

**SAN ELIJO JOINT POWERS AUTHORITY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011 AND 2010**



Leaf & Cole, LLP  
*Certified Public Accountants*

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FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

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Leaf & Cole, LLP  
Certified Public Accountants  
A Partnership of Professional Corporations

Steven W. Northcote, C.P.A.  
Michael S. Schreiberman, C.P.A.  
Michael J. Zizzi, C.P.A.  
Julie A. Firl, C.P.A.  
Nicholas M. Gines, C.P.A.

*Members*  
American Institute of Certified Public Accountants  
California Society of Certified Public Accountants

## Independent Auditor's Report

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

We have audited the accompanying balance sheet of the San Elijo Joint Powers Authority as of June 30, 2011 and the related statement of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of San Elijo Joint Powers Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the San Elijo Joint Powers Authority as of June 30, 2010 were audited by other auditors whose reported dated October 11, 2010 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Elijo Joint Powers Authority as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's office and state regulations governing Special Districts.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 historic 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary comparative schedules of net assets, the comparative schedules of revenue, expenses, and changes in net assets and the operating budget comparison schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary comparative schedules of net assets and comparative schedules of revenue, expenses, and changes in net assets are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The operating budget comparison schedules have 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.

Leaf & Cole LLP

San Diego, California  
October 12, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the San Elijo Joint Powers Authority's (SEJPA) financial performance provides an overview of the SEJPA's financial activities for the year ended June 30, 2011. Please read it in conjunction with the SEJPA's financial statements which begin on page 7.

### **Financial Statements**

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

- Balance Sheets
- Statements of Revenues, Expenses and Changes in Net Assets
- Statements of Cash Flows
- Notes to the Financial Statements

The balance sheets include all of the SEJPA's assets and liabilities, with the difference between the two reported as net assets. Net assets are displayed in three categories:

- Invested in Capital Assets, Net of Related Debt
- Restricted Net Assets
- Unrestricted Net Assets

The balance sheets provide the basis for evaluating the capital structure of the SEJPA and assessing its liquidity and financial flexibility.

The statement of revenues, expenses and changes in net assets present information which show how the SEJPA's net assets changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statements of revenues, expenses and changes in net assets measure the success of the SEJPA's operations over the past year and determines whether the SEJPA has recovered its costs through operating revenues.

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

- Operating
- Investing
- Capital financing
- Noncapital financing

This statement differs from the statement of revenues, expenses and changes in net assets by only accounting for transactions that result in cash receipts or cash disbursements.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Highlights

During the year ended June 30, 2011, the SEJPA's net assets increased by \$318,639 to \$35,896,478. The SEJPA's operating revenues decreased \$105,367 to \$5,532,177, while operating expenses decreased \$161,733 to \$5,705,292. For the year ended June 30, 2011, operating expenses exceeded operating revenues by \$173,115, nonoperating expenses of \$794,486 exceeded nonoperating revenues of \$636,624 by \$157,862, due primarily from interest expense including interest on the State Loan Payable exceeding interest revenues. Member agency assessment's decreased from \$693,725 in the prior year to \$649,616 in the current year.

### Financial Analysis of the SEJPA

Net Assets - The SEJPA's net assets increased between fiscal years ending 2011 and 2010 from \$35,577,839 to \$35,896,478. Net assets invested in capital assets, net of related debt decreased \$300,370. While the SEJPA incurred capital costs related to advanced water treatment and plant electrical improvements, these costs were more than offset by depreciation expense. The following is a summary of the SEJPA's balance sheet:

	<u>2011</u>	<u>2010</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 8,722,017	\$ 8,121,779	\$ 600,238
Other noncurrent assets	12,698,577	13,781,737	(1,083,160)
Capital assets	<u>36,842,076</u>	<u>37,884,497</u>	<u>(1,042,421)</u>
<b>Total Assets</b>	<u>58,262,670</u>	<u>59,788,013</u>	<u>(1,525,343)</u>
<b>Liabilities:</b>			
Current liabilities	2,503,936	2,597,785	(93,849)
Noncurrent liabilities	<u>19,862,256</u>	<u>21,612,389</u>	<u>(1,750,133)</u>
<b>Total Liabilities</b>	<u>22,366,192</u>	<u>24,210,174</u>	<u>(1,843,982)</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	28,332,037	28,632,407	(300,370)
Restricted	630,000	630,000	-
Unrestricted	<u>6,934,441</u>	<u>6,315,432</u>	<u>619,009</u>
<b>Total Net Assets</b>	<u>\$ 35,896,478</u>	<u>\$ 35,577,839</u>	<u>\$ 318,639</u>

Change in Net Assets - SEJPA's operating loss decreased as a result of operating expenses decreasing more rapidly than operating revenues. Operating expenses decreased in several categories, the most significant being repair parts expense - sanitation, Gas & Electric - Reclamation and supplies chemicals. Approximately 52% of the SEJPA's operating revenues come from its member agencies and are billed according to actual expenditures incurred.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Analysis of the SEJPA (Continued)

The SEJPA's investment income decreased \$48,749 due to lower returns offered by LAIF and the lower balance on loans receivable. The following is a summary of the SEJPA's "Statement of Revenues, Expenses, and Changes in Net Assets":

	<u>2011</u>	<u>2010</u>	<u>Change</u>
<b>Revenues:</b>			
Operating Revenues:			
Operating contributions from members	\$ 2,918,956	\$ 3,042,674	\$ (123,718)
Charges to nonmember agencies	2,613,221	2,594,870	18,351
Total Operating Revenues	<u>5,532,177</u>	<u>5,637,544</u>	<u>(105,367)</u>
Investment income	612,466	661,215	(48,749)
Member agency assessments	649,616	693,725	(44,109)
Capital grants	-	117,477	(117,477)
Other nonoperating revenue	24,158	20,411	3,747
<b>Total Revenues</b>	<u>6,818,417</u>	<u>7,130,372</u>	<u>(311,955)</u>
<b>Expenses:</b>			
Operating expenses	5,705,292	5,867,025	(161,733)
Interest expense	794,486	855,421	(60,935)
<b>Total Expenses</b>	<u>6,499,778</u>	<u>6,722,446</u>	<u>(222,668)</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 318,639</u>	<u>\$ 407,926</u>	<u>\$ (89,287)</u>

### Capital Assets

Capital assets include plant equipment, lab equipment, office equipment, vehicles and construction-in-progress. At June 30, 2011, the SEJPA had invested \$60,106,755 in capital assets net of \$23,264,679 of accumulated depreciation. This amount represents a net decrease (including additions and deductions) of \$1,042,421 from the prior year. Significant additions include advanced water treatment and plant electrical improvements. Depreciation expense for the year ended June 30, 2011 totaled \$1,504,678.

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Plant equipment	\$ 58,619,270	\$ 58,633,528	\$ (14,258)
Lab equipment	115,577	106,282	9,295
Office equipment	105,564	105,564	-
Vehicles	273,763	273,763	-
Construction-in-progress	992,581	553,204	439,377
Subtotal	<u>60,106,755</u>	<u>59,672,341</u>	<u>434,414</u>
Less: Accumulated Depreciation	<u>(23,264,679)</u>	<u>(21,787,844)</u>	<u>(1,476,835)</u>
<b>Net Capital Assets</b>	<u>\$ 36,842,076</u>	<u>\$ 37,884,497</u>	<u>\$ (1,042,421)</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Noncurrent Liabilities**

At June 30, 2011, the SEJPA had \$19,862,256 in noncurrent liabilities, a decrease of \$1,750,133 from the prior year. No new debt was issued during the years ended June 30, 2011 and 2010. The SEJPA is exploring the possibility of refinancing the Refunding Revenue Bonds, as well as the California Energy Commission note payable, and could borrow up to \$2 million for the Advanced Water Treatment Project. More detailed information about the SEJPA's long-term debt is presented in the notes to the financial statements.

