SAN ELIJO JOINT POWERS AUTHORITY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended
June 30, 2026
(With Comparative Amounts as of June 30, 2025)

NIGRO & NIGRO PC

SAN ELIJO JOINT POWERS AUTHORITY
For the Fiscal Year Ended June 30, 2026
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Financial Section

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A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the San Elijo Joint Powers Authority (Authority), which comprise the Statement of Net Position as of June 30, 2026, and the related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2026, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As described in Notes 1 and 14 to the financial statements, as of July 1, 2025, the Authority adopted new accounting guidance, GASB Statement No. 103, Financial Reporting Model Improvements, Statement No. 104, Disclosure of Certain Capital Assets and Statement No. 105, Subsequent Events. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA
Jessica Miller, CPA | Angelika Vartikyan, CPA | Jared Solmonsen, CPA | Oscar Gonzalez, CFE

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • *Licensed by the California Board of Accountancy*

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the Authority's Proportionate Share of the Plan's Net Pension Liability, Schedule of the Authority's Contributions to the Pension Plan, Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining schedule of net position, the combining schedule of revenues, expenses and changes in net position, and the combining schedule of cash flows are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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.

Other Information

The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2025, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued a separate report dated November 17, 2026, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Murrieta, California
November 17, 2026

Management's Discussion and Analysis (MD&A) offers readers of San Elijo Joint Powers Authority's financial statements a narrative overview of the Authority's financial activities for the year ended June 30, 2026. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes the Authority's enterprise financial statements, fiduciary fund financial statements, and notes to the financial statements.

The enterprise financial statements consist of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. Together, these statements present the Authority's financial position, operating results, changes in net position, and cash flows associated with its wastewater treatment and recycled water operations. They are prepared using the economic resources measurement focus and accrual basis of accounting.

The fiduciary fund financial statements consist of the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These statements report on resources held by the Authority in a fiduciary capacity and the changes in those resources. Fiduciary resources are reported separately from resources available to finance the Authority's own operations.

The notes to the financial statements provide additional information about significant accounting policies, financial statement balances, long-term obligations, commitments, contingencies, and other matters necessary to understand the financial statements.

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

FINANCIAL SUMMARY AND DETAILED ANALYSES

- Total assets decreased by $820,149 (0.70%), from $116,725,093 to $115,904,944. The decrease was primarily attributable to reductions in non-current assets, partially offset by increases in current assets and capital assets.

- Net capital assets increased by $1,056,575 (1.42%), from $74,228,833 at June 30, 2025, to $75,285,408 at June 30, 2026.

- Total deferred outflows of resources decreased by $426,472 from $1,748,149 at June 30, 2025, to $1,321,677 at June 30, 2026, due to reductions in certain deferred outflows related to the Authority's CalPERS pension liability.

- Total liabilities decreased by $4,311,986 (10.34%), from $41,701,816 to $37,389,830, primarily due to decreases in accounts payable and long-term debt obligations.

- Outstanding long-term debt decreased by approximately $1.2 million (3.76%), from approximately $31.9 million to $30.7 million, as a result of scheduled principal repayments. No additional debt was issued during the year.

- Total deferred inflows of resources increased by $314,566, from $785,807 at June 30, 2025, to $1,100,373 at June 30, 2026, primarily due to changes in certain deferred inflows related to the Authority's CalPERS pension liability.

- Operating revenues increased by $892,110 (7.42%), from $12,027,762 to $12,919,872, primarily due to higher operating contributions from member agencies and charges for services to other government agencies.

- Net non-operating revenues, increased by $2,399,203 (124.39%), from $1,928,818 to $4,328,021, primarily due to increased federal grant funding and lower capital asset transfer expense compared with the prior year.

- Operating expenses before depreciation increased by $550,321 (5.11%), from $10,763,407 to $11,313,728. Depreciation expense increased by $388,147 (13.89%), from $2,795,219 to $3,183,366.

- The Authority reported an operating loss of $1,577,222, compared with $1,530,864 in the prior year, an increase of $46,358 (3.03%).

- Total net position increased by $2,750,799 (3.62%), from $75,985,619 at June 30, 2025, to $78,736,418 at June 30, 2026.

FINANCIAL SUMMARY AND DETAILED ANALYSES (continued)

Condensed Statements of Net Positions

	June 30, 2026	June 30, 2025	Change
Assets:			
Current assets	$ 19,168,265	$ 15,831,574	$ 3,336,691
Non-current assets	21,451,271	26,664,686	(5,213,415)
Capital assets, net	75,285,408	74,228,833	1,056,575
Total assets	115,904,944	116,725,093	(820,149)
Deferred outflows of resources	1,321,677	1,748,149	(426,472)
Total assets and deferred outflows of resources	$ 117,226,621	$ 118,473,242	$ (1,246,621)
Liabilities:			
Current liabilities	$ 3,112,670	$ 5,446,143	$ (2,333,473)
Non-current liabilities	34,277,160	36,255,673	(1,978,513)
Total liabilities	37,389,830	41,701,816	(4,311,986)
Deferred inflows of resources	1,100,373	785,807	314,566
Net position:			
Net investment in capital assets	66,228,597	69,164,159	(2,935,562)
Unrestricted	12,507,821	6,821,460	5,686,361
Total net position	78,736,418	75,985,619	2,750,799
Total liabilities, deferred outflows of resources and net position	$ 117,226,621	$ 118,473,242	$ (1,246,621)

The Authority's total net position increased by $2,750,799, from $75,985,619 at June 30, 2025, to $78,736,418 at June 30, 2026. This increase was driven primarily by a $4,311,986 decrease in total liabilities, which more than offset an $820,149 decrease in total assets, a $426,472 decrease in deferred outflows of resources, and a $314,566 increase in deferred inflows of resources.

Current assets increased by $3,336,691, primarily due to the reclassification of restricted recycled water loan proceeds from noncurrent to current assets following the release of funds for project costs, including the Wanket Reservoir Refurbishment and Pipeline and Stormwater Capture and Reuse projects. Noncurrent assets decreased correspondingly due to this reclassification.

Net capital assets increased by $1,056,575, as additions of $4,282,771 were partially offset by depreciation expense of $3,183,366 and the transfer of $42,830 in completed improvements to the City of Encinitas.

Current liabilities decreased by $2,333,473, primarily due to lower payables following completion of major capital projects under construction at June 30, 2025. Noncurrent liabilities decreased by $1,978,513, primarily reflecting a lower CalPERS net pension liability and scheduled principal payments on long-term debt.

At June 30, 2026, net investment in capital assets totaled $66,228,597, or 84.1% of total net position. This amount reflects capital assets, net of accumulated depreciation, related outstanding debt, and the corresponding member agency loan receivable. These assets support the Authority's operations and are not available for general operating expenditures or other discretionary uses.

FINANCIAL SUMMARY AND DETAILED ANALYSES (continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	June 30, 2026	June 30, 2025	Change
Operating revenues	$ 12,919,872	$ 12,027,762	$ 892,110
Operating expenses	(11,313,728)	(10,763,407)	(550,321)
Operating income before depreciation	1,606,144	1,264,355	341,789
Depreciation expense	(3,183,366)	(2,795,219)	(388,147)
Operating income (loss)	(1,577,222)	(1,530,864)	(46,358)
Non-operating revenues(expenses), net	4,328,021	1,928,818	2,399,203
Change in net position	2,750,799	397,954	2,352,845
Net position:			
Beginning of year	75,985,619	75,587,665	397,954
End of year	$ 78,736,418	$ 75,985,619	$ 2,750,799

For fiscal year 2026, the Authority reported an operating loss of $1,577,222, compared to $1,530,864 in the prior year. Operating revenues increased by $892,110 to $12,919,872. Wastewater treatment revenues increased primarily due to a 4.8% rate increase to address rising costs. Recycled water revenues increased due to higher demand and scheduled rate increases of 3.9% effective July 1, 2025, and an additional 10% effective January 1, 2026, following adoption of the Authority's Recycled Water Cost of Service Study.

Operating expenses increased by $550,321 to $11,313,728, reflecting higher personnel costs and professional fees, as well as increased costs for utilities, chemicals, and supplies associated with higher recycled water production. Operating results before depreciation improved by $341,789; however, depreciation expense of $3,183,366 contributed to the operating loss and reflects the Authority's wastewater, recycled water, and ocean outfall infrastructure.

Nonoperating revenues, net, increased by $2,399,203 to $4,328,021, primarily reflecting increased federal grant funding and lower capital asset transfer expenses following the contribution of the completed Moonlight Beach Pump Station project to the City of Encinitas

FINANCIAL SUMMARY AND DETAILED ANALYSES (continued)

Total Revenues

	June 30, 2026	June 30, 2025	Increase (Decrease)
Operating revenues:			
Charges for services to other government agencies	$ 6,811,130	$ 6,639,906	$ 171,224
Operating contributions from members	6,024,207	5,307,261	716,946
Rental revenue	78,735	70,332	8,403
Other operating revenues	5,800	10,263	(4,463)
Total operating revenues	12,919,872	12,027,762	892,110
Non-operating revenues:			
Investment earnings	634,369	1,068,753	(434,384)
Member agency interest revenue for debt service	794,158	820,075	(25,917)
Capital contrbutions:			
Federal capital grants	2,195,615	947,480	1,248,135
State capital grants	372,856	944,498	(571,642)
Member agency capital assessments	1,564,156	1,579,158	(15,002)
Total non-operating revenues	5,561,154	5,359,964	201,190
Total revenues	$ 18,481,026	$ 17,387,726	$ 1,093,300

Total revenues increased by $1,093,300 during fiscal year 2026. Operating revenues increased by $892,110, primarily reflecting higher operating contributions from member agencies and increased charges for services to other government agencies. Nonoperating revenues increased by $201,190, driven primarily by federal grant funding, including $1,634,387 recognized for the San Elijo Water Campus Water Conservation Project, partially offset by lower investment earnings and state grant revenues compared with fiscal year 2025.

