

ATTACHMENT 2

SAN ELIJO JOINT POWERS AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013



Leaf & Cole, LLP
Certified Public Accountants

**SAN ELIJO JOINT POWERS AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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Independent Auditor's Report

To the Board of Directors
San Elijo Joint Powers Authority
2695 Manchester Avenue
Cardiff by the Sea, California 92007

Report on Financial Statements

We have audited the accompanying financial statements of San Elijo Joint Powers Authority, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Elijo Joint Powers Authority, as of June 30, 2014 and 2013, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 8 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted on 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 that collectively comprise the San Elijo JPA's financial statements. The supplementary comparative schedule of net position - wastewater, comparative schedule of revenues, expenses, and change in net position - wastewater, comparative schedule of net position - reclamation, comparative schedule of revenues, expenses, and changes in net position - reclamation, the operating budget comparison schedule - wastewater, and the operating budget comparison schedule - reclamation are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary comparative schedule of net position - wastewater, comparative schedule of revenues, expenses, and change in net position - wastewater, comparative schedule of net position - reclamation, comparative schedule of revenues, expenses, and changes in net position - reclamation are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary comparative schedule of net position - wastewater, comparative schedule of revenues, expenses, and change in net position - wastewater, comparative schedule of net position - reclamation, and the comparative schedule of revenues, expenses, and changes in net position - reclamation are fairly stated, in all material respect, in relation to the basic financial statements as a whole.

To the Board of Directors
San Elijo Joint Powers Authority

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The operating budget comparison schedule - wastewater and the operating budget comparison schedule - reclamation 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.

Leaf & Cole LLP

San Diego, California
October 14, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of the San Elijo Joint Powers Authority's (SEJPA) provides an overview of the SEJPA's financial activities as of and for the years ended June 30, 2014 and 2013. Please read it in conjunction with the SEJPA's financial statements which begin on page 9.

Financial Statements

This discussion and analysis provides 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
- 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
- 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 success of the SEJPA's operations over the past year and determines whether the SEJPA has recovered its costs through charges for services and other charges.

The statement of cash flows provides information regarding the SEJPA's cash receipts and cash disbursements during the year. These statements may report cash activity in four categories:

- Operations
- Capital and related financing
- Noncapital financing
- 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

- The SEJPA's net position increased by \$1,589,771 to \$39,375,512 for the year ended June 30, 2014.
- The SEJPA's total revenues increased from \$7,253,352 for the year ended June 30, 2013, to \$8,567,502 for the year ended June 30, 2014. The increase in state grants and charges to nonmember agencies accounts for the majority of the increase.
- The SEJPA's total expense increased from \$6,462,247 for the year ended June 30, 2013, to \$6,977,731 for the year ended June 30, 2014. The decrease in interest expense is offset by increases to depreciation and amortization, utilities and contracted services.

Financial Analysis of the SEJPA

Net Position

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

	2014	2013	Change
<u>Assets:</u>			
Current and other assets	\$ 15,435,274	\$ 15,542,336	\$ (107,062)
Capital assets	39,607,816	39,996,507	(388,691)
Total Assets	<u>55,043,090</u>	<u>55,538,843</u>	<u>(495,753)</u>
<u>Deferred Outflows of Resources:</u>			
Deferred amount of refunding	<u>237,396</u>	<u>278,682</u>	<u>(41,286)</u>
<u>Liabilities:</u>			
Current liabilities	2,609,352	2,697,193	(87,841)
Noncurrent liabilities	13,295,622	15,334,591	(2,038,969)
Total Liabilities	<u>15,904,974</u>	<u>18,031,784</u>	<u>(2,126,810)</u>
<u>Net Position:</u>			
Net investment in capital assets	31,647,687	31,287,365	360,322
Restricted	630,000	630,000	-
Unrestricted	7,097,825	5,868,376	1,229,449
Total Net Position	<u>\$ 39,375,512</u>	<u>\$ 37,785,741</u>	<u>\$ 1,589,771</u>

As you can see from the table above, net position increased by \$1,589,771 from fiscal year 2013 to 2014. Net investment in capital assets increased \$360,322 in fiscal year 2014. This increase is the result of principal paid on the SEJPA's long-term debt and the increase in investment in capital assets, net of depreciation expense.

Restricted net position is unchanged for the year ended June 30, 2014 as funds restricted for reserves remain in place.

Unrestricted net assets (those that can be used to finance day-to-day operations) increased \$1,229,449 due to an increase in revenues resulting from state grants and charges to nonmember agencies.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the District (Continued)

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>2014</u>	<u>2013</u>	<u>Change</u>
Operating contributions from members	\$ 3,035,502	\$ 2,970,471	\$ 65,031
Charges for services to other government agencies	3,464,930	3,050,637	414,293
Other nonoperating revenue	322,764	372,484	(49,720)
Member agency assessments	952,381	859,760	92,621
State grants	791,925	-	791,925
Total Revenues	<u>8,567,502</u>	<u>7,253,352</u>	<u>1,314,150</u>
Operating expenses	6,529,633	5,960,570	569,063
Interest expense	448,098	501,677	(53,579)
Total Expenses	<u>6,977,731</u>	<u>6,462,247</u>	<u>515,484</u>
Increase in Net Position	<u>\$ 1,589,771</u>	<u>\$ 791,105</u>	<u>\$ 798,666</u>

A closer examination of the source of changes in net position reveals that the SEJPA's operating revenues increased by \$479,324 in fiscal year 2014. Nonoperating revenues decreased by \$49,720 in fiscal year 2014 due to a reduction in investment income. State grants totaling \$791,925 were received in the current year, while none were received during the year ended June 30, 2013. Operating costs, exclusive of depreciation, increased \$569,063 in fiscal year 2014. Interest expense decreased \$53,579 from 2013 to 2014 as a result of the continued pay-down of long-term debt.

Capital Assets

Capital assets consist of the following at June 30:

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Plant equipment	\$ 66,699,808	\$ 65,815,304	\$ 884,504
Lab equipment	130,340	119,878	10,462
Office equipment	117,476	105,564	11,912
Vehicles	302,543	303,235	(692)
Construction-in-progress	446,311	51,424	394,887
Subtotal	<u>67,696,478</u>	<u>66,395,405</u>	<u>1,301,073</u>
Less: Accumulated depreciation	<u>(28,088,662)</u>	<u>(26,398,898)</u>	<u>(1,689,764)</u>
Net Capital Assets	<u>\$ 39,607,816</u>	<u>\$ 39,996,507</u>	<u>\$ (388,691)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets (Continued)

The net additions to capital assets for fiscal year 2014 totaled \$1,301,073. Capital asset additions consisted of the Advanced Water Treatment and the Flow Equalization Basins Floating Covers project.