### **Economic Factors**

Consistent with the prior year, SEJPA's fiscal year 2011/12 sanitary fund operations and maintenance budget is \$3.9 million. The water reclamation budget is \$1.8 million, unchanged from a year ago. Sales of reclaimed water are budgeted to be approximately 1,000 acre feet in the upcoming year, a 25% decrease from a year ago. However, water rates have increased and, combined, will result in only a 9.7% decrease in revenues, or approximately \$0.2 million.

Contingency funding for each program area has been reviewed and budgeted on the basis of the potential for unforeseen events within each activity area. For all programs, the amount in contingency funding is \$0.2 million and remains unchanged from last year's budget levels.

The capital project program will have a budget of \$0.9 million during the upcoming year. This is for improvements to the wastewater program.

Costs of sanitary services are allocated on the basis of percentage of use, as indicated by measured flows, or level of effort, as appropriate. On the basis of connected equivalent dwelling units (EDU's) in December 2010, the services provided to the Member Agencies by the SEJPA for wastewater treatment is budgeted to cost approximately \$161 per EDU per year. For one water agency, water reclamation fees are based on 85% of the rate in effect in 2010 and increase by 5% each year. The Encinitas Ranch Golf Course pays a set annual fee regardless of the amount of water used. For the remaining water agencies, water reclamation fees are based on 85% of the local potable water rate. These fees are supplemented by incentives from the Metropolitan Water District and the San Diego County Water Authority.

### **Contacting the SEJPA's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the SEJPA's finances and to demonstrate the SEJPA's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the San Elijo Joint Powers Authority, 2695 Manchester Avenue, Cardiff by the Sea, California, 92007, or call (760) 753-6203.

**SAN ELIJO JOINT POWERS AUTHORITY  
BALANCE SHEETS  
JUNE 30, 2011 AND 2010**

	<b>ASSETS</b>	
	<u>2011</u>	<u>2010</u>
<b><u>Current Assets:</u></b> (Notes 1, 2, 3 and 7)		
Cash and cash equivalents	\$ 7,171,781	\$ 6,677,683
Due from other government agencies	309,622	233,581
Accrued interest receivable	190,614	205,515
Current portion of loans receivable	<u>1,050,000</u>	<u>1,005,000</u>
Total Current Assets	<u>8,722,017</u>	<u>8,121,779</u>
 <b><u>Noncurrent Assets:</u></b> (Notes 1, 2, 4, 5, 6, 7 and 10)		
<b>Restricted Assets:</b>		
Cash and cash equivalents	650,818	647,180
Investments	<u>1,591,670</u>	<u>1,596,993</u>
Total Restricted Assets	<u>2,242,488</u>	<u>2,244,173</u>
<b>Capital Assets, net</b>	<u>36,842,076</u>	<u>37,884,497</u>
<b>Other Assets:</b>		
Retrofit loans receivable	146,089	177,564
Loans receivable, net of current portion	<u>10,310,000</u>	<u>11,360,000</u>
Total Other Assets	<u>10,456,089</u>	<u>11,537,564</u>
Total Noncurrent Assets	<u>49,540,653</u>	<u>51,666,234</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 58,262,670</u>	 <u>\$ 59,788,013</u>

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

**SAN ELIJO JOINT POWERS AUTHORITY  
BALANCE SHEETS (CONTINUED)  
JUNE 30, 2011 AND 2010**

**LIABILITIES AND NET ASSETS**

	<u>2011</u>	<u>2010</u>
<b><u>Current Liabilities:</u></b> (Notes 1, 3, 8, 9, 10 and 11)		
Accounts payable	\$ 266,890	\$ 323,724
Accrued liabilities	31,201	128,082
Accrued interest payable	334,390	369,315
Due to other government agencies	81,769	51,521
Current portion of refunding revenue bonds	1,050,000	1,005,000
Current portion of state loan payable	652,047	636,143
Current portion of California Energy Commission note payable	87,639	84,000
Total Current Liabilities	<u>2,503,936</u>	<u>2,597,785</u>
<b><u>Noncurrent Liabilities:</u></b> (Notes 1, 5, 8, 9, 10, 11 and 12)		
<b>Payable From Restricted Assets:</b>		
Due to member agencies payable from restricted assets	<u>1,612,488</u>	<u>1,614,173</u>
<b>Long-Term Debt:</b>		
Refunding revenue bonds, net of current portion	10,310,000	11,360,000
State loan payable, net of current portion	6,653,084	7,305,131
California Energy Commission note payable	965,079	1,053,101
Total Long-Term Debt	<u>17,928,163</u>	<u>19,718,232</u>
<b>Other Noncurrent Liabilities:</b>		
Net OPEB Obligation	34,591	15,730
Accrued vacation and sick leave	287,014	264,254
Total Other Noncurrent Liabilities	<u>321,605</u>	<u>279,984</u>
Total Noncurrent Liabilities	<u>19,862,256</u>	<u>21,612,389</u>
Total Liabilities	<u>22,366,192</u>	<u>24,210,174</u>
<b><u>Commitments and Contingencies</u></b> (Notes 13 and 14)		
<b><u>Net Assets:</u></b>		
Net assets invested in capital assets, net of related debt	28,332,037	28,632,407
Restricted net assets	630,000	630,000
Unrestricted net assets	6,934,441	6,315,432
Total Net Assets	<u>35,896,478</u>	<u>35,577,839</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 58,262,670</u>	<u>\$ 59,788,013</u>

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

**SAN ELIJO JOINT POWERS AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>Operating Revenues:</u></b>		
Charges of services or other government agencies	\$ 2,613,221	\$ 2,594,870
Contributions from City of Encinitas	1,574,600	1,666,882
Contributions from City of Solana Beach	1,344,356	1,375,792
Total Operating Revenue	<u>5,532,177</u>	<u>5,637,544</u>
<b><u>Operating Expenses:</u></b>		
Salaries and wages	2,551,669	2,515,977
Depreciation	1,504,678	1,516,231
Utilities	578,780	612,877
Contracted services	254,469	285,856
Miscellaneous	96,806	99,880
Supplies	237,748	269,828
Repair parts expense	165,251	225,063
Insurance	76,826	83,916
Permit/purveyor fees	53,071	76,528
Disposal services	185,994	180,869
Total Operating Expenses	<u>5,705,292</u>	<u>5,867,025</u>
Operating (Loss)	<u>(173,115)</u>	<u>(229,481)</u>
<b><u>Nonoperating Revenues (Expenses):</u></b>		
Investment income	612,466	661,215
Rental income	22,291	21,642
Gain on disposal of capital assets	-	(2,324)
Other	1,867	1,093
State grants	-	117,477
Interest expense	(794,486)	(855,421)
Total Nonoperating Revenues (Expenses)	<u>(157,862)</u>	<u>(56,318)</u>
(Loss) Before Contributions	<u>(330,977)</u>	<u>(285,799)</u>
<b><u>Capital Contributions:</u></b>		
Member agency assessments	649,616	693,725
Total Capital Contributions	<u>649,616</u>	<u>693,725</u>
Change in net assets	318,639	407,926
Net Assets at Beginning of Year	<u>35,577,839</u>	<u>35,169,913</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 35,896,478</u>	<u>\$ 35,577,839</u>