FINANCIAL SUMMARY AND DETAILED ANALYSES (continued)

Total Expenses

	June 30, 2026	June 30, 2025	Increase (Decrease)
Operating expenses:			
Personnel costs	$ 5,999,651	$ 5,821,920	$ 177,731
Utilities	1,475,674	1,405,322	70,352
Contracted services	1,406,279	1,142,352	263,927
Supplies	1,036,162	1,060,470	(24,308)
Repair parts expense	439,250	378,448	60,802
Disposal services	245,462	271,021	(25,559)
Permit/purveyor fees	217,712	219,026	(1,314)
Insurance	205,879	184,931	20,948
Rent	150,723	144,711	6,012
Other	136,936	135,206	1,730
Depreciation expense	3,183,366	2,795,219	388,147
Total operating expenses	14,497,094	13,558,626	938,468
Non-operating expenses:			
Interest expense	1,190,303	1,237,258	(46,955)
Capital contribution to City of Encinitas	42,830	2,193,888	(2,151,058)
Total non-operating expenses	1,233,133	3,431,146	(2,198,013)
Total expenses	$ 15,730,227	$ 16,989,772	$ (1,259,545)

Total expenses decreased by $1,259,545 compared to the prior year, primarily due to lower transfers of completed capital assets to the City of Encinitas, which more than offset increases in personnel costs, contracted services, and depreciation expense. Personnel costs increased due to the addition of an HR Analyst III position, cost-of-living adjustments in accordance with the Authority's Salary and Benefits Resolution, and merit increases. Contracted services increased due to emergency recycled water pipeline repairs. Depreciation expense increased as major capital improvement projects were completed and placed into service during the fiscal year, including improvements to the Authority's wastewater treatment and recycled water infrastructure. Interest expense decreased slightly due to scheduled principal payments on outstanding debt.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

Capital Assets

Capital assets:	Balance June 30, 2026	Balance June 30, 2025
Non-depreciable assets	$ 6,288,236	$ 17,273,725
Depreciable assets	124,936,431	109,711,001
Accumulated depreciation	(55,939,259)	(52,755,893)
Total capital assets, net	$ 75,285,408	$ 74,228,833

Net capital assets increased by $1,056,575, from $74,228,833 at June 30, 2025, to $75,285,408 at June 30, 2026. During the year, the Authority invested approximately $4.3 million in capital asset additions and transferred approximately $15.3 million of current and prior year construction-in-progress (CIP) to depreciable capital assets as projects were completed and placed into service. Significant completed projects included the San Elijo Water Conservation Project ($11.7 million), Stormwater Capture and Reuse project ($2.0 million), and Wanket pipeline ($1.4 million). These project completions contributed to the decrease in CIP from $17.3 million to $6.3 million, while depreciable capital assets increased from $109.7 million to $124.9 million. The net increase in capital assets was partially offset by $3.2 million in depreciation expense.

Current CIP projects include the 2035 Plant Resiliency, Efficiency, and Performance (PREP) facility plan ($0.5 million), the Wanket Reservoir Refurbishment Project ($4.5 million), and preliminary work for a biological treatment improvement project ($1.0 million), along with other smaller projects. These investments support the continued maintenance and improvement of the Authority's wastewater treatment and recycled water infrastructure.

Long-term Debt

The long-term debt of the Authority is summarized below:

Long-term debt:	Balance June 30, 2026	Balance June 30, 2025
Long-term debt	$ 30,711,198	$ 31,883,295

The Authority's outstanding long-term debt decreased by approximately $1.2 million during fiscal year 2026 due to scheduled principal repayments. No additional debt was issued during the year. Outstanding debt totaled $30.7 million at June 30, 2026, compared to $31.9 million at June 30, 2025. See Note 8 for additional information.

CURRENT KNOWN FACTS, DECISIONS OR CONDITIONS

Effective July 1, 2026, the Board adopted a new Salary and Benefits Resolution governing compensation and benefits for Authority staff for the period through June 30, 2029. The resolution provides for a 4% cost-of-living adjustment (COLA) effective July 1, 2026, followed by additional 3% adjustments effective July 1, 2027, and July 1, 2028. Fiscal year 2029–30 is an option year during which employees may vote by majority to opt in or out of the resolution, subject to final Board approval. If a new resolution is not in place by July 1, 2030, the existing provisions will continue, with salary and benefit allowances frozen at fiscal year 2029–30 limits. The resolution is expected to increase personnel costs over its term, with future financial impacts depending on staffing levels, implementation of the scheduled adjustments, and the outcome of the option-year process.

The Board approved the Authority's Recycled Water Cost of Service Study in fall 2025, which established a schedule of recycled water rate adjustments. Effective January 1, 2027, recycled water rates will increase by 10%, representing the second year of the approved rate adjustments. The increase is expected to increase recycled water revenues during the second half of fiscal year 2027. The actual financial impact will depend on recycled water sales volumes, customer demand, and related operating costs.

For fiscal year 2026–27, operating revenues from the Authority's member agencies, treatment lessees, and other revenue sources are budgeted to increase by approximately $428,000, or 4.3%, compared with the fiscal year 2025–26 budget. The fiscal year 2026–27 budget incorporates increased operations and maintenance costs, including higher personnel costs associated with the Salary and Benefits Resolution, as well as increases in other operating costs necessary to fulfill the Authority's operational and service obligations.

The Authority continues to advance capital improvements to maintain the reliability, performance, and resilience of its wastewater treatment and recycled water infrastructure. Near-term priorities include completing the Wanket Reservoir Refurbishment Project and finalizing the Plant Resiliency, Efficiency, and Performance (PREP) Plan. The PREP Plan is intended to establish a framework for prioritizing capital investments over the next decade based on asset condition, operational risk, system performance, resiliency, efficiency, and life-cycle considerations. Other identified needs include rehabilitation and replacement of aging infrastructure, modernization of electrical and control systems, and improvements to recycled water reliability.

The timing and financial effects of these capital initiatives will depend on project schedules, final cost estimates, funding availability, and subsequent implementation decisions. As projects advance, capital expenditures and any related financing requirements may affect the Authority's future financial position and operating results.

Management will continue to evaluate the financial implications of these adopted compensation and rate changes and planned capital investments through its operating budget, financial forecasts, and capital planning process.

Basic Financial Statements

SAN ELIJO JOINT POWERS AUTHORITY
Statement of Net Position
June 30, 2026

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2026	2025
Current assets:		
Cash and cash equivalents (Note 2)	$ 17,497,586	$ 12,777,377
Accrued interest receivable	373,843	394,934
Due from other governments (Note 3)	583,546	2,005,262
Prepaid expenses	129,109	96,578
Lease receivable (Note 4)	24,181	22,423
Loans receivable (Note 5)	560,000	535,000
Total current assets	19,168,265	15,831,574
Non-current assets:		
Restricted – cash and cash equivalents (Note 2)	2,894,387	7,523,621
Lease receivable, net (Note 4)	356,884	381,065
Loans receivable, net (Note 5)	18,200,000	18,760,000
Capital assets – not being depreciated (Note 6)	6,288,236	17,273,725
Capital assets – being depreciated, net (Note 6)	68,997,172	56,955,108
Total non-current assets	96,736,679	100,893,519
Total assets	115,904,944	116,725,093
Deferred outflows of resources:		
Deferred amounts related to total OPEB liability (Note 9)	35,723	48,262
Deferred amounts related to net pension liability (Note 10)	1,285,954	1,699,887
Total deferred outflows of resources	1,321,677	1,748,149
Total assets and deferred outflows of resources	$ 117,226,621	$ 118,473,242

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current liabilities:		
Accounts payable and accrued expenses	$ 1,195,977	$ 3,307,858
Unearned revenues	-	286,702
Accrued interest payable	296,110	306,756
Due to fiduciary fund	84,000	100,000
Long-term liabilities – due within one year:		
Compensated absences (Note 7)	417,161	374,754
Long-term debt (Note 8)	1,097,809	1,052,003
Total OPEB liability (Note 9)	21,613	18,070
Total current liabilities	3,112,670	5,446,143
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences, net (Note 7)	249,107	338,100
Long-term debt, net (Note 8)	29,613,389	30,831,292
Total OPEB liability, net (Note 9)	367,142	361,684
Net pension liability (Note 10)	4,047,522	4,724,597
Total non-current liabilities	34,277,160	36,255,673
Total liabilities	37,389,830	41,701,816
Deferred inflows of resources:		
Deferred amounts related to total OPEB liability (Note 9)	214,611	223,489
Deferred amounts related to net pension liability (Note 10)	552,483	200,105
Deferred amounts related to leases (Note 4)	333,279	362,213
Total deferred inflows of resources	1,100,373	785,807
Net position:		
Net investment in capital assets (Note 11)	66,228,597	69,164,159
Unrestricted	12,507,821	6,821,460
Total net position	78,736,418	75,985,619
Total liabilities, deferred inflows of resources and net position	$ 117,226,621	$ 118,473,242