Long-Term Debt

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

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>
2011 Refunding Revenue Bonds	\$ 6,820,000	\$ 8,020,000	\$ (1,200,000)
Original Issue Premium, net	459,123	538,970	(79,847)
2011 Refunding Revenue Bonds, Net	7,279,123	8,558,970	(1,279,847)
State Loan Payable	5,299,679	5,984,736	(685,057)
Private Placement Loan Payable	1,830,216	1,900,228	(70,012)
SFID Reimbursement Agreement	463,815	473,919	(10,104)
Total Long-Term Debt	14,872,833	16,917,853	(2,045,020)
Less: Current Portion	(2,010,131)	(1,955,070)	(55,061)
	\$ 12,862,702	\$ 14,962,783	\$ (2,100,081)

Economic Factors

Consistent with the prior year, SEJPA's fiscal year 2014/15 sanitary fund operations and maintenance budget is \$4.2 million. The water reclamation budget is \$1.1 million. Sales of reclaimed water are budgeted to be approximately 1,370 acre feet in the upcoming year. Only a minor increase in revenue is anticipated due to changes in the reclamation sales agreements.

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 \$125,000 and is \$4,740 higher than last year's budget levels.

The capital project program will have a budget of \$1.3 million during the upcoming year. This is primarily for improvements to the wastewater, ocean outfall, 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 \$164 per EDU per year for 2014-2015. This represents a 3% increase from 2013-2014. The Encinitas Ranch Golf Course pays a set annual price for interruptible water service, which increases 5% annually. 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 fees are supplemented by incentives from the Metropolitan Water District and the San Diego County Water Authority.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2014. The lower benefit payout will result in a lower contribution rate for the SEJPA in the future as new employees enter the SEJPA workforce. In the current year, the employer rate for the 2.5% at 55 pool is 16.92%, the employer rate for the new 2.0% at 60 pool is 8.049% and the 2.0% at 60 pool is 6.25%. 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.

**SAN ELIJO JOINT POWERS AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013**

ASSETS

	<u>2014</u>	<u>2013</u>
<u>Current Assets:</u> (Notes 1, 2, 3 and 5)		
Cash and cash equivalents	\$ 7,072,243	\$ 6,328,168
Due from other government agencies	699,298	299,632
Accrued interest receivable	84,986	97,793
Prepaid expenses	16,244	17,369
Current portion of loans receivable	<u>1,235,000</u>	<u>1,200,000</u>
Total Current Assets	<u>9,107,771</u>	<u>7,942,962</u>
<u>Noncurrent Assets:</u> (Notes 1, 2, 4, 5, 6, 7 and 10)		
<u>Restricted Assets:</u>		
Cash and cash equivalents	<u>630,004</u>	<u>630,001</u>
Total Restricted Assets	<u>630,004</u>	<u>630,001</u>
Loans Receivable , net of current portion	<u>5,585,000</u>	<u>6,820,000</u>
Capital Assets:		
Nondepreciable	446,311	51,424
Depreciable, net of accumulated depreciation	<u>39,161,505</u>	<u>39,945,083</u>
Total Capital Assets	<u>39,607,816</u>	<u>39,996,507</u>
Other Assets:		
Retrofit loans receivable	83,183	114,959
Bond insurance costs	<u>29,316</u>	<u>34,414</u>
Total Other Assets	<u>112,499</u>	<u>149,373</u>
Total Noncurrent Assets	<u>45,935,319</u>	<u>47,595,881</u>
TOTAL ASSETS	<u>55,043,090</u>	<u>55,538,843</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u> (Notes 1 and 9)		
Deferred amount on refunding	\$ <u>237,396</u>	\$ <u>278,682</u>

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

**SAN ELIJO JOINT POWERS AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2014 AND 2013**

LIABILITIES

	<u>2014</u>	<u>2013</u>
<u>Current Liabilities:</u> (Notes 1, 3, 8, 9, 10 and 11)		
Accounts payable	\$ 156,356	\$ 448,040
Accrued liabilities	52,260	39,147
Accrued interest payable	198,362	224,877
Due to other government agencies	164,290	30,059
Retention payable	27,953	-
Current portion of refunding revenue bonds	1,235,000	1,200,000
Current portion of state loan payable	702,183	685,057
Current portion of private placement loan payable	72,948	70,013
Total Current Liabilities	<u>2,609,352</u>	<u>2,697,193</u>
<u>Noncurrent Liabilities:</u> (Notes 1, 4, 8, 9, 10, 11, 12 and 13)		
Payable From Restricted Assets:		
Due to member agencies payable from restricted assets	<u>4</u>	<u>-</u>
Long-Term Debt:		
Refunding revenue bonds, net of current portion	6,044,123	7,358,970
State loan payable, net of current portion	4,597,496	5,299,679
Private placement loan payable, net of current portion	1,757,268	1,830,215
SFID reimbursement agreement payable	463,815	473,919
Total Long-Term Debt	<u>12,862,702</u>	<u>14,962,783</u>
Other Noncurrent Liabilities:		
Net OPEB obligation	102,263	73,604
Compensated absences	330,653	298,204
Total Other Noncurrent Liabilities	<u>432,916</u>	<u>371,808</u>
Total Noncurrent Liabilities	<u>13,295,622</u>	<u>15,334,591</u>
Total Liabilities	<u>15,904,974</u>	<u>18,031,784</u>
<u>Commitments and Contingencies</u> (Notes 13, 14 and 15)		
<u>NET POSITION:</u>		
Net investment in capital assets	31,647,687	31,287,365
Restricted	630,000	630,000
Unrestricted	7,097,825	5,868,376
Total Net Position	<u>\$ 39,375,512</u>	<u>\$ 37,785,741</u>

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

SAN ELIJO JOINT POWERS AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>Operating Revenues:</u>		
Charges for services to other government agencies	\$ 3,464,930	\$ 3,050,637
Contributions from City of Encinitas	1,642,342	1,527,177
Contributions from City of Solana Beach	1,393,160	1,443,294
Total Operating Revenues	<u>6,500,432</u>	<u>6,021,108</u>
<u>Operating Expenses:</u>		
Personnel costs	2,602,703	2,554,530
Depreciation and amortization	1,723,501	1,603,808
Utilities	743,049	639,745
Contracted services	576,999	433,509
Supplies	238,409	202,717
Miscellaneous	190,787	106,201
Disposal services	172,227	176,476
Repair parts expense	126,136	130,805
Permit/purveyor fees	97,879	75,668
Insurance	57,943	37,111
Total Operating Expenses	<u>6,529,633</u>	<u>5,960,570</u>
Operating (Loss) Income	<u>(29,201)</u>	<u>60,538</u>
<u>Nonoperating Revenues (Expenses):</u>		
State grants	791,925	-
Investment income	287,592	330,509
Rental income	24,359	23,649
Other	7,383	18,326
Gain on disposal of capital assets	3,430	-
Interest expense	(448,098)	(501,677)
Total Nonoperating Revenues (Expenses)	<u>666,591</u>	<u>(129,193)</u>
Income (Loss) Before Capital Contributions	<u>637,390</u>	<u>(68,655)</u>
<u>Capital Contributions:</u>		
Member agency assessments	952,381	859,760
Total Capital Contributions	<u>952,381</u>	<u>859,760</u>
Change in Net Position	1,589,771	791,105
Net Position at Beginning of Year	<u>37,785,741</u>	<u>36,994,636</u>
NET POSITION AT END OF YEAR	<u><u>\$ 39,375,512</u></u>	<u><u>\$ 37,785,741</u></u>