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

**SAN ELIJO JOINT POWERS AUTHORITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Receipts from customers	\$ 5,486,384	\$ 5,573,151
Payments to suppliers	(1,705,779)	(1,940,463)
Payments to employees	(2,606,929)	(2,473,264)
Cash Flows Provided by Operating Activities	<u>1,173,676</u>	<u>1,159,424</u>
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>		
Proceeds from state grant	-	117,477
Rental and other nonoperating income	24,158	21,642
Net Cash Provided by Noncapital Financing Activities	<u>24,158</u>	<u>139,119</u>
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>		
Acquisition and construction of capital assets	(462,257)	(533,604)
Proceeds from sale of capital assets	-	4,144
Principal paid on long-term debt	(1,725,526)	(1,642,027)
Interest paid on long-term debt	(829,411)	(911,523)
Member agency assessments	649,616	693,725
Net Cash Used in Capital and Related Financing Activities	<u>(2,367,578)</u>	<u>(2,389,285)</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Purchase of investments	(7,984,373)	(7,982,173)
Proceeds from maturity of investments	7,989,696	7,996,858
Investment income received	627,367	680,767
Proceeds from loans receivable	1,005,000	965,000
Proceeds of retrofit loans receivable, net	31,475	5,012
Increase in due to member agencies payable from restricted assets	(1,685)	(13,547)
Net Cash Provided by Investing Activities	<u>1,667,480</u>	<u>1,651,917</u>
Net Increase in Cash and Cash Equivalents	497,736	561,175
Cash and Cash Equivalents at Beginning of Year	<u>7,324,863</u>	<u>6,763,688</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u>\$ 7,822,599</u>	<u>\$ 7,324,863</u>

(Continued)

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

**SAN ELIJO JOINT POWERS AUTHORITY  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>Cash and Cash Equivalents -</u></b>		
<b><u>Financial Statement Classification:</u></b>		
Cash and cash equivalents	\$ 7,171,781	\$ 6,677,683
Restricted cash and cash equivalents	650,818	647,180
	<u>\$ 7,822,599</u>	<u>\$ 7,324,863</u>
 <b><u>Reconciliation of Operating Income (Loss) to</u></b>		
<b><u>Net Cash Provided by Operating Activities:</u></b>		
Operating income (loss)	\$ (173,115)	\$ (229,481)
<b>Adjustments to reconcile operating income (loss) to</b>		
<b>net cash provided by operating activities:</b>		
Depreciation	1,504,678	1,516,231
<b>Change in assets and liabilities:</b>		
Due from other government agencies	(76,041)	(64,393)
Accounts payable	(56,834)	(49,766)
Accrued liabilities	(96,881)	46,831
Due to other government agencies	30,248	(102,711)
Net OPEB obligation	18,861	-
Accrued vacation and sick leave	22,760	42,713
Net Cash Provided by Operating Activities	<u>\$ 1,173,676</u>	<u>\$ 1,159,424</u>

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

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 1 - Organization and Significant Accounting Policies:**

**Organization**

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

Under the agreement establishing the SEJPA, Cardiff retained its right to 56% of the available treatment capacity of the plant, and Solana Beach retained its right to the remaining 44%. In May 1989 through an agreement between the SEJPA and the member agencies to upgrade and expand the WRF; Solana Beach paid Cardiff \$750,680 to increase its ownership percentage and capacity rights to 50%.

To finance the upgrade of the WRF from primary to secondary treatment, the SEJPA issued the San Elijo Joint Powers Authority 1990 Revenue Bonds. These bonds were refinanced in 1993 and again in 2003 through issuance of the San Elijo Joint Powers Authority 2003 Refunding Revenue Bonds in the amount of \$18,640,000. The portion of these bonds attributable to each member agency differs from the 50% ownership share due to the refunding of prior indebtedness as well as different equity contributions at the time of the issuance of the prior bonds.

In 1998 the SEJPA began construction of tertiary treatment, reclamation storage facilities, and a reclaimed water distribution system. This project was supported by \$12,633,522 from the State Revolving Fund loan program and \$4,214,788 in Bureau of Reclamation grant funding.

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

The criteria used in determining the scope of the reporting entity is based on the provisions of GASB Statement 14, as amended by GASB Statement 39. The SEJPA is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the SEJPA appoints a voting majority of the component units board, or because the component unit will provide a financial benefit or imposed a financial burden on the SEJPA. The SEJPA has no component units.

**Significant Accounting Policies**

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

**Method of Accounting**

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

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 1 - Organization and Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Method of Accounting (Continued)**

The SEJPA has not elected to apply the option allowed in paragraph 7 of the GASB Statement No. 20 “Accounting and Financial Reporting for Proprietary Activities” and, as a consequence, will continue to apply GASB statements and interpretations.

**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 and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Revenue Recognition**

The SEJPA recognizes revenue from charges to its members and other government agencies when they are earned. Operating activities generally result from providing services and producing and delivering goods. As such, the SEJPA considers amounts received from reclaimed water sales and wastewater treatment to be operating revenues.

**Investments**

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

**Allowance for Doubtful Accounts**

Management believes that all accounts receivable were fully collectible; therefore no allowance for doubtful accounts was recorded as of June 30, 2011 and 2010.

**Capital Assets**

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

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

Depreciation aggregated \$1,504,678 and \$1,516,231 for the years ended June 30, 2011 and 2010, respectively.

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 1 - Organization and Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Interest**

The SEJPA incurred interest charges on long-term debt. No interest was capitalized as a cost of construction for the years ended June 30, 2011 and 2010.

**Classification of Liabilities**

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

**Compensated Absences**

Accumulated and unpaid vacation and sick-leave totaling \$287,014 and \$264,254 is accrued when incurred and included in noncurrent liabilities at June 30, 2011 and 2010, respectively.

**Risk Management**

The SEJPA is a member of the California Sanitation Risk Management Authority (CSRMA). CSRMA is a risk-pooling self-insurance authority created under provisions of California Government Code Sections 6500 et. seq. The purpose of CSRMA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Each insured agency pays for its proportionate share of its individually contracted insurance coverage and consulting services. At June 30, 2011, the SEJPA participated in the programs of CSRMA as follows:

Municipal Liability Including Personal Injury, Property Damage, Public Officials Errors and Omissions, Automobile Liability and Employment Practices Liability - The liability shared risk program provides up to \$47 million per occurrence and in aggregate. CSRMA is self-insured up to \$2 million and excess insurance coverage has been purchased with a \$100,000 member self-insurance retention.

Property Damage - \$1,000,000,000 shared loss limit per occurrence with a \$25,000 deductible. Coverage includes: all risk property coverage, mobile equipment, auto physical damage and boiler and machinery. The SEJPA has elected a \$10,000 to \$350,000 deductible for boiler and machinery coverage depending on the size of the machinery.

Faithful Performance/Employee Dishonesty Bond - Insured up to \$10 million with a \$25,000 deductible. Coverage includes: employee dishonesty, faithful performance forgery or alteration, computer fraud, money and securities theft, disappearance and destruction.

The SEJPA participates in the worker's compensation program of the California Sanitation Risk Management Authority (CSRMA), a public entity risk pool, which provides coverage up to \$750,000 with no deductible.

The SEJPA pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of the adjustments cannot be estimated and are charged to expense as invoiced. The SEJPA's insurance expense totaled \$76,826 and \$83,916 for the years ended June 30, 2011 and 2010, respectively. There were no instances in the past three years where a settlement exceeded the SEJPA's coverage.

