

AGENDA
SAN ELIJO JOINT POWERS AUTHORITY
MONDAY DECEMBER 9, 2013 AT 9:00 AM
SAN ELIJO WATER RECLAMATION FACILITY – CONFERENCE ROOM
2695 MANCHESTER AVENUE
CARDIFF BY THE SEA, CALIFORNIA

1. CALL TO ORDER
2. ROLL CALL
3. PLEDGE OF ALLEGIANCE
4. ORAL COMMUNICATIONS (NON-ACTION ITEM)
5. PRESENTATION OF AWARDS

KENNETH REGNIER – RETIREMENT – DECEMBER 31, 2013
6. * **CONSENT CALENDAR**
7. * APPROVAL OF MINUTES FOR THE NOVEMBER 12, 2013 MEETING
8. * APPROVAL FOR PAYMENT OF WARRANTS AND MONTHLY INVESTMENT REPORTS
9. * SAN ELIJO WATER RECLAMATION FACILITY TREATED EFFLUENT FLOWS – MONTHLY REPORT
10. * SAN ELIJO JOINT POWERS AUTHORITY RECYCLED WATER PROGRAM – MONTHLY REPORT
11. * ITEMS REMOVED FROM CONSENT CALENDAR

Items on the Consent Calendar are routine matters and there will be no discussion unless an item is removed from the Consent Calendar. Items removed by a "Request to Speak" form from the public will be handled immediately following adoption of the Consent Calendar. Items removed by a Board Member will be handled as directed by the Board.

REGULAR AGENDA

12. SAN ELIJO JOINT POWERS AUTHORITY ANNUAL AUDIT

It is recommended that the Board of Directors:

1. Accept and file the 2012-13 Fiscal Year Audit for the San Elijo Joint Powers Authority; and
2. Discuss and take action as appropriate.

Staff Reference: Director of Finance & Administration

13. CALIFORNIA SANITATION RISK MANAGEMENT AUTHORITY (CSRMA) RISK CONTROL AUDIT

It is recommended that the Board of Directors:

1. Receive and file CSRMA Risk Audit Control; and
2. Discuss and take action as appropriate.

Staff Reference: General Manager

14. SAN ELIJO JOINT POWERS AUTHORITY (SEJPA) RECYCLED WATER PROGRAM - PROPOSED WHOLESALERE AGREEMENT AMENDMENTS

It is recommended that the Board of Directors:

1. Approve the Second Amendment to the Agreement for Sale of Reclaimed Water to the San Dieguito Water District by the San Elijo Joint Powers Authority; and
2. Approve the Fourth Amendment to the Agreement for Sale of Reclaimed Water to the Santa Fe Irrigation District by the San Elijo Joint Powers Authority; and
3. Discuss and take action as appropriate.

Staff Reference: General Manager

15. 2013 YEAR IN REVIEW - RECOGNIZING AGENCY ACHIEVEMENTS AND SUCCESSES

No action required. This memorandum is submitted for information only.

Staff Reference: General Manager

16. GENERAL MANAGER'S REPORT

Informational report by the General Manager on items not requiring Board action.

17. GENERAL COUNSEL'S REPORT

Informational report by the General Counsel on items not requiring Board action.

18. BOARD MEMBER COMMENTS

This item is placed on the agenda to allow individual Board Members to briefly convey information to the Board or public, or to request staff to place a matter on a future agenda and/or report back on any matter. There is no discussion or action taken on comments by Board Members.

19. CLOSED SESSION

None

A closed session may be held at any time during this meeting of the San Elijo Joint Powers Authority for the purposes of discussing potential or pending litigation or other appropriate matters pursuant to the "Ralph M. Brown Act".

20. ADJOURNMENT

The next regularly scheduled San Elijo Joint Powers Authority Board Meeting will be Monday, January 13, 2014 at 9:00 a.m.

NOTICE:

The San Elijo Joint Powers Authority's open and public meetings meet the protections and prohibitions contained in Section 202 of the Americans With Disabilities Act of 1990 (42 U.S.C Section 12132), and the federal rules and regulations adopted in implementation thereof. Any person with a disability who requires a modification or accommodation, including auxiliary aids or services, in order to participate in a public meeting of the SEJPA Board of Directors may request such modification or accommodation from Michael T. Thornton, General Manager, (760) 753-6203 ext. 72.

The agenda package and materials related to an agenda item submitted after the packet's distribution to the Board is available for public review in the lobby of the SEJPA Administrative Office during normal business hours. Agendas and minutes are available at www.sejpa.org. The SEJPA Board meetings are held on the second Monday of the month, except August.

AFFIDAVIT OF POSTING

I, Michael T. Thornton, Secretary of the San Elijo Joint Powers Authority, hereby certify that I posted, or have caused to be posted, a copy of the foregoing agenda in the following locations:

San Elijo Water Reclamation Facility, 2695 Manchester Avenue, Cardiff, California
City of Encinitas, 505 South Vulcan Avenue, Encinitas, California
City of Solana Beach, 635 South Highway 101, Solana Beach, California

The notice was posted at least 72 hours prior to the meeting, in accordance with Government Code Section 54954.2(a).

Date: December 4, 2013



Michael T. Thornton, P.E.
Secretary / General Manager

SAN ELIJO JOINT POWERS AUTHORITY
MINUTES OF THE BOARD MEETING
HELD ON NOVEMBER 12, 2013
AT THE
SAN ELIJO WATER RECLAMATION FACILITY

Thomas M. Campbell, Chair

Mark Muir, Vice Chair

A Meeting of the Board of Directors of the San Elijo Joint Powers Authority (SEJPA) was held Monday, November 12, 2013, at 9:00 a.m., at the San Elijo Water Reclamation Facility at 2695 Manchester Avenue, Cardiff by the Sea, California.

1. CALL TO ORDER

Vice Chair Muir called the meeting to order at 9:00 a.m.

2. ROLL CALL

Directors Present:

Teresa Barth
Mark Muir
David Ott (Solana Beach Alternate)
David Zito

Directors Absent:

Thomas M. Campbell

Others Present:

General Manager
Director of Operations
Director of Finance & Administration
Administrative Assistant

Michael Thornton
Christopher Trees
Paul Kinkel
Jennifer Basco

SEJPA Counsel:

Procopio, Cory, Hargreaves & Savitch

Adriana Sanchez

City of Solana Beach,
Director of Engineering/Public Works

Mohammad "Mo" Sammak

3. PLEDGE OF ALLEGIANCE

Board Member Ott led the Pledge of Allegiance.

4. ORAL COMMUNICATIONS

None

5. PRESENTATION OF AWARDS

None

6. CONSENT CALENDAR

Moved by Board Member Barth and seconded by Board Member Zito to approve the Consent Calendar.

Motion carried with the following vote of approval:

AYES: Barth, Muir, Ott, and Zito
NOES: None
ABSENT: Campbell
ABSTAIN: None

Consent Calendar:

- | | |
|--------------------|--|
| Agenda Item No. 7 | Approval of Minutes for the October 14, 2013 meeting |
| Agenda Item No. 8 | Approval for Payment of Warrants and Monthly Investment Report |
| Agenda Item No. 9 | San Elijo Water Reclamation Facility Treated Effluent Flows – Monthly Report |
| Agenda Item No. 10 | San Elijo Joint Powers Authority Recycled Water Program – Monthly Report |

12. ITEMS REMOVED FROM CONSENT CALENDAR

- | | |
|--------------------|--|
| Agenda Item No. 11 | Revised Rules and Regulations for Recycled Water Service |
|--------------------|--|

Board Member Barth removed Agenda Item No. 11 from the Consent Calendar and commented on the nutrient value in recycled water. Board Member Barth stated that recycled water users are saving money because when using recycled water they get an added benefit of free fertilizer. General Manager Thornton agreed and stated that many customers report that they use less fertilizer as a result of using recycled water.

Moved by Board Member Barth and seconded by Board Member Zito to:

1. Approve Resolution 2014-01 adopting revised Rules and Regulations for Recycled Water Service

Motion carried with the following vote of approval:

AYES: Barth, Muir, Ott, and Zito
NOES: None
ABSENT: Campbell
ABSTAIN: None

13. ACCEPTANCE OF COMPLETION – CONSTRUCTION OF THE ADVANCED WATER TREATMENT PROJECT FOR THE SAN ELIJO WATER RECLAMATION FACILITY

General Manager Thornton reported to the Board of Directors that the SEJPA is now ready to accept completion of the construction contract for the Advanced Water Treatment Project. Despite a delay in completion due to the lack of performance with a vendor of the contractor, the Advanced Water Treatment Facility has been operational and producing water for several months. Mr. Thornton stated that the SEJPA wanted to ensure that system training, including membrane cleaning and troubleshooting, were completed prior to the acceptance of the construction project.

Moved by Board Member Barth and seconded by Board Member Zito to:

1. Authorize the General Manager to sign and record a Notice of Completion for the Advanced Water Treatment Project and W. M. Lyles Co.

Motion carried with the following vote of approval:

AYES: Barth, Muir, Zito and Ott
NOES: None
ABSENT: Campbell
ABSTAIN: None

14. GENERAL MANAGER'S REPORT

General Manager Thornton updated the Board Members on the status of the recycled water agreement amendments with the San Dieguito Water District and the Santa Fe Irrigation District. Amendments are being drafted and will be presented to the Board of Directors at the next Board meeting.

General Manager Thornton stated that he attended the Southern California Alliance of Publicly Owned Treatment Works (SCAP) Strategic Planning Session in Ventura County on November 7, 2013, where they discussed issues pertinent to the wastewater industry, including potential regulatory changes, pending legislation, and the changing landscape of recycled water.

15. GENERAL COUNSEL'S REPORT

None

16. BOARD MEMBER COMMENTS

Board Member Barth shared her visit to the Rancho Santa Fe Rotary Club, where she gave a brief discussion on SEJPA's history and partnerships with the San Dieguito Water District and the Santa Fe Irrigation District.

17. CLOSED SESSION

None

18. ADJOURNMENT

The meeting adjourned at 9:19 a.m. The next Board of Directors meeting will be held on December 9, 2013.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M. Thornton", written over a horizontal line.

Michael T. Thornton, P.E.
General Manager

SAN ELIJO JOINT POWERS AUTHORITY**PAYMENT OF WARRANTS****14-12****For the Month of November-2013**