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

**SAN ELIJO JOINT POWERS AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<u>Cash Flows From Operating Activities:</u>		
Cash received from customers	\$ 6,234,997	\$ 6,300,074
Cash payments to suppliers for goods and services	(2,493,988)	(1,828,290)
Cash payments to employees for services	(2,528,482)	(2,548,877)
Net Cash Provided by Operating Activities	<u>1,212,527</u>	<u>1,922,907</u>
<u>Cash Flows From Noncapital and Related Financing Activities:</u>		
Rental and other nonoperating income	<u>31,746</u>	<u>41,975</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>31,746</u>	<u>41,975</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(1,301,759)	(4,027,214)
Proceeds from sale of capital assets	3,430	-
Principal paid on long-term debt	(1,965,173)	(1,952,773)
Interest paid on long-term debt	(513,174)	(566,045)
Proceeds of state grants	791,925	-
Capital contributions	952,381	859,760
Net Cash Used in Capital and Related Financial Activities	<u>(2,032,370)</u>	<u>(5,686,272)</u>
<u>Cash Flows From Investing Activities:</u>		
Proceeds from loans receivable	1,200,000	1,165,000
Proceeds from retrofit loans receivable	31,776	15,974
Payable from restricted assets	-	(8,966)
Investment income	300,399	346,261
Net Cash Provided by Investing Activities	<u>1,532,175</u>	<u>1,518,269</u>
Net Increase (Decrease) in Cash and Cash Equivalents	744,078	(2,203,121)
Cash and Cash Equivalents at Beginning of Year	<u>6,958,169</u>	<u>9,161,290</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 7,702,247</u>	<u>\$ 6,958,169</u>
<u>Cash and Cash Equivalents:</u>		
<u>Financial Statement Classification:</u>		
Cash and cash equivalents	\$ 7,072,243	\$ 6,328,168
Restricted cash and cash equivalents	630,004	630,001
Total Cash and Cash Equivalents	<u>\$ 7,702,247</u>	<u>\$ 6,958,169</u>

(Continued)

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

**SAN ELIJO JOINT POWERS AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<u>Reconciliation of Operating (Loss) Income to Net Cash Provided by Operating Activities:</u>		
Operating income (loss)	\$ (29,201)	\$ 60,538
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,723,501	1,603,808
Change in assets and liabilities:		
Due from other government agencies	(399,666)	280,346
Prepaid expenses	1,125	(17,369)
Accounts payable	(291,684)	(8,689)
Accrued liabilities	13,113	1,349
Due to other government agencies	134,231	(1,380)
Net OPEB obligation	28,659	19,008
Compensated absences	32,449	(14,704)
Net Cash Provided by Operating Activities	<u>\$ 1,212,527</u>	<u>\$ 1,922,907</u>
 <u>Supplemental Disclosure of Cash Flow Information:</u>		
Capital assets acquired with retention payable	<u>\$ 27,953</u>	<u>\$ -</u>
Amortization of deferred amount on refunding and original issue premium	<u>\$ 41,286</u>	<u>\$ 38,562</u>
Capital Assets acquired with SFID Reimbursement Agreement Payable	<u>\$ -</u>	<u>\$ 526,149</u>

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

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 1 - Organization and Significant Accounting Policies:

Organization

The San Elijo Joint Powers Authority (SEJPA) 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)(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 Cod. Sec. 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.

Significant Accounting Policies

A summary of the SEJPA's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Method of Accounting

The SEJPA utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly the statements of net position and the statements of revenues, expenses, and changes in net position have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The SEJPA has not elected to apply the option allowed in GASB Cod. Sec. P80.103 "Proprietary Fund Accounting and Financial Reporting" and, as a consequence, will continue to apply GASB statements and interpretations.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 1 - Organization and Accounting Policies: (Continued)

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.

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

Management believes that all amounts due from other government agencies, loans receivable and the retrofit loans were fully collectible; therefore no allowance for doubtful accounts was recorded as of June 30, 2014 and 2013.

Capital Assets

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:

Plant equipment	5 - 50 years
Lab equipment	5 - 40 years
Office equipment	5 - 20 years
Vehicles	5 years

Depreciation totaled \$1,718,403 and \$1,598,710 for the years ended June 30, 2014 and 2013, respectively.

Interest

The SEJPA incurred interest charges on long-term debt. No interest was capitalized as a cost of construction for the years ended June 30, 2014 and 2013.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 1 - Organization and Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Amortization

Bond insurance costs are being amortized on the straight-line method over periods not to exceed the debt maturities. Amortization expense totaled \$5,098 and \$5,098 for the years ended June 30, 2014 and 2013, respectively.

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 \$79,847 and \$79,848 for the years ended June 30, 2014 and 2013, respectively 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 \$41,286 and \$41,286 for the years ended June 30, 2014 and 2013, respectively, and is included in interest expense. The deferred amount on refunding was \$237,396 and \$278,682 at June 30, 2014 and 2013, respectively.

Classification of Liabilities

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

Compensated Absences

Accumulated and unpaid vacation and sick-leave totaling \$330,653 and \$298,204 is accrued when incurred and included in noncurrent liabilities at June 30, 2014 and 2013, respectively.

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, 2014, 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 FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Note 1 - Organization and Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Risk Management (Continued)

Property Damage - \$54,640,315 in scheduled values 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 \$10,000 to \$350,000 deductible for boiler and machinery coverage depending on the size of the machinery.

Faithful Performance/Employee Dishonesty Bond - 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 \$57,943 and \$37,111 for the years ended June 30, 2014 and 2013, respectively. There were no instances in the past three years where a settlement exceeded the SEJPA's coverage.

Economic Dependency

The SEJPA received approximately 47% and 49% of its operating revenues from its member agencies for the years ended June 30, 2014 and 2013, respectively.