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 1 - Organization and Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Economic Dependency**

The SEJPA received approximately 52% and 54% of its operating revenues from its member agencies for the years ended June 30, 2011 and 2010, respectively.

**Cash and Cash Equivalents**

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

**Subsequent Events**

In preparing these financial statements, the SEJPA has evaluated events and transactions for potential recognition or disclosure through October 12, 2011, the date the financial statements were available to be issued.

**Reclassification**

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

**Note 2 - Cash and Investments:**

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

The table below identifies the investment types that are authorized for the SEJPA by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the SEJPA, rather than the general provision of the California Government Code or the SEJPA's investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Quality Requirements</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	AI
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

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 2 - Cash and Investments: (Continued)**

**Investments Authorized by the California Government Code and the SEJPA's Investment Policy (Continued)**

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Quality Requirements</u>
Mutual Funds	N/A	20%	Multiple
Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA
Time Deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

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

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

	<u>Maturity in Years</u>		<u>2010 Total</u>
	<u>1 Year or Less</u>	<u>2011 Total</u>	
Cash on hand	\$ 200	\$ 200	\$ 200
California Local Agency Investment Fund (LAIF)	7,669,570	7,669,570	7,183,573
Deposits with financial institutions	132,011	132,011	123,916
Open ended money market mutual funds	20,818	20,818	17,174
Investments:			
U.S. Agency Securities	<u>1,591,670</u>	<u>1,591,670</u>	<u>1,596,993</u>
Total Cash and Investments	<u>\$ 9,414,269</u>	<u>\$ 9,414,269</u>	<u>8,921,856</u>
Financial Statement Classification:			
Current:			
Cash and cash equivalents		\$ 7,171,781	\$ 6,677,683
Restricted:			
Cash and cash equivalents		650,818	647,180
Investments		<u>1,591,670</u>	<u>1,596,993</u>
Total Cash and Investments		<u>\$ 9,414,269</u>	<u>\$ 8,921,856</u>

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the SEJPA manages its exposure to interest rate risk is by purchasing shorter term investments so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the SEJPA's investments (including investments held by the bond trustee) to market interest rate fluctuations is provided in the previous table that shows the distribution of the SEJPA's investments by maturity as of June 30, 2011.

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 2 - Cash and Investments: (Continued)**

**Disclosures Relating to Credit Risk**

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

	Rating as of Year End Standard & Poor's
Open Ended Money Market Mutual Funds	Not Rated
LAIF	Not Required
U.S. Agency Securities	AAA

**Concentration of Credit Risk**

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

The investment policy of the SEJPA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total SEJPA investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>2011</u>	<u>2010</u>
Federal National Mortgage Association	U.S. Agency Security	\$ 1,591,670	\$ 1,596,993

**Custodial Credit Risk**

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

As of June 30, 2011, none of the SEJPA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2011, no SEJPA investments were held by the same broker-dealer (counterparty) that was used by the SEJPA to buy the securities.

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 2 - Cash and Investments: (Continued)**

**Investment in State Investment Pool**

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

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

	<u>2011</u>	<u>2010</u>
California Local Agency Investment Fund (LAIF)	\$ 7,669,570	\$ 7,183,573
Deposits with Financial Institutions	132,011	123,916
Open Ended Money Market Mutual Funds	20,818	17,174
Cash on Hand	200	200
Total	<u>\$ 7,822,599</u>	<u>\$ 7,324,863</u>

**Note 3 - Due From Other Government Agencies:**

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

	<u>2011</u>	<u>2010</u>
Rancho Santa Fe CSD No. 2 and No. 3	\$ 98,545	\$ 6,448
Santa Fe Irrigation District	77,235	89,850
San Diego County Water Authority	67,770	63,855
Encinitas Ranch	32,500	-
City of Del Mar	23,449	22,736
City of Solana Beach	9,016	27,128
Other	(877)	(2,916)
San Dieguito Water District	(22,644)	21,642
City of Escondido	(57,141)	(46,683)
Total	<u>\$ 227,853</u>	<u>\$ 182,060</u>

Financial Statement Classification:

Due from other government agencies	\$ 309,622	\$ 233,581
Due to other government agencies	(81,769)	(51,521)
Total	<u>\$ 227,853</u>	<u>\$ 182,060</u>

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 4 - Restricted Assets:**

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

<u>Funding Source</u>	<u>Use</u>	<u>2011</u>	<u>2010</u>
Debt proceeds and interest earned	Debt service - Encinitas	\$ 1	\$ 2
Debt proceeds and interest earned	Debt service - Solana Beach	1	4
Debt proceeds and interest earned	Debt reserves	1,612,486	1,614,167
Receipts from customers	State loan reserve requirement	630,000	630,000
		<u>\$ 2,242,488</u>	<u>\$ 2,244,173</u>

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

**Note 5 - Capital Assets:**

Capital assets consist of the following at June 30:

	<u>2011</u>			
	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
<b>Capital Assets Not Being Depreciated:</b>				
Construction in progress	\$ 553,204	\$ 463,840	\$ (24,463)	\$ 992,581
<b>Capital Assets Being Depreciated:</b>				
Plant equipment	58,633,528	9,712	(23,970)	58,619,270
Lab equipment	106,282	13,168	(3,873)	115,577
Office equipment	105,564	-	-	105,564
Vehicles	273,763	-	-	273,763
	<u>59,119,137</u>	<u>22,880</u>	<u>(27,843)</u>	<u>59,114,174</u>
Less: Accumulated depreciation	(21,787,844)	(1,504,678)	27,843	(23,264,679)
Net Capital Assets Being Depreciated	<u>37,331,293</u>	<u>(1,481,798)</u>	<u>-</u>	<u>35,849,495</u>
<b>Net Capital Assets</b>	<u>\$ 37,884,497</u>	<u>\$ (1,017,958)</u>	<u>\$ (24,463)</u>	<u>\$ 36,842,076</u>
	<u>2010</u>			
	<u>Balance at June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2010</u>
<b>Capital Assets Not Being Depreciated:</b>				
Construction in progress	\$ 465,931	\$ 437,490	\$ (350,217)	\$ 553,204
<b>Capital Assets Being Depreciated:</b>				
Plant equipment	58,234,878	418,544	(19,894)	58,633,528
Lab equipment	138,678	7,398	(39,794)	106,282
Office equipment	103,981	20,390	(18,807)	105,564
Vehicles	273,763	-	-	273,763
	<u>58,751,300</u>	<u>446,332</u>	<u>(78,495)</u>	<u>59,119,137</u>
Less: Accumulated depreciation	(20,345,964)	(1,516,231)	74,351	(21,787,844)
Net Capital Assets Being Depreciated	<u>38,405,336</u>	<u>(1,069,899)</u>	<u>(4,144)</u>	<u>37,331,293</u>
<b>Net Capital Assets</b>	<u>\$ 38,871,267</u>	<u>\$ (632,409)</u>	<u>\$ (354,361)</u>	<u>\$ 37,884,497</u>

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 6 - Retrofit Loans Receivable:**

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

	<u>2011</u>	<u>2010</u>
22 <sup>nd</sup> District Agricultural Association	\$ 118,959	\$ 125,800
Cardiff Cove Homeowners Association	18,857	22,007
Ocean Knoll Elementary School	-	20,568
Oak Crest Park	8,273	9,189
Total	\$ 146,089	\$ 177,564