Check #	Vendor Name	Description	Amount	
29463	Aflac	Medical Insurance - Pers	Medical and supplement life insurance	508.08
29464	AT & T - 9777	Utilities - Telephone	Phone service - 09/13/13 - 10/12/13	388.29
29465	AT&T - 5020	Utilities - Telephone	DSL - 09/10/13 - 10/09/13	78.14
29466	AT&T - Eden Gardens	Utilities - Telephone	DSL - 09/20/13 - 10/19/13	78.64
29467	Atlas Pumping Service Inc.	Services - Grease & Scum	Grease and scum pumping	2,317.02
29468	Automation Direct	Repair Parts Expense	GS3 100hp AC Drive 460 Vac 3 phase	3,107.40
29469	Barracuda Networks, Inc	Utilities - Internet	Network back-up	50.00
29470	Brenntag Pacific, Inc	Supplies - Chem - Odor	Sodium Hydroxide - Odor control	3,138.86
29471	The Brickman Group LTD	Services - Landscape	Landscape - November	385.00
29472	California Water Technologies	Supplies - Chem - Ferrous Chlo	Ferric Chloride - plant	5,230.70
29473	Calscience Environmental Lab	Services - Laboratory	Testing water samples	332.00
29474	CAN-DO-Maintenance Inc.	Services - Maintenance	Repair chain link fence - plant	690.00
29475	CS-Amsco	Repair Parts Expense	Motor - FEB automated valve	4,584.66
29476	Dickson	Repair Parts Expense	Water pressure logger with display	1,055.00
29477	Dudek & Associates	Services - Engineering	Del Mar flow analysis - Project: 8002.0001	5,000.00
29478	Fastenal Company	Repair Parts Expense	Bolts for Muffin Monster	54.22
29479	Ferguson Waterworks #1082	Repair Parts Expense	6" watts ACV valve - Lomas Santa Fe	4,118.59
29480	Gierlich Mitchell, Inc.	Capital Outlay	Sprocket and static sleeve bearing	7,084.30
29481	Guardian	Dental/Vision	Dental - 11/01/13 - 11/30/13	1,236.33
29482	Harrington Industrial Plastics	Repair Parts Expense	Pumps and parts	421.17
29483	Hawthorne	Repair Parts Expense	Cover for roof	874.99
29484	HD Supply Waterworks, LTD	Repair Parts Expense	2" combination air vac and covers	3,776.04
29485	Home Depot Credit Services	Supplies - Shop & Field	Repairs and miscellaneous supplies	309.23
29486	Jani-King of CA, Inc. - SEO	Supplies - Janitorial	Janitorial supplies	588.30
29487	Jennifer Basco	Subsistence - Travel/Rm & Bd	Mileage and travel	98.16
29488	King Lee Chemical Co.	Supplies - Chemicals	Pretreat Plus-0100: antiscalant / dispersant	1,033.49
29489	The Lawton Group	Services - Temp	Work weeks - 10/07/13 - 10/20/13	540.00
29490	McMaster-Carr Supply Co.	Minor Equip - Shop & Field	Tubing, battery, USA flag, and socket	810.38
29491	MegaPath Corporation	Utilities - Internet	T-1 service - November	284.22
29492	Nash Fabricators	Services - Maintenance	Repair 4" steel angle transition spool	789.00
29493	Pacific Green Landscape	Services - Landscape	Landscape - October	1,125.00
29494	Public Employees- Retirement	Retirement Plan - PERS	Retirement - 10/12/13 - 10/25/13	15,271.29
29495	Polydyne Inc.	Supplies - Chem - Polymer	Clarifloc (r) WE-007	11,426.40
29496	Preferred Benefit Insurance	Dental/Vision	Vision insurance - 11/01/13 - 11/30/13	308.90
29497	Rohan & Sons, Inc	Services - Maintenance	Maintenance service - October	385.00
29498	RSF Security Systems	Services - Alarm	Install CADDXNX8E security system	799.00
29499	San Diego Gas & Electric	Utilities - Gas & Electric	Gas and electric - 09/08/13 - 10/07/13	49,236.51
29500	Sun Life Financial	Life Insurance/Disability	Life and disability insurance - November	1,353.59
29501	Sunbelt Rentals	Equipment Rental/Lease	175KW diesel generator	1,890.00
29502	Terminix Processing Center	Services - Maintenance	Pest control	100.00
29503	Unifirst Corporation	Services - Uniforms	Uniform service	377.84
29504	UPS	Postage/Shipping	Mailing compliance reports	53.12
29505	Vantagepoint Point Transfer	ICMA Retirement	457 - ICMA	5,811.22
29506	Vantagepoint Transfer Agents	ICMA Retirement	401a - ICMA	2,634.09
29507	Verizon Wireless	Utilities - Telephone	Cell phone service - 10/08/13 - 11/07/13	512.38
29508	Aflac	Medical Insurance - Pers	Medical and supplement life insurance	508.08
29509	AT & T	Utilities - Telephone	Alarm service	382.82
29510	BankCard Center	Supplies - Shop & Field	Repairs, training, and office supplies	1,312.60
29511	City National Bank	Interest Expense - AWT Note	Loan payment #11-020	74,076.57
29512	Coast Waste Management, Inc.	Utilities - Trash	Roll-off - 10/01/13 - 10/31/13	177.39
29513	EDCO Waste & Recycling Service	Utilities - Trash	Trash service - October	202.41
29514	Health and Human Resource	Employee Assistance Program	November	317.68
29515	The Lawton Group	Services - Temp	Work week - 10/21/13 - 10/27/13	270.00
29516	Public Employees- Retirement	Retirement Plan - PERS	Retirement - 10/26/13 - 11/08/13	15,450.18
29517	Michael Piper	Subsistence - Travel/Rm & Bd	2013 ABPA Western Conference	453.22

SAN ELIJO JOINT POWERS AUTHORITY**PAYMENT OF WARRANTS****14-12****For the Month of November-2013**

Check #	Vendor Name	Description	Amount
29518	ProBuild	Minor Equip - Shop & Field	Repairs, shop, and field supplies 25.90
29519	San Dieguito Water	Utilities - Water	RW Meters - 09/26/13 - 10/30/13 7,263.26
29520	Santa Fe Irrigation District	Utilities - Water	Highland Dr. - 08/19/13 - 10/16/13 186.52
29521	Santa Fe Irrigation District	Utilities - Water	Valley - 09/26/13 - 10/30/13 129.97
29522	Smart & Final	Supplies - Lab	Supplies 77.71
29523	State Water Resources Control	Dues & Memberships	Certificate - Plant Operator - Kreinbring 340.00
29524	SWRCB Fees	Fees - Permits	RM#375641 - 07/01/13 - 06/30/14 21,202.00
29525	SWRCB Fees	Fees - Permits	RM#147513 - 07/01/13 - 06/30/14 13,875.00
29526	Vantagepoint Transfer Agents	ICMA Retirement	457 - ICMA 7,576.88
29527	Vantagepoint Transfer Agents	ICMA Retirement	401a - ICMA 2,662.79
29528	WEX Bank	Fuel	Fuel - October 1,340.11
29529	Ag Tech, LLC	Services - Biosolids Hauling	Biosolids hauling - October 12,031.36
29530	All American First Aid & Safet	Supplies - Office	First aid supplies 149.69
29531	Arrowhead	Supplies - Lab	Kitchen and lab supplies 241.37
29532	AT&T	Utilities - Telephone	DSL - 10/10/13 - 11/09/13 78.06
29533	Atlas Pumping Service Inc.	Services - Grease & Scum	Grease and scum pumping 554.88
29534	Automation Direct	Repair Parts Expense	AC motor 5HP 1800RPM 364.00
29535	Boot World, Inc.	Uniforms - Boots	Safety boots 286.04
29536	Calscience Environmental Lab	Services - Laboratory	Testing water samples 402.00
29537	CA Assoc. of Sanitary Agencies	Dues & Memberships	Agency membership dues - FY 2013-14 8,320.00
29538	Corodata	Rent	Record storage - October 76.20
29539	County of San Diego	Fees - Permits	APCD 1997-STE-10270 / 2006-PTO-970774 309.00
29540	CWEA - TCP	Dues & Memberships	Certificates - R. Chea & D. Kreinbring 317.00
29541	Dudek & Associates	Services - Engineering	Project No. - 7810 - Emergency Power 4,309.00
29542	Fisher Scientific	Supplies - Chemicals	Sodium Dodecylbenzenesul 500G - AWT 126.41
29543	Fleet Driveline Service	Services - Maintenance	Install U-joint 504.82
29544	Gierlich Mitchell, Inc.	Capital Outlay	Hardware kit, wearstip, and washers 3,441.82
29545	Golden Bell Products	Supplies - Chemicals	Lift station degreaser and granular chlorine 394.20
29546	Golden State Overnight	Postage/Shipping	Mailing lab samples 29.61
29547	Hardy Diagnostics	Supplies - Lab	Lauryl Tryptose, Azide Dextrose, and Broth 402.84
29548	Harrington Industrial Plastics	Repair Parts Expense	Valve balls, tee, bushing, and guage guard 484.48
29549	Housing &Community	Licenses	Modular registration 94.00
29550	Hilts Consulting Group, Inc.	Services - Engineering	Engineering-Replacement cover for F.E.B. 5,038.00
29551	Hoch Consulting, APC	Services - Engineering	Engineering services 8,602.50
29552	Jani-King of CA, Inc. - SEO	Services - Janitorial	Janitorial services - November 882.64
29553	Kennedy/Jenks Consultants	Services - Engineering	Recycled water - AWT 1,376.25
29554	Konica Minolta	Services - Maintenance	Copier maintenance 139.47
29555	The Lawton Group	Services - Temp	Work weeks - 10/28/13 - 11/10/13 540.00
29556	Mar-Con Products, Inc.	Repair Parts Expense	Galvanized steel cover 733.32
29557	Marine Taxonomic Services, LTD	Services - Maintenance	Build and install two anodes 750.00
29558	McMaster-Carr Supply Co.	Vehicle Maintenance	Light bulbs, tools, tape, bearings, and alarm 1,302.19
29559	Olin Corp - Chlor Alkali	Supplies - Chem - Sodium Hypo	Sodium Hypochlorite 2,718.14
29560	Olivenhain Municipal Water Dis	Rent	OMWD pipeline rental payment 5,359.50
29561	Pacific Green Landscape	Services - Landscape	Landscape - November 1,125.00
29562	Pacific Pipeline Supply	Repair Parts Expense	Valve brass ball, flange, and gaskets 170.94
29563	P.E.R.S.	Medical Insurance - Pers	Health - December 17,098.62
29564	Procopio Cory Hargreaves	Services - Legal	General - October 2,280.00
29565	Santa Fe Irrigation District	Utilities - Water	Seabright Ln - 09/04/13 - 11/04/13 89.47
29566	Santa Fe Irrigation District	SFID Distribution Pipeline	Pipeline purchase payment - October 1,253.10
29567	San Diego Gas & Electric	Utilities - Gas & Electric	Gas and electric - 10/07/13 - 11/05/13 44,347.12
29568	Terminix Processing Center	Services - Maintenance	Pest control 157.00
29569	Test America	Services - Laboratory	Testing water samples 145.00
29570	Unifirst Corporation	Services - Uniforms	Uniform service 571.00
29571	Underground Service Alert/SC	Services - Alarm	Dig alert - October 76.50
29572	USA Bluebook	Repair Parts Expense	Stenner variable cam and Signalmaster 132.21

SAN ELIJO JOINT POWERS AUTHORITY

PAYMENT OF WARRANTS

14-12

For the Month of November-2013

Check #	Vendor Name	Description	Amount
29573	Verizon Wireless	Utilities - Telephone	Cell phone service - 11/08/13 - 12/07/13 512.38
29574	VWR International, Inc.	Supplies - Lab	Standard condctvy, gloves, and funnel mag 911.93
29575	WorkPartners Occupational	Services - Medical	Vaccinations 300.00
	San Elijo Payroll Account	Payroll	Payroll - 11/01/13 (Less Retirement Plans) 61,936.23
	San Elijo Payroll Account	Payroll	Payroll - 11/15/13 (Less Retirement Plans) 62,512.56
			<u>\$ 542,055.49</u>

SAN ELIJO JOINT POWERS AUTHORITY

PAYMENT OF WARRANTS SUMMARY

**For the Month of November-2013
As of December 1, 2013**

PAYMENT OF WARRANTS \$ 542,055.49
Reference Number 14-12

I hereby certify that the demands listed and covered by warrants are correct and just to the best of my knowledge, and that the money is available in the proper funds to pay these demands. The cash flows of the SEJPA, including the Member Agency commitment in their operating budgets to support the operations of the SEJPA, are expected to be adequate to meet the SEJPA's obligations over the next six months. I also certify that the SEJPA's investment portfolio complies with the SEJPA's investment policy.



