

SAN ELIJO JOINT POWERS AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011



Leaf & Cole, LLP
Certified Public Accountants

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FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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Independent Auditor's Report

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

We have audited the accompanying balance sheets of the San Elijo Joint Powers Authority as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits 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 audits provide 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, 2012 and 2011, and the changes in its financial position and its cash flows for the years 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 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or 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 financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were 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 financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Leaf & Cole LLP

San Diego, California
October 29, 2012

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 years ended June 30, 2012 and 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 statements 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 statements of cash flows provide information regarding the SEJPA's cash receipts and cash disbursements during the year. These statements may report cash activity in four categories:

- Operating
- Investing
- Capital financing
- Noncapital financing

These statements differs from the statements 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, 2012, the SEJPA's net assets increased by \$1,260,636 to \$37,157,114. The SEJPA's operating revenues increased by \$77,290 to \$5,609,467, while operating expenses increased by \$140,186 to \$5,845,478. For the year ended June 30, 2012, operating expenses exceeded operating revenues by \$236,011, nonoperating expenses of \$853,292 exceeded nonoperating revenues of \$591,095 by \$262,197, due primarily from interest expense including interest on the State Loan Payable exceeding interest revenues. Member agency assessments, which represent member contributions for capital projects, increased from \$649,616 in the prior year to \$749,524 in the current year. Also, in the current year, the member agencies contributed \$1,009,320 from the reserve funds to the refinancing of the 2003 Refunding Revenue Bonds.

Financial Analysis of the SEJPA

Net Assets

The SEJPA's net assets increased between fiscal years ending 2012 and 2011 from \$35,896,478 to \$37,157,114. Net assets invested in capital assets, net of related debt (see table below) decreased \$354,951. Net assets invested in capital assets, net of related debt, consist of capital assets minus depreciation, minus the applicable long-term debt. While the SEJPA incurred capital costs related to advanced water treatment and plant electrical improvements, these costs were more than offset by depreciation expense and the addition of \$2,000,000 in new private placement debt. This led to an increase in restricted net assets as the proceeds of the private placement have not yet been spent for their intended purpose. The following is a summary of the SEJPA's balance sheet:

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Assets:			
Current assets	\$ 8,348,344	\$ 8,722,017	\$ (373,673)
Other noncurrent assets	10,994,333	12,698,577	(1,704,244)
Capital assets	37,172,365	36,842,076	330,289
Total Assets	<u>56,515,042</u>	<u>58,262,670</u>	<u>(1,747,628)</u>
Liabilities:			
Current liabilities	2,702,644	2,503,936	198,708
Noncurrent liabilities	16,655,284	19,862,256	(3,206,972)
Total Liabilities	<u>19,357,928</u>	<u>22,366,192</u>	<u>(3,008,264)</u>
Net Assets:			
Invested in capital assets, net of related debt	27,977,086	28,332,037	(354,951)
Restricted	2,632,444	630,000	2,002,444
Unrestricted	6,547,584	6,934,441	(386,857)
Total Net Assets	<u>\$ 37,157,114</u>	<u>\$ 35,896,478</u>	<u>\$ 1,260,636</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the SEJPA (Continued)

Net Assets (Continued)

Increase in Net Assets - The SEJPA's operating revenues and expenditures both increased by approximately 1.4% and 2.4%, respectively. Personnel costs, depreciation and contracted services saw increases, while supplies repair parts, and insurance saw decreases. The SEJPA's investment income decreased approximately \$48,000 due to lower returns offered by LAIF and the lower balance on loans receivable. The increase in net assets was attributed mainly to the \$1,009,320 in funding contributed by the member agencies that was used to pay off the California Energy Commission Note Payable.

The following is a summary of the SEJPA's "Statement of Revenues, Expenses and Changes in Net Assets":

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Revenues:			
Operating revenues:			
Operating contributions from members	\$ 3,051,264	\$ 2,918,956	\$ 132,308
Charges to nonmember agencies	2,558,203	2,613,221	(55,018)
Total operating revenues	5,609,467	5,532,177	77,290
Investment income	563,826	612,466	(48,640)
Member agency assessments	749,524	649,616	99,908
Member agency contribution to refinancing	1,009,320	-	1,009,320
Other nonoperating revenue	27,269	24,158	3,111
Total Revenues	7,959,406	6,818,417	1,140,989
Expenses:			
Operating expenses	5,845,478	5,705,292	140,186
Interest expense	853,292	794,486	58,806
Total Expenses	6,698,770	6,499,778	198,992
Increase in Net Assets	\$ 1,260,636	\$ 318,639	\$ 941,997

Capital Assets

Capital assets include plant equipment, lab equipment, office equipment, vehicles and construction-in-progress. At June 30, 2012, the SEJPA had invested \$61,972,553 in capital assets net of \$24,800,188 of accumulated depreciation. This amount represents a net increase (including additions and deductions) of \$330,289 from the prior year. Significant additions include advanced water treatment and plant electrical improvements. Depreciation expense for the year ended June 30, 2012 totaled \$1,535,509.

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Plant equipment	\$ 58,700,345	\$ 58,619,270	\$ 81,075
Lab equipment	119,878	115,577	4,301
Office equipment	105,564	105,564	-
Vehicles	273,763	273,763	-
Construction-in-progress	2,773,003	992,581	1,780,422
Subtotal	61,972,553	60,106,755	1,865,798
Less: Accumulated depreciation	(24,800,188)	(23,264,679)	(1,535,509)
Net Capital Assets	\$ 37,172,365	\$ 36,842,076	\$ 330,289

MANAGEMENT'S DISCUSSION AND ANALYSIS

Noncurrent Liabilities

At June 30, 2012, the SEJPA had \$16,655,284 in noncurrent liabilities, a decrease of \$3,206,972 from the prior year. In fiscal year 2012, the SEJPA refinanced both the 2003 Refunding Revenue Bonds and the California Energy Commission note payable with the 2011 Refunding Revenue Bonds. Although the refunding resulted in a deferred amount on refunding of \$340,611, the SEJPA in effect reduced the aggregate debt service payments by approximately \$243,000 over the next eight years, and obtained an economic gain (difference between the present values of the old debt and the new debt service payments) of \$1,251,450. The deferred amount on refunding is being amortized over the remaining life of the refunded debt. Amortization expense totaled \$20,643 and \$-0- for the years ended June 30, 2012 and 2011, respectively, and is included in interest expense. The deferred amount on refunding was \$319,968 and \$-0- at June 30, 2012 and 2011, respectively. In addition, the SEJPA financed \$2,000,000 of reclamation improvements with the 2011 Private Placement Financing. More detailed information about the SEJPA's noncurrent liabilities is presented in Note 8 of the financial statements.