Cash and Cash Equivalents

For purposes of the statements of cash flows the SEJPA considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Subsequent Events

In preparing these financial statements, the SEJPA has evaluated events and transactions for potential recognition or disclosure through October 14, 2014, the date the financial statements were available to be issued.

Reclassification

The SEJPA has reclassified certain prior year information to conform with the current year presentation.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 2 - Cash and Cash Equivalents:

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:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Quality Requirements</u>
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 Rating
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 Rating
Time Deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investments	N/A	None	None

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.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 2 - Cash and Cash Equivalents: (Continued)

Cash and cash equivalents held by the SEJPA were comprised of the following at June 30:

	Maturity in Years		
	1 Year or Less	2014 Total	2013 Total
Cash on hand	\$ 200	\$ 200	\$ 200
California Local Agency Investment Fund (LAIF)	7,008,574	7,008,574	6,842,851
Deposits with financial institutions	693,469	693,469	115,117
Open ended money market mutual funds	4	4	1
Total Cash and Cash Equivalents	\$ 7,702,247	\$ 7,702,247	6,958,169
 Financial Statement Classification:			
Current:			
Cash and cash equivalents		\$ 7,072,243	\$ 6,328,168
Restricted:			
Cash and cash equivalents		630,004	630,001
Total Cash and Investments		\$ 7,702,247	\$ 6,958,169

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 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 provided in the previous table that shows the distribution of the SEJPA's investments by maturity as of June 30, 2014.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year end for each investment type:

	Rating as of Year End Standard & Poor's
Open Ended Money Market Mutual Funds	Not Rated
California Local Agency Investment Fund	Not Rated

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 2 - Cash and Cash Equivalents: (Continued)

Concentration of Credit Risk

Concentration of credit was the risk of loss attributed to the magnitude to the SEJPA's investment in a single issue.

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, 2014.

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, 2014, none of the SEJPA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2014, no SEJPA investments were held by the same broker-dealer (counterparty) that was used by the SEJPA to buy the securities.

Investment in State Investment Pool

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.

The statements of cash flows have been prepared by considering all investment instruments purchased with a maturity of three months or less to be cash equivalents. Following is a detail at June 30:

	<u>2014</u>	<u>2013</u>
California Local Agency Investment Fund (LAIF)	\$ 7,008,574	\$ 6,842,851
Deposits with financial institutions	693,469	115,117
Open ended money market mutual funds	4	1
Cash on hand	200	200
Total	<u>\$ 7,702,247</u>	<u>\$ 6,958,169</u>

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 3 - 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:

	<u>2014</u>	<u>2013</u>
San Dieguito Water District	\$ 170,250	\$ -
City of Escondido	131,498	-
Rancho Santa Fe CSD No. 2 and No. 3	112,337	43,497
Santa Fe Irrigation District	95,656	90,969
San Diego County Water Authority	87,120	70,167
City of Del Mar	62,763	27,687
City of Solana Beach	28,772	(30,059)
Other	6,591	9,850
San Elijo Lagoon Conservancy	(23,640)	-
City of Encinitas	(42,313)	25,800
Olivenhain Municipal Water District	(94,026)	31,662
Total	<u>\$ 535,008</u>	<u>\$ 269,573</u>

Financial Statement Classification:

Due from other government agencies	\$ 699,298	\$ 299,632
Due to other government agencies	(164,290)	(30,059)
Total	<u>\$ 535,008</u>	<u>\$ 269,573</u>

Note 4 - Restricted Assets:

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

<u>Funding Source</u>	<u>Use</u>	<u>2014</u>	<u>2013</u>
Receipts from customers	State loan reserve requirement	\$ 630,000	\$ 630,000
Debt proceeds and interest earned	Debt service - Solana Beach	2	1
Debt proceeds and interest earned	Debt service - Encinitas	2	-
		<u>\$ 630,004</u>	<u>\$ 630,001</u>

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

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 5 - Loans Receivable:

The City of Encinitas and the City of Solana Beach have entered into the third 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. (See Note 9) Loans receivable consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
City of Solana Beach	\$ 3,613,215	\$ 4,250,178
City of Encinitas	3,206,785	3,769,822
Subtotal	<u>6,820,000</u>	<u>8,020,000</u>
Less current portion	<u>(1,235,000)</u>	<u>(1,200,000)</u>
Total	<u><u>\$ 5,585,000</u></u>	<u><u>\$ 6,820,000</u></u>

Note 6 - Retrofit Loans Receivable:

The SEJPA has entered into agreements with certain reclaimed water users whereby the SEJPA reimbursed the reclaimed water users for reasonable costs incurred for the retrofitting of the water user's facilities in order for them to accept and use reclaimed water for nonpotable purposes. The water users agreed to repay the SEJPA the aggregate amount of the retrofit work together with interest ranging from 3.5% to 4.5%. Reclaimed water is purchased at the potable water rate with the difference between the two rates being considered repayment of the reimbursed costs with the payment first applied to interest. Retrofit loans receivable consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
22 nd District Agricultural Association	\$ 72,690	\$ 96,291
Cardiff Cove Homeowners Association	5,957	12,363
Oak Crest Park	4,536	6,305
Total	<u><u>\$ 83,183</u></u>	<u><u>\$ 114,959</u></u>

Note 7 - Capital Assets:

Capital assets consist of the following at June 30:

	2014			
	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Capital Assets Not Being Depreciated:				
Construction in progress	\$ 51,424	\$ 1,122,165	\$ (727,278)	\$ 446,311
Capital Assets Being Depreciated:				
Plant equipment	65,815,304	884,504	-	66,699,808
Lab equipment	119,878	10,462	-	130,340
Office equipment	105,564	11,912	-	117,476
Vehicles	303,235	27,947	(28,639)	302,543
Total Capital Assets Being Depreciated	<u>66,343,981</u>	<u>934,825</u>	<u>(28,639)</u>	<u>67,250,167</u>
Less: Accumulated depreciation	<u>(26,398,898)</u>	<u>(1,718,403)</u>	<u>28,639</u>	<u>(28,088,662)</u>
Net Capital Assets Being Depreciated	<u>39,945,083</u>	<u>(783,578)</u>	<u>-</u>	<u>39,161,505</u>
Net Capital Assets	<u><u>\$ 39,996,507</u></u>	<u><u>\$ 338,587</u></u>	<u><u>\$ (727,278)</u></u>	<u><u>\$ 39,607,816</u></u>

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Note 7 - Capital Assets: (Continued)