Paul F. Kinkel
Director of Finance & Administration

STATEMENT OF FUNDS AVAILABLE FOR PAYMENT OF WARRANTS
AND INVESTMENT INFORMATION
As of December 1, 2013

FUNDS ON DEPOSIT WITH	AMOUNT
LOCAL AGENCY INVESTMENT FUND <i>(SEPTEMBER 2013 YIELD 0.26%)</i>	
RESTRICTED SRF RESERVE	\$ 630,000.00
UNRESTRICTED DEPOSITS	\$ 5,741,201.99
CALIFORNIA BANK AND TRUST <i>(SEPTEMBER 2013 YIELD 0.01%)</i>	
REGULAR CHECKING	\$ 74,388.95
PAYROLL CHECKING	\$ 5,000.00
 TOTAL RESOURCES	 \$ 6,450,590.94

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

December 9, 2013

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: SAN ELIJO WATER RECLAMATION FACILITY TREATED EFFLUENT FLOWS –
MONTHLY REPORT

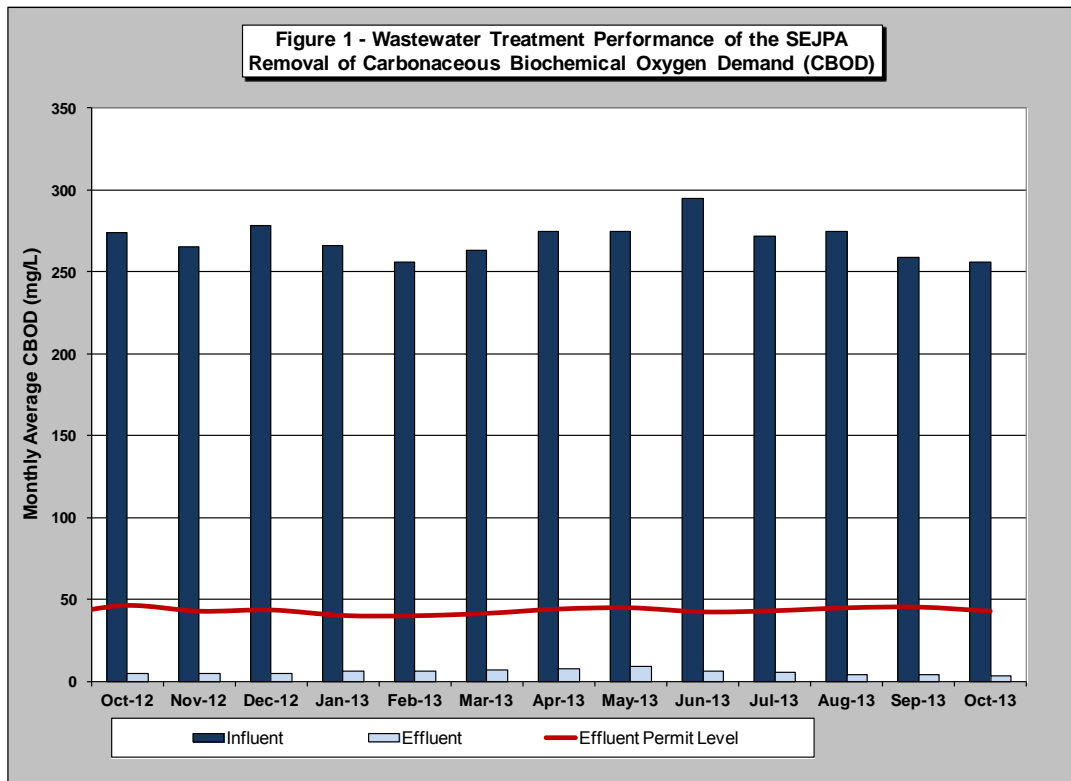
RECOMMENDATION

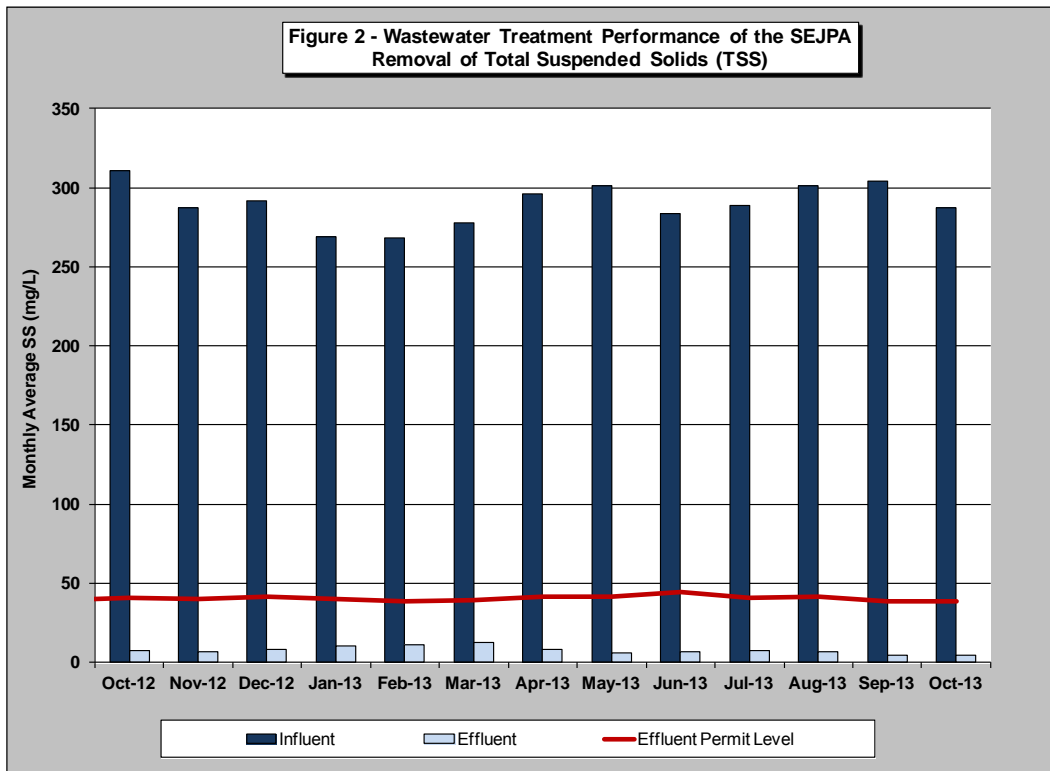
No action required. This memorandum is submitted for information only.

DISCUSSION

Monthly Treatment Plant Performance and Evaluation

Wastewater treatment for the San Elijo Joint Powers Authority (SEJPA) met all NPDES ocean effluent limitation requirements for the month of October 2013. The primary indicators of treatment performance include the removal of Carbonaceous Biochemical Oxygen Demand (CBOD) and Total Suspended Solids (TSS). The SEJPA is required to remove a minimum of 85 percent of the CBOD and TSS from the wastewater. Treatment levels for CBOD and TSS were 98.6 and 98.4 percent removal, respectively, in the period (as shown in Figure 1 and Figure 2).





Member Agency Flows

Presented below are the influent and effluent flows for the month of October. Average daily influent flows were recorded for each Member Agency. Total effluent flow was calculated for the San Elijo Water Reclamation Facility.

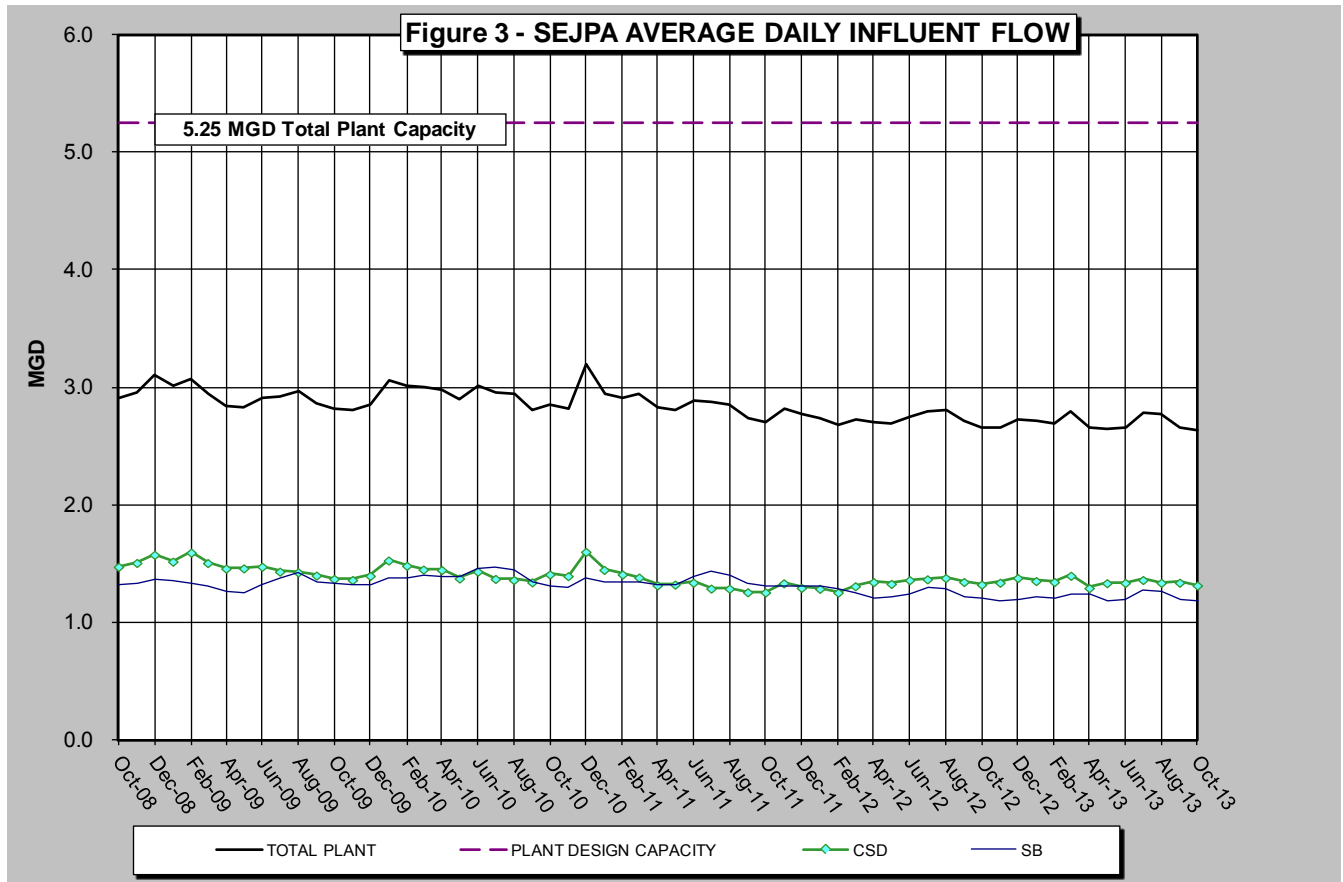
	October	
	<u>Influent (mgd)</u>	<u>Effluent (mgd)*</u>
Cardiff Sanitary Division	1.319	0.629
City of Solana Beach	1.184	0.565
Rancho Santa Fe SID	0.132	0.063
Total San Elijo WRF Flow	2.635	1.257

Notes: As of July 1995, Rancho Santa Fe Community Services District (CSD) combined SID #2 and SID #3 into one Sewer Improvement District (SID).

* Effluent is calculated by subtracting the recycled water production from the influent wastewater.

Table 1 (next page) presents the historical average, maximum, and unit influent and effluent flow rates per month for each of the Member Agencies since October 2008. It also presents the number of connected Equivalent Dwelling Units (EDUs) for each of the Member Agencies during this same time period.

Figure 3 (below) presents the 5-year historical average daily flows per month for each Member Agency. This is to provide a historical overview of the average treated flow by each agency. As shown in the figure, the average treated flow has been approximately 2.7 million gallons per day (mgd), down from 3.0 mgd in 2008. Also shown in Figure 3 is the total wastewater treatment capacity of the plant, 5.25 mgd, of which each Member Agency has the right to 2.5 mgd, and Rancho Santa Fe Community Service District has the right to 0.25 mgd.



City of Escondido Flows

The average and peak flow rate from the City of Escondido Hale Avenue Resource Recovery Facility, which discharges through the San Elijo Ocean Outfall, is reported below. The following average flow rate and peak flow rate is reported by the City of Escondido for the month of October.

	October (mgd)
Escondido (Average flow rate)	8.36
Escondido (Peak flow rate)	15.7

Connected Equivalent Dwelling Units

The number of EDUs connected for each of the Member Agencies for the month of October is as follows:

	October (EDU)
Cardiff Sanitary Division	8,314
Rancho Santa Fe SID	494
City of Solana Beach	7,428
San Diego (to Solana Beach)	300
Total EDUs to System	16,536

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

December 9, 2013

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: SAN ELIJO WATER RECLAMATION PROGRAM–MONTHLY REPORT

RECOMMENDATION

No action required. This memorandum is submitted for information only.