Economic Factors

Consistent with the prior year, SEJPA's fiscal year 2012/13 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 1,150 acre feet in the upcoming year, a 15% increase from a year ago. However, the contracted minimum purchase volume decreased, which will result in only a 5% increase in revenues or approximately \$0.1 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 \$0.8 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 2011, the services provided to the Member Agencies by the SEJPA for wastewater treatment is budgeted to cost approximately \$153 per EDU per year, which represents a 4.7% decrease from a year ago. For one water agency, water reclamation fees are based on 85% of the rate in effect in 2010 and increase by 5% each year through 2012. Current negotiations will set the rate beyond 2012. The Encinitas Ranch Golf Course pays a set annual fee regardless of the amount of water used and that rate increases by 5% per year. 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.

On October 8, 2012, the Board adopted a resolution to amend the contract between CalPERS and the SEJPA. This resolution amended the contract to include Section 20475 (Different Level of Benefits) for new Miscellaneous Members of the Public Employees' Retirement System, Section 21353 (2% at 60 Full Formula), and Section 20037 (Three-Year Final Compensation) and will be applicable to all SEJPA employees entering membership for the first time in the miscellaneous classification after June 30, 2012.

New employees shall pay the full employee portion of 7%. The lower benefit payout will result in a lower contribution rate for the SEJPA in the future as new employees enter the SEJPA workforce. In the current year, the employer rate for the 2.5% at 55 is 15.956%, and the employer rate for the new 2% at 60 is 7.846%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, ext. 73.

**SAN ELIJO JOINT POWERS AUTHORITY
BALANCE SHEETS
JUNE 30, 2012 AND 2011**

ASSETS	<u>2012</u>	<u>2011</u>
<u>Current Assets:</u> (Notes 1, 2, 3 and 7)		
Cash and cash equivalents	\$ 6,519,880	\$ 7,171,781
Due from other government agencies	549,919	309,622
Accrued interest receivable	113,545	190,614
Current portion of loans receivable	<u>1,165,000</u>	<u>1,050,000</u>
Total Current Assets	<u>8,348,344</u>	<u>8,722,017</u>
 <u>Noncurrent Assets:</u> (Notes 1, 2, 4, 5, 6 and 7)		
Restricted Assets:		
Cash and cash equivalents	2,641,410	650,818
Investments	-	<u>1,591,670</u>
Total Restricted Assets	<u>2,641,410</u>	<u>2,242,488</u>
 Loans Receivable:		
	9,185,000	11,360,000
Less: Current portion above	<u>(1,165,000)</u>	<u>(1,050,000)</u>
Total Loans Receivable	<u>8,020,000</u>	<u>10,310,000</u>
 Other Noncurrent Assets:		
Retrofit loans	130,933	146,089
Capital assets	37,172,365	36,842,076
Bond issuance costs	<u>201,990</u>	-
Total Other Noncurrent Assets	<u>37,505,288</u>	<u>36,988,165</u>
Total Noncurrent Assets	<u>48,166,698</u>	<u>49,540,653</u>
 TOTAL ASSETS	 <u>\$ 56,515,042</u>	 <u>\$ 58,262,670</u>

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

**SAN ELIJO JOINT POWERS AUTHORITY
BALANCE SHEETS (CONTINUED)
JUNE 30, 2012 AND 2011**

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
<u>Current Liabilities:</u> (Notes 1, 3 and 8)		
Accounts payable	\$ 456,729	\$ 266,890
Accrued liabilities	37,798	31,201
Accrued interest payable	250,683	334,390
Due to other government agencies	1,380	81,769
Retention payable	130,511	-
Current portion of refunding revenue bonds	1,090,000	1,050,000
Current portion of state loan payable	668,348	652,047
Current portion of private placement loan payable	67,195	-
Current portion of California Energy Commission note payable	-	87,639
Total Current Liabilities	2,702,644	2,503,936
<u>Noncurrent Liabilities:</u> (Notes 1, 4, 8, 9, 10, 11, 12 and 13)		
Payable From Restricted Assets:		
Due to member agencies payable from restricted assets	8,966	1,612,488
Long-Term Debt:		
Refunding revenue bonds, net of current portion	8,393,850	10,310,000
State loan payable, net of current portion	5,984,736	6,653,084
Private placement loan payable, net of current portion	1,900,228	-
California Energy Commission note payable, net of current portion	-	965,079
Total Long-Term Debt	16,278,814	17,928,163
Other Noncurrent Liabilities:		
Net OPEB Obligation	54,596	34,591
Accrued vacation and sick leave	312,908	287,014
Total Other Noncurrent Liabilities	367,504	321,605
Total Noncurrent Liabilities	16,655,284	19,862,256
Total Liabilities	19,357,928	22,366,192
<u>Commitments and Contingencies</u> (Notes 13, 14 and 15)		
<u>Net Assets:</u>		
Net assets invested in capital assets, net of related debt	27,977,086	28,332,037
Restricted net assets	2,632,444	630,000
Unrestricted net assets	6,547,584	6,934,441
Total Net Assets	37,157,114	35,896,478
TOTAL LIABILITIES AND NET ASSETS	\$ 56,515,042	\$ 58,262,670