SAN ELIJO JOINT POWERS AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2026

	2026	2025
Operating revenues:		
Charges for services to other government agencies	$ 6,811,130	$ 6,639,906
Contributions from City of Encinitas	3,302,345	3,020,003
Contributions from City of Solana Beach	2,721,862	2,287,258
Rental revenue	78,735	70,332
Other operating revenues	5,800	10,263
Total operating revenues	12,919,872	12,027,762
Operating expenses:		
Personnel costs	5,999,651	5,821,920
Utilities	1,475,674	1,405,322
Contracted services	1,406,279	1,142,352
Supplies	1,036,162	1,060,470
Repair parts expense	439,250	378,448
Disposal services	245,462	271,021
Permit/purveyor fees	217,712	219,026
Insurance	205,879	184,931
Rent	150,723	144,711
Other	136,936	135,206
Total operating expenses	11,313,728	10,763,407
Operating income before depreciation expense	1,606,144	1,264,355
Depreciation expense	(3,183,366)	(2,795,219)
Operating loss	(1,577,222)	(1,530,864)
Non-operating revenues(expenses):		
Investment earnings	634,369	1,068,753
Member agency interest revenue for debt service (Note 5)	794,158	820,075
Capital contributions:		
Federal capital grants	2,195,615	947,480
State capital grants	372,856	944,498
Member agency capital assessments	1,564,156	1,579,158
Interest expense	(1,190,303)	(1,237,258)
Capital contribution to City of Encinitas	(42,830)	(2,193,888)
Total non-operating revenues(expenses), net	4,328,021	1,928,818
Change in net position	2,750,799	397,954
Net position:		
Beginning of year	75,985,619	75,587,665
End of year	$ 78,736,418	$ 75,985,619

SAN ELIJO JOINT POWERS AUTHORITY
Statements of Cash Flows
For the Fiscal Year Ended June 30, 2026

	2026	2025
Cash flows from operating activities:		
Cash receipts from government agencies	$ 14,077,309	$ 11,376,521
Cash paid to employees for services	(5,525,609)	(5,081,565)
Cash paid to suppliers for goods and services	(7,922,153)	(3,362,576)
Net cash provided by operating activities	629,547	2,932,380
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(4,282,771)	(15,192,284)
Member agency capital assessments	1,564,156	1,579,158
Proceeds from federal and state capital grants	2,568,471	1,891,978
Principal paid on long-term debt	(1,101,873)	(1,044,944)
Interest paid on long-term debt	(1,271,173)	(1,317,633)
Net cash used in capital and related financing activities	(2,523,190)	(14,083,725)
Cash flows from investing activities:		
Principal received from member agencies for loans receivable	535,000	510,000
Interest received from member agencies for debt service	794,158	820,075
Investment earnings	655,460	1,158,874
Net cash provided by investing activities	1,984,618	2,488,949
Net increase (decrease) in cash and cash equivalents	90,975	(8,662,396)
Cash and cash equivalents:		
Beginning of year	20,300,998	28,963,394
End of year	$ 20,391,973	$ 20,300,998
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and cash equivalents	$ 17,497,586	$ 12,777,377
Restricted – cash and investments	2,894,387	7,523,621
Total cash and cash equivalents	$ 20,391,973	$ 20,300,998

SAN ELIJO JOINT POWERS AUTHORITY
Statements of Cash Flows (continued)
For the Fiscal Year Ended June 30, 2026

	2026	2025
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (1,577,222)	$ (1,530,864)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	3,183,366	2,795,219
Change in assets – (increase)decrease:		
Due from other governments	1,421,716	806,880
Prepaid expenses	(32,531)	20,328
Lease receivable	22,423	20,812
Change in deferred outflows of resources – (increase)decrease		
Deferred amounts related to total OPEB liability	12,539	12,533
Deferred amounts related to net pension liability	413,933	454,342
Change in liabilities – increase(decrease):		
Accounts payable and accrued expenses	(2,111,881)	1,821,585
Unearned revenues	(286,702)	(1,450,000)
Due to fiduciary fund	(16,000)	100,000
Compensated absences	(46,586)	87,053
Total OPEB liability	9,001	(99,432)
Net pension liability	(677,075)	(28,080)
Change in deferred inflows of resources – increase(decrease)		
Deferred amounts related to total OPEB liability	(8,878)	96,947
Deferred amounts related to net pension liability	352,378	(146,010)
Deferred amounts related to leases	(28,934)	(28,933)
Total adjustments	2,206,769	4,463,244
Net cash provided by operating activities	$ 629,547	$ 2,932,380
Noncash investing, capital and financing transactions:		
Amortization of bond premium	$ 70,224	$ 70,224
Capital contribution to City of Encintias	$ (42,830)	$ (2,193,888)

SAN ELIJO JOINT POWERS AUTHORITY
Statement of Fiduciary Net Position
June 30, 2026

	Post-Employment Benefits Trust
ASSETS	
Cash and cash equivalents (Note 2)	$ 1,339,378
Due from other funds	84,000
Total assets	$ 1,423,378
NET POSITION	
Held in trust for the benefit of employees of the San Elijo Joint Powers Authority	1,423,378
Total net position	$ 1,423,378

SAN ELIJO JOINT POWERS AUTHORITY
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2026

	Post-Employment Benefits Trust
ADDITIONS:	
Contribution	$ 84,000
Investment earnings	148,797
Total additions	232,797
DEDUCTIONS:	
Administrative fees	7,042
Total deductions	7,042
Change in net assets	225,755
Net position:	
Beginning of year	1,197,623
End of year	$ 1,423,378

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

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). 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, the City of Del Mar 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 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 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%.

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, effluent pump station, and piping extending from an on-shore location out into the ocean.

SEJPA adopted resolution 2019-001 creating Employment Benefits Trust, San Elijo Joint Powers Authority. Funding of the irrevocable trust provides restricted funds that may be used at the Board's discretion to smooth the pension expense that can fluctuate due to changes in investment market conditions and CalPERS policies, in addition to making additional contributions to reduce the Unfunded Actuarial Liability (UAL).

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". SEJPA is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because 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 SEJPA. SEJPA has no component units.

B. Basis of Accounting

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

The Post-Employment Benefits Trust is used to account for contributions and distributions, related to the miscellaneous plan of San Elijo Joint Powers Authority.

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.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of 90 days or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the Authority categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the Statement of Net Position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Authority has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Authority's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

3. Restricted Assets

Any amounts shown as restricted assets have been restricted by either bond indentures, external constraints, or laws and regulations of other governments.

4. Accounts Receivable

Accounts receivable consists primarily of amounts owed by member agencies. As of June 30, 2026, all accounts receivable are considered to be collectible by the Authority.

5. 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 and loans receivable were fully collectible; therefore, no allowance for doubtful accounts was recorded at June 30, 2026.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

5. Lease Receivable and Deferred Inflow of Resources

At the commencement of the lease, SEJPA initially measures the lease receivable at the present value of the payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently the deferred inflows of resources are recognized as revenue over the lease term.

6. Prepaids

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

7. Capital Assets

Capital assets purchased or acquired with a cost exceeding $15,000 and an estimated useful life of more than one year are reported at historical cost. Donated capital assets, donated works of art, and similar items, and capital assets received in service concession agreements are reported at acquisition value. 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. Upon sale or disposition of property and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings. Depreciation is calculated on the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Plant equipment	5-50 years
Lab equipment	5-40 years
Office equipment	5-20 years
Vehicles	5 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. 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 accrued falls below the maximum accumulation (208 - 370 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. Employees who are not terminated for cause and have given SEJPA 14 calendar days written notice are paid for 50% of the sick leave balance upon separation. In accordance with GASB Statement No. 101, Compensated Absences, leave is recognized when it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Management evaluates sick leave for other Authority employees to determine the amount that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This analysis includes assessing relevant factors such as historical information about the use, payment or forfeiture of compensated absences, and the Authority's policies related to compensated absences. The Authority also evaluated salary-related payments that are directly and incrementally associated with payments for compensated absences and determined that such amounts were immaterial to the financial statements; accordingly, such amounts have not been included in the compensated absences liability.

10. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the Authority recognizes benefit payments when due and payable in accordance with the terms of the Plan. The Plan is not administered through a qualifying trust and, accordingly, does not report fiduciary net position.

The following timeframes are used for OPEB reporting:

Valuation Date June 30, 2025
Measurement Date June 30, 2026
Measurement Period July 1, 2025 to June 30, 2026

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

11. Pension

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, the Authority uses information about the fiduciary net position of the Authority's California Public Employees' Retirement System (CalPERS) plans, including additions to/deductions from the Plans' fiduciary net position as reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date June 30, 2024
Measurement Date June 30, 2025
Measurement Period July 1, 2024 to June 30, 2025

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. 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 retirees) as of the beginning of the measurement period.