DISCUSSION

Recycled Water Production

For the month of October 2013, recycled water demand was 118.46 acre-feet (AF), which was met using 118.46 AF of recycled water and 0.00 AF of supplementation with potable water.

In October 2013 staff noted a few isolated positive coliform sample results in the recycled water effluent. These incidents began occurring intermittently during startup of the new Advanced Water Treatment system. Additional process samples are being collected to help identify the root cause so that it can be corrected. In November the chlorine contact tank was taken off line and cleaned to help ensure effective disinfection of the recycled water. The Regional Water Quality Control Board, which is the permitting agency with primary responsibility for the treatment system performance was informed of this issue and corrective actions taken.

Figure 1 (attached) provides monthly supply demands for recycled water since October 2000. Figure 2 (attached) provides a graphical view of annual recycled water demand spanning fourteen completed fiscal years and the current fiscal year. Figure 3 (attached) shows the October recycled water demand for each October since the program began.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

Figure 1 - MONTHLY RECYCLED WATER DEMAND

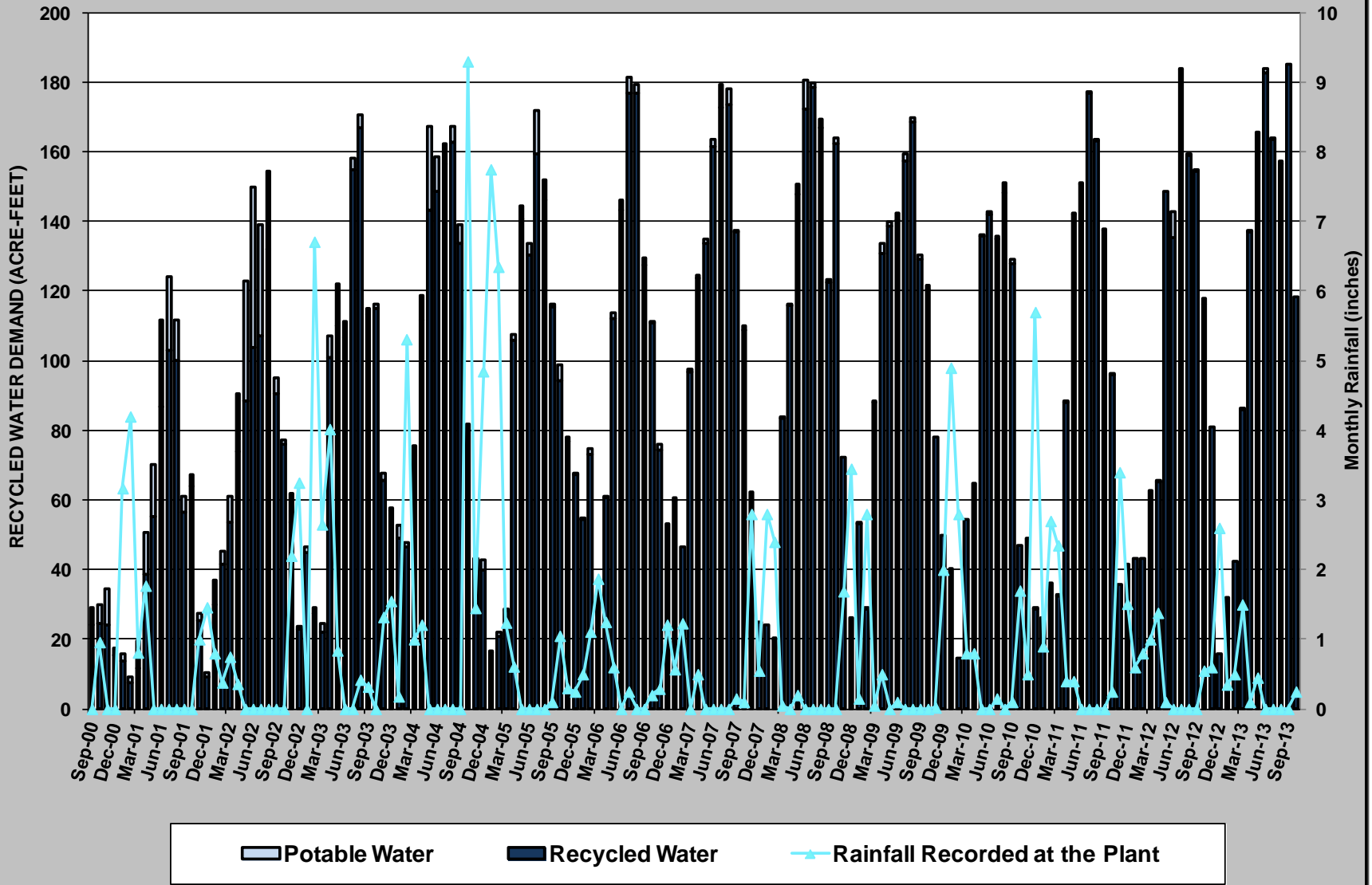


Figure 2 - RECYCLED WATER DEMAND by FISCAL YEAR

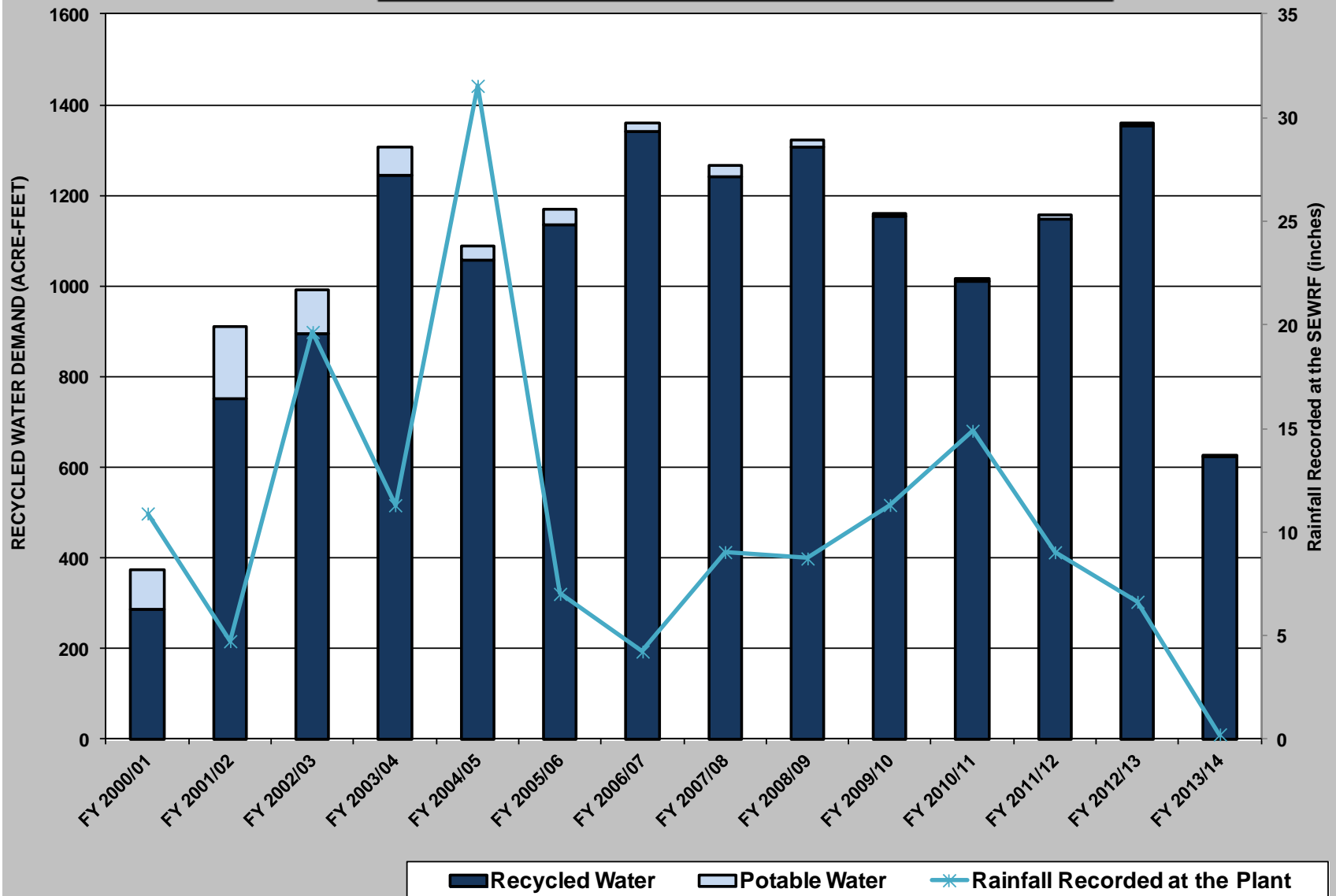
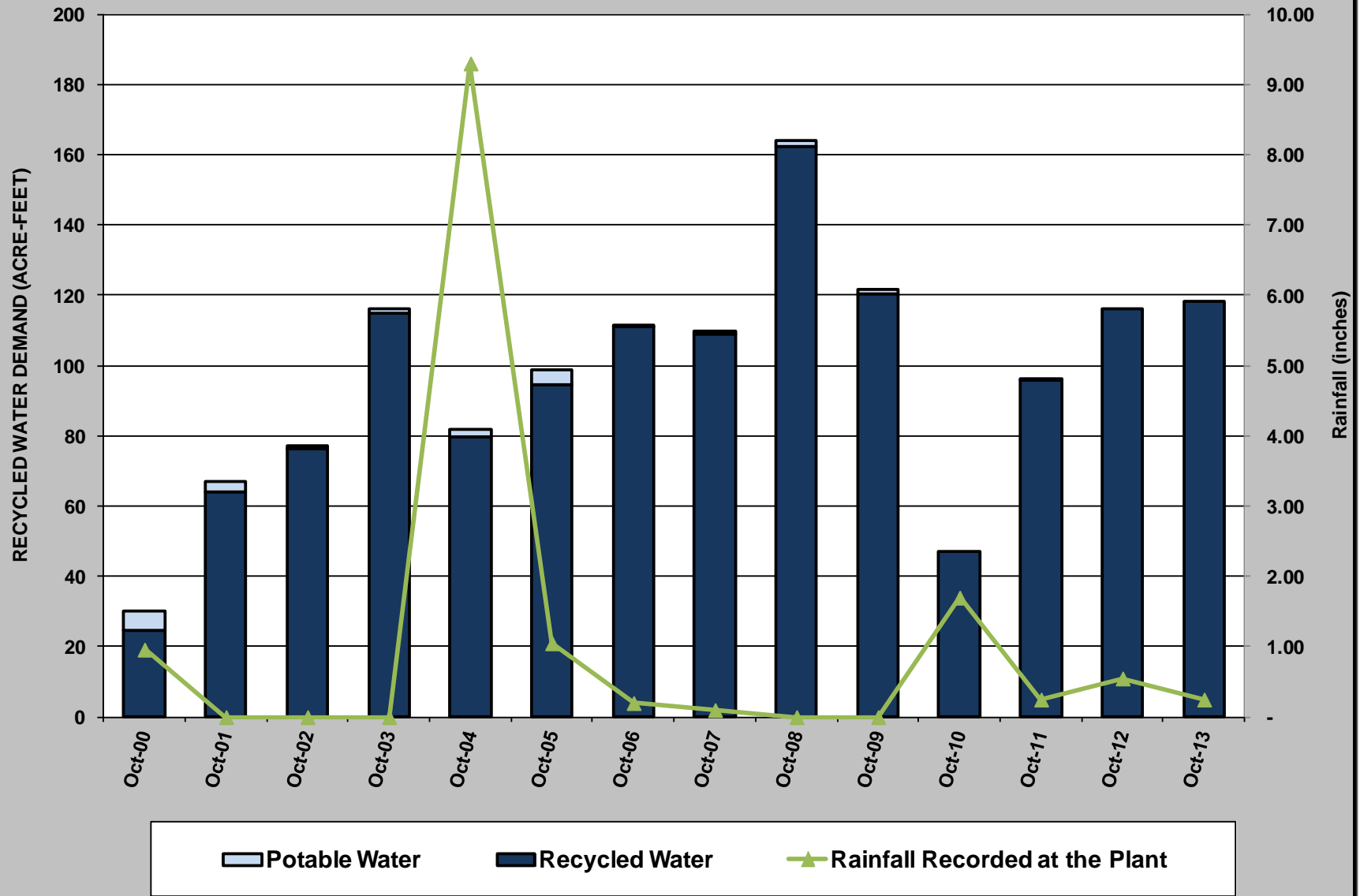


Figure 3 - OCTOBER RECYCLED WATER DEMAND



SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

December 9, 2013

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: Director of Finance/Administration

SUBJECT: SAN ELIJO JOINT POWERS AUTHORITY ANNUAL AUDIT

RECOMMENDATION

It is recommended that the Board of Directors:

1. Accept and file the 2012-13 Fiscal Year Audit for the San Elijo Joint Powers Authority; and
2. Discuss and take action as appropriate.