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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Operating Revenues:</u>		
Charges of services or other government agencies	\$ 2,558,203	\$ 2,613,221
Contributions from City of Encinitas	1,613,835	1,574,600
Contributions from City of Solana Beach	1,437,429	1,344,356
Total Operating Revenue	<u>5,609,467</u>	<u>5,532,177</u>
<u>Operating Expenses:</u>		
Personnel costs	2,699,049	2,551,669
Depreciation and amortization	1,548,541	1,504,678
Utilities	576,135	578,780
Contracted services	296,797	254,469
Miscellaneous	90,819	96,806
Supplies	196,690	237,748
Repair parts expense	149,946	165,251
Insurance	47,237	76,826
Permit/purveyor fees	55,059	53,071
Disposal services	185,205	185,994
Total Operating Expenses	<u>5,845,478</u>	<u>5,705,292</u>
Operating (Loss)	<u>(236,011)</u>	<u>(173,115)</u>
<u>Nonoperating Revenue (Expense):</u>		
Investment income	563,826	612,466
Rental income	22,960	22,291
Other	4,309	1,867
Interest expense	(853,292)	(794,486)
Total Nonoperating Revenues (Expenses)	<u>(262,197)</u>	<u>(157,862)</u>
(Loss) Before Contributions	<u>(498,208)</u>	<u>(330,977)</u>
<u>Capital Contributions:</u>		
Member agency assessments	749,524	649,616
Member agency contribution to refinancing	1,009,320	
Total Capital Contributions	<u>1,758,844</u>	<u>649,616</u>
Net Income	1,260,636	318,639
Net Assets at Beginning of Year	<u>35,896,478</u>	<u>35,577,839</u>
NET ASSETS AT END OF YEAR	<u>\$ 37,157,114</u>	<u>\$ 35,896,478</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 5,288,781	\$ 5,486,384
Payments to suppliers	(1,408,049)	(1,705,779)
Payments to employees	(2,646,553)	(2,606,929)
Cash Flows Provided by Operating Activities	<u>1,234,179</u>	<u>1,173,676</u>
<u>Cash Flows From Noncapital Financing Activities:</u>		
Rental and other nonoperating income	<u>27,269</u>	<u>24,158</u>
Net Cash Provided by Noncapital Financing Activities	<u>27,269</u>	<u>24,158</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(1,735,287)	(462,257)
Proceeds of long-term debt	2,000,000	-
Principal paid on long-term debt	(3,828,514)	(1,725,526)
Interest paid on long-term debt	(936,999)	(829,411)
Capital contributions	1,758,844	649,616
Net Cash Used in Capital and Related Financing Activities	<u>(2,741,956)</u>	<u>(2,367,578)</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of investments	(3,227,889)	(7,984,373)
Proceeds from maturity of investments	4,819,559	7,989,696
Investment income received	640,895	627,367
Proceeds from loans receivable	2,175,000	1,005,000
Proceeds of retrofit loans	15,156	31,475
Decrease in due to member agencies payable from restricted assets	<u>(1,603,522)</u>	<u>(1,685)</u>
Net Cash Provided by Investing Activities	<u>2,819,199</u>	<u>1,667,480</u>
Net Increase in Cash and Cash Equivalents	1,338,691	497,736
Cash and Cash Equivalents at Beginning of Year	<u>7,822,599</u>	<u>7,324,863</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 9,161,290</u>	<u>\$ 7,822,599</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<u>Financial Statement Classification:</u>		
Cash and cash equivalents	\$ 6,519,880	\$ 7,171,781
Cash and cash equivalents - Restricted	<u>2,641,410</u>	<u>650,818</u>
	<u>\$ 9,161,290</u>	<u>\$ 7,822,599</u>
<u>Reconciliation of Operating Income (Loss) to</u>		
<u>Net Cash Provided by Operating Activities:</u>		
Operating income (loss)	\$ (236,011)	\$ (173,115)
Adjustments to reconcile operating income (loss) to		
net cash provided by operating activities:		
Depreciation and amortization	1,548,541	1,504,678
Change in assets and liabilities:		
Due from other government agencies	(240,297)	(76,041)
Accounts payable	189,839	(56,834)
Accrued liabilities	6,597	(96,881)
Due to other government agencies	(80,389)	30,248
Net OPEB obligation	20,005	18,861
Accrued vacation and sick leave	25,894	22,760
Net Cash Provided by Operating Activities	<u>\$ 1,234,179</u>	<u>\$ 1,173,676</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Refunding of Revenue Bonds with Revenue Bonds	<u>\$ 10,310,000</u>	<u>\$ -</u>
Refunding of California Energy Commission		
Note Payable with Revenue Bonds	<u>\$ 1,009,320</u>	<u>\$ -</u>
Amortization of Deferred Amount on Refunding		
and Original Issue Premium	<u>\$ 19,281</u>	<u>\$ -</u>

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

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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 December 2011, the SEJPA issued the San Elijo Joint Powers Authority 2011 Refunding Revenue Bonds for the purpose of refinancing on a current basis the SEJPA's 2003 Refunding Revenue Bonds and prepaying a note to the California Energy Commission. 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 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. In November 2011, the SEJPA issued a \$2,000,000 private placement loan payable to assist in financing advanced water treatment improvements (demineralization) that will allow the SEJPA to maximize its recycling efforts and to improve water quality.

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.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 1 - Organization and Accounting Policies: (Continued)

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.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The SEJPA recognizes revenue from charges 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 amounts due from other government agencies and the retrofit loans were fully collectible; therefore no allowance for doubtful accounts was recorded as of June 30, 2012 and 2011.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 1 - Organization and Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

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 \$1,535,509 and \$1,504,678 for the years ended June 30, 2012 and 2011, respectively.

Interest

The SEJPA incurred interest charges on long-term debt. No interest was capitalized as a cost of construction for the years ended June 30, 2012 and 2011.

Amortization

Bond issuance costs are being amortized on the straight-line method over periods not to exceed the debt maturities. Amortization expense aggregated \$13,032 and \$-0- for the years ended June 30, 2012 and 2011, respectively. The deferred amount on refunding and the original issue premium are being amortized on the straight-line method over the remaining life of the related debt. Amortization of the deferred amount on refunding and the original issue premium totaled \$(19,281) and \$-0- for the years ended June 30, 2012 and 2011, respectively, and is included in interest expense.