12. Net Position

Net position is classified into two components: net investment in capital assets and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets."

D. Use of 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.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Revenue Recognition
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, SEJPA considers charges for services to other government agencies and contributions from the cities to be operating revenues.

F. Member Revenue
SEJPA received approximately 47% of its operating revenues from its member agencies for the year ending June 30, 2026.

G. Reclassifications
Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

H. GASB Statement No. 102 – Certain Risk Disclosures
This GASB Statement establishes disclosure requirements for certain concentrations and constraints that may make a government vulnerable to the risk of a substantial impact. The Authority adopted the Statement as of July 1, 2024. Management evaluated the Authority's concentrations and constraints under the provisions of the Statement and determined that no additional disclosures were required as of June 30, 2026.

I. New Pronouncements – Governmental Accounting Standards Board (GASB)
During the fiscal year ended June 30, 2026, the Authority has implemented new GASB pronouncements as follows:

GASB Statement No. 103 – Financial Reporting Model Improvements
This GASB Statement revises financial statement presentation requirements, including enhancements to Management's Discussion and Analysis (MD&A), proprietary fund reporting, and disclosures for major component units. The Authority adopted the Statement as of July 1, 2025.

GASB Statement No. 104 – Disclosure of Certain Capital Assets
This GASB Statement establishes new disclosure requirements for certain types of capital assets, including assets held for sale. Implementation of the Statement did not have a material effect on the Authority's financial statement disclosures. The Authority adopted the Statement as of July 1, 2025.

GASB Statement No. 105 – Subsequent Events
This GASB Statement clarifies the subsequent events that constitute recognized and non-recognized events and establishes specific note disclosure requirements for non-recognized events. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier implementation is encouraged. The Authority elected to early implement GASB Statement No. 105, Subsequent Events, effective July 1, 2025. See Note 13 for the effect of this Statement.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and investments were classified in the accompanying financial statements as follows:

Description	June 30, 2026
Cash and cash equivalents	$ 17,497,586
Restricted – cash and cash equivalents	2,894,387
Fiduciary – cash and cash equivalents	1,339,378
Total cash and cash equivalents	$ 21,731,351

Cash and investments consisted of the following:

Description	June 30, 2026
Demand deposits held with financial institutions	$ 228,480
Local Agency Investment Fund (LAIF)	11,724,922
Money-market mutual funds	8,438,571
Investments Held in PARS Section 115 Pension Trust	1,339,378
Total cash and cash equivalents	$ 21,731,351

Restricted – Cash and Cash Equivalents
At June 30, 2026, restricted cash and cash equivalents of $2,894,387 consisted of $2,888,567 of unspent proceeds from the 2023 loan payable and $5,820 of unspent proceeds from the 2017 revenue bonds. These unspent proceeds are included in the calculation of net investment in capital assets (see Note 11).

Investments Held in PARS Section 115 Pension Trust (Fiduciary Fund)
The Authority participates in a Section 115 irrevocable trust administered by Public Agency Retirement Services (PARS) to prefund its pension obligations. Assets contributed to the Trust are irrevocably dedicated to the payment of the Authority's pension obligations and related expenses and are invested in accordance with the investment strategy approved by the Authority's Board. At June 30, 2026, investments held in the Trust totaled $1,339,378. During the year ended June 30, 2026, the Authority contributed $84,000 to the Trust and recognized investment earnings of $148,797 and administrative expenses of $7,042. Funds held in the Trust may be used to fund pension costs or reduce the Authority's pension obligations in accordance with Board direction.

Demand Deposits with Financial Institutions
At June 30, 2026, the carrying amount of the Authority's demand deposits were $228,480 and the financial institution's balances were $402,314. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the Authority's balance for each year.

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Custodial Credit Risk
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, 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) 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 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's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2026, none of SEJPA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2026, no SEJPA investments were held by the same broker-dealer (counterparty) that was used by SEJPA to buy the securities.

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. SEJPA manages its exposure to interest rate risk by maintaining a portfolio consisting primarily of investments in the Local Agency Investment Fund (LAIF), money market funds, and mutual funds, which provide liquidity to meet operational needs while limiting exposure to significant long-term maturity risk. Management monitors the investment portfolio on an ongoing basis to help ensure that sufficient cash flows and liquidity are available for operations and that exposure to fluctuations in market interest rates remains consistent with the investment objectives of the Agency.

Concentration of Credit Risk
Concentration of credit is the risk of loss attributed to the magnitude to SEJPA's investment in a single issue. The investment policy of SEJPA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. 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 SEJPA's total investments at June 30, 2026.

Local Agency Investment Fund (LAIF)
The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests its funds to manage the State's cash flow and strengthen the financial security of local public agencies. PMIA's policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). LAIF allows cities, counties, and special districts to place money in a major portfolio and, at no additional costs, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from LAIF at any time as LAIF is highly liquid and has a dollar-in dollar-out amortized cost methodology.

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Local Agency Investment Fund (LAIF) (continued)
The Authority is a voluntary participant in LAIF. The fair value of the Authority's investment in this pool is reported at an amount based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the Authority considers funds in LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2026, the Authority held $11,724,922 in LAIF.

Money-Market Mutual Funds
Money-market mutual funds are an investment whose objective is to earn modest investment earnings while maintaining a net asset value (NAV) of $1 per share (which is the funds main goal – preservation of principal). A money-market mutual fund's portfolio is typically comprised of short-term, or less than one year, securities representing high-quality, liquid debt and monetary instruments with minimal credit risk. Money-market mutual funds are Level 1 investments (with quoted prices in active markets for identical assets) that are Not Rated under the current credit risk ratings format. For financial reporting purposes, the Authority considers money market funds a cash equivalent due to their highly liquid nature and NAV of $1 per share. As of June 30, 2026, the Authority held $8,438,571 in money market funds.

Investments Authorized by the California Government Code and SEJPA's Investment Policy
The table below identifies the investment types that are authorized for 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 SEJPA, rather than the general provision of the California Government Code or SEJPA's investment policy:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Quality Requirements
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	397 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
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investments	N/A	None	None

SEJPA's Investment Policy is more restrictive than the California Government Code. SEJPA may invest in the California Local Agency Investment Fund, the San Diego County Pooled Money Investment account, and in Money Market Funds.

NOTE 3 – DUE FROM/TO OTHER GOVERNMENT AGENCIES

SEJPA provides reclaimed water and wastewater treatment to a variety of governmental agencies within San Diego County. In addition, the SEJPA is owed funding from several agencies under various regional grants. The following is a detail of amounts owed to/from SEJPA by these agencies at June 30, 2026:

Description	June 30, 2026
Olivenhain Municipal Water District	$ 347,016
Santa Fe Irrigation District	184,378
San Dieguito Water District	114,063
22nd District Agricultural Association	45,117
San Diego County Water Authority	35,000
Other	11,810
Rancho Santa Fe Community Services District #2 and #3	8,084
City of Encinitas	4,153
City of Del Mar	(36,016)
City of Solana Beach	(49,132)
City of Escondido	(80,927)
Total	$ 583,546

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES - LEASES

Changes in the Authority's lease receivable for the year ended June 30, 2026 was as follows:

Balance July 1, 2025	Additions	Payments	Balance June 30, 2026	Current Portion	Non-current Portion
$ 403,488	$ -	$ (22,423)	$ 381,065	$ 24,181	$ 356,884

The Authority, in January 2007, signed a cellular antenna site licensing agreement with an initial (5) year term with five (5) five-year options. Upon adoption of GASB 87 – Leases, an initial lease receivable was recorded in the amount of $521,347. As of June 30, 2026, the value of the lease receivable was $381,065. The leasee is required to make annual fixed payments which increase 3% each year. The lease has an implicit rate of 3.00%. The value of the deferred inflow of resources was $333,279 as of June 30, 2026. The Authority recognized lease revenue of $28,933 and interest revenue of $11,953 during the fiscal year. The Authority will evaluate any further extensions upon expiration of the current lease term and applicable extensions. Minimum future lease receipts for the fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 24,181	$ 11,245	$ 35,426
2028	25,989	10,484	36,473
2029	27,885	9,691	37,576
2030	29,846	8,790	38,636
2031	31,952	7,852	39,804
2032-2037	241,212	71,639	312,851
Total	381,065		
Current	(24,181)		
Long-term	$ 356,884		

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

Changes in the Authority's deferred inflows of resources related to leases for June 30, 2026, are as follows:

Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026
$ 362,213	$ -	$ (28,934)	$ 333,279

The amounts reported as deferred inflows of resources related to leases for the year ended June 30, 2026, will be amortized in future periods as follows:

Fiscal Year	Deferred Inflows of Resources
2027	$ 28,933
2028	28,933
2029	28,933
2030	28,933
2031	28,933
2032-2037	188,614
Total	$ 333,279

NOTE 5 – LOANS RECEIVABLE

The City of Encinitas and the City of Solana Beach have entered into the fourth amended and restated loan agreements with SEJPA. The loans bear interest from 3% to 5%. Principal and interest are payable semi-annually four days prior to each September 1 and March 1 of each year, in order to provide SEJPA with sufficient funds to service the debt on the 2017 Revenue Bonds (See Note 8). Loans receivable consisted of the following at June 30, 2026:

City of Solana Beach	$ 9,380,000
City Encinitas	9,380,000
Total	18,760,000
Current	(560,000)
Long-term	$ 18,200,000

NOTE 6 – CAPITAL ASSETS

Changes in capital assets for the fiscal year ended June 30, 2026, were as follows:

Description	Balance July 1, 2025	Additions	Deletions/ Transfers	Balance June 30, 2026
Non-depreciable assets:				
Construction-in-process	$ 17,273,725	$ 4,282,772	$ (15,268,261)	$ 6,288,236
Total non-depreciable assets	17,273,725	4,282,772	(15,268,261)	6,288,236
Depreciable assets:				
Plant equipment	109,177,724	15,186,658	-	124,364,382
Lab equipment	36,742	-	-	36,742
Office equipment	21,497	-	-	21,497
Vehicles	475,038	38,772	-	513,810
Total depreciable assets	109,711,001	15,225,430	-	124,936,431
Accumulated depreciation:				
Plant equipment	(52,284,331)	(3,165,827)	-	(55,450,158)
Lab equipment	(32,639)	(1,019)	-	(33,658)
Office equipment	(21,497)	-	-	(21,497)
Vehicles	(417,426)	(16,520)	-	(433,946)
Total accumulated depreciation	(52,755,893)	(3,183,366)	-	(55,939,259)
Total depreciable assets, net	56,955,108	12,042,064	-	68,997,172
Total capital assets, net	$ 74,228,833	$ 16,324,836	$ (15,268,261)	$ 75,285,408

NOTE 7 – COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended June 30, 2026, were as follows:

Balance July 1, 2025	Net Change	Balance June 30, 2026	Due Within One Year	Due in More Than One Year
$ 712,854	$ (46,586)	$ 666,268	$ 417,161	$ 249,107

As of June 30, 2026, the total liability for compensated absences was $666,268, of which $417,161 is expected to be paid within one year and is reported as a current liability.

NOTE 8 – LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2026, were as follows:

	Balance July 1, 2025	Additions	Payments	Balance June 30, 2026	Current Portion	Long-term Portion
Long-Term Debt:						
2017 Revenue Bonds	$ 19,295,000	$ -	$ (535,000)	$ 18,760,000	$ 560,000	$ 18,200,000
Original issue premium (2017 Revenue Bonds)	1,544,927	-	(70,224)	1,474,703	-	1,474,703
Loan Payable	9,477,000	-	(349,000)	9,128,000	365,000	8,763,000
Private placement loan payable	836,508	-	(114,615)	721,893	119,421	602,472
Reimbursement agreements payable:						-
Solana Beach	402,584	-	(10,980)	391,604	-	391,604
Santa Fe Irrigation	202,703	-	(38,890)	163,813	-	163,813
SDG&E financing agreement	124,573	-	(53,388)	71,185	53,388	17,797
Total Long-Term Debt	$ 31,883,295	$ -	$ (1,172,097)	$ 30,711,198	$ 1,097,809	$ 29,613,389

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 Bond. 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 therefore 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 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 2017 Revenue Bonds are payable in annual principal installments from $435,000 to $1,285,000 beginning March 1, 2020 through March 1, 2047. Interest payments are due semi-annually on September 1 and March 1 beginning September 1, 2017. Interest rates on the revenue bonds range from 3% to 5%. The revenue bonds outstanding totaled $18,760,000 and accrued interest totaled $258,775 at June 30, 2026, respectively. The 2017 revenue bonds are special obligations of SEJPA, secured by a first lien on the pledge of all of the revenues. 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. The original issue premium on the 2017 Revenue bonds is being amortized on the straight-line method over 30 years. Amortization expense totaled $70,224 for the year ended June 30, 2026 and is included in interest expense.

NOTE 8 – LONG-TERM DEBT (continued)

2017 Revenue Bonds (continued)

Debt service requirements are as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 560,000	$ 776,325	$ 1,336,325
2028	590,000	748,325	1,338,325
2029	620,000	718,825	1,338,825
2030	650,000	687,825	1,337,825
2031	680,000	655,325	1,335,325
2032-2036	3,910,000	2,777,875	6,687,875
2037-2041	4,740,000	1,941,538	6,681,538
2042-2046	5,725,000	962,000	6,687,000
2047	1,285,000	51,400	1,336,400
Total	18,760,000	$ 9,319,438	$ 28,079,438
Current	(560,000)		
Long-term	$ 18,200,000		

Loan Payable

In May 2023, SEJPA entered into a Loan Agreement with Webster Bank National Association in the amount of $10,120,000, to provide funds to finance capital improvements and pay costs of issuance of the Loan Agreement. Interest accrues at 4.58% on the unpaid balance and is payable in forty (40) semi-annual payments of principal ranging from $154,000 to $376,000 plus interest. The Loan Agreement outstanding at June 30, 2026 totaled $9,128,000. Accrued interest totaled $34,839 at June 30, 2026. 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 loan repayments and the principal of and interest on all outstanding parity obligations coming due and payable during such fiscal year.

Debt service requirements are as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 365,000	$ 413,895	$ 778,895
2028	382,000	396,971	778,971
2029	399,000	379,293	778,293
2030	418,000	360,812	778,812
2031	437,000	341,439	778,439
2032-2036	2,509,000	1,383,939	3,892,939
2037-2041	3,146,000	746,311	3,892,311
2042-2043	1,472,000	85,050	1,557,050
Total	9,128,000	$ 4,107,710	$ 13,235,710
Current	(365,000)		
Long-term	$ 8,763,000		

NOTE 8 – LONG-TERM DEBT (continued)

Private Placement Loan
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 (40) semi-annual payments of $74,077 including principal and interest and continue through December 2031. The private placement loan payable outstanding totaled $721,893 at June 30, 2026. Accrued interest totaled $2,497 at June 30, 2026. 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.

Fiscal Year	Principal	Interest	Total
2027	$ 119,421	$ 28,732	$ 148,153
2028	124,428	23,725	148,153
2029	129,646	18,508	148,154
2030	135,082	13,071	148,153
2031	140,746	7,407	148,153
2032	72,570	1,506	74,076
Total	721,893	$ 92,949	$ 814,842
Current	(119,421)		
Long-term	$ 602,472		

Reimbursement agreement – Solana Beach
Solana Beach constructed a reclaimed water distribution pipeline extension of 7,920 linear feet to SEJPA's reclaimed water distribution system in order to extend SEJPA's existing recycled distribution system and enable Solana Beach to serve new reclaimed water customers. SEJPA agreed to reimburse Solana Beach the cost of design and construction of the extension in the amount of $478,319 and Solana Beach agreed to convey ownership of the extension to SEJPA. SEJPA shall reimburse Solana Beach monthly at a rate of $450 per acre foot of recycled water delivered to any customers through the extension. The payment due for fiscal 2025-26 water sales is $10,980 and has been included in the current liabilities section of the statement of net position. Future payments on the Solana Beach Reimbursement Agreement Payable are contingent upon future reclaimed water sales, therefore future maturities have not been estimated past fiscal year 2025-26. The Solana Beach Reimbursement Agreement Payable, including both the current portion of $-0-, along with the noncurrent portion of $391,604, totaled $391,604 at June 30, 2026.

NOTE 8 – LONG-TERM DEBT (continued)

Reimbursement agreement – Santa Fe Irrigation
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 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 SFID monthly at a 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 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 non-current. The SFID reimbursement agreement payable totaled $163,813 at June 30, 2026.

San Diego Gas & Electric Financing Agreement
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 electric equipment. SEJPA will pay an additional $4,449 on their monthly SDG&E bills. This retrofit is expected to save SEJPA $68,120 per year and be paid off in under five years. The San Diego Gas & Electric Financing Agreement payable totaled $71,185 at June 30, 2026. Debt service requirements on the SDG&E loan payable are as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 53,388	$ -	$ 53,388
2028	17,797	-	17,797
Total	71,185	$ -	$ 71,185
Current	(53,388)		
Long-term	$ 17,797		

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Summary
The following balances on the Statement of Net Position will be addressed in this footnote as follows:

Description	2026
OPEB related deferred outflows	$ 35,723
Total OPEB liability – current	21,613
Total OPEB liability – non-current	367,142
Total OPEB liability	388,755
OPEB related deferred inflows	214,611

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description
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 SEJPA to the retiree is $162 per month, which is the minimum amount set by CalPERS. Employees of SEJPA are eligible for retiree health benefits if they retire within 120 days of their separation date. The Authority does not have an OPEB trust established and no assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Participants
At June 30, 2026, the measurement date, the following members were part of the plan:

	2026
Active plan members	31
Inactive plan members or beneficiaries currently receiving benefit payments	7
Total	38

Contributions
The obligation of SEJPA to contribute to the plan has been 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.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

B. Total OPEB Liability

The Authority's total OPEB liability was measured as of June 30, 2026 was determined in a limited-scope process, based on the actuarial valuation as of June 30, 2025 and rolling forward the fiscal year 2025 actuarial assumptions and updating the discount rate below. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

The total OPEB liability from the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2025
Measurement Date	June 30, 2026
Actuarial Cost Method	Entry age normal, level percentage of payroll
Asset Valuation Method	Fair value of assets as of the measurement date
Actuarial Assumptions:	
Discount Rate	4.67%
Payroll increases	2.80%
Healthcare Trend Rates	8.50% for 2026/2027 trending down annually to 4.50% by 2042
Morbidity /Mortality	CalPERS 2023 Aging Factors

Discount Rate

The discount rate used to measure the total OPEB liability was 4.67%. Because the Authority's OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, no assets are accumulated in a qualifying trust to pay related benefits. Accordingly, the discount rate was based on the yield of a 20-year, tax-exempt, general obligation municipal bond index with an average rating of AA/Aa or higher, as of the June 30, 2026, measurement date.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

C. Changes in the Total OPEB Liability

The changes in the total OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Total OPEB Liability
Balance at June 30, 2025	$ 379,754	$ -	$ 379,754
Changes for the year:			
Service cost	29,609	-	29,609
Interest	20,823	-	20,823
Differences in experience	(8,587)	-	(8,587)
Changes in assumption	(14,774)	-	(14,774)
Employer contributions	-	18,070	(18,070)
Benefit payments	(18,070)	(18,070)	-
Net changes	9,001	-	9,001
Balance at June 30, 2026	$ 388,755	$ -	$ 388,755

Changes of Assumptions

In fiscal year 2025-26, the measurement period, the discount rate was updated to 4.67% based on newer capital market assumptions.