	2013			
	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Capital Assets Not Being Depreciated:				
Construction in progress	\$ 2,773,003	\$ 3,809,281	\$ (6,530,860)	\$ 51,424
Capital Assets Being Depreciated:				
Plant equipment	58,700,345	7,114,959	-	65,815,304
Lab equipment	119,878	-	-	119,878
Office equipment	105,564	-	-	105,564
Vehicles	273,763	29,472	-	303,235
Total Capital Assets Being Depreciated	59,199,550	7,144,431	-	66,343,981
Less: Accumulated depreciation	(24,800,188)	(1,598,710)	-	(26,398,898)
Net Capital Assets Being Depreciated	34,399,362	5,545,721	-	39,945,083
Net Capital Assets	\$ 37,172,365	\$ 9,355,002	\$ (6,530,860)	\$ 39,996,507

Note 8 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30:

	2014					
	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due within one year	Due After One year
Payable from Restricted Assets:						
Due to member agencies payable from restricted assets	\$ -	\$ 4	\$ -	\$ 4	\$ -	\$ 4
Long-Term Debt:						
Refunding Revenue Bonds	8,020,000	-	(1,200,000)	6,820,000	1,235,000	5,585,000
Original issue premium	538,970	-	(79,847)	459,123	-	459,123
Refunding Revenue Bonds	8,558,970	-	(1,279,847)	7,279,123	1,235,000	6,044,123
State loan payable (Note 10)	5,984,736	-	(685,057)	5,299,679	702,183	4,597,496
Private placement loan payable (Note 11)	1,900,228	-	(70,012)	1,830,216	72,948	1,757,268
SFID Reimbursement Agreement payable (Note 12)	473,919	-	(10,104)	463,815	-	463,815
Total Long-Term Debt	16,917,853	-	(2,045,020)	14,872,833	2,010,131	12,862,702
Other Noncurrent Liabilities:						
Net OPEB obligation (Note 13)	73,604	34,275	(5,616)	102,263	-	102,263
Compensated absences (Note 1)	298,204	171,489	(139,040)	330,653	-	330,653
Total Other Noncurrent Liabilities	371,808	205,764	(144,656)	432,916	-	432,916
Total Noncurrent Liabilities	\$ 17,289,661	\$ 205,768	\$ (2,189,676)	\$ 15,305,753	\$ 2,010,131	\$ 13,295,622

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Note 8 - Noncurrent Liabilities: (Continued)

	2013					
	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due within one year	Due After One year
Payable from Restricted Assets:						
Due to member agencies payable from restricted assets	\$ 8,966	\$ -	\$ (8,966)	\$ -	\$ -	\$ -
Long-Term Debt:						
Refunding Revenue Bonds	9,185,000	-	(1,165,000)	8,020,000	1,200,000	6,820,000
Original issue premium (Note 1)	618,818	-	(79,848)	538,970	-	538,970
Refunding Revenue Bonds	9,803,818	-	(1,244,848)	8,558,970	1,200,000	7,358,970
State loan payable (Note 10)	6,653,084	-	(668,348)	5,984,736	685,057	5,299,679
Private placement loan payable (Note 11)	1,967,423	-	(67,195)	1,900,228	70,013	1,830,215
SFID Reimbursement Agreement payable (Note 12)	-	526,149	(52,230)	473,919	-	473,919
Total Long-Term Debt	<u>18,424,325</u>	<u>526,149</u>	<u>(2,032,621)</u>	<u>16,917,853</u>	<u>1,955,070</u>	<u>14,962,783</u>
Other Noncurrent Liabilities:						
Net OPEB obligation (Note 13)	54,596	23,554	(4,546)	73,604	-	73,604
Compensated absences (Note 1)	312,908	168,972	(183,676)	298,204	-	298,204
Total Other Noncurrent Liabilities	<u>367,504</u>	<u>192,526</u>	<u>(188,222)</u>	<u>371,808</u>	<u>-</u>	<u>371,808</u>
Total Noncurrent Liabilities	<u>\$ 18,800,795</u>	<u>\$ 718,675</u>	<u>\$ (2,229,809)</u>	<u>\$ 17,289,661</u>	<u>\$ 1,955,070</u>	<u>\$ 15,334,591</u>

Note 9 - Refunding Revenue Bonds:

In December 2011, the 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, the SEJPA in effect reduced the aggregate debt service payments by approximately \$222,000 each year over the next seven 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 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 \$6,820,000 and \$8,020,000 at June 30, 2014 and 2013, respectively. 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 FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 9 - Refunding Revenue Bonds: (Continued)

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

Years Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,235,000	\$ 244,867
2016	1,265,000	207,817
2017	1,305,000	169,867
2018	1,365,000	117,668
2019	1,415,000	63,068
2020-2021	235,000	9,888
	<u>\$ 6,820,000</u>	<u>\$ 813,175</u>

Note 10 - State Loan Payable:

In March 1998, the 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 \$5,299,679 and \$5,984,736 at June 30, 2014 and 2013, respectively. 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 the SEJPA in the amount of \$834,675 and continue through August 2020. The 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 the 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 and \$630,000 as of June 30, 2014 and 2013, respectively.

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

Years Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 702,183	\$ 132,492
2016	719,738	114,937
2017	737,731	96,944
2018	756,174	78,501
2019	775,079	59,596
2020-2021	1,608,774	60,577
	<u>\$ 5,299,679</u>	<u>\$ 543,047</u>

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 11 - Private Placement Loan Payable:

In November 2011, the 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 (40) semi-annual payments of \$74,077 including principal and interest. The SEJPA's obligation to pay the loan repayments is a special obligation limited solely to the net revenues as defined in the loan agreement. The 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:

Years Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 72,948	\$ 75,205
2016	76,007	72,146
2017	79,194	68,959
2018	82,515	65,638
2019	85,975	62,179
2020-2024	487,067	253,699
2025-2019	598,112	142,653
2030-2033	348,398	21,985
	<u>\$ 1,830,216</u>	<u>\$ 762,464</u>

Note 12 - SFID Reimbursement Agreement Payable:

The Santa Fe Irrigation District (SFID) constructed a reclaimed water distribution pipeline extension of 3,400 linear feet to the SEJPA's reclaimed water distribution system in order to extend SEJPA's existing recycled water distribution system and enable the 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 the SFID agreed to convey ownership of the extension to SEJPA. 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 the 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 downpayment of \$50,000. SEJPA will further make a lump sum payment of all remaining principal and interest due after completion of the 20th year of this agreement if the average annual delivery volume of the extension from year 13 through year 15 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 \$463,815 and \$473,919 at June 30, 2014 and 2013, respectively.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 13 - Postemployment Benefits:

Plan Description

The SEJPA provides medical insurance benefits to eligible retirees in accordance with various labor agreements subject to the 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 the SEJPA to the retiree is \$119 per month, which is set by CalPERS.