**Note 7 - Loans Receivable:**

On April 1, 2003 the City of Encinitas and the City of Solana Beach entered into the second amendment and restated loan agreements with the SEJPA. The loan agreements amended and restated the loan agreements dated March 1, 1990 and restated March 15, 1993. The loans bear interest from 2% - 5%. Principal and interest are payable semi-annually four days prior to each September 1 and March 1 each year, along with interest earnings on the reserve funds in order to provide the SEJPA with sufficient funds to service the debt on the Refunding Revenue Bonds. (See Note 9) Loans receivable consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
City of Solana Beach	\$ 6,125,000	\$ 6,595,000
City of Encinitas	5,235,000	5,770,000
Subtotal	11,360,000	12,365,000
Less current portion	(1,050,000)	(1,050,000)
Total	\$ 10,310,000	\$ 11,360,000

**Note 8 - Noncurrent Liabilities:**

Noncurrent liabilities consist of the following at June 30:

	2011					
	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Due within one year	Due after one year
Payable from Restricted Assets:						
Due to member agencies payable from restricted assets	\$ 1,614,173	\$ -	\$ (1,685)	\$ 1,612,488	\$ -	\$ 1,612,488
Long-Term Debt:						
Refunding Revenue Bonds (Note 9)	12,365,000	-	(1,005,000)	11,360,000	1,050,000	10,310,000
State Loan Payable (Note 10)	7,941,274	-	(636,143)	7,305,131	652,047	6,653,084
California Energy Commission Note Payable (Note 11)	1,137,101	-	(84,383)	1,052,718	87,639	965,079
Total Long-Term Debt	21,443,375	-	(1,725,526)	19,717,849	1,789,686	17,928,163

(Continued)

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 8 - Noncurrent Liabilities: (Continued)**

	2011					
	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Due within one year	Due after one year
Other Noncurrent Liabilities:						
Net OPEB Obligation (Note 12)	15,730	22,275	(3,414)	34,591	-	34,591
Accrued Vacation and Sick Leave (Note 1)	264,254	22,760	-	287,014	-	287,014
Total Other Noncurrent Liabilities	<u>279,984</u>	<u>45,035</u>	<u>(3,414)</u>	<u>321,605</u>	<u>-</u>	<u>321,605</u>
Total Noncurrent Liabilities	<u>\$ 23,337,532</u>	<u>\$ 45,035</u>	<u>\$ (1,730,625)</u>	<u>\$ 21,651,942</u>	<u>\$ 1,789,686</u>	<u>\$ 19,862,256</u>

  

	2010					
	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Due within one year	Due after one year
Payable from Restricted Assets:						
Due to member agencies payable from restricted assets	\$ 1,627,720	\$ -	\$ (13,547)	\$ 1,614,173	\$ -	\$ 1,614,173
Long-Term Debt:						
Refunding Revenue Bonds (Note 9)	13,330,000	-	(965,000)	12,365,000	1,005,000	11,360,000
State Loan Payable (Note 10)	8,561,902	-	(620,628)	7,941,274	636,143	7,305,131
California Energy Commission Note Payable (Note 11)	1,193,500	-	(56,399)	1,137,101	84,000	1,053,101
Total Long-Term Debt	<u>23,085,402</u>	<u>-</u>	<u>(1,642,027)</u>	<u>21,443,375</u>	<u>1,725,143</u>	<u>19,718,232</u>
Other Noncurrent Liabilities:						
Net OPEB Obligation (Note 12)	-	18,330	(2,600)	15,730	-	15,730
Accrued Vacation and Sick Leave (Note 1)	221,541	42,713	-	264,254	-	264,254
Total Other Noncurrent Liabilities	<u>221,541</u>	<u>61,043</u>	<u>(2,600)</u>	<u>279,984</u>	<u>-</u>	<u>279,984</u>
Total Noncurrent Liabilities	<u>\$ 24,934,663</u>	<u>\$ 61,043</u>	<u>\$ (1,658,174)</u>	<u>\$ 23,337,532</u>	<u>\$ 1,725,143</u>	<u>\$ 21,612,389</u>

**Note 9 - 2003 Refunding Revenue Bonds:**

In April 2003, the SEJPA issued the 2003 Revenue Refunding Bonds in the amount of \$18,640,000 for the purpose of refunding its \$22,565,000 1993 Refunding Revenue Bonds, the proceeds of which had been loaned to its two member agencies to finance the upgrade and expansion of the water pollution control facility. (See Note 7)

The 2003 Refunding Revenue Bonds are payable in annual principal installments ranging from \$845,000 to \$1,515,000 through March 1, 2020. Interest payments are due semiannually on September 1, and March 1. Interest rates on the bonds range from 2% to 5%. The 2003 Refunding Revenue Bonds outstanding total \$11,360,000 and \$12,365,000 at June 30, 2011 and 2010, respectively. The member agencies have covenanted to make payments of loan installments in each year from net revenues derived from the operation of each Agency's respective wastewater collection system.

Debt service requirements on the 2003 Refunding Revenue Bonds are as follows:

	Principal	Interest
2012	\$ 1,050,000	\$ 546,600
2013	1,090,000	504,600
2014	1,135,000	461,000
2015	1,190,000	404,250
2016	1,245,000	344,750
2017-2020	5,650,000	647,500
	<u>\$ 11,360,000</u>	<u>\$ 2,908,700</u>

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 10 - State Loan Payable:**

In March 1998, the SEJPA entered into an agreement with the State Water Resources Control Board for funding of the San Elijo Water Reclamation System. The loan was funded through the State Revolving Fund loan program administered by the State of California in the amount of \$12,633,522. The State Revolving Fund loan program provides funding for water reclamation projects at a reduced interest rate of 2.5%. The state loan payable outstanding total \$7,305,131 and \$7,941,274 at June 30, 2011 and 2010, respectively. The San Elijo Water Reclamation Project represented the construction of tertiary treatment, operational storage facilities, effluent pump stations and a reclaimed water distribution system. Annual loan repayments are made by the SEJPA in the amount of \$834,675 and continue through August 2020. The SEJPA has agreed to maintain a dedicated source of revenue sufficient to provide reasonable assurance of repayment of the loan.

The terms of the state loan payable require the SEJPA to place \$63,000 into a reserve fund each year for ten (10) years, beginning with the issuance of the loan. The reserve fund balance was \$630,000 and \$630,000 as of June 30, 2011 and 2010, respectively.

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

	<u>Principal</u>	<u>Interest</u>
2012	652,047	182,628
2013	668,348	166,327
2014	685,057	149,618
2015	702,183	132,492
2016	719,738	114,937
2017-2021	3,877,758	295,617
	<u>\$ 7,305,131</u>	<u>\$ 1,041,619</u>

**Note 11 - California Energy Commission Note Payable:**

In December 2007, the SEPJA entered into an unsecured promissory note with the California Energy Resources Conservation and Development Commission (California Energy Commission) in the maximum amount of \$1,193,500. Interest accrues at 3.95% on the unpaid principal balance and is payable in 24 semi-annual payments of principal and interest beginning on or before December 22nd of the fiscal year following the year in which the Project is completed. The California Energy Commission note payable outstanding total \$1,052,718 and \$1,137,101 at June 30, 2011 and 2010, respectively.