Change of Benefit Terms

In fiscal year 2025-26, the measurement period, there were no changes to the benefit terms.

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB 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 discount rate:

1% Decrease 3.67%	Discount Rate 4.67%	1% Increase 5.67%
$ 435,543	$ 388,755	$ 349,572

Sensitivity of the Total OPEB Liability to Changes in Medical Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using medical trend rates that are 1-percentage point lower:

1% Decrease	Healthcare Cost Discount Rate	1% Increase
$ 337,113	$ 388,755	$ 453,658

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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

For the year ended June 30, 2026, the Authority recognized OPEB expense of $30,732. At June 30, 2026, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 33,483	$ (115,209)
Differences between expected and actual experience	2,240	(99,402)
Total Deferred Outflows/(Inflows) of Resources	$ 35,723	$ (214,611)

Deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2027	$ (21,584)
2028	(21,581)
2029	(27,109)
2030	(30,389)
2031	(14,060)
Thereafter	(64,165)
Total	$ (178,888)

NOTE 10 – PENSION PLAN

Summary

The following balances on the Statement of Net Position will be addressed in this footnote as follows:

Description	2026
Pension related deferred outflows	$ 1,285,954
Net pension liability	4,047,522
Pension related deferred inflows	552,483

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

NOTE 10 – PENSION PLAN (continued)

A. General Information about the Pension Plan

The Plan

The Authority has engaged with the California Public Employees' Retirement System (CalPERS) to administer the following pension plans for its employees (members):

	Miscellaneous Plans		
	Classic	**Second Tier**	**PEPRA**
Hire date	Before July 1, 2012	On or after July 1, 2012	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	52*
Monthly benefits, as a % of eligible compensation	1.10% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required member contribution rates	8.00%	7.00%	7.75%
Required employer contribution rates – FY 2026	14.18%	10.19%	7.96%

* Minimum retirement age is 50 years when participant has combined classic and PEPRA services

Plan Description

The Plan is a multiple-employer defined benefit pension plan administered by CalPERS. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2025 and June 30, 2024 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained on CalPERS' website.

At the June 30, 2025 measurement date, the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Active members	6	27	33
Transferred and terminated members	15	10	25
Retired members and beneficiaries	22	-	22
Total plan members	43	37	80

All qualified permanent and probationary employees are eligible to participate in the Authority's cost-sharing multiple-employer defined benefit pension plans administered by CalPERS. Benefit provisions under the Plans are established by state statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

NOTE 10 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

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

Contributions
Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimate amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

Proportionate Share of Net Pension Liability and Pension Expense
The Authority's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2025, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024, rolled forward to June 30, 2025, using standard update procedures. The Authority's proportionate share of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

NOTE 10 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The following table shows the Authority's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2026:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2026	Fiscal Year Ending June 30, 2025	Change Increase/ (Decrease)
Measurement Date	June 30, 2025	June 30, 2024	
Percentage of Plan Net Pension Liability	0.101461%	0.097684%	0.003777%

The Authority's proportionate share percentage of the net pension liability for the June 30, 2026, measurement date was as follows:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2024 (Measurement Date)	$ 20,177,267	$ 15,452,670	$ 4,724,597
Balance as of June 30, 2025 (Measurement Date)	$ 22,023,737	$ 17,976,215	$ 4,047,522
Change in Plan Net Pension Liability	$ 1,846,470	$ 2,523,545	$ (677,075)

For the year ended June 30, 2026, the Authority recognized pension expense of $883,197. At June 30, 2026, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 793,958	$ -
Difference between actual and proportionate share of employer contributions	7,006	-
Adjustment due to differences in proportions	-	(4,809)
Differences between expected and actual experience	484,990	-
Differences between projected and actual earnings on pension plan investments	-	(547,674)
Changes in assumptions	-	-
Total Deferred Outflows/(Inflows) of Resources	$ 1,285,954	$ (552,483)

NOTE 10 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Proportionate Share of Net Pension Liability and Pension Expense (continued)
The deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

An amount of $793,958 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2027	$ 506,316
2028	(117,134)
2029	(240,599)
2030	(209,070)
Total	$ (60,487)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability
For the measurement period ending June 30, 2025 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2024, total pension liability. The June 30, 2026, 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	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

NOTE 10 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Long-term Expected Rate of Return
The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

The table below reflects long-term expected real rate of return by asset class.

Asset Class	Assumed asset allocation [1]	Long-Term Expected Real Rate of Return [1,2]
Public Equity	37.0%	4.56%
Private Equity	17.0%	5.56%
Fixed Income	28.0%	2.53%
Real Assets	15.0%	3.03%
Private Debt	8.0%	4.93%
Strategic Leverage	(5%)	1.40%
	100.0%	

[1] Figures are based on the 2024 Mid-Cycle Asset Liability Management study.
[2] An expected annual rate of price inflation of 2.30% was used for this period.

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

NOTE 10 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
Plan Type	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
CalPERS – Miscellaneous Plan	$ 7,019,576	$ 4,047,522	$ 1,601,554

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

NOTE 11 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consisted of the following as of June 30:

Description	June 30, 2026
Net investment in capital assets	
Loans receivable	$ 560,000
Loans receivable, net	18,200,000
Capital assets - not being depreciated	6,288,236
Capital assets, net - being depreciated	68,997,172
Long-term debt	(1,097,809)
Long-term debt, debt	(29,613,389)
Unspent proceeds from loan issuance (Note 2)	2,894,387
Total net investment in capital assets	$ 66,228,597

NOTE 12 – RISK MANAGEMENT POOL

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, 2026, 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 California Sanitation Risk Management Authority (CSRMA) Pooled Liability Program provides coverage limits of $15,750,000 per occurrence for bodily injury, property damage, personal injury, public entity errors and omissions, and employment-related practices liability. The program also maintains $10,000,000 of excess liability coverage, resulting in total available coverage of $25,750,000 per occurrence. SEJPA's deductibles are $100,000 per occurrence for bodily injury, property damage, and personal injury claims, $2,500 per occurrence for public entity errors and omissions other than employment-related practices, $25,000 per occurrence for employment-related practices, and $2,500 per occurrence for automobile medical payments.

Property Damage - SEJPA participates in the Alliant Property Insurance Program (APIP) through CSRMA. The program provides a shared property limit of $1,250,000,000 per occurrence. SEJPA's reported insured property values total $34,973,142. The policy provides all-risk property coverage and boiler and machinery coverage. SEJPA's deductible is $25,000 per occurrence for all-risk property coverage and $25,000 per occurrence for boiler and machinery coverage.

Workers' Compensation - SEJPA participates in the CSRMA Workers' Compensation Program. The program provides workers' compensation coverage with a $1,000,000 per occurrence limit and employers' liability coverage of $1,000,000 for bodily injury by accident and $1,000,000 for bodily injury by disease. Excess workers' compensation coverage is provided through Safety National Casualty Corporation with a $1,000,000 self-insured retention per occurrence and statutory excess workers' compensation limits.

SEJPA pays annual premiums for these insurance programs. Property insurance program cost totaled $205,879 for the coverage period July 1, 2025 through July 1, 2026.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Construction Contracts

The Authority has a variety of agreements with private parties relating to the installation, improvement, or modification of wastewater treatment and recycled water infrastructure within its service area. The financing of such construction contracts is being provided primarily by Capital Assessments charged to the member agencies as well as the Authority's replacement reserves. The Authority has committed approximately $547,079 to complete the open contracts as of June 30, 2026.

Excluded Leases – Short-Term Leases and De Minimis Leases

The Authority does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Grant Awards

Grant funds received by the Authority are subject to audit by the grantor agencies. Such an audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. The management of the Authority believes that such disallowances, if any, would not be significant.

Litigation

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

NOTE 14 – SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through November 17, 2026, the date on which the financial statements were available to be issued.