Funding Policy and Annual OPEB Costs

The contribution requirements of the SEJPA are established and may be amended annually by the Board of Directors. The SEJPA's annual other post-employment benefit (OPEB) cost (expense) for the Plan is calculated based on the annual required contribution of the SEJPA (ARC), an amount actuarially determined in accordance with GASB Cod. Sec. P50, "Postemployment Benefits Other Than Pension Benefits - Employer Reporting." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years. The SEJPA's Board of Directors has established a policy of funding the ARC on a pay as you go basis. The current ARC rate is 1.23% of annual covered payroll. The following table shows the components of the SEJPA's annual OPEB cost, the amount actually contributed to the Plan including benefits paid to retirees, and changes in the SEJPA's net OPEB obligation for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 37,634	\$ 19,894
Interest on net OPEB obligation	3,442	4,231
Adjustment to annual required contribution	(6,801)	(571)
Annual OPEB cost	<u>34,275</u>	<u>23,554</u>
Contributions (including benefits paid)	<u>(5,616)</u>	<u>(4,546)</u>
Increase in net OPEB obligation	28,659	19,008
Net OPEB obligation - Beginning of Year	<u>73,604</u>	<u>54,596</u>
Net OPEB obligation - End of Year	<u>\$ 102,263</u>	<u>\$ 73,604</u>

The SEJPA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 and the three preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 22,275	15.33%	\$ 34,591
June 30, 2012	23,965	16.52%	54,596
June 30, 2013	23,554	19.30%	73,604
June 30, 2014	34,275	16.38%	102,263

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 13 - Postemployment Benefits: (Continued)

Funding Status and Funding Progress

As of June 30, 2014, the most recent actuarial valuation date, the Plan was not yet funded. The SEJPA's actuarial accrued liability for benefits at June 30, 2014 was \$291,746 and the covered payroll (annual payroll of active employees covered by the Plan) was \$1,940,742, with a ratio of the UAAL to the covered payroll of 15.0%. The normal cost payments made during the year of \$5,616 funded 14.92% of the annual required contribution (ARC) leaving an unfunded actuarial liability (UAAL) of \$291,746 and a funded ratio of 0.0%.

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Status (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
June 30, 2011	\$ -	\$ 149,480	\$ 149,880	0.0%	\$ 1,623,768	9.2%
June 30, 2014	-	291,746	291,746	0.0%	1,940,742	15.0%

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the formal Plan document and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits and costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefits obligations is the Entry Age Normal Actuarial Cost Method. The actuarial assumptions included a 4.0% discount rate, which assumes the SEJPA continues to maintain the retiree health benefits program as an unfunded plan. The amount represents the present value of all contributions for retiree health benefits projected to be paid by the SEJPA for current and future retirees; and an annual healthcare cost trend rate of 3.5%. The UAAL is being amortized as a level percentage of projected payroll over 17 years.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 14 - Defined Benefit Pension Plan:

Plan Description

The SEJPA contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. 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. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS requires agencies with less than 100 active members in the plan to participate in a risk pool. A menu of benefits provisions as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through SEJPA resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS executive office - 400 P Street - Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 8% of their annual covered salary. SEJPA paid 0% and 1.4% on behalf of its employees in the 2.5% at 55 pool for the years ended June 30, 2014 and 2013, respectively. The SEJPA is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions are those adopted by the CalPERS board of administration. The required employer contribution rates for the fiscal year ended June 30, 2014 was 16.920% for the 2.5% at 55 pool, 8.049% for the 2% at 60 pool and 6.250% for the 2% at 62 pool. The required employer contribution rates for the fiscal year ended June 30, 2013 were 15.956%, 7.846% and 6.250%, respectively. The contribution requirements of the plan members and the SEJPA are established and may be amended by CalPERS. The SEJPA's contributions for the years ended June 30, 2014, 2013 and 2012 were \$257,414, \$285,733 and \$326,397, respectively, which were equal to the required contributions each year.

Note 15 - 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, 2014, the total unpaid amount on these contracts is approximately \$671,784.

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.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Note 15 - Commitments and Contingencies: (Continued)

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 5 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 is currently extended through October 1, 2017. The SEJPA recognized rental income in the amount of \$24,359 and \$23,649 for the years ended June 30, 2014 and 2013, respectively.

Note 16 - New Governmental Accounting Standards:

GASB No. 66

In March 2012, the Governmental Accounting Standards Board issued Statement No. 66, "Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62". This pronouncement is effective for periods beginning after December 15, 2012. This statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This Statement amends Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) service fee rate. These changes clarify how to apply Statement No. 13, "Accounting for Operating Leases with Scheduled Rent Increases", and result in guidance that is consistent with the requirements in Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", respectively. This pronouncement did not have a material effect on the financial statements of the SEJPA in the year of implementation.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 16 - New Governmental Accounting Standards: (Continued)

GASB No. 67

In June 2012, the Governmental Accounting Standards Board issued Statement No. 67, “Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25”. This pronouncement is effective for periods beginning after June 15, 2013. This Statement replaces the requirements of Statements No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans”, and No. 50, “Pension Disclosures”, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This pronouncement did not have a material effect on the financial statements of the SEJPA in the year of implementation.

GASB No. 68

In June 2012, the Governmental Accounting Standards Board issued Statement No. 68, “Accounting and Financial Reporting for Pensions”. This pronouncement is effective for periods beginning after June 15, 2013. This pronouncement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans, as well as for nonemployer governments that have a legal obligation to contribute to those plans. The SEJPA has not determined the effects of this pronouncement on the financial statements of the SEJPA in the year of implementation.

GASB No. 69

In January 2013, The Governmental Accounting Standard Board issued Statement No. 69, “Government Combinations and Disposals of Government Operations.” This pronouncement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis. Earlier application is encouraged. This statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, this statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This pronouncement is not anticipated to have a material effect on the financial statements of the SEJPA in the year of implementation.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 16 - New Governmental Accounting Standards: (Continued)

GASB No. 70

In April 2013, The Governmental Accounting Standard Board issued Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” This pronouncement is effective for financial reporting periods beginning after June 15, 2013. Earlier application is encouraged. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that the government will be required to make a payment on the guarantee. The Government that issued the obligation guaranteed in a nonexchange transaction should recognize revenue to the extent that its guaranteed obligations have been reduced. If that government is required to repay a guarantor for making a payment, they should continue to reflect the liability until legally released as an obligor. The SEJPA has not extended any nonexchange financial guarantees at the date of these financial statements.

GASB No. 71

In November 2013, The Governmental Accounting Standards Board issue Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68. This pronouncement is effective simultaneously with the implementation of Statement 68. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The SEJPA has not determined the effects of this pronouncement on the financial statements of the SEJPA in the year of implementation.

**SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF NET POSITION - WASTEWATER
JUNE 30, 2014 AND 2013**

ASSETS

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 5,323,541	\$ 5,232,670	\$ 90,871
Due from other government agencies	234,431	39,338	195,093
Accrued interest receivable	83,096	97,793	(14,697)
Prepaid expenses	11,671	12,158	(487)
Current portion of loan receivable	<u>1,235,000</u>	<u>1,200,000</u>	<u>35,000</u>
Total Current Assets	<u>6,887,739</u>	<u>6,581,959</u>	<u>305,780</u>
<u>Noncurrent Assets:</u>			
Restricted Assets:			
Cash and cash equivalents	<u>4</u>	<u>1</u>	<u>3</u>
Total Restricted Assets	<u>4</u>	<u>1</u>	<u>3</u>
Loans Receivable , net of current portion	<u>5,585,000</u>	<u>6,820,000</u>	<u>(1,235,000)</u>
Capital Assets:			
Nondepreciable	446,311	51,424	394,887
Depreciable, net of accumulated depreciation	<u>22,401,318</u>	<u>23,100,156</u>	<u>(698,838)</u>
Total Capital Assets	<u>22,847,629</u>	<u>23,151,580</u>	<u>(303,951)</u>
Other Assets:			
Bond issuance costs	<u>29,316</u>	<u>34,414</u>	<u>(5,098)</u>
Total Other Assets	<u>29,316</u>	<u>34,414</u>	<u>(5,098)</u>
Total Noncurrent Assets	<u>28,461,949</u>	<u>30,005,995</u>	<u>(1,544,046)</u>
TOTAL ASSETS	<u>35,349,688</u>	<u>36,587,954</u>	<u>(1,238,266)</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amount on refunding	\$ <u>237,396</u>	\$ <u>278,682</u>	\$ <u>(41,286)</u>

SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF NET POSITION - WASTEWATER (CONTINUED)
JUNE 30, 2014 AND 2013

LIABILITIES

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
<u>Current Liabilities:</u>			
Accounts payable	\$ 108,621	\$ 398,321	\$ (289,700)
Accrued liabilities	41,846	33,784	8,062
Accrued interest payable	81,623	93,623	(12,000)
Retentions payable	27,953	-	27,953
Current portion of refunding revenue bonds	<u>1,235,000</u>	<u>1,200,000</u>	<u>35,000</u>
Total Current Liabilities	<u>1,495,043</u>	<u>1,725,728</u>	<u>(230,685)</u>
<u>Noncurrent Liabilities:</u>			
Payable From Restricted Assets:			
Due to member agencies payable from restricted assets	<u>4</u>	<u>-</u>	<u>4</u>
Long-Term Debt:			
Refunding revenue bonds, net of current portion	<u>6,044,123</u>	<u>7,358,970</u>	<u>(1,314,847)</u>
Total Long-Term Debt	<u>6,044,123</u>	<u>7,358,970</u>	<u>(1,314,847)</u>
Other Noncurrent Liabilities:			
Net OPEB obligation	85,793	62,517	23,276
Compensated absences	<u>284,903</u>	<u>257,681</u>	<u>27,222</u>
Total Other Noncurrent Liabilities	<u>370,696</u>	<u>320,198</u>	<u>50,498</u>
Total Noncurrent Liabilities	<u>6,414,823</u>	<u>7,679,168</u>	<u>(1,264,345)</u>
Total Liabilities	<u>7,909,866</u>	<u>9,404,896</u>	<u>(1,495,030)</u>
<u>NET POSITION:</u>			
Net investment in capital assets	22,597,949	22,932,576	(334,627)
Unrestricted	<u>5,079,269</u>	<u>4,529,164</u>	<u>550,105</u>
Total Net Position	<u>\$ 27,677,218</u>	<u>\$ 27,461,740</u>	<u>\$ 215,478</u>

**SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - WASTEWATER
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
<u>Operating Revenues:</u>			
Contributions from City of Encinitas	\$ 1,642,342	\$ 1,527,177	\$ 115,165
Contributions from City of Solana Beach	1,393,160	1,443,294	(50,134)
Charges for services to other government agencies	956,175	880,730	75,445
Total Operating Revenues	<u>3,991,677</u>	<u>3,851,201</u>	<u>140,476</u>
<u>Operating Expenses:</u>			
Personnel costs	2,136,782	2,116,105	20,677
Depreciation and amortization	1,151,688	1,137,011	14,677
Utilities	494,427	462,290	32,137
Contracted services	396,369	284,853	111,516
Supplies	165,815	150,295	15,520
Disposal services	172,227	176,476	(4,249)
Miscellaneous	103,180	87,043	16,137
Repair parts expense	93,739	108,589	(14,850)
Permit/purveyor fees	51,935	51,647	288
Insurance	40,560	25,977	14,583
Total Operating Expenses	<u>4,806,722</u>	<u>4,600,286</u>	<u>206,436</u>
Operating (Loss)	<u>(815,045)</u>	<u>(749,085)</u>	<u>(65,960)</u>
<u>Nonoperating Revenues (Expenses):</u>			
Investment income	273,438	313,711	(40,273)
Rental income	24,359	23,649	710
Other	7,383	18,326	(10,943)
Gain on disposal of capital assets	3,430	-	3,430
Interest expense	(230,468)	(265,607)	35,139
Total Nonoperating Revenues (Expenses)	<u>78,142</u>	<u>90,079</u>	<u>(11,937)</u>
(Loss) Before Capital Contributions	<u>(736,903)</u>	<u>(659,006)</u>	<u>(77,897)</u>
<u>Capital Contributions:</u>			
Member agency assessments	952,381	859,760	92,621
Total Capital Contributions	<u>952,381</u>	<u>859,760</u>	<u>92,621</u>
Change in Net Position	215,478	200,754	14,724
Net Position at Beginning of Year,	<u>27,461,740</u>	<u>27,260,986</u>	<u>200,754</u>
NET POSITION AT END OF YEAR	<u><u>\$ 27,677,218</u></u>	<u><u>\$ 27,461,740</u></u>	<u><u>\$ 215,478</u></u>

**SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF NET POSITION - RECLAMATION
JUNE 30, 2014 AND 2013**

ASSETS

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 1,748,702	\$ 1,095,498	\$ 653,204
Due from other government agencies	464,867	230,235	234,632
Accrued interest receivable	1,890	-	1,890
Prepaid expenses	4,573	5,211	(638)
Total Current Assets	<u>2,220,032</u>	<u>1,330,944</u>	<u>889,088</u>
<u>Noncurrent Assets:</u>			
Restricted Assets:			
Cash and cash equivalents	<u>630,000</u>	<u>630,000</u>	<u>-</u>
Total Restricted Assets	<u>630,000</u>	<u>630,000</u>	<u>-</u>
Capital Assets:			
Depreciable, net of accumulated depreciation	<u>16,760,187</u>	<u>16,844,927</u>	<u>(84,740)</u>
Total Capital Assets	<u>16,760,187</u>	<u>16,844,927</u>	<u>(84,740)</u>
Other Assets:			
Retrofit loans	<u>83,183</u>	<u>114,959</u>	<u>(31,776)</u>
Total Other Assets	<u>83,183</u>	<u>114,959</u>	<u>(31,776)</u>
Total Noncurrent Assets	<u>17,473,370</u>	<u>17,589,886</u>	<u>(116,516)</u>
TOTAL ASSETS	<u>\$ 19,693,402</u>	<u>\$ 18,920,830</u>	<u>\$ 772,572</u>

SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF NET POSITION - RECLAMATION (CONTINUED)
JUNE 30, 2014 AND 2013

LIABILITIES

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
<u>Current Liabilities:</u>			
Accounts payable	\$ 47,735	\$ 49,719	\$ (1,984)
Accrued liabilities	10,414	5,363	5,051
Accrued interest payable	116,739	131,254	(14,515)
Due to other government agencies	164,290	-	164,290
Current portion of state loan payable	702,183	685,057	17,126
Current portion of private placement loan payable	<u>72,948</u>	<u>70,013</u>	<u>2,935</u>
Total Current Liabilities	<u>1,114,309</u>	<u>941,406</u>	<u>172,903</u>
<u>Noncurrent Liabilities:</u>			
<u>Long-Term Debt:</u>			
State loan payable, net of current portion	4,597,496	5,299,679	(702,183)
Private placement loan payable, net of current portion	1,757,268	1,830,215	(72,947)
SFID reimbursement agreement payable	<u>463,815</u>	<u>473,919</u>	<u>(10,104)</u>
Total Long-Term Debt	<u>6,818,579</u>	<u>7,603,813</u>	<u>(785,234)</u>
<u>Other Noncurrent Liabilities:</u>			
Net OPEB obligation	16,470	11,087	5,383
Compensated absences	<u>45,750</u>	<u>40,523</u>	<u>5,227</u>
Total Other Noncurrent Liabilities	<u>62,220</u>	<u>51,610</u>	<u>10,610</u>
Total Noncurrent Liabilities	<u>6,880,799</u>	<u>7,655,423</u>	<u>(774,624)</u>
Total Liabilities	<u>7,995,108</u>	<u>8,596,829</u>	<u>(601,721)</u>
<u>NET POSITION:</u>			
Net investment in capital assets	9,049,738	8,354,789	694,949
Restricted	630,000	630,000	-
Unrestricted	<u>2,018,556</u>	<u>1,339,212</u>	<u>679,344</u>
Total Net Position	<u>\$ 11,698,294</u>	<u>\$ 10,324,001</u>	<u>\$ 1,374,293</u>

**SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - RECLAMATION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
<u>Operating Revenues:</u>			
Charges for services to other government agencies	\$ 2,508,755	\$ 2,169,907	\$ 338,848
Total Operating Revenues	<u>2,508,755</u>	<u>2,169,907</u>	<u>338,848</u>
<u>Operating Expenses:</u>			
Depreciation and amortization	571,813	466,798	105,015
Personnel costs	465,921	438,425	27,496
Utilities	248,622	177,455	71,167
Contracted services	180,630	148,656	31,974
Miscellaneous	87,607	19,158	68,449
Supplies	72,594	52,422	20,172
Permit/purveyor fees	45,944	24,021	21,923
Repair parts expense	32,397	22,216	10,181
Insurance	17,383	11,133	6,250
Total Operating Expenses	<u>1,722,911</u>	<u>1,360,284</u>	<u>362,627</u>
Operating Income	<u>785,844</u>	<u>809,623</u>	<u>(23,779)</u>
<u>Nonoperating Revenues (Expenses):</u>			
State grants	791,925	-	791,925
Investment income	14,154	16,798	(2,644)
Interest expense	(217,630)	(236,070)	18,440
Total Nonoperating Revenues (Expenses)	<u>588,449</u>	<u>(219,272)</u>	<u>807,721</u>
Income Before Capital Contributions	<u>1,374,293</u>	<u>590,351</u>	<u>783,942</u>
Change in Net Position	1,374,293	590,351	783,942
Net Position at Beginning of Year	<u>10,324,001</u>	<u>9,733,650</u>	<u>590,351</u>
NET POSITION AT END OF YEAR	<u>\$ 11,698,294</u>	<u>\$ 10,324,001</u>	<u>\$ 1,374,293</u>

**SAN ELIJO JOINT POWERS AUTHORITY
OPERATING BUDGET COMPARISON SCHEDULE - WASTEWATER
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Operating Expenses:</u>			
Personnel costs	\$ 2,295,560	\$ 2,136,782	\$ 158,778
Utilities	470,361	494,427	(24,066)
Contracted services	498,354	396,369	101,985
Miscellaneous	100,898	103,180	(2,282)
Supplies	183,140	165,815	17,325
Repair parts expense	141,850	93,739	48,111
Insurance	42,350	40,560	1,790
Disposal services	213,530	172,227	41,303
Permit/purveyor fees	51,800	51,935	(135)
Contingency	120,260	-	120,260
Capital outlay	31,000	-	31,000
Total Operating Expenses	<u>4,149,103</u>	<u>3,655,034</u>	<u>494,069</u>
Depreciation and Amortization	-	1,151,688	(1,151,688)
Operating Expenses, Net	<u>\$ 4,149,103</u>	<u>\$ 4,806,722</u>	<u>\$ (657,619)</u>

**SAN ELIJO JOINT POWERS AUTHORITY
OPERATING BUDGET COMPARISON SCHEDULE - RECLAMATION
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Operating Expenses:</u>			
Personnel costs	\$ 459,560	\$ 465,921	\$ (6,361)
Utilities	228,490	248,622	(20,132)
Contracted services	90,298	180,630	(90,332)
Miscellaneous	39,502	87,607	(48,105)
Supplies	111,980	72,594	39,386
Repair parts expense	40,000	32,397	7,603
Insurance	18,150	17,383	767
Permit/purveyor fees	51,800	45,944	5,856
Total Operating Expenses	<u>1,039,780</u>	<u>1,151,098</u>	<u>(111,318)</u>
Depreciation and Amortization	-	571,813	(571,813)
Operating Expenses, Net	<u>\$ 1,039,780</u>	<u>\$ 1,722,911</u>	<u>\$ (683,131)</u>