DISCUSSION

The audit of the San Elijo Joint Powers Authority (SEJPA) for Fiscal Year 2012-2013 has been completed with an unqualified (clean) opinion on the basic Financial Statements and is presented to the SEJPA Board of Directors for approval along with the required communication to those charged with governance. The SEJPA auditor, Leaf & Cole, LLP has performed this 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.

As part of the audit, Leaf & Cole, LLP is required by professional standards to communicate to the Board of Directors certain information related to the audit. This letter is required to include information related to accounting practices, audit difficulties, disagreements with management, management representations, corrected and uncorrected misstatements, and other audit findings, issues or matters. No transactions were noted where there was a lack of authoritative guidance or consensus. The financial statement disclosures are neutral, consistent, and clear. There were no significant difficulties or disagreements with management in performing and completing the audit. Included with this letter is the list of adjustments made during the audit process. The majority of these adjustments were due to the reconciliation of certain accounts during the audit process and the restatement of the Bond Issuance Costs in accordance with Government Accounting Standards Board No. 65, "Items Previously Reported as Assets and Liabilities" where certain debt issuance costs are expensed when incurred rather than amortized over the life of the bond.

The audited financial statements include the following sections:

- Independent Auditor's Report
- Management Discussion and Analysis
- Statement of Net Position
- Statements of Revenues, Expenses and Changes in Net Assets
- Statements of Cash Flows
- Notes to Financial Statements
- Supplementary Information-Waste Water and Reclamation Basis Financial Statements

Mr. Michael Zizzi, CPA, engagement partner for the audit, will give a verbal presentation to the Board of Directors summarizing the audit and answer any questions.

ACKNOWLEDGEMENT

This report could not have been accomplished without the support and input from all departments at SEJPA and our independent auditor, Leaf & Cole, LLP. We would also like to thank the Board of Directors for their continued guidance and supporting prudent fiscal management.

It is therefore recommended that the Board of Directors:

1. Accept and file the 2012-13 Fiscal Year Audit for the San Elijo Joint Powers Authority; and
2. Discuss and take action as appropriate.

Respectfully submitted,



Paul F. Kinkel
Director of Finance & Administration

Attachment 1: Statements on Auditing Standards 114

Attachment 2: San Elijo Joint Powers Authority Financial Statements June 30, 2013 and 2012



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

ATTACHMENT 1

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

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

We have audited the financial statements of San Elijo Joint Powers Authority for the years ended June 30, 2013 and 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 11, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Elijo Joint Powers Authority are described in Note 1 to the financial statements. As described in Note 17 to the financial statements, in 2013 the SEJPA adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of net position. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting San Elijo Joint Powers Authority's financial statements were:

- The allowance for doubtful accounts has been estimated based upon past experience and on an analysis of current receivable and inventory balances.
- Amortization of bond issuance costs, the deferred amount on refunding and the original issue premium.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. This most sensitive disclosures affecting the financial statements were:

- Cash and Investments (Note 2)
- Restricted Assets (Note 4)
- Noncurrent Liabilities (Note 8)
- Reimbursement Agreement Payable (Note 12)
- Deferred Benefit Pension Plan (Note 14)
- Change in Accounting Principle (Note 17)

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate.

Disagreements With Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreement arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2013.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the SEJPA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the SEJPA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of San Elijo Joint Powers Authority and is not intended to be and should not be used by anyone other than these specified parties.

San Diego, California
December 9, 2013

DRAFT

Prepared by _____

SAN ELIJO JOINT POWERS AUTHORITY
Adjusting Journal Entries

05182A

Page 1

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
01	Adjusting	06/30/13					
		1076.50	Solana Beach Revenue Fund		1.30		
		4980.50	Interest on Notes	1.30			
			To correct for misposting of interest income in the fiduciary accounts			(1.30)	
02	Adjusting	06/30/13					
		1560.50	Bond Issue Costs		172,960.00		
		1561.50	Accum. Depreciation Issue Cost	195,949.05			
		5241.50	Amortization Expense - Issue Cost	3,510.38			
		3500.50	Retained Earnings		26,499.43		
			To adjust issue costs and their amortization due to the implementation of GASB 65			(3,510.38)	
03	Adjusting	06/30/13					
		1562.50	Accum. Depreciation Orig. Issu	4,355.46			
		5242.50	Amortization Expense Original Iss		4,355.46		
		1563.50	Accum. Depreciation Def Amt on		2,252.24		
		5243.50	Amortization Expense - Def Amt c	2,252.24			
			To adjust the amortization period of ltd to agree to that used in prior years			2,103.22	
04	Adjusting	06/30/13					
		2360.20	AWT Accrued Interest Payable	117.38			
		5810.20	Interest Expense - AWT Note		117.38		
			To agree the interest accrued on the AWT Loan to the detail			117.38	
05	Adjusting	06/30/13					
		4910.10	Contribution From Solana Beach	30,059.00			
		1105.10	Due From Member Agencies		30,059.00		
		4914.10	Contribution From Cardiff SD		25,800.00		
		1105.10	Due From Member Agencies	25,800.00			
			To record the client's final billing			(4,259.00)	

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SAN ELIJO JOINT POWERS AUTHORITY
Adjusting Journal Entries

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Page 2

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
06	Adjusting	06/30/13					
		1110.50	Due from Other Gov. Agencies	39,238.00			
		4918.50	Contribution From RSF SID 2&3		39,238.00		
						39,238.00	
			To record the capital billings to Rancho 2 and 3 that were not paid at year end				
07	Adjusting	06/30/13					
		1110.10	Due from Other Gov. Agencies	4,259.00			
		4918.10	Contribution From RSF SID 2&3		4,259.00		
						4,259.00	
			to record the final billing for 2013 related to agencies other than encinitas and solana beach				
08	Adjusting	06/30/13					
		1110.10	Due from Other Gov. Agencies	81,379.47			
		1110.10	Due from Other Gov. Agencies	60,840.00			
		1110.20	Due from Other Gov. Agencies		81,379.47		
		1110.20	Due from Other Gov. Agencies		60,840.00		
		1060.10	Savings - LAIF		142,219.47		
		1060.20	Savings - LAIF	142,219.47			
						0.00	
			To reclass reclamation funds received to the proper fund				
09	Adjusting	06/30/13					
		1110.10	Due from Other Gov. Agencies	2,214.00			
		4936.10	Lab Service Fees-RSF SID 1		2,214.00		
						2,214.00	
			To recognize revenue for credits carrying over from the prioryear for RSF CSD #1				
10	Adjusting	06/30/13					
		1110.10	Due from Other Gov. Agencies	513.00			
		4933.10	Lab Service Fees - SFV		513.00		
						513.00	
			To record revenue for prior year credits for Santa Fe Valley				

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SAN ELIJO JOINT POWERS AUTHORITY
Adjusting Journal Entries

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Page 3

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
11	Adjusting	06/30/13					
		5900.10	Contingency		19,655.76		
		5260.10	Equipment Rental/Lease	2,577.42			
		5260.10	Equipment Rental/Lease	2,577.42			
		5260.10	Equipment Rental/Lease	2,712.42			
		5260.10	Equipment Rental/Lease	2,577.42			
		5260.10	Equipment Rental/Lease	2,847.42			
		5414.10	Services - Maintenance	6,363.66			
						0.00	
			Recorded at client request to clear out account 5900 contingency				
12	Adjusting	06/30/13					
		5401.50	Services - Construction		3,452,150.24		
		5404.50	Services - Engineering		236,989.24		
		5410.50	Services - Legal		1,054.50		
		5414.50	Services - Maintenance		637.00		
		5415.50	Services - Testing		2,389.54		
		5425.50	Services - Other		9,222.00		
		5430.50	Subcontractors		46,680.16		
		5510.50	Subsistence - Meals		61.88		
		5600.50	Supplies - Chemicals		1,193.85		
		5800.50	Capital Outlay		11,441.98		
		5350.50	Repair Parts Expense		21,871.07		
		1480.50	Construction in Progress	3,783,691.46			
						3,783,691.46	
			To close fund 50 Capital expenses to CIP				
13	Adjusting	06/30/13					
		2200.10	Retention		53,554.68		
		1480.50	Construction in Progress	53,554.68			
		1060.10	Savings - LAIF	53,554.68			
		1060.50	Savings - LAIF		53,554.68		
		2200.50	Retention	27,964.80			
		1480.50	Construction in Progress		27,964.80		
						0.00	
			to post correcting entries related to Retentions that were recorded in retention payable and not reflected in CIP				
14	Adjusting	06/30/13					
		1000.20	General Checking		2,415,028.20		
		1000.50	General Checking	2,931,444.97			
		1010.20	Payroll Checking	345,336.01			
		1060.20	Savings - LAIF	2,415,028.20			
		1060.50	Savings - LAIF		2,931,444.97		
		1060.20	Savings - LAIF		345,336.01		
		1000.10	General Checking		516,416.77		
		1010.10	Payroll Checking		345,336.01		
		1060.10	Savings - LAIF	861,752.78			

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SAN ELIJO JOINT POWERS AUTHORITY
Adjusting Journal Entries

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
			to bring the operating cash and the payroll cash into balance through LAIF			0.00	
15	Adjusting	06/30/13					
		1110.10	Due from Other Gov. Agencies	18.00			
		4936.10	Lab Service Fees-RSF SID 1		152.00		
		4937.10	Lab Service Fees-Whisp. Palms		276.00		
		4930.10	Laboratory Service Fees-County		69.00		
		4938.10	Lab Service Fees-Fairbanks Rch		437.00		
		2110.10	Due to Other Govt Agencies	667.00			
		4940.10	Other Contributions	249.00			
						685.00	
			To clean up minor discrepancies in revenue and receivables related to prior years				
16	Adjusting	06/30/13					
		1110.20	Due from Other Gov. Agencies	31,662.22			
		4956.20	Reclaimed Water Sales - OMWD		31,662.22		
						31,662.22	
			To accrue for Olivenhain reclaimed water sales for May and June which were received in July				
17	Adjusting	06/30/13					
		1440.10	Plant Equipment	1,410,023.14			
		1440.20	Plant Equipment	5,120,836.94			
		1480.50	Construction in Progress		6,530,860.08		
		3500.50	Retained Earnings	6,530,860.08			
		3500.20	Retained Earnings		5,120,836.94		
		3500.10	Retained Earnings		1,410,023.14		
						0.00	
			To close cip to capital and re-allocate equity accordingly				
18	Adjusting	06/30/13					
		5240.10	Depreciation	1,127,565.00			
		5240.20	Depreciation	466,987.00			
		1520.10	Accum. Depreciation Lab Equip		7,816.00		
		1530.10	Accum. Depreciation Office Equ		9,560.00		
		1530.20	Accum. Depreciation Office Equ		1,361.00		
		1540.10	Accum. Depreciation Plant Equi		1,103,307.00		
		1540.20	Accum. Depreciation Plant Equi		460,725.00		
		1550.10	Accum. Depreciation Vehicles		6,882.00		
		1550.20	Accum. Depreciation Vehicles		4,901.00		
						(1,594,552.00)	
			to record the current year provision for depreciation				