Required Supplementary Information

SAN ELIJO JOINT POWERS AUTHORITY

Schedule of the Authority's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2026

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	Authority's Proportion of the Net Pension Liability	Authority's Proportionate Share of the Net Pension Liability	Authority's Covered Payroll	Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2016	0.07920%	2,924,994	1,829,430	159.89%	74.35%
June 30, 2017	0.08186%	3,227,017	1,916,333	168.40%	75.07%
June 30, 2018	0.07955%	2,998,025	1,930,102	155.33%	77.71%
June 30, 2019	0.08254%	3,305,214	2,072,596	159.47%	77.47%
June 30, 2020	0.08580%	3,619,079	2,118,208	170.86%	76.67%
June 30, 2021	0.09920%	1,883,516	2,286,481	82.38%	88.58%
June 30, 2022	0.09330%	4,365,491	2,420,193	180.38%	75.93%
June 30, 2023	0.09505%	4,752,677	2,572,479	184.75%	75.17%
June 30, 2024	0.09768%	4,724,597	2,983,713	158.35%	76.58%
June 30, 2025	0.10146%	4,047,522	3,607,357	112.20%	81.62%

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From fiscal year June 30, 2015 and June 30, 2016:

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 of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:
The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2022:
There were no significant changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:
The discount rate was reduced from 7.15% to 6.90%.

From fiscal years June 30, 2023 to June 30, 2026:
There were no significant changes in assumptions.

SAN ELIJO JOINT POWERS AUTHORITY

Schedule of the Authority's Contributions to the Defined Benefit Pension Plan
For the Year Ended June 30, 2026

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2017	$ 302,683	$ (437,683)	$ (135,000)	$ 1,916,333	15.79%
June 30, 2018	302,451	(302,451)	-	1,930,102	15.67%
June 30, 2019	356,338	(356,338)	-	2,072,596	17.19%
June 30, 2020	403,880	(404,110)	(230)	2,118,208	19.07%
June 30, 2021	466,121	(466,121)	-	2,286,481	20.39%
June 30, 2022	511,854	(511,854)	-	2,420,193	21.15%
June 30, 2023	561,778	(561,778)	-	2,572,479	21.84%
June 30, 2024	589,829	(588,658)	1,171	2,983,713	19.77%
June 30, 2025	710,247	(710,247)	-	3,607,357	19.69%
June 30, 2026	793,958	(793,958)	-	3,827,894	20.74%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2017	June 30, 2015	Entry Age	Fair Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Fair Value	2.75%	7.65%
June 30, 2019	June 30, 2017	Entry Age	Fair Value	2.75%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Fair Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Fair Value	2.50%	7.15%
June 30, 2023	June 30, 2021	Entry Age	Fair Value	2.50%	7.15%
June 30, 2024	June 30, 2022	Entry Age	Fair Value	2.30%	6.90%
June 30, 2025	June 30, 2023	Entry Age	Fair Value	2.30%	6.90%
June 30, 2026	June 30, 2024	Entry Age	Fair Value	2.30%	6.90%

Amortization Method	Level percentage of payroll, closed
Salary Increases	Depending on age, service, and type of employment
Investment Rate of Return	Net of pension plan investment expense, including inflation
Retirement Age	50 years (2.0%@55), 52 years (2%@62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

SAN ELIJO JOINT POWERS AUTHORITY

Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2026

	Last Ten Fiscal Years				
Fiscal Year Ended	**June 30, 2026**	**June 30, 2025**	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**
Valuation Date	**June 30, 2025**	**June 30, 2025**	**June 30, 2023**	**June 30, 2023**	**June 30, 2021**
Measurement Period - Fiscal Year Ended	**June 30, 2026**	**June 30, 2025**	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**
Total OPEB liability:					
Service cost	$ 29,609	$ 34,158	$ 30,478	$ 21,712	$ 32,952
Interest	20,823	21,044	19,104	19,564	13,498
Changes of assumptions	(14,774)	(39,107)	20,410	(10,789)	(140,644)
Differences between expected and actual experience	(8,587)	(88,282)	(3,166)	(21,354)	(6,277)
Benefit payments	(18,070)	(27,245)	(39,066)	(28,370)	(24,405)
Net change in total OPEB liability	9,001	(99,432)	27,760	(19,237)	(124,876)
Total OPEB liability - beginning	379,754	479,186	451,426	470,663	595,539
Total OPEB liability - ending	388,755	379,754	479,186	451,426	470,663
Plan fiduciary net position:					
Contributions - employer	18,070	27,245	39,066	28,370	24,405
Benefit payments	(18,070)	(27,245)	(39,066)	(28,370)	(24,405)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending	-	-	-	-	-
Authority's total OPEB liability	$ 388,755	$ 379,754	$ 479,186	$ 451,426	$ 470,663
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 3,793,164	$ 3,621,898	$ 3,303,416	$ 2,869,777	$ 2,420,193
Authority's total OPEB liability as a percentage of covered payroll	10.25%	10.48%	14.51%	15.73%	19.45%

Notes to Schedule:

Benefit Changes:

Measurement Date June 30, 2021- June 30, 2026 – There were no changes in benefits

Changes in Assumptions:

Measurement Date June 30, 2022 - June 30, 2025– There were no changes in assumptions other than the discount rate.
Measurement Date June 30, 2026 – The discount rate was changed from 5.20% to 4.67%

SAN ELIJO JOINT POWERS AUTHORITY

Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios (continued)
For the Year Ended June 30, 2026

	Last Ten Fiscal Years				
Fiscal Year Ended	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Valuation Date	**June 30, 2021**	**June 30, 2019**	**June 30, 2019**	**June 30, 2017**	**June 30, 2017**
Measurement Period - Fiscal Year Ended	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Total OPEB liability:					
Service cost	$ 27,919	$ 23,405	$ 19,445	$ 18,879	$ 18,267
Interest	13,759	15,314	15,625	14,565	13,926
Changes of assumptions	22,755	49,719	6,771	(9,274)	-
Differences between expected and actual experience	6,728	-	8,259	-	-
Benefit payments	(18,556)	(16,528)	(12,096)	(14,170)	(13,242)
Net change in total OPEB liability	52,605	71,910	38,004	10,000	18,951
Total OPEB liability - beginning	542,934	471,024	433,020	423,020	404,069
Total OPEB liability - ending	595,539	542,934	471,024	433,020	423,020
Plan fiduciary net position:					
Contributions - employer	18,556	16,528	12,096	14,170	13,242
Benefit payments	(18,556)	(16,528)	(12,096)	(14,170)	(13,242)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending	-	-	-	-	-
Authority's net OPEB liability	$ 595,539	$ 542,934	$ 471,024	$ 433,020	$ 423,020
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 2,188,001	$ 2,104,992	$ 2,043,682	N/A	$ 1,856,890
Authority's total OPEB liability as a percentage of covered payroll	27.22%	25.79%	23.05%	N/A	22.78%

Notes to Schedule:

Benefit Changes:

Measurement Date June 30, 2018- June 30, 2021 – There were no changes in benefits

Changes in Assumptions:

Measurement Date June 30, 2018 – The discount rate was changed from 7.5% to 7.0%

Measurement Date June 30, 2019 - June 30, 2021– There were no changes in assumptions other than the discount rate.

Supplementary Information

SAN ELIJO JOINT POWERS AUTHORITY

Combining Schedule of Net Position
For the Year Ended June 30, 2026

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Wastewater	Recycled	Total
Current assets:			
Cash and cash equivalents	$ 11,021,709	$ 6,475,877	$ 17,497,586
Accrued interest receivable	318,117	55,726	373,843
Due from other governments	(90,279)	673,825	583,546
Prepaid expenses	113,781	15,328	129,109
Lease receivable	24,181	-	24,181
Loans receivable	560,000	-	560,000
Total current assets	11,947,509	7,220,756	19,168,265
Non-current assets:			
Restricted – cash and cash equivalents	5,820	2,888,567	2,894,387
Lease receivable, net	356,884	-	356,884
Loans receivable, net	18,200,000	-	18,200,000
Capital assets – not being depreciated	1,200,950	5,087,286	6,288,236
Capital assets – being depreciated, net	51,252,214	17,744,958	68,997,172
Total non-current assets	71,015,868	25,720,811	96,736,679
Total assets	82,963,377	32,941,567	115,904,944
Deferred outflows of resources:			
Deferred amounts related to total OPEB liability	30,082	5,641	35,723
Deferred amounts related to net pension liability	1,073,962	211,992	1,285,954
Total deferred outflows of resources	1,104,044	217,633	1,321,677
Total assets and deferred outflows of resources	$ 84,067,421	$ 33,159,200	$ 117,226,621
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current liabilities:			
Accounts payable and accrued expenses	$ 443,664	$ 752,313	$ 1,195,977
Accrued interest payable	258,775	37,335	296,110
Due to other funds	84,000	-	84,000
Long-term liabilities – due within one year:			
Compensated absences	353,705	63,456	417,161
Long-term debt	613,388	484,421	1,097,809
Total OPEB liability	19,271	2,342	21,613
Total current liabilities	1,772,803	1,339,867	3,112,670
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences, net	211,215	37,892	249,107
Long-term debt, net	19,692,499	9,920,890	29,613,389
Total OPEB liability, net	308,091	59,051	367,142
Net pension liability	3,380,282	667,240	4,047,522
Total non-current liabilities	23,592,087	10,685,073	34,277,160
Total liabilities	25,364,890	12,024,940	37,389,830
Deferred inflows of resources:			
Deferred amounts related to total OPEB liability	180,720	33,891	214,611
Deferred amounts related to net pension liability	461,405	91,078	552,483
Deferred amounts related to leases	333,279	-	333,279
Total deferred inflows of resources	975,404	124,969	1,100,373
Net position:			
Net investment in capital assets	50,913,097	15,315,500	66,228,597
Unrestricted	6,814,030	5,693,791	12,507,821
Total net position	57,727,127	21,009,291	78,736,418
Total liabilities, deferred inflows of resources and net position	$ 84,067,421	$ 33,159,200	$ 117,226,621