Debt service requirements on the California Energy Commission note payable are as follows:

	<u>Principal</u>	<u>Interest</u>
2012	87,639	40,837
2013	91,244	37,232
2014	94,884	33,592
2015	98,669	29,807
2016	102,537	25,939
2017-2021	577,746	34,593
	<u>\$ 1,052,719</u>	<u>\$ 202,000</u>

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 12 - Postretirement Benefits:**

**Plan Description**

The SEJPA provides medical insurance benefits to eligible retirees in accordance with various labor agreements subject to the SEJPA's vesting schedule. Medical benefits are typically available at age 55 and are only available to those retirees that select CalPERS medical upon the date of retirement. The current maximum contribution by the SEJPA to the retiree is \$108 per month, which is set by CalPERS.

**Funding Policy and Annual OPEB Costs**

The contribution requirements of the SEJPA are established and may be amended annually by the Board of Directors. The SEJPA's annual other post-employment benefit (OPEB) cost (expense) for the Plan is calculated based on the annual required contribution of the SEJPA (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years. The SEJPA's Board of Directors has established a policy of funding the ARC on a pay as you go basis. The current ARC rate is 15.33% of annual covered payroll. The following table shows the components of the SEJPA's annual OPEB cost, the amount actually contributed to the Plan including benefits paid to retirees, and changes in the SEJPA's net OPEB obligation for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 19,894	\$ 18,330
Interest on net OPEB obligation	2,399	-
Adjustment to annual required contribution	(18)	-
Annual OPEB cost	<u>22,275</u>	<u>18,330</u>
Contributions (including benefits paid)	<u>(3,414)</u>	<u>(2,600)</u>
Increase in net OPEB obligation	18,861	15,730
Net OPEB obligation - Beginning of Year	<u>15,730</u>	-
Net OPEB obligation - End of Year	<u><u>\$ 34,591</u></u>	<u><u>\$ 15,730</u></u>

The SEJPA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ N/A	N/A	\$ N/A
June 30, 2010	18,330	14.18%	15,730
June 30, 2011	22,275	15.33%	34,591

**Funding Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the Plan was not yet funded. The SEJPA's actuarial accrued liability for benefits at June 30, 2011 was \$149,480 and the covered payroll (annual payroll of active employees covered by the Plan) was \$1,623,768, with a ratio of the UAAL to the covered payroll of 9.21%. The normal cost payments made during the year of \$3,414 funded 15.33% of the annual required contribution (ARC) leaving an unfunded actuarial liability (UAAL) of \$149,480 and a funded ration of -0-%.

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 12 - Postretirement Benefits: (Continued)**

**Funding Status and Funding Progress (Continued)**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Status (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
June 30, 2009	\$ N/A	\$ N/A	\$ N/A	N/A	\$ N/A	N/A
June 30, 2010	-	98,075	98,075	N/A	1,506,130	6.52%
June 30, 2011	-	149,480	149,480	0.0%	1,623,768	9.21%

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

**Actuarial Methods and Assumptions**

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

The actuarial cost method used for determining the benefits obligations is the Entry Age Normal Actuarial Cost Method. The actuarial assumptions included a 7.75% discount rate, which assumes the SEJPA continues to maintain the retiree health benefits program as an unfunded plan. The amount represents the present value of all contributions for retiree health benefits projected to be paid by the SEJPA for current and future retirees; and an annual healthcare cost trend rate of 4%. The UAAL is being amortized as a level percentage of projected payroll over 17 years.

**Note 13 - Defined Benefit Pension Plan:**

**Plan Description**

The SEJPA contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. The SEJPA participates in the miscellaneous 2.5% at 55 pool. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS requires agencies with less than 100 active members in the plan to participate in a risk pool. A menu of benefits provisions as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through SEJPA resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS executive office - 400 P Street - Sacramento, California 95814.

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 13 - Defined Benefit Pension Plan: (Continued)**

**Funding Policy**

Active plan members are required to contribute 8% of their annual covered salary, of which the SEJPA pays 3.8% on behalf of its employees. The SEJPA is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions are those adopted by the CalPERS board of administration. The required employer contribution rate for the fiscal year ended June 30, 2011 and 2010 was 12.567% and 12.187%, respectively. The contribution requirements of the plan members and the SEJPA are established and may be amended by CalPERS. The SEJPA's contributions for the years ended June 30, 2011, 2010 and 2009 were \$281,041, \$276,849 and \$270,616, respectively, which were equal to the required contributions each year.

**Note 14 - Commitments and Contingencies:**

**Contracts**

The SEJPA has entered into various contracts for the purchase of material and construction of capital assets. The amounts contracted are based on the contractor's estimated cost of construction. At June 30, 2011, the total unpaid amount on these contracts is approximately \$1,058,000.

**Litigation**

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

**Operating Leases**

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

In January 2007 the SEJPA entered into a Communications Site License Agreement as lessor with Omnipoint Communications, Inc. The initial term of the agreement, which calls for an annual payment of \$20,400 and increasing 3% annually, is for 5 years commencing the earlier of the date the licensees intend to commence construction or October 1, 2007. The SEJPA recognized rental income in the amount of \$22,291 and \$21,642 for the years ended June 30, 2011 and 2010, respectively. Future lease payments to be received are as follows:

<u>Years Ended</u> <u>June 30</u>	
2012	\$ <u>22,960</u>

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 15 - New Governmental Accounting Standards:**

**GASB No. 51**

In June 2007, the Governmental Accounting Standards Board issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This pronouncement is effective for periods beginning after June 15, 2009. Retroactive reporting of these intangible assets is encouraged but not required. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This pronouncement did not have a material effect on the SEJPA's statements in the year of adoption, the year ended June 30, 2010.

**GASB No. 53**

In June 2008, the Governmental Accounting Standards Board issued Statement No. 53, "Accounting and Financial Reporting for Derivative Investments." This pronouncement is effective for periods beginning after June 15, 2009, with earlier application encouraged. The Statement requires governments to measure most derivative instruments at fair value in their financial statements that are prepared on the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements. The SEJPA has no derivative instruments at June 30, 2011 or 2010.

**GASB No. 54**

In March 2009, the Government Accounting Standards Board issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This pronouncement is effective for periods beginning after June 15, 2010, with early implementation encouraged. This pronouncement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting information in reporting fund balance information is identifying amounts that are considered non-spendable, such as fund balance associated with inventories. This statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific accounts can be spent. Fund balance reclassifications made to conform to the provisions of this statement should be applied retroactively by restating fund balance for all periods presented. The SEJPA has no governmental funds at June 30, 2011 or 2010.

**GASB No. 57**

In December 2009, the Governmental Accounting Standards Board issued Statement No.57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." This Statement amends Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" to permit an agent employer that has an individual-employer OPEB Plan with fewer than 100 total plan members to use the alternate measurement method, at its option, regardless of the number of total plan members in the agent-multiple employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amended a requirement in Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent-multiple employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible.

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 15 - New Governmental Accounting Standards: (Continued)**

**GASB No. 57 (Continued)**

In addition, the Statement clarifies that when actuarially determined OPEB measurements are reported by an agent multiple-employer OPEB plan and its participating employers, those measurements should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements.

**GASB No. 58**

In December 2009, the Governmental Accounting Standards Board issued Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies." This pronouncement is effective for period beginning after June 15, 2009. Early application is encouraged. Retroactive application is required for all periods presented during which the government was in bankruptcy. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to re-measure liabilities that are adjusted in bankruptcy when the court approves a new payment plan. The SEJPA has not filed for bankruptcy protection, nor does it anticipate doing so as of June 30, 2011 or 2010.

**GASB No. 59**

In June 2010, Governmental Accounting Standards Board issued Statement No. 59, "Financial Instruments Omnibus". This pronouncement is effective for periods beginning after June 15, 2011. Earlier application is encouraged. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The SEJPA has not determined the effect on the financial statements in the year of adoption.