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SAN ELIJO JOINT POWERS AUTHORITY
Adjusting Journal Entries

05182A

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
19	Adjusting	06/30/13					
		2415.20	SFID Distribution Pipeline		340.46		
		5812.00	Interest Expense - SFID Note	340.46			
			to agree the Pipeline transfer note to the details			(340.46)	
20	Adjusting	06/30/13					
		1310.10	Prepaid Insurance	12,158.48			
		1310.20	Prepaid Insurance	5,210.78			
		5290.10	Insurance - Liability		12,158.48		
		5290.20	Insurance - Liability		5,210.78		
			Adjust Prepaid Insurance			17,369.26	4-1
21	Adjusting	06/30/13					
		1110.20	Due from Other Gov. Agencies	100,719.45			
		4951.20	Reclaimed Water Sales - SFID		90,969.45		
		4954.20	Reclaimed Water Sales - ERGC		9,750.00		
			to record all reclaimed water revenues at the end of the year			100,719.45	
22	Adjusting	06/30/13					
		2500.10	OPEB Payable		16,282.29		
		2500.20	OPEB Payable		2,725.76		
		5152.10	PERS Liability Paydown	16,282.29			
		5152.20	PERS Liability Paydown	2,725.76			
			to record the current year amortization of the Annual Required Contribution			(19,008.05)	
23	Adjusting	06/30/13					
		4953.20	Reclaimed Water Sales - Del Ma		9,779.87		
		1140.20	Retrofit Loan - Del Mar	9,951.77			
		4990.2	Interest Income		171.90		
			To correct the allocation of del mar's billings between reclaimed water sales and retro fit loan payments per client			9,951.77	

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SAN ELIJO JOINT POWERS AUTHORITY
Adjusting Journal Entries

05182A

Page 6

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
24	Adjusting	06/30/13					
		1060.10	Savings - LAIF		1,427,457.96		
		1060.20	Savings - LAIF		5,064,162.47		
		1060.50	Savings - LAIF	6,491,620.43			
		1110.20	Due from Other Gov. Agencies		0.26		
		1140.20	Retrofit Loan - Del Mar		3.07		
		1440.10	Plant Equipment	91,256.61			
		1440.20	Plant Equipment		33,308.55		
		1450.10	Vehicles	29,471.96			
		1480.50	Construction in Progress	1.65			
		1520.10	Accum. Depreciation Lab Equip		0.42		
		1530.10	Accum. Depreciation Office Equ		0.21		
		1530.20	Accum. Depreciation Office Equ		0.11		
		1540.10	Accum. Depreciation Plant Equi		3,855.51		
		1540.20	Accum. Depreciation Plant Equi	189.28			
		1550.10	Accum. Depreciation Vehicles	7,660.70			
		1550.20	Accum. Depreciation Vehicles		8,152.30		
		3500.10	Retained Earnings	1,410,021.93			
		3500.20	Retained Earnings	5,120,836.50			
		3500.50	Retained Earnings		6,530,858.43		
		4940.10	Other Contributions		18,575.00		
		4940.50	Other Contributions	18,575.00			
		4953.20	Reclaimed Water Sales - Del Ma	3.02			
		4990.20	Interest Income	0.05			
		5240.10	Depreciation	4,347.44			
		5240.20	Depreciation		188.87		
		5275.10	Fees - Permits	10,873.00			
		5275.20	Fees - Permits		10,873.00		
		5350.10	Repair Parts Expense		39,524.24		
		5350.20	Repair Parts Expense	6,787.00			
		5380.20	Retrofit Expenses		0.31		
		5411.20	Services - Lobbying		0.50		
		5800.10	Capital Outlay		43,557.04		
		5800.20	Capital Outlay		11,127.39		
		5805.50	Bond Interest Expense		0.50		
		5900.10	Contingency	1.57			
						83,259.77	
			Recorded at client request to bring the various funds together and correct mispostings				
		TOTAL		<u>39,112,594.60</u>	<u>39,112,594.60</u>	<u>2,454,112.34</u>	

ATTACHMENT 2

SAN ELIJO JOINT POWERS AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

DRAFT



Leaf & Cole, LLP
Certified Public Accountants

**SAN ELIJO JOINT POWERS AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

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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

Report on Financial Statements

We have audited the accompanying financial statements of San Elijo Joint Powers Authority, which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Elijo Joint Powers Authority, as of June 30, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 8 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted on inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the San Elijo JPA's basic financial statements. The supplementary comparative schedule of net position - wastewater, comparative schedule of revenues, expenses, and change in net position - wastewater, comparative schedule of net position - reclamation, comparative schedule of revenues, expenses, and changes in net position - reclamation, the operating budget comparison schedule - wastewater, and the operating budget comparison schedule - reclamation are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The operating budget comparison schedule - wastewater and the operating budget comparison schedule - reclamation have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or any assurance on them.

Change in Accounting Principle

As discussed in Note 17 to the financial statements, in 2013 the District adopted new accounting guidance GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

San Diego, California
December 9, 2013

DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of the San Elijo Joint Powers Authority's (SEJPA) provides an overview of the SEJPA's financial activities as of and for the years ended June 30, 2013 and 2012. Please read it in conjunction with the SEJPA's financial statements which begin on page 9.

Financial Statements

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

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

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

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

The statement of net position provides the basis for computing rate of return evaluating the capital structure of the SEJPA and assessing its liquidity and financial flexibility.

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

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

- Operations
- Capital and related financing
- Noncapital financing
- Investing

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

- The SEJPA's net position increased by \$791,105 to \$37,785,741 for the year ended June 30, 2013.
- The SEJPA's total revenues decreased from \$7,955,097 for the year ended June 30, 2012, to \$7,253,352 for the year ended June 30, 2013. The decrease in member agency contributions due to the refinancing accounts for the majority of the decrease.
- The SEJPA's total expense decreased from \$6,856,939 for the year ended June 30, 2012, to \$6,462,247 for the year ended June 30, 2013. The decrease in interest expense accounts for the majority of the decrease.

Financial Analysis of the SEJPA

Net Position

The following is a summary of the SEJPA's statement of net position at June 30, 2013 and 2012, respectively:

	2013	2012	Change
<u>Assets:</u>			
Current and other assets	\$ 15,542,336	\$ 19,180,199	\$ (3,637,863)
Capital assets	39,996,507	37,172,365	2,824,142
Total Assets	<u>55,538,843</u>	<u>56,352,564</u>	<u>(813,721)</u>
<u>Deferred Outflows of Resources:</u>			
Deferred amount of refunding	<u>278,682</u>	<u>319,968</u>	<u>(41,286)</u>
<u>Liabilities:</u>			
Current liabilities	2,697,193	2,702,644	(5,451)
Noncurrent liabilities	15,334,591	16,975,252	(1,640,661)
Total Liabilities	<u>18,031,784</u>	<u>19,677,896</u>	<u>(1,646,112)</u>
<u>Net Position:</u>			
Invested in capital assets, net of related debt	31,287,365	27,977,086	3,310,279
Restricted	630,000	2,632,444	(2,002,444)
Unrestricted	5,868,376	6,385,106	(516,730)
Total Net Position	<u>\$ 37,785,741</u>	<u>\$ 36,994,636</u>	<u>\$ 791,105</u>

As you can see from the table above, net position increased by \$791,105 from fiscal year 2012 to 2013. Invested in capital assets, net of related debt, increased \$3,310,279 in fiscal year 2013. This increase is the result of principal paid on the SEJPA's long-term debt and the increase in investment in capital assets, net of depreciation expense.

Restricted net position decreased by \$2,002,444 from fiscal year 2012 to 2013 as funds restricted for construction of capital projects were expended for their intended purpose.

Unrestricted net assets (those that can be used to finance day-to-day operations) decreased \$516,730 due to a decrease in net working capital resulting from the use of assets to fund capital projects and service debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the District (Continued)

Revenues, Expenses and Changes in Net Position

The following is a summary of the SEJPA's revenues, expenses and changes in net position for the years ended June 30, 2013 and 2012, respectively:

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Operating contributions from members	\$ 2,970,471	\$ 3,051,264	\$ (80,793)
Charges to nonmember agencies	3,050,637	2,558,203	492,434
Nonoperating revenue	372,484	586,786	(214,302)
Member agency assessments	859,760	749,524	110,236
Member agency contribution to refinancing	-	1,009,320	(1,009,320)
Total Revenues	<u>7,253,352</u>	<u>7,955,097</u>	<u>(701,745)</u>
Operating expenses	5,960,570	5,834,995	125,575
Interest expense	501,677	853,292	(351,615)
Other nonoperating expense	-	168,652	(168,652)
Total Expenses	<u>6,462,247</u>	<u>6,856,939</u>	<u>(394,692)</u>
Increase in Net Position	<u>\$ 791,105</u>	<u>\$ 1,098,158</u>	<u>\$ (307,053)</u>

A closer examination of the source of changes in net position reveals that the SEJPA's operating revenues increased by \$411,641 in fiscal year 2013. Nonoperating revenues decreased by \$1,113,386 in fiscal year 2013 due to member agency contributions to the refinancing in the prior year, and a reduction in interest earnings. Operating costs, exclusive of depreciation, increased \$59,824 in fiscal year 2013. Interest expense decreased \$351,615 from 2012 to 2013 as a result of the prior year refinancing which included a call premium.

Capital Assets

Capital assets consist of the following at June 30, 2013 and June 30, 2012, respectively:

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Plant equipment	\$ 65,815,304	\$ 58,700,345	\$ 7,114,959
Lab equipment	119,878	119,878	-
Office equipment	105,564	105,564	-
Vehicles	303,235	273,763	29,472
Construction-in-progress	51,424	2,773,003	(2,721,579)
Subtotal	<u>66,395,405</u>	<u>61,972,553</u>	<u>4,422,852</u>
Less: Accumulated depreciation	<u>(26,398,898)</u>	<u>(24,800,188)</u>	<u>(1,598,710)</u>
Net Capital Assets	<u>\$ 39,996,507</u>	<u>\$ 37,172,365</u>	<u>\$ 2,824,142</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets (Continued)

The net additions of capital assets being depreciated for fiscal year 2013 totaled \$7,144,431. Capital asset additions consisted of advanced water treatment, plant electrical improvements, the sediment pad, outfall peak demand management and other miscellaneous capital improvements.

Long-Term Debt

The following is a summary of long-term debt at June 30, 2013 and June 30, 2012, respectively.

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>
2011 Refunding Revenue Bonds	\$ 8,020,000	\$ 9,185,000	\$ (1,165,000)
Original Issue Premium	538,970	618,818	(79,848)
2011 Refunding Revenue Bonds, Net	<u>8,558,970</u>	<u>9,803,818</u>	<u>(1,244,848)</u>
State Loan Payable	5,984,736	6,653,084	(668,348)
Private Placement Loan Payable	1,900,228	1,967,423	(67,195)
SFID Reimbursement Agreement	473,919	-	473,919
Total Long-Term Debt	<u>16,917,853</u>	<u>18,424,325</u>	<u>(1,506,472)</u>
Less: Current Portion	<u>(1,955,070)</u>	<u>(1,825,543)</u>	<u>(129,527)</u>
	<u>\$ 14,962,783</u>	<u>\$ 16,598,782</u>	<u>\$ (1,635,999)</u>

The SEJPA obtained a reclaimed water distribution pipeline extension which was financed through a reimbursement agreement with the Santa Fe Irrigation District.

Economic Factors

Consistent with the prior year, SEJPA's fiscal year 2013/14 sanitary fund operations and maintenance budget is \$4.1 million. The water reclamation budget is \$1.0 million. Sales of reclaimed water are budgeted to be approximately 1,370 acre feet in the upcoming year, a 1% increase from a year ago. Only a minor increase in revenue is anticipated due to a new customer.

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 \$120,260 and remains unchanged from last year's budget levels.