SAN ELIJO JOINT POWERS AUTHORITY

Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2026

	Wastewater	Recycled	Total
Operating revenues:			
Charges for services to other government agencies	$ 3,173,387	$ 3,637,743	$ 6,811,130
Contributions from City of Encinitas	3,302,345	-	3,302,345
Contributions from City of Solana Beach	2,721,862	-	2,721,862
Rental revenue	78,735	-	78,735
Other operating revenues	5,800	-	5,800
Total operating revenues	9,282,129	3,637,743	12,919,872
Operating expenses:			
Personnel costs	4,820,503	1,179,148	5,999,651
Utilities	934,066	541,608	1,475,674
Contracted services	981,129	425,150	1,406,279
Supplies	708,921	327,241	1,036,162
Repair parts expense	351,024	88,226	439,250
Disposal services	245,462	-	245,462
Permit/purveyor fees	142,890	74,822	217,712
Insurance	169,885	35,994	205,879
Rent	12,181	138,542	150,723
Other	111,141	25,795	136,936
Total operating expenses	8,477,202	2,836,526	11,313,728
Operating income before depreciation expense	804,927	801,217	1,606,144
Depreciation expense	(2,359,159)	(824,207)	(3,183,366)
Operating loss	(1,554,232)	(22,990)	(1,577,222)
Non-operating revenues(expenses):			
Investment earnings	297,060	337,309	634,369
Member agency interest revenue for debt service (Note 5)	794,158	-	794,158
Capital contributions:			
Federal capital grants	1,634,703	560,912	2,195,615
State capital grants	86,154	286,702	372,856
Member agency capital assessments	1,564,156	-	1,564,156
Interest expense	(723,934)	(466,369)	(1,190,303)
Capital contribution to City of Encinitas	(42,830)	-	(42,830)
Total non-operating revenues(expenses), net	3,609,467	718,554	4,328,021
Change in net position	2,055,235	695,564	2,750,799
Net position:			
Beginning of year	55,671,892	20,313,727	75,165,544
End of year	$ 57,727,127	$ 21,009,291	$ 77,916,343

SAN ELIJO JOINT POWERS AUTHORITY
Combining Schedule of Cash Flows
For the Year Ended June 30, 2026

	Wastewater	Recycled	2026
Cash flows from operating activities:			
Cash receipts from government agencies	$ 10,131,932	$ 3,945,377	$ 14,077,309
Cash paid to employees for services	(4,489,451)	(1,036,158)	(5,525,609)
Cash paid to suppliers for goods and services	(5,996,366)	(1,925,787)	(7,922,153)
Net cash provided by (used in) operating activities	(353,885)	983,432	629,547
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(940,202)	(3,342,569)	(4,282,771)
Member agency capital assessments	1,564,156	-	1,564,156
Proceeds from federal and state capital grants	1,720,857	847,614	2,568,471
Principal paid on long-term debt	(588,388)	(513,485)	(1,101,873)
Interest paid on long-term debt	(803,075)	(468,098)	(1,271,173)
Net cash provided by (used in) capital and related financing activities	953,348	(3,476,538)	(2,523,190)
Cash flows from investing activities:			
Principal received from member agencies for loans receivable	535,000	-	535,000
Interest received from member agencies for debt service	794,158	-	794,158
Investment earnings	306,345	349,115	655,460
Net cash provided by investing activities	1,635,503	349,115	1,984,618
Net increase (decrease) in cash and cash equivalents	2,234,966	(2,143,991)	90,975
Cash and cash equivalents:			
Beginning of year	8,792,563	11,508,435	20,300,998
End of year	$ 11,027,529	$ 9,364,444	$ 20,391,973
Reconciliation of cash and cash equivalents to the balance sheet:			
Cash and cash equivalents	$ 11,021,709	$ 6,475,877	$ 17,497,586
Restricted – Cash and cash equivalents	5,820	2,888,567	2,894,387
Total cash and cash equivalents	$ 11,027,529	$ 9,364,444	$ 20,391,973

SAN ELIJO JOINT POWERS AUTHORITY

Combining Schedule of Cash Flows (continued)
For the Year Ended June 30, 2026

	Wastewater	Recycled	Total
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$ (1,554,232)	$ (22,990)	$ (1,577,222)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	2,359,159	824,207	3,183,366
Change in assets – (increase)decrease:			
Due from other governments	827,380	594,336	1,421,716
Prepaid expenses	(47,143)	14,612	(32,531)
Lease receivable	22,423	-	22,423
Change in deferred outflows of resources – (increase)decrease			
Deferred amounts related to total OPEB liability	10,563	1,976	12,539
Deferred amounts related to net pension liability	345,687	68,246	413,933
Change in liabilities – increase(decrease):			
Accounts payable and accrued expenses	(1,963,455)	(148,426)	(2,111,881)
Unearned revenues	-	(286,702)	(286,702)
Due to fiduciary fund	(16,000)		(16,000)
Compensated absences	(38,271)	(8,315)	(46,586)
Total OPEB liability	7,579	1,422	9,001
Net pension liability	(565,458)	(111,617)	(677,075)
Change in deferred inflows of resources – increase(decrease)			
Deferred amounts related to total OPEB liability	(7,480)	(1,398)	(8,878)
Deferred amounts related to net pension liability	294,297	58,081	352,378
Deferred amounts related to leases	(28,934)	-	(28,934)
Total adjustments	1,200,347	1,006,422	2,206,769
Net cash provided by (used in) operating activities	$ (353,885)	$ 983,432	$ 629,547
Noncash investing, capital and financing transactions:			
Amortization of bond premium	$ 70,224	$ -	$ 70,224
Transfer out of capital asset	$ (42,830)	$ -	$ (42,830)

Other Information

SAN ELIJO JOINT POWERS AUTHORITY
Schedule of Operating Budget Comparison- Wastewater
For the Year Ended June 30, 2026

	Budget	Actual	Variance
Operating revenues:			
Charges for services to other government agencies	$ 3,220,986	$ 3,173,387	$ (47,599)
Contributions from City of Encinitas	3,219,004	3,302,345	83,341
Contributions from City of Solana Beach	2,451,571	2,721,862	270,291
Rental revenue	-	78,735	78,735
Other operating revenues	-	5,800	5,800
Total operating revenues	8,891,561	9,282,129	390,568
Operating expenses:			
Personnel costs	4,631,158	4,820,503	(189,345)
Utilities	878,789	934,066	(55,277)
Contracted services	935,053	981,129	(46,076)
Supplies	542,043	708,921	(166,878)
Repair parts expense	257,141	351,024	(93,883)
Disposal services	357,127	245,462	111,665
Permit/purveyor fees	179,300	142,890	36,410
Insurance	171,351	169,885	1,466
Rent	9,443	12,181	(2,738)
Other	344,756	111,141	233,615
Contingency	174,430	-	174,430
Total operating expenses	8,480,591	8,477,202	3,389
Operating loss before depreciation expense	410,970	804,927	393,957
Depreciation expense	-	(2,359,159)	(2,359,159)
Operating income (loss)	410,970	(1,554,232)	(1,965,202)

SAN ELIJO JOINT POWERS AUTHORITY
Schedule of Operating Budget Comparison- Recycled
For the Year Ended June 30, 2026

	Budget	Actual	Variance
Operating revenues:			
Charges for services to other government agencies	$ 3,399,250	$ 3,637,743	$ 238,493
Total operating revenues	3,399,250	3,637,743	238,493
Operating expenses:			
Personnel costs	1,108,869	1,179,148	(70,279)
Utilities	511,249	541,608	(30,359)
Contracted services	422,012	425,150	(3,138)
Supplies	281,682	327,241	(45,559)
Repair parts expense	79,204	88,226	(9,022)
Permit/purveyor fees	58,899	74,822	(15,923)
Insurance	36,161	35,994	167
Rent	119,475	138,542	(19,067)
Other	56,509	25,795	30,714
Contingency	50,000	-	50,000
Total operating expenses	2,724,060	2,836,526	(112,466)
Operating loss before depreciation expense	675,190	801,217	126,027
Depreciation expense	-	(824,207)	$ (824,207)
Operating income (loss)	675,190	(22,990)	(698,180)

Other Independent Auditors' Report

NIGRO & NIGRO PC

A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Elijo Joint Powers Authority (Authority), which comprise the Statement of Net Position as of June 30, 2026, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 17, 2026.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA
Jessica Miller, CPA | Angelika Vartikyan, CPA | Jared Solmonsen, CPA | Oscar Gonzalez, CFE

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • *Licensed by the California Board of Accountancy*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Murrieta, California
November 17, 2026