Classification of Liabilities

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

Compensated Absences

Accumulated and unpaid vacation and sick-leave totaling \$312,908 and \$287,014 is accrued when incurred and included in noncurrent liabilities at June 30, 2012 and 2011, respectively.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 1 - Organization and Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

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, 2012, the SEJPA participated in the programs of CSRMA as follows:

General Liability including Bodily Injury, Property Damage, Public Entity Errors and Omissions, Employment Practices Liability and Automobile Liability - The CSRMA Pooled Liability (shared risk) Program provides \$25,500,000 per occurrence and in aggregate. CSRMA is self-insured up to \$15,500,000 and additional \$10,000,000 in excess insurance has been purchased to bring the total limit of liability coverage to \$25,500,000. SEJPA has a \$100,000 deductible in the CSRMA Pooled Liability Program.

Property Damage - \$47,900,000 in scheduled values through the PEPiP Property Program with a \$1,000,000 shared loss limit per occurrence with a \$25,000 deductible. Coverage includes: all risk property coverage, mobile equipment, auto physical damage and boiler and machinery. The SEJPA has a \$10,000 to \$350,000 deductible for boiler and machinery coverage depending on the size of the machinery.

Faithful Performance/Employee Dishonesty Bond - Insured up to \$1,000,000 with a \$10,000 deductible. Coverage includes: employee dishonesty, faithful performance forgery or alteration, computer fraud, money and securities theft, disappearance and destruction.

Workers' Compensation - SEJPA participates in CSRMA's Workers' Compensation Program, which currently self-insures the first \$750,000 of each claim. The members have no deductible or self-insured retention. Excess insurance provides statutory limits for Workers' Compensation and \$1,000,000 for each accident or each employee for disease in limits for Employers Liability.

The SEJPA pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of the adjustments cannot be estimated and are charged to expense as invoiced. The SEJPA's insurance expense totaled \$47,237 and \$76,826 for the years ended June 30, 2012 and 2011, respectively. There were no instances in the past three years where a settlement exceeded the SEJPA's coverage.

Economic Dependency

The SEJPA received approximately 54% and 52% of its operating revenues from its member agencies for the years ended June 30, 2012 and 2011, respectively.

Cash and Cash Equivalents

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

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 1 - Organization and Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Subsequent Events

In preparing these financial statements, the SEJPA has evaluated events and transactions for potential recognition or disclosure through October 29, 2012, 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
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.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 2 - Cash and Investments: (Continued)

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

	<u>Maturity in Years</u>		
	<u>1 Year or Less</u>	<u>2012 Total</u>	<u>2011 Total</u>
Cash on hand	\$ 200	\$ 200	\$ 200
California Local Agency Investment Fund (LAIF)	9,106,277	9,106,277	7,669,570
Deposits with financial institutions	45,847	45,847	132,011
Open ended money market mutual funds	8,966	8,966	20,818
Investments:			
U.S. Agency Securities	-	-	1,591,670
Total Cash and Investments	<u>\$ 9,161,290</u>	<u>\$ 9,161,290</u>	<u>\$ 9,414,269</u>
Financial Statement Classification:			
Current:			
Cash and cash equivalents		\$ 6,519,880	\$ 7,171,781
Restricted:			
Cash and cash equivalents		2,641,410	650,818
Investments		-	1,591,670
Total Cash and Investments		<u>\$ 9,161,290</u>	<u>\$ 9,414,269</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, 2012.

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:

	<u>Rating as of Year End Standard & Poor's</u>
Open Ended Money Market Mutual Funds	Not Rated
LAIF	Not Required

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 2 - Cash and Investments: (Continued)

Concentration of Credit Risk

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

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

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, 2012, 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, 2012, no SEJPA investments were held by the same broker-dealer (counterparty) that was used by the SEJPA to buy the securities.

Investment in State Investment Pool

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

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

	<u>2012</u>	<u>2011</u>
California Local Agency Investment Fund (LAIF)	\$ 9,106,277	\$ 7,669,570
Deposits with financial institutions	45,847	132,011
Open ended money market mutual funds	8,966	20,818
Cash on hand	200	200
Total	<u>\$ 9,161,290</u>	<u>\$ 7,822,599</u>

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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>2012</u>	<u>2011</u>
City of Solana Beach	\$ 176,969	\$ 9,016
Rancho Santa Fe CSD No. 2 and No. 3	106,073	98,545
City of Encinitas	88,769	(22,644)
Santa Fe Irrigation District	81,379	77,235
San Diego County Water Authority	60,840	67,770
City of Del Mar	29,346	23,449
Other	3,272	(877)
City of Escondido	1,891	(57,141)
Encinitas Ranch	-	32,500
Total	\$ 548,539	\$ 227,853
Financial Statement Classification:		
Due from other government agencies	\$ 549,919	\$ 309,622
Due to other government agencies	(1,380)	(81,769)
Total	\$ 548,539	\$ 227,853

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>2012</u>	<u>2011</u>
Debt proceeds and interest earned	Construction of capital projects	\$ 2,002,444	\$ -
Receipts from customers	State loan reserve requirement	630,000	630,000
Debt proceeds and interest earned	Debt service - Solana Beach	4,752	1
Debt proceeds and interest earned	Debt service - Encinitas	4,214	1
Debt proceeds and interest earned	Debt reserves	-	1,612,486
		\$ 2,641,410	\$ 2,242,488

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

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 5 - Loans Receivable:

On December 8, 2011, the City of Encinitas and the City of Solana Beach entered into the third 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 and April 1, 2003. The loans bear interest from 2% to 4%. Principal and interest are payable semi-annually four days prior to each September 1 and March 1 of each year, in order to provide the SEJPA with sufficient funds to service the debt on the 2011 Refunding Revenue Bonds. (See Note 9) Loans receivable consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
City of Solana Beach	\$ 4,868,638	\$ 6,125,000
City of Encinitas	4,316,362	5,235,000
Subtotal	<u>9,185,000</u>	<u>11,360,000</u>
Less current portion	(1,090,000)	(1,050,000)
Total	<u>\$ 8,095,000</u>	<u>\$ 10,310,000</u>

Note 6 - Retrofit Loans Receivable:

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

	<u>2012</u>	<u>2011</u>
22 nd District Agricultural Association	\$ 108,057	\$ 118,959
Cardiff Cove Homeowners Association	15,569	18,857
Oak Crest Park	7,307	8,273
Total	<u>\$ 130,933</u>	<u>\$ 146,089</u>