The capital project program will have a budget of \$1.1 million during the upcoming year. This is primarily for improvements to the wastewater and ocean outfall programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors (Continued)

Costs of sanitary services are allocated on the basis of percentage of use, as indicated by measured flows, or level of effort, as appropriate. On the basis of connected equivalent dwelling units (EDU's) for wastewater treatment provided to the member agencies, the budgeted cost is approximately \$159 per EDU per year for 2013-2014. This represents a 4% decrease from 2012-2013. The Encinitas Ranch Golf Course pays a set annual price for interruptible water service, which increases 5% annually. For the remaining water agencies, recycled water sales are based on individual contracts which include minimum annual purchase volumes and negotiated water rate prices. These fees are supplemented by incentives from the Metropolitan Water District and the San Diego County Water Authority.

On October 8, 2012, the Board adopted a resolution to amend the contract between CalPERS and the SEJPA. This resolution amended the contract to include Section 20475 (Different Level of Benefits) for new Miscellaneous Members of the Public Employees' Retirement System, Section 21353 (2% at 60 Full Formula), and Section 20037 (Three-Year Final Compensation) this resolution will be applicable to all SEJPA employees entering membership for the first time in the miscellaneous classification after June 30, 2013. The lower benefit payout will result in a lower contribution rate for the SEJPA in the future as new employees enter the SEJPA workforce. In the current year, the employer rate for the 2.5% at 55 pool is 16.92%, the employer rate for the new 2.0% at 60 pool is 8.049% and the 2.0% at 60 pool is 6.25%. All employees will pay the full employee portion of the CalPERS retirement benefit.

Contacting the Authority's Financial Manager

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

**SAN ELIJO JOINT POWERS AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012**

ASSETS

	<u>2013</u>	<u>2012</u>
<u>Current Assets:</u> (Notes 1, 2 and 3)		
Cash and cash equivalents	\$ 6,328,168	\$ 6,519,880
Due from other government agencies	299,632	549,919
Accrued interest receivable	97,793	113,545
Prepaid expenses	17,369	-
Current portion of loans receivable	<u>1,200,000</u>	<u>1,165,000</u>
Total Current Assets	<u>7,942,962</u>	<u>8,348,344</u>
<u>Noncurrent Assets:</u> (Notes 1, 2, 4, 5, 6 and 7)		
Restricted Assets:		
Cash and cash equivalents	<u>630,001</u>	<u>2,641,410</u>
Total Restricted Assets	<u>630,001</u>	<u>2,641,410</u>
Loans Receivable , net of current portion	<u>6,820,000</u>	<u>8,020,000</u>
Capital Assets:		
Nondepreciable	51,424	2,773,003
Depreciable, net of accumulated depreciation	<u>39,945,083</u>	<u>34,399,362</u>
Total Capital Assets	<u>39,996,507</u>	<u>37,172,365</u>
Other Assets:		
Retrofit loans receivable	114,959	130,933
Bond insurance costs	<u>34,414</u>	<u>39,512</u>
Total Other Assets	<u>149,373</u>	<u>170,445</u>
Total Noncurrent Assets	<u>47,595,881</u>	<u>48,004,220</u>
TOTAL ASSETS	<u>55,538,843</u>	<u>56,352,564</u>
DEFERRED OUTFLOWS OF RESOURCES: (Note 9)		
Deferred amount on refunding	\$ <u>278,682</u>	\$ <u>319,968</u>

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

**SAN ELIJO JOINT POWERS AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2013 AND 2012**

LIABILITIES

	<u>2013</u>	<u>2012</u>
<u>Current Liabilities:</u> (Notes 1, 3, 8, 9, 10 and 11)		
Accounts payable	\$ 448,040	\$ 456,729
Accrued liabilities	39,147	37,798
Accrued interest payable	224,877	250,683
Due to other government agencies	30,059	1,380
Retention payable	-	130,511
Current portion of refunding revenue bonds	1,200,000	1,090,000
Current portion of state loan payable	685,057	668,348
Current portion of private placement loan payable	70,013	67,195
Total Current Liabilities	<u>2,697,193</u>	<u>2,702,644</u>
<u>Noncurrent Liabilities:</u> (Notes 1, 4, 8, 9, 10, 11, 12 and 13)		
Payable From Restricted Assets:		
Due to member agencies payable from restricted assets	<u>-</u>	<u>8,966</u>
Long-Term Debt:		
Refunding revenue bonds, net of current portion	7,358,970	8,713,818
State loan payable, net of current portion	5,299,679	5,984,736
Private placement loan payable, net of current portion	1,830,215	1,900,228
SFID reimbursement agreement payable	473,919	-
Total Long-Term Debt	<u>14,962,783</u>	<u>16,598,782</u>
Other Noncurrent Liabilities:		
Net OPEB obligation	73,604	54,596
Compensated absences	298,204	312,908
Total Other Noncurrent Liabilities	<u>371,808</u>	<u>367,504</u>
Total Noncurrent Liabilities	<u>15,334,591</u>	<u>16,975,252</u>
Total Liabilities	<u>18,031,784</u>	<u>19,677,896</u>
<u>Commitments and Contingencies</u> (Notes 13, 14 and 15)		
NET POSITION: (Note 17)		
Invested in capital assets, net of related debt	31,287,365	27,977,086
Restricted	630,000	2,632,444
Unrestricted	5,868,376	6,385,106
Total Net Position	<u>\$ 37,785,741</u>	<u>\$ 36,994,636</u>

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

SAN ELIJO JOINT POWERS AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>Operating Revenues:</u>		
Charges of services or other government agencies	\$ 3,050,637	\$ 2,558,203
Contributions from City of Encinitas	1,527,177	1,613,835
Contributions from City of Solana Beach	1,443,294	1,437,429
Total Operating Revenue	<u>6,021,108</u>	<u>5,609,467</u>
<u>Operating Expenses:</u>		
Personnel costs	2,554,530	2,699,049
Depreciation and amortization	1,603,808	1,538,058
Utilities	639,745	576,135
Contracted services	433,509	296,797
Supplies	199,387	196,690
Disposal services	176,476	185,205
Repair parts expense	130,805	149,946
Miscellaneous	109,531	90,819
Permit/purveyor fees	75,668	55,059
Insurance	37,111	47,237
Total Operating Expenses	<u>5,960,570</u>	<u>5,834,995</u>
Operating Income (Loss)	<u>60,538</u>	<u>(225,528)</u>
<u>Nonoperating Revenue (Expenses):</u>		
Investment income	330,509	563,826
Rental income	23,649	22,960
Other	18,326	(168,652)
Interest expense	(501,677)	(853,292)
Total Nonoperating Revenues (Expenses)	<u>(129,193)</u>	<u>(435,158)</u>
(Loss) Before Capital Contributions	<u>(68,655)</u>	<u>(660,686)</u>
<u>Capital Contributions:</u>		
Member agency assessments	859,760	749,524
Member agency contribution to refinancing	-	1,009,320
Total Capital Contributions	<u>859,760</u>	<u>1,758,844</u>
Change in Net Position	791,105	1,098,158
Net Position at Beginning of Year	<u>36,994,636</u>	<u>35,896,478</u>
NET POSITION AT END OF YEAR	<u>\$ 37,785,741</u>	<u>\$ 36,994,636</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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<u>Cash Flows From Operating Activities:</u>		
Cash received from customers	\$ 6,300,074	\$ 5,288,781
Cash payments to suppliers for goods and services	(1,828,290)	(1,408,049)
Cash payments to employees for services	(2,548,877)	(2,646,553)
Net Cash Provided by Operating Activities	<u>1,922,907</u>	<u>1,234,179</u>
<u>Cash Flows From Noncapital and Related Financing Activities:</u>		
Rental and other nonoperating income	<u>41,975</u>	<u>27,269</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>41,975</u>	<u>27,269</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(4,027,214)	(1,735,287)
Proceeds of long-term debt	-	2,000,000
Principal paid on long-term debt	(1,952,773)	(3,828,514)
Interest paid on long-term debt	(566,045)	(936,999)
Capital contributions	859,760	1,758,844
Net Cash Used in Capital and Related Financial Activities	<u>(5,686,272)</u>	<u>(2,741,956)</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of investments	-	(3,227,889)
Proceeds from sale or maturity of investments	-	4,819,559
Investment income	346,261	640,895
Proceeds from loans receivable	1,165,000	2,175,000
Proceeds from retrofit loans receivable	15,974	15,156
Payable from restricted assets	(8,966)	(1,603,522)
Net Cash Provided by Investing Activities	<u>1,518,269</u>	<u>2,819,199</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(2,203,121)	1,338,691
Cash and Cash Equivalents at Beginning of Year	<u>9,161,290</u>	<u>7,822,599</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 6,958,169</u>	<u>\$ 9,161,290</u>
<u>Financial Statement Classification:</u>		
Cash and cash equivalents	\$ 6,328,168	\$ 6,519,880
Cash and cash equivalents - Restricted	630,001	2,641,410
	<u>\$ 6,958,169</u>	<u>\$ 9,161,290</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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>		
Operating income (loss)	\$ 60,538	\$ (225,528)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,603,808	1,538,058
Change in assets and liabilities:		
Due from other government agencies	280,346	(240,297)
Prepaid expenses	(17,369)	-
Accounts payable	(8,689)	189,839
Accrued liabilities	1,349	6,597
Due to other government agencies	(1,380)	(80,389)
Net OPEB obligation	19,008	20,005
Compensated absences	(14,704)	25,894
Net Cash Provided by Operating Activities	<u>\$ 1,922,907</u>	<u>\$ 1,234,179</u>
 <u>Supplemental Disclosure of Cash Flow Information:</u>		
Refunding of Revenue Bonds with Revenue Bonds	<u>\$ -</u>	<u>\$ 10,310,000</u>
Refunding of California Energy Commission Note Payable with Revenue Bonds	<u>\$ -</u>	<u>\$ 1,009,320</u>
Amortization of Deferred Amount on Refunding and Original Issue Premium	<u>\$ 38,562</u>	<u>\$ 19,281</u>
Capital Assets acquired with SFID Reimbursement Agreement Payable	<u>\$ 526,149</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, 2013 AND 2012**

Note 1 - Organization and Significant Accounting Policies:

Organization

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

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

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

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

Significant Accounting Policies

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

Method of Accounting

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

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

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 1 - Organization and Accounting Policies: (Continued)

Estimates

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

Revenue Recognition

The SEJPA recognizes revenue from charges of services 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 charges of services or other government agencies and contributions from the cities to be operating revenues.

Investments

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

Allowance for Doubtful Accounts

Management believes that all amounts due from other government agencies and the retrofit loans were fully collectible; therefore no allowance for doubtful accounts was recorded as of June 30, 2013 and 2012.

Capital Assets

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

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

Depreciation totaled \$1,598,710 and \$1,535,509 for the years ended June 30, 2013 and 2012, respectively.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, 2013 and 2012.

Amortization

Bond insurance costs are being amortized on the straight-line method over periods not to exceed the debt maturities. Amortization expense totaled \$5,098 and \$2,549 for the years ended June 30, 2013 and 2012, respectively. The original issue premium is being amortized on the straight-line method over the remaining life of the related debt. Amortization of the original issue premium totaled \$79,848 and \$39,924 for the years ended June 30, 2013 and 2012, respectively.

The deferred amount on refunding is being amortized over the remaining life of the refunded debt. Amortization expense totaled \$41,286 and \$20,643 for the years ended June 30, 2013 and 2012, respectively, and is included in interest expense. The deferred amount on refunding was \$278,682 and \$319,968 at June 30, 2013 and 2012, respectively.

Classification of Liabilities

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

Compensated Absences

Accumulated and unpaid vacation and sick-leave totaling \$298,204 and \$312,908 is accrued when incurred and included in noncurrent liabilities at June 30, 2013 and 2012, 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, 2013, the SEJPA participated in the programs of CSRMA as follows:

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

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note 1 - Organization and Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Risk Management (Continued)

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

Faithful Performance/Employee Dishonesty Bond - Insured up to \$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 \$37,110 and \$47,237 for the years ended June 30, 2013 and 2012, respectively. There were no instances in the past three years where a settlement exceeded the SEJPA's coverage.

Economic Dependency

The SEJPA received approximately 49% and 54% of its operating revenues from its member agencies for the years ended June 30, 2013 and 2012, respectively.