**GASB No. 60**

In November 2010, the Governmental Accounting Standards Board issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements". This pronouncement is effective for periods beginning after December 15, 2011 and its provisions are generally required to be applied retroactively. The objective of this statement is to address issues related to service concession arrangements (SCA's) which are a type of public-private or public-public partnership. An SCA is an arrangement between the transferor (a government) and an operator in which (1) the transferor conveys to the operator the right and related obligation to provide services through the use of infrastructure or other public assets in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The SEJPA does not have any SCA's as of June 30, 2011 and 2010.

**GASB No. 61**

In November 2010, the Governmental Accounting Standards Board issued Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34". This pronouncement is effective for periods beginning after June 15, 2012. Earlier application is encouraged. The objective of this statement is to address reporting entity issues that have arisen since the issuance of Statements No.14 and No. 34. The SEJPA does not have any component units as of June 30, 2011 and 2010.

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**Note 15 - New Governmental Accounting Standards: (Continued)**

**GASB No. 62**

In December 2010, the Governmental Accounting Standards Board issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This pronouncement is effective for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements of the FASB and the AICPA that was issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements. This pronouncement is not anticipated to have a material effect on the financial statements of the SEJPA in the year of implementation.

**SAN ELIJO JOINT POWERS AUTHORITY  
COMPARATIVE SCHEDULE OF NET ASSETS - WASTEWATER  
JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>	<u>Difference</u>
<b><u>Current Assets:</u></b>			
Cash and cash equivalents	\$ 3,514,535	\$ 3,418,987	\$ 95,548
Due from other government agencies	108,668	57,141	51,527
Accrued interest receivable	186,744	200,161	(13,417)
Current portion of loan receivable	<u>1,050,000</u>	<u>1,005,000</u>	<u>45,000</u>
Total Current Assets	<u>4,859,947</u>	<u>4,681,289</u>	<u>178,658</u>
<b><u>Noncurrent Assets:</u></b>			
<b>Restricted Assets:</b>			
Cash and cash equivalents	20,818	17,174	3,644
Investments	<u>1,591,670</u>	<u>1,596,993</u>	<u>(5,323)</u>
Total Restricted Assets	<u>1,612,488</u>	<u>1,614,167</u>	<u>(1,679)</u>
<b>Capital Assets</b>	<u>24,723,952</u>	<u>25,326,988</u>	<u>(603,036)</u>
<b>Other Assets:</b>			
Loans Receivable, net of current portion	<u>10,310,000</u>	<u>11,360,000</u>	<u>(1,050,000)</u>
Total Noncurrent Assets	<u>36,646,440</u>	<u>38,301,155</u>	<u>(1,654,715)</u>
<b>TOTAL ASSETS</b>	<u>\$ 41,506,387</u>	<u>\$ 42,982,444</u>	<u>\$ (1,476,057)</u>

**SAN ELIJO JOINT POWERS AUTHORITY**  
**COMPARATIVE SCHEDULE OF NET ASSETS - WASTEWATER (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>	<u>Difference</u>
<b><u>Current Liabilities:</u></b>			
Accounts payable	\$ 197,938	\$ 261,903	\$ (63,965)
Accrued liabilities	27,399	89,720	(62,321)
Accrued interest payable	182,200	195,600	(13,400)
Due to other government agencies	59,125	51,521	7,604
Due to member agencies	22,644	-	22,644
Retentions payable	-	-	-
Current portion of refunding revenue bonds	1,050,000	1,005,000	45,000
Current portion of California Energy Commission note payable	87,639	84,000	54,000
Total Current Liabilities	<u>1,626,945</u>	<u>1,687,744</u>	<u>(60,799)</u>
<b><u>Noncurrent Liabilities:</u></b>			
<b>Payable From Restricted Assets:</b>			
Due to member agencies payable from restricted assets	<u>1,612,488</u>	<u>1,614,173</u>	<u>(1,685)</u>
<b>Long-Term Debt:</b>			
Refunding revenue bonds, net of current portion	10,310,000	11,360,000	(1,050,000)
California Energy Commission note payable	965,079	1,053,101	1,139,500
Total Long-Term Debt	<u>11,275,079</u>	<u>12,413,101</u>	<u>(1,138,022)</u>
<b>Other Noncurrent Liabilities:</b>			
OPEB obligation	31,803	12,942	-
Accrued vacation and sick leave	248,082	228,509	19,573
			-
Total Noncurrent Liabilities	<u>13,167,452</u>	<u>14,268,725</u>	<u>184,667</u>
Total Liabilities	<u>14,794,397</u>	<u>15,956,469</u>	<u>(1,162,072)</u>
<b><u>Net Assets:</u></b>			
Net assets invested in capital assets, net of related debt	23,671,234	24,189,887	(518,653)
Unrestricted net assets	3,040,756	2,836,088	204,668
Total Net Assets	<u>26,711,990</u>	<u>27,025,975</u>	<u>(313,985)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>41,506,387</u></b>	<b>\$ <u>42,982,444</u></b>	<b>\$ <u>(1,476,057)</u></b>

**SAN ELIJO JOINT POWERS AUTHORITY  
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - WASTEWATER  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>	<u>Difference</u>
<b><u>Operating Revenue:</u></b>			
Contributions from City of Encinitas	\$ 1,574,600	\$ 1,666,882	\$ (92,282)
Contributions from City of Solana Beach	1,344,356	1,375,792	(31,436)
Charges of services or other government agencies	<u>652,350</u>	<u>651,275</u>	<u>1,075</u>
Total Operating Revenue	<u>3,571,306</u>	<u>3,693,949</u>	<u>(122,643)</u>
<b><u>Operating Expenses:</u></b>			
Salaries and Wages	2,146,915	2,070,111	76,804
Depreciation	1,052,882	1,087,035	(34,153)
Utilities	459,343	462,430	(3,087)
Contracted services	210,584	225,181	(14,597)
Miscellaneous	63,126	61,796	1,330
Supplies	181,339	195,917	(14,578)
Repair parts expense	144,308	201,303	(56,995)
Insurance	53,889	56,031	(2,142)
Permit/purveyor fees	35,500	32,720	2,780
Disposal services	<u>185,994</u>	<u>180,869</u>	<u>5,125</u>
Total Operating Expenses	<u>4,533,880</u>	<u>4,573,393</u>	<u>(39,513)</u>
	-		-
Operating (Loss)	<u>(962,574)</u>	<u>(879,444)</u>	<u>(83,130)</u>
<b><u>Nonoperating Revenue (Expense):</u></b>			
Investment income	592,295	635,386	(43,091)
Rental income	22,291	21,642	649
Other	1,867	1,093	774
Gain (loss) on disposal of capital assets	-	(2,113)	2,113
State grants	-	117,477	107,202
Interest expense	<u>(617,480)</u>	<u>(654,950)</u>	<u>37,470</u>
Total Nonoperating Revenues (Expenses)	<u>(1,027)</u>	<u>118,535</u>	<u>(119,562)</u>
Income (Loss) Before Contributions	<u>(963,601)</u>	<u>(760,909)</u>	<u>(202,692)</u>
<b><u>Capital Contributions:</u></b>			
Member agency assessments	<u>649,616</u>	<u>693,725</u>	<u>(44,109)</u>
Total Capital Contributions	<u>649,616</u>	<u>693,725</u>	<u>(44,109)</u>
Change in net assets	(313,985)	(67,184)	(246,801)
Net Assets at Beginning of Year	<u>27,025,975</u>	<u>27,093,159</u>	<u>(67,184)</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 26,711,990</u>	<u>\$ 27,025,975</u>	<u>\$ (313,985)</u>

