activities	<u>\$ 1,888,533</u>	<u>\$ 1,594,167</u>	<u>\$ 3,482,700</u>
Non-cash items:			
Amortization of other assets	\$ 3,824	\$ -	\$ 3,824
Amortization of deferred amount on refunding	30,964	-	30,964
Total non-cash items	<u>\$ 34,788</u>	<u>\$ -</u>	<u>\$ 34,788</u>

San Elijo Joint Powers Authority
Operating Budget Comparison Schedule - Wastewater
For the Year Ended June 30, 2020
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Charges for services to other government agencies	\$ 2,126,664	\$ 2,170,674	\$ 44,010
Contributions from the City of Encinitas	2,016,935	1,967,184	(49,751)
Contributions from the City of Solana Beach	1,645,944	1,544,667	(101,277)
Total operating revenues	<u>5,789,543</u>	<u>5,682,525</u>	<u>(107,018)</u>
Operating expenses:			
Personnel costs	2,676,334	3,196,108	(519,774)
Depreciation and amortization	-	1,952,587	(1,952,587)
Utilities	616,197	438,362	177,835
Contracted services	862,451	723,898	138,553
Supplies	408,461	460,017	(51,556)
Disposal services	252,750	264,497	(11,747)
Miscellaneous	122,099	65,979	56,120
Repair parts expense	149,888	129,337	20,551
Rent	8,325	31,206	(22,881)
Permit/purveyor fees	71,730	89,814	(18,084)
Insurance	49,711	64,860	(15,149)
Contingency	188,400	-	188,400
Total operating expenses	<u>5,406,346</u>	<u>7,416,665</u>	<u>(2,010,319)</u>
Operating income	<u>\$ 383,197</u>	<u>\$ (1,734,140)</u>	<u>\$ (2,117,337)</u>

San Elijo Joint Powers Authority
Operating Budget Comparison Schedule - Recycled
For the Year Ended June 30, 2020
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Charges for services to other government agencies	\$ 3,161,891	\$ 2,932,649	\$ (229,242)
Total operating revenues	<u>3,161,891</u>	<u>2,932,649</u>	<u>(229,242)</u>
Operating expenses:			
Personnel costs	565,939	657,418	(91,479)
Depreciation and amortization	-	678,669	(678,669)
Utilities	362,034	317,557	44,477
Contracted services	205,837	178,786	27,051
Supplies	179,195	144,865	34,330
Miscellaneous	25,480	9,923	15,557
Repair parts expense	48,463	41,482	6,981
Rent	103,600	103,268	332
Permit/purveyor fees	25,450	31,767	(6,317)
Insurance	19,011	27,797	(8,786)
Total operating expenses	<u>1,535,009</u>	<u>2,191,532</u>	<u>(656,523)</u>
Operating income	<u>\$ 1,626,882</u>	<u>\$ 741,117</u>	<u>\$ (885,765)</u>

This page intentionally left blank.