Note 7 - Capital Assets:

Capital assets consist of the following at June 30:

	2012			Balance at June 30, 2012
	Balance at June 30, 2011	Additions	Deletions	
Capital Assets Not Being Depreciated:				
Construction in progress	\$ 992,581	\$ 1,780,422	\$ -	\$ 2,773,003
Capital Assets Being Depreciated:				
Plant equipment	58,619,270	81,075	-	58,700,345
Lab equipment	115,577	4,301	-	119,878
Office equipment	105,564	-	-	105,564
Vehicles	273,763	-	-	273,763
	<u>59,114,174</u>	<u>85,376</u>	<u>-</u>	<u>59,199,550</u>
Less: Accumulated depreciation	(23,264,679)	(1,535,509)	-	(24,800,188)
Net Capital Assets Being Depreciated	<u>35,849,495</u>	<u>(1,450,133)</u>	<u>-</u>	<u>34,399,362</u>
Net Capital Assets	<u>\$ 36,842,076</u>	<u>\$ 330,289</u>	<u>\$ -</u>	<u>\$ 37,172,365</u>

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 7 - Capital Assets: (Continued)

	2011			
	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011
Capital Assets Not Being Depreciated:				
Construction in progress	\$ 553,204	\$ 463,840	\$ (24,463)	\$ 992,581
Capital Assets Being Depreciated:				
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>
Net Capital Assets	\$ 37,884,497	\$ (1,017,958)	\$ (24,463)	\$ 36,842,076

Note 8 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30:

	2012					
	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012	Due within one year	Due after one year
Payable from Restricted Assets:						
Due to member agencies payable from restricted assets	\$ 1,612,488	\$ 8,966	\$ (1,612,488)	\$ 8,966	\$ -	\$ 8,966
Long-Term Debt:						
2011 Refunding Revenue Bonds	-	9,235,000	(50,000)	9,185,000	1,090,000	8,095,000
Original issue premium	-	658,742	(39,924)	618,818	-	618,818
Deferred amount on refunding	-	(340,611)	20,643	(319,968)	-	(319,968)
2011 Refunding Revenue Bonds, Net	-	9,553,131	(69,281)	9,483,850	1,090,000	8,393,850
2003 Refunding Revenue Bonds (Note 9)	11,360,000	-	(11,360,000)	-	-	-
State Loan Payable (Note 10)	7,305,131	-	(652,047)	6,653,084	668,348	5,984,736
California Energy Commission Note Payable (Note 12)	1,052,718	-	(1,052,718)	-	-	-
Private placement loan payable (Note 11)	-	2,000,000	(32,577)	1,967,423	67,195	1,900,228
Total Long-Term Debt	<u>19,717,849</u>	<u>11,553,131</u>	<u>(13,166,623)</u>	<u>18,104,357</u>	<u>1,825,543</u>	<u>16,278,814</u>
Other Noncurrent Liabilities:						
Net OPEB Obligation (Note 13)	34,591	23,965	(3,960)	54,596	-	54,596
Accrued Vacation and Sick Leave (Note 1)	287,014	25,894	-	312,908	-	312,908
Total Other Noncurrent Liabilities	<u>321,605</u>	<u>49,859</u>	<u>(3,960)</u>	<u>367,504</u>	<u>-</u>	<u>367,504</u>
Total Noncurrent Liabilities	\$ 21,651,942	\$ 11,611,956	\$ (14,783,071)	\$ 18,480,827	\$ 1,825,543	\$ 16,655,284

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 8 - Noncurrent Liabilities: (Continued)

	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 12)	1,137,101	-	(84,383)	1,052,718	87,639	965,079
Total Long-Term Debt	<u>21,443,375</u>	<u>-</u>	<u>(1,725,526)</u>	<u>19,717,849</u>	<u>1,789,686</u>	<u>17,928,163</u>
Other Noncurrent Liabilities:						
Net OPEB Obligation (Note 13)	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>

Note 9 - 2011 Refunding Revenue Bonds:

In December 2011, the SEJPA issued the 2011 Revenue Refunding Bonds in the amount of \$9,235,000 for the purpose of refunding its 2003 Refunding Revenue Bonds and prepaying a note to the California Energy Commission. The 2003 Refunding Revenue Bonds had been issued to refund the 1993 Refunding Revenue Bonds, the proceeds of which had been loaned to its two member agencies to finance the upgrade and expansion of the water pollution control facility. (See Note 7)

Although the refunding resulted in a deferred amount on refunding of \$340,611, the SEJPA in effect reduced the aggregate debt service payments by approximately \$222,000 each year over the next seven years and obtained an economic gain (difference between the present values of the old debt and the new debt service payments) of \$1,251,450. The deferred amount on refunding is being amortized over the remaining life of the refunded debt. Amortization expense totaled \$20,643 and \$-0- for the years ended June 30, 2012 and 2011, respectively, and is included in interest expense. The deferred amount on refunding was \$319,968 and \$-0- at June 30, 2012 and 2011, respectively.

The 2011 Refunding Revenue Bonds are payable in annual principal installments ranging from \$50,000 to \$1,415,000 through March 1, 2021. Interest payments are due semiannually on September 1, and March 1. Interest rates on the bonds range from 2% to 4%. The 2011 Refunding Revenue Bonds outstanding total \$9,185,000 and \$-0- at June 30, 2012 and 2011, respectively. The member agencies have covenanted to make payments of loan installments in each year from net revenues derived from the operation of each Agency's respective wastewater collection system.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 9 - 2011 Refunding Revenue Bonds: (Continued)

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

	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,165,000	\$ 315,817
2014	1,200,000	280,867
2015	1,235,000	244,867
2016	1,265,000	207,817
2017	1,305,000	169,867
2018-2021	3,015,000	189,767
	<u>\$ 9,185,000</u>	<u>\$ 1,409,002</u>

The 2003 Refunding Revenue Bonds were payable in annual principal installments ranging from \$845,000 to \$1,515,000 through March 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 totaled \$0- and \$11,360,000 at June 30, 2012 and 2011, 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.