**SAN ELIJO JOINT POWERS AUTHORITY  
COMPARATIVE SCHEDULE OF NET ASSETS - RECLAMATION  
JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>	<u>Difference</u>
<b><u>Current Assets:</u></b>			
Cash and cash equivalents	\$ 3,657,246	\$ 3,258,702	\$ 398,544
Due from other government agencies	200,954	176,440	24,514
Accrued interest receivable	3,870	5,354	(1,484)
Total Current Assets	<u>3,862,070</u>	<u>3,440,496</u>	<u>421,574</u>
<b><u>Noncurrent Assets:</u></b>			
<b>Restricted Assets:</b>			
Cash and cash equivalents	<u>630,000</u>	<u>630,000</u>	<u>-</u>
Total Restricted Assets	<u>630,000</u>	<u>630,000</u>	<u>-</u>
<b>Capital Assets</b>	<u>12,118,124</u>	<u>12,557,509</u>	<u>(439,385)</u>
<b>Other Noncurrent Assets:</b>			
Retrofit loans receivable	<u>146,089</u>	<u>177,564</u>	<u>(31,475)</u>
Total Noncurrent Assets	<u>12,894,213</u>	<u>13,365,073</u>	<u>(470,860)</u>
<b>TOTAL ASSETS</b>	<u>\$ 16,756,283</u>	<u>\$ 16,805,569</u>	<u>\$ (49,286)</u>

**SAN ELIJO JOINT POWERS AUTHORITY**  
**COMPARATIVE SCHEDULE OF NET ASSETS - RECLAMATION (CONTINUED)**  
**JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>	<u>Difference</u>
<b><u>Current Liabilities:</u></b>			
Accounts payable	\$ 68,952	\$ 61,821	\$ 7,131
Accrued liabilities	3,802	38,362	(34,560)
Accrued interest payable	152,190	173,715	(21,525)
Current portion of state loan payable	652,047	636,143	15,904
Total Current Liabilities	<u>876,991</u>	<u>910,041</u>	<u>(33,050)</u>
<b><u>Noncurrent Liabilities:</u></b>			
<b>Long-Term Debt:</b>			
State loan payable, less current portion	<u>6,653,084</u>	<u>7,305,131</u>	<u>(652,047)</u>
Total Long-Term Debt	<u>6,653,084</u>	<u>7,305,131</u>	<u>(652,047)</u>
<b>Other Noncurrent Liabilities:</b>			
OPEB Obligation	2,788	2,788	-
Accrued vacation and sick leave	38,932	35,745	3,187
Total Other Noncurrent Liabilities	<u>41,720</u>	<u>38,533</u>	<u>3,187</u>
Total Noncurrent Liabilities	<u>6,694,804</u>	<u>7,343,664</u>	<u>(648,860)</u>
Total Liabilities	<u>7,571,795</u>	<u>8,253,705</u>	<u>(681,910)</u>
<b><u>Net Assets:</u></b>			
Net assets invested in capital assets, net of related debt	4,660,803	4,442,520	218,283
Restricted net assets	630,000	630,000	-
Unrestricted net assets	3,893,685	3,479,344	414,341
Total Net Assets	<u>9,184,488</u>	<u>8,551,864</u>	<u>632,624</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>16,756,283</u></b>	<b>\$ <u>16,805,569</u></b>	<b>\$ <u>(49,286)</u></b>

**SAN ELIJO JOINT POWERS AUTHORITY  
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - RECLAMATION  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>	<u>Difference</u>
<b><u>Operating Revenue:</u></b>			
Charges of services or other government agencies	\$ 1,960,871	\$ 1,943,595	\$ 17,276
Total Operating Revenues	<u>1,960,871</u>	<u>1,943,595</u>	<u>17,276</u>
<b><u>Operating Expenses:</u></b>			
Salaries and wages	404,754	445,866	(41,112)
Depreciation	451,796	429,196	22,600
Utilities	119,437	150,447	(31,010)
Supplies	56,409	73,911	(17,502)
Repair parts expense	20,943	23,760	(2,817)
Miscellaneous	33,680	38,084	(4,404)
Contracted services	43,885	60,675	(16,790)
Insurance	22,937	27,885	(4,948)
Permit/purveyor fees	17,571	43,808	(26,237)
Total Operating Expenses	<u>1,171,412</u>	<u>1,293,632</u>	<u>(122,220)</u>
Operating Income	<u>789,459</u>	<u>649,963</u>	<u>139,496</u>
<b><u>Nonoperating Revenue (Expense):</u></b>			
Investment income	20,171	25,829	(5,658)
Gain (loss) on disposal of capital assets	-	(211)	211
Other	-	-	-
Feasibility study	-	-	-
Interest expense	(177,006)	(200,471)	23,465
Total Nonoperating Revenues (Expenses)	<u>(156,835)</u>	<u>(174,853)</u>	<u>18,018</u>
Change in net assets	<u>632,624</u>	<u>475,110</u>	<u>157,514</u>
Net Assets at Beginning of Year	<u>8,551,864</u>	<u>8,076,754</u>	<u>475,110</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u><u>\$9,184,488</u></u></b>	<b><u><u>\$8,551,864</u></u></b>	<b><u><u>\$ 632,624</u></u></b>

**SAN ELIJO JOINT POWERS AUTHORITY  
OPERATING BUDGET COMPARISON SCHEDULE - WASTEWATER  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>Operating Expenses:</u></b>			
Salaries and wages	\$ 2,108,420	\$ 2,146,915	\$ (38,495)
Utilities	452,441	459,343	(6,902)
Contracted services	330,616	210,584	120,032
Miscellaneous	112,312	63,126	49,186
Supplies	216,173	181,339	34,834
Repair parts expense	144,000	144,308	(308)
Insurance	65,100	53,889	11,211
Disposal/permit fees	213,700	185,994	27,706
Permit/purveyor fees	42,500	35,500	7,000
Contingency	144,290	-	144,290
Operating Expenses	<u>3,829,552</u>	<u>3,480,998</u>	<u>348,554</u>
 Depreciation	 <u>-</u>	 <u>1,052,882</u>	 <u>(1,052,882)</u>
 Total Operating Expenses	 <u>\$ 3,829,552</u>	 <u>\$ 4,533,880</u>	 <u>\$ (704,328)</u>

**SAN ELIJO JOINT POWERS AUTHORITY  
OPERATING BUDGET COMPARISON SCHEDULE - RECLAMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>Operating Expenses:</u></b>			
Salaries and wages	\$ 428,870	\$ 404,754	\$ 24,116
Utilities	189,616	119,437	70,179
Contracted services	58,534	43,885	14,649
Miscellaneous	62,518	33,680	28,838
Supplies	81,927	56,409	25,518
Repair parts expense	40,000	20,943	19,057
Insurance	27,900	22,937	4,963
Permit/purveyor fees	28,500	17,571	10,929
Contingency	39,120	-	39,120
Operating Expenses	<u>956,985</u>	<u>719,616</u>	<u>237,369</u>
 Depreciation	 <u>-</u>	 <u>451,796</u>	 <u>(451,796)</u>
 Total Operating Expenses	 <u>\$ 956,985</u>	 <u>\$ 1,171,412</u>	 <u>\$ (214,427)</u>