Note 10 - State Loan Payable:

In March 1998, the SEJPA entered into an agreement with the State Water Resources Control Board for funding of the San Elijo Water Reclamation System. The loan was funded through the State Revolving Fund loan program administered by the State of California in the amount of \$12,633,522. The State Revolving Fund loan program provides funding for water reclamation projects at a reduced interest rate of 2.5%. The state loan payable outstanding totaled \$6,653,084 and \$7,305,131 at June 30, 2012 and 2011, 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, 2012 and 2011, respectively.

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

	<u>Principal</u>	<u>Interest</u>
2013	\$ 668,348	\$ 166,327
2014	685,057	149,618
2015	702,183	132,492
2016	719,738	114,937
2017	737,311	96,944
2018-2021	3,140,447	198,674
	<u>\$ 6,653,084</u>	<u>\$ 858,992</u>

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 11 - Private Placement Loan Payable:

In November 2011, the SEJPA entered into a private placement loan payable with Municipal Finance Corporation in the amount of \$2,000,000 to fund advance water treatment improvements (Deminerzalization project) at the San Elijo Water Reclamation Facility. Interest accrues at 4.15% on the unpaid principal balance and is payable in forty (40) semi-annual payments of \$74,077 including principal and interest. The SEJPA's obligation to pay the loan repayments is a special obligation limited solely to the net revenues as defined in the loan agreement. The SEJPA has covenanted that it will fix, prescribe and collect rates, fees and charges sufficient to generate net revenues at least equal to 115% of the amount of the maximum annual debt service.

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

	<u>Principal</u>	<u>Interest</u>
2013	\$ 67,195	\$ 80,958
2014	70,013	78,141
2015	72,948	75,205
2016	76,007	72,146
2017	79,194	68,959
2018-2022	448,654	292,112
2023-2027	550,941	189,825
2028-2032	602,471	64,217
	<u>\$ 1,967,423</u>	<u>\$ 921,563</u>

Note 12 - 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 totaled \$0- and \$1,052,718 at June 30, 2012 and 2011, respectively, as this note was paid in full with the proceeds of the 2011 Refunding Revenue Bonds. (See Note 9)

Note 13 - 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 \$112 per month, which is set by CalPERS.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 13 - Postretirement Benefits: (Continued)

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 1.47% 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>2012</u>	<u>2011</u>
Annual required contribution	\$ 19,894	\$ 19,894
Interest on net OPEB obligation	4,071	2,399
Adjustment to annual required contribution	-	(18)
Annual OPEB cost	<u>23,965</u>	<u>22,275</u>
Contributions (including benefits paid)	<u>(3,960)</u>	<u>(3,414)</u>
Increase in net OPEB obligation	20,005	18,861
Net OPEB obligation - Beginning of Year	<u>34,591</u>	<u>15,730</u>
Net OPEB obligation - End of Year	<u>\$ 54,596</u>	<u>\$ 34,591</u>

The SEJPA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012 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, 2010	\$ 18,330	14.18%	\$ 15,730
June 30, 2011	22,275	15.33%	34,591
June 30, 2012	23,965	16.52%	54,596

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, 2012 AND 2011**

Note 13 - Postretirement Benefits: (Continued)

Funding Status and Funding Progress (Continued)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Liability Entry Age (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Status (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll [(B-A)/C]</u>
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 14 - Defined Benefit Pension Plan:

Plan Description

The SEJPA contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. The SEJPA participates in the miscellaneous 2.5% at 55 pool. 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, 2012 AND 2011**

Note 14 - 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 2.8% 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, 2012 and 2011 was 15.465% and 12.567%, 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, 2012, 2011 and 2010 were \$236,397, \$281,041 and \$276,849, respectively, which were equal to the required contributions each year.

Note 15 - Commitments and Contingencies:

Contracts

The SEJPA has entered into various contracts for the purchase of material and construction of capital assets. The amounts contracted are based on the contractor's estimated cost of construction. At June 30, 2012, the total unpaid amount on these contracts is approximately \$3,828,770.

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 \$22,960 and \$22,291 for the years ended June 30, 2012 and 2011, respectively.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

Note 16 - New Governmental Accounting Standards:

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.

GASB No. 63

In June 2011, the Governmental Accounting Standards Board issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position". This pronouncement is effective for periods beginning after December 15, 2011. Concepts Statement No. 4 "Elements of Financial Statements" introduced and defined deferred outflows and deferred inflows as an acquisition or consumption of net assets by the government that is applicable to a future reporting period, which is distinct from assets and liabilities. Concepts Statement No. 4 also defines net position as the residual of all other elements presented in a statement of financial position and renames that measure net position rather than net assets. This pronouncement is not anticipated to have a material effect on the financial statements of the SEJPA in the year of implementation.

GASB No. 64

In June 2011, the Governmental Accounting Standards Board issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment to GASB 53". This pronouncement is effective for periods beginning after June 15, 2011. This statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The SEJPA does not have any hedge transactions at June 30, 2012.

GASB No. 65

In March 2012, the Governmental Accounting Standards Board issued Statement No. 65, "Items Previously Reported as Assets and Liabilities". This pronouncement is effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement amends the financial statement classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. This pronouncement is not anticipated to have a material effect on the financial statements of the SEJPA in the year of implementation.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 16 - New Governmental Accounting Standards: (Continued)

GASB No. 66

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

GASB No. 67

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

GASB No. 68

In June 2012, the Governmental Accounting Standards Board issued Statement No. 68, "Accounting and Financial Reporting for Pensions". This pronouncement is effective for periods beginning after June 15, 2013. This pronouncement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans, as well as for nonemployer governments that have a legal obligation to contribute to those plans. 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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>	<u>Difference</u>
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 2,586,994	\$ 3,514,535	\$ (927,541)
Due from other government agencies	378,353	108,668	269,685
Accrued interest receivable	107,662	186,744	(79,082)
Current portion of loan receivable	1,165,000	1,050,000	115,000
Total Current Assets	<u>4,238,009</u>	<u>4,859,947</u>	<u>(621,938)</u>
<u>Noncurrent Assets:</u>			
Restricted Assets:			
Cash and cash equivalents	8,966	20,818	(11,852)
Investments	-	1,591,670	(1,591,670)
Total Restricted Assets	<u>8,966</u>	<u>1,612,488</u>	<u>(1,603,522)</u>
Loans Receivable	9,185,000	11,360,000	(2,175,000)
Less: Current portion above	<u>(1,165,000)</u>	<u>(1,050,000)</u>	<u>(115,000)</u>
Total Loans Receivable	<u>8,020,000</u>	<u>10,310,000</u>	<u>(2,290,000)</u>
Other Noncurrent Assets:			
Capital assets	25,466,166	24,723,952	742,214
Bond issuance costs	201,990	-	201,990
Total Other Noncurrent Assets	<u>25,668,156</u>	<u>24,723,952</u>	<u>944,204</u>
Total Noncurrent Assets	<u>33,697,122</u>	<u>36,646,440</u>	<u>(2,949,318)</u>
TOTAL ASSETS	<u>\$ 37,935,131</u>	<u>\$ 41,506,387</u>	<u>\$ (3,571,256)</u>

SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF NET ASSETS - WASTEWATER (CONTINUED)
JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>	<u>Difference</u>
<u>Current Liabilities:</u>			
Accounts payable	\$ 432,355	\$ 197,938	\$ 234,417
Accrued liabilities	32,835	27,399	5,436
Accrued interest payable	105,273	182,200	(76,927)
Due to other government agencies	1,380	59,125	(57,745)
Due to member agencies	-	22,644	(22,644)
Retentions payable	130,511	-	130,511
Current portion of refunding revenue bonds	1,090,000	1,050,000	40,000
Current portion of California Energy Commission note payable	-	87,639	(87,639)
Total Current Liabilities	<u>1,792,354</u>	<u>1,626,945</u>	<u>165,409</u>
<u>Noncurrent Liabilities:</u>			
Payable From Restricted Assets:			
Due to member agencies payable from restricted assets	<u>8,966</u>	<u>1,612,488</u>	<u>(1,603,522)</u>
Long-Term Debt:			
Refunding revenue bonds, net of current portion	8,393,850	10,310,000	(1,916,150)
California Energy Commission note payable	-	965,079	(965,079)
Total Long-Term Debt	<u>8,393,850</u>	<u>11,275,079</u>	<u>(2,881,229)</u>
Other Noncurrent Liabilities:			
OPEB obligation	46,234	29,031	17,203
Accrued vacation and sick leave	270,263	248,082	22,181
Total Other Noncurrent Liabilities	<u>316,497</u>	<u>277,113</u>	<u>39,384</u>
Total Noncurrent Liabilities	<u>8,719,313</u>	<u>13,164,680</u>	<u>(4,445,367)</u>
Total Liabilities	<u>10,511,667</u>	<u>14,791,625</u>	<u>(4,279,958)</u>
<u>Net Assets:</u>			
Net assets invested in capital assets, net of related debt	25,036,805	23,671,234	1,365,571
Unrestricted net assets	2,386,659	3,043,528	(656,869)
Total Net Assets	<u>27,423,464</u>	<u>26,714,762</u>	<u>708,702</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>37,935,131</u>	\$ <u>41,506,387</u>	\$ <u>(3,571,256)</u>

**SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - WASTEWATER
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>	<u>Difference</u>
<u>Operating Revenue:</u>			
Contributions from City of Encinitas	\$ 1,613,835	\$ 1,574,600	\$ 39,235
Contributions from City of Solana Beach	1,437,429	1,344,356	93,073
Charges of services or other government agencies	647,083	652,350	(5,267)
Total Operating Revenue	<u>3,698,347</u>	<u>3,571,306</u>	<u>127,041</u>
<u>Operating Expenses:</u>			
Personnel costs	2,273,224	2,144,143	129,081
Depreciation	1,118,095	1,052,882	65,213
Utilities	442,467	459,343	(16,876)
Contracted services	225,551	210,584	14,967
Miscellaneous	78,196	63,126	15,070
Supplies	161,217	181,339	(20,122)
Repair parts expense	109,538	144,308	(34,770)
Insurance	34,688	53,889	(19,201)
Permit/purveyor fees	51,541	35,500	16,041
Disposal services	185,205	185,994	(789)
Total Operating Expenses	<u>4,679,722</u>	<u>4,531,108</u>	<u>148,614</u>
Operating (Loss)	<u>(981,375)</u>	<u>(959,802)</u>	<u>(21,573)</u>
<u>Nonoperating Revenue (Expense):</u>			
Investment income	539,908	592,295	(52,387)
Rental income	22,960	22,291	669
Other	4,309	1,867	2,442
Interest expense	(635,944)	(617,480)	(18,464)
Total Nonoperating Revenues (Expenses)	<u>(68,767)</u>	<u>(1,027)</u>	<u>(67,740)</u>
Income (Loss) Before Contributions	<u>(1,050,142)</u>	<u>(960,829)</u>	<u>(89,313)</u>
<u>Capital Contributions:</u>			
Member agency assessments	749,524	649,616	99,908
Member agency contribution to refinancing	1,009,320	-	1,009,320
Total Capital Contributions	<u>1,758,844</u>	<u>649,616</u>	<u>1,109,228</u>
Net Income (Loss)	708,702	(311,213)	1,019,915
Net Assets at Beginning of Year,	<u>26,714,762</u>	<u>27,025,975</u>	<u>(311,213)</u>
NET ASSETS AT END OF YEAR	<u>\$ 27,423,464</u>	<u>\$ 26,714,762</u>	<u>\$ 708,702</u>

**SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF NET ASSETS - RECLAMATION
JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>	<u>Difference</u>
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 3,932,886	\$ 3,657,246	\$ 275,640
Due from other government agencies	171,566	200,954	(29,388)
Accrued interest receivable	5,883	3,870	2,013
Total Current Assets	<u>4,110,335</u>	<u>3,862,070</u>	<u>248,265</u>
<u>Noncurrent Assets:</u>			
Restricted Assets:			
Cash and cash equivalents	<u>2,632,444</u>	<u>630,000</u>	<u>2,002,444</u>
Total Restricted Assets	<u>2,632,444</u>	<u>630,000</u>	<u>2,002,444</u>
Other Noncurrent Assets:			
Retrofit loans	130,933	146,089	(15,156)
Capital assets	<u>11,706,199</u>	<u>12,118,124</u>	<u>(411,925)</u>
Total Other Noncurrent Assets	<u>11,837,132</u>	<u>12,264,213</u>	<u>(427,081)</u>
Total Noncurrent Assets	<u>14,469,576</u>	<u>12,894,213</u>	<u>1,575,363</u>
TOTAL ASSETS	<u>\$ 18,579,911</u>	<u>\$ 16,756,283</u>	<u>\$ 1,823,628</u>

SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF NET ASSETS - RECLAMATION (CONTINUED)
JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>	<u>Difference</u>
<u>Current Liabilities:</u>			
Accounts payable	\$ 24,374	\$ 68,952	\$ (44,578)
Accrued liabilities	4,963	3,802	1,161
Accrued interest payable	145,410	152,190	(6,780)
Current portion of state loan payable	668,348	652,047	16,301
Current portion of private placement loan payable	67,195	-	67,195
Total Current Liabilities	<u>910,290</u>	<u>876,991</u>	<u>33,299</u>
<u>Noncurrent Liabilities:</u>			
Long-Term Debt:			
State loan payable, less current portion	5,984,736	6,653,084	(668,348)
Private placement loan payable, less current portion	1,900,228	-	1,900,228
Total Long-Term Debt	<u>7,884,964</u>	<u>6,653,084</u>	<u>1,231,880</u>
Other Noncurrent Liabilities:			
OPEB Obligation	8,362	5,560	2,802
Accrued vacation and sick leave	42,645	38,932	3,713
Total Other Noncurrent Liabilities	<u>51,007</u>	<u>44,492</u>	<u>6,515</u>
Total Noncurrent Liabilities	<u>7,935,971</u>	<u>6,697,576</u>	<u>1,238,395</u>
Total Liabilities	<u>8,846,261</u>	<u>7,574,567</u>	<u>1,271,694</u>
<u>Net Assets:</u>			
Net assets invested in capital assets, net of related debt	4,907,705	4,660,803	246,902
Restricted net assets	2,632,444	630,000	2,002,444
Unrestricted net assets	2,193,501	3,890,913	(1,697,412)
Total Net Assets	<u>9,733,650</u>	<u>9,181,716</u>	<u>551,934</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,579,911</u>	<u>\$ 16,756,283</u>	<u>\$ 1,823,628</u>

**SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - RECLAMATION
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>	<u>Difference</u>
<u>Operating Revenue:</u>			
Charges of services or other government agencies	\$ 1,911,120	\$ 1,960,871	\$ (49,751)
Total Operating Revenues	<u>1,911,120</u>	<u>1,960,871</u>	<u>(49,751)</u>
<u>Operating Expenses:</u>			
Personnel costs	425,825	407,526	18,299
Depreciation	430,446	451,796	(21,350)
Utilities	133,668	119,437	14,231
Supplies	35,473	56,409	(20,936)
Repair parts expense	40,408	20,943	19,465
Miscellaneous	12,623	33,680	(21,057)
Contracted services	71,246	43,885	27,361
Insurance	12,549	22,937	(10,388)
Permit/purveyor fees	3,518	17,571	(14,053)
Total Operating Expenses	<u>1,165,756</u>	<u>1,174,184</u>	<u>(8,428)</u>
Operating Income (Loss)	<u>745,364</u>	<u>786,687</u>	<u>(41,323)</u>
<u>Nonoperating Revenue (Expense):</u>			
Investment income	23,918	20,171	3,747
Interest expense	(217,348)	(177,006)	(40,342)
Total Nonoperating Revenues (Expenses)	<u>(193,430)</u>	<u>(156,835)</u>	<u>(36,595)</u>
Income Before Contributions	<u>551,934</u>	<u>629,852</u>	<u>(77,918)</u>
Net Income (Loss)	551,934	629,852	(77,918)
Net Assets at Beginning of Year, as Restated	<u>9,181,716</u>	<u>8,551,864</u>	<u>629,852</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 9,733,650</u></u>	<u><u>\$ 9,181,716</u></u>	<u><u>\$ 551,934</u></u>

**SAN ELIJO JOINT POWERS AUTHORITY
OPERATING BUDGET COMPARISON SCHEDULE - WASTEWATER
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Operating Expenses:</u>			
Personnel costs	\$ 2,171,082	\$ 2,273,224	\$ (102,142)
Utilities	448,783	442,467	6,316
Contracted services	247,645	225,551	22,094
Miscellaneous	178,317	78,196	100,121
Supplies	225,353	161,217	64,136
Repair parts expense	149,400	109,538	39,862
Insurance	53,200	34,688	18,512
Disposal services	217,000	185,205	31,795
Permit/purveyor fees	42,500	51,541	(9,041)
Contingency	120,760	-	120,760
Total Operating Expenses	<u>3,854,040</u>	<u>3,561,627</u>	<u>292,413</u>
Depreciation	-	1,118,095	(1,118,095)
Operating Expenses, Net	<u><u>\$ 3,854,040</u></u>	<u><u>\$ 4,679,722</u></u>	<u><u>\$ (825,682)</u></u>

**SAN ELIJO JOINT POWERS AUTHORITY
OPERATING BUDGET COMPARISON SCHEDULE - RECLAMATION
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Operating Expenses:</u>			
Personnel costs	\$ 447,630	\$ 425,825	\$ 21,805
Utilities	189,617	133,668	55,949
Contracted services	89,504	71,246	18,258
Miscellaneous	43,042	12,623	30,419
Supplies	84,427	35,473	48,954
Repair parts expense	40,000	40,408	(408)
Insurance	22,800	12,549	10,251
Permit/purveyor fees	28,500	3,518	24,982
Contingency	39,830	-	39,830
Total Operating Expenses	<u>985,350</u>	<u>735,310</u>	<u>250,040</u>
Depreciation	-	430,446	(430,446)
Operating Expenses, Net	<u>\$ 985,350</u>	<u>\$ 1,165,756</u>	<u>\$ (180,406)</u>