Cash and Cash Equivalents

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

Subsequent Events

In preparing these financial statements, the SEJPA has evaluated events and transactions for potential recognition or disclosure through December 9, 2013, the date the financial statements were available to be issued.

Reclassification

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

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 2 - Cash and Cash Equivalents:

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Quality Requirements</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	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 Rating
Time Deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investments	N/A	None	None

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

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 2 - Cash and Cash Equivalents: (Continued)

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

	<u>Maturity in Years</u>		
	<u>1 Year or Less</u>	<u>2013 Total</u>	<u>2012 Total</u>
Cash on hand	\$ 200	\$ 200	\$ 200
California Local Agency Investment Fund (LAIF)	6,842,851	6,842,851	9,106,277
Deposits with financial institutions	115,117	115,117	45,847
Open ended money market mutual funds	1	1	8,966
Total Cash and Cash Equivalents	<u>\$ 6,958,169</u>	<u>\$ 6,958,169</u>	<u>\$ 9,161,290</u>

Financial Statement Classification:

Current:

Cash and cash equivalents	\$ 6,328,168	\$ 6,519,880
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Restricted:

Cash and cash equivalents	630,001	2,641,410
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Total Cash and Investments	<u>\$ 6,958,169</u>	<u>\$ 9,161,290</u>
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Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the SEJPA's investments (including investments held by the bond trustee) to market interest rate fluctuations is provided in the previous table that shows the distribution of the SEJPA's investments by maturity as of June 30, 2013.

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
California Local Agency Investment Fund	Not Rated

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 2 - Cash and Cash Equivalents: (Continued)

Concentration of Credit Risk

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

The investment policy of the SEJPA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The SEJPA holds no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the SEJPA's total investments at June 30, 2013.

Custodial Credit Risk

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

At June 30, 2013, none of the SEJPA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2013, 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>2013</u>	<u>2012</u>
California Local Agency Investment Fund (LAIF)	\$ 6,842,851	\$ 9,106,277
Deposits with financial institutions	115,117	45,847
Open ended money market mutual funds	1	8,966
Cash on hand	200	200
Total	<u>\$ 6,958,169</u>	<u>\$ 9,161,290</u>

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 3 - Due From Other Government Agencies:

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

	<u>2013</u>	<u>2012</u>
Santa Fe Irrigation District	\$ 90,969	\$ 81,379
San Diego County Water Authority	70,167	60,840
Rancho Santa Fe CSD No. 2 and No. 3	43,497	106,073
Olivenhain Municipal Water District	31,662	-
City of Del Mar	27,687	29,346
City of Encinitas	25,800	88,769
Other	9,850	3,272
City of Escondido	-	1,891
City of Solana Beach	(30,059)	176,969
Total	<u>\$ 269,573</u>	<u>\$ 548,539</u>
Financial Statement Classification:		
Due from other government agencies	\$ 299,632	\$ 549,919
Due to other government agencies	(30,059)	(1,380)
Total	<u>\$ 269,573</u>	<u>\$ 548,539</u>

Note 4 - Restricted Assets:

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

<u>Funding Source</u>	<u>Use</u>	<u>2013</u>	<u>2012</u>
Receipts from customers	State loan reserve requirement	\$ 630,000	\$ 630,000
Debt proceeds and interest earned	Debt service - Solana Beach	1	4,752
Debt proceeds and interest earned	Construction of capital projects	-	2,002,444
Debt proceeds and interest earned	Debt service - Encinitas	-	4,214
		<u>\$ 630,001</u>	<u>\$ 2,641,410</u>

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

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

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>2013</u>	<u>2012</u>
City of Solana Beach	\$ 4,250,178	\$ 4,868,638
City of Encinitas	3,769,822	4,316,362
Subtotal	<u>8,020,000</u>	<u>9,185,000</u>
Less current portion	<u>(1,200,000)</u>	<u>(1,165,000)</u>
Total	<u><u>\$ 6,820,000</u></u>	<u><u>\$ 8,020,000</u></u>

Note 6 - Retrofit Loans Receivable:

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

	<u>2013</u>	<u>2012</u>
22 nd District Agricultural Association	\$ 96,291	\$ 108,057
Cardiff Cove Homeowners Association	12,363	15,569
Oak Crest Park	6,305	7,307
Total	<u><u>\$ 114,959</u></u>	<u><u>\$ 130,933</u></u>

Note 7 - Capital Assets:

Capital assets consist of the following at June 30:

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

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note 7 - Capital Assets: (Continued)

	2012			
	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
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>

Note 8 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30:

	2013					
	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due within one year	Due After One year
Payable from Restricted Assets:						
Due to member agencies payable from restricted assets	\$ 8,966	\$ -	\$ (8,966)	\$ -	\$ -	\$ -
Long-Term Debt:						
2011 Refunding Revenue Bonds	9,185,000	-	(1,165,000)	8,020,000	1,200,000	6,820,000
Original issue premium	618,818	-	(79,848)	538,970	-	538,970
2011 Refunding Revenue Bonds	9,803,818	-	(1,244,848)	8,558,970	1,200,000	7,358,970
State loan payable (Note 10)	6,653,084	-	(668,348)	5,984,736	685,057	5,299,679
Private placement loan payable (Note 11)	1,967,423	-	(67,195)	1,900,228	70,013	1,830,215
SFID Reimbursement Agreement payable (Note 12)	-	526,149	(52,230)	473,919	-	473,919
Total Long-Term Debt	<u>18,424,325</u>	<u>526,149</u>	<u>(2,032,621)</u>	<u>16,917,853</u>	<u>1,955,070</u>	<u>14,962,783</u>
Other Noncurrent Liabilities:						
Net OPEB obligation (Note 13)	54,596	23,554	(4,546)	73,604	-	73,604
Compensated absences (Note 1)	312,908	168,972	(183,676)	298,204	-	298,204
Total Other Noncurrent Liabilities	<u>367,504</u>	<u>192,526</u>	<u>(188,222)</u>	<u>371,808</u>	<u>-</u>	<u>371,808</u>
Total Noncurrent Liabilities	<u>\$ 18,800,795</u>	<u>\$ 718,675</u>	<u>\$ (2,229,809)</u>	<u>\$ 17,289,661</u>	<u>\$ 1,955,070</u>	<u>\$ 15,334,591</u>

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note 8 - Noncurrent Liabilities: (Continued)

	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
2011 Refunding Revenue Bonds	-	9,893,742	(89,924)	9,803,818	1,090,000	8,713,818
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>11,893,742</u>	<u>(13,187,266)</u>	<u>18,424,325</u>	<u>1,825,543</u>	<u>16,598,782</u>
Other Noncurrent Liabilities:						
Net OPEB obligation (Note 13)	34,591	23,965	(3,960)	54,596	-	54,596
Compensated absences (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	<u>\$ 21,651,942</u>	<u>\$ 11,952,567</u>	<u>\$ (14,803,714)</u>	<u>\$ 18,800,795</u>	<u>\$ 1,825,543</u>	<u>\$ 16,975,252</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.

Although the refunding resulted in a deferred amount on refunding of \$340,611, the SEJPA in effect reduced the aggregate debt service payments by approximately \$222,000 each year over the next seven years and obtained an economic gain (difference between the present values of the old debt and the new debt service payments) of \$1,251,450.

The 2011 Refunding Revenue Bonds are payable in annual principal installments ranging from \$50,000 to \$1,415,000 through March 1, 2021. Interest payments are due semiannually on September 1, and March 1. Interest rates on the bonds range from 2% to 4%. The 2011 Refunding Revenue Bonds outstanding total \$8,020,000 and \$9,185,000 at June 30, 2013 and 2012, 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, 2013 AND 2012**

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>
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	1,365,000	117,668
2019-2021	1,650,000	72,099
	<u>\$ 8,020,000</u>	<u>\$ 1,093,185</u>

Note 10 - State Loan Payable:

In March 1998, the SEJPA entered into an agreement with the State Water Resources Control Board for funding of the San Elijo Water Reclamation System. The loan was funded through the State Revolving Fund loan program administered by the State of California in the amount of \$12,633,522. The State Revolving Fund loan program provides funding for water reclamation projects at a reduced interest rate of 2.5%. The state loan payable outstanding totaled \$5,984,736 and \$6,653,084 at June 30, 2013 and 2012, 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, 2013 and 2012, respectively.

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

	<u>Principal</u>	<u>Interest</u>
2014	\$ 685,057	\$ 149,618
2015	702,183	132,492
2016	719,738	114,937
2017	737,731	96,944
2018	756,174	78,501
2019-2022	2,383,853	120,174
	<u>\$ 5,984,736</u>	<u>\$ 692,666</u>

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 11 - Private Placement Loan Payable:

In November 2011, the SEJPA entered into a private placement loan payable with Municipal Finance Corporation in the amount of \$2,000,000 to fund advanced water treatment improvements (Demineralization 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>
2014	\$ 70,013	\$ 78,141
2015	72,948	75,205
2016	76,007	72,146
2017	79,194	68,959
2018	82,515	65,638
2019-2023	467,466	273,300
2024-2028	574,042	166,723
2029-2032	478,043	40,493
	\$ 1,900,228	\$ 840,605

Note 12 - SFID Reimbursement Agreement Payable:

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

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 13 - Postemployment Benefits:

Plan Description

The SEJPA retiree 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.

Funding Policy and Annual OPEB Costs

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

	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 19,894	\$ 19,894
Interest on net OPEB obligation	4,231	4,071
Adjustment to annual required contribution	(571)	-
Annual OPEB cost	<u>23,554</u>	<u>23,965</u>
Contributions (including benefits paid)	<u>(4,546)</u>	<u>(3,960)</u>
Increase in net OPEB obligation	19,008	20,005
Net OPEB obligation - Beginning of Year	<u>54,596</u>	<u>34,591</u>
Net OPEB obligation - End of Year	<u>\$ 73,604</u>	<u>\$ 54,596</u>

The SEJPA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013 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, 2011	\$ 22,275	15.33%	\$ 34,591
June 30, 2012	23,965	16.52%	54,596
June 30, 2013	23,554	19.30%	73,604

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 13 - Postemployment Benefits: (Continued)

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 ratio of 0.00%.

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Status (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
June 30, 2011	\$ -	\$ 149,480	\$ 149,880	0.00%	\$ 1,623,768	9.2%

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 3.75% 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.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 14 - Defined Benefit Pension Plan:

Plan Description

The SEJPA contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. The SEJPA participates in the miscellaneous 2.5% at 55 pool for those employees hired before July 1, 2012. New employees, with no prior CalPERS membership, and those with prior CalPERS membership with a break in service greater than six months hired after July 1, 2012 participate in the miscellaneous 2% at 62 pool. Employees hired after July 1, 2012 with prior CalPERS membership with less than six months break in service participate in the miscellaneous 2% at 60 pool. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS requires agencies with less than 100 active members in the plan to participate in a risk pool. A menu of benefits provisions as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through SEJPA resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS executive office - 400 P Street - Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 8% of their annual covered salary, of which the SEJPA pays 1.4% on behalf of its employees in the 2.5% at 55 pool. 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, 2013 was 15.956% for the 2% at 55 pool, 7.846% for the 2% at 60 pool and 6.250% for the 2% at 62 pool. The required employer contribution rate for the fiscal year ended June 30, 2012 was 15.465%. 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, 2013, 2012 and 2011 were \$285,733, \$326,397 and \$281,041, 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, 2013, the total unpaid amount on these contracts is approximately \$227,985.

Litigation

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

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 15 - Commitments and Contingencies: (Continued)

Operating Leases

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

In January 2007 the SEJPA entered into a Communications Site License Agreement as lessor with Omnipoint Communications, Inc. 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 \$23,649 and \$22,960 for the years ended June 30, 2013 and 2012, respectively.

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 did not 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 did not have a material effect on the financial statements of the SEJPA in the year of implementation.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 16 - New Governmental Accounting Standards: (Continued)

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. This pronouncement did not have a material effect on the financial statements of the SEJPA in the year of implementation.

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. The effects of this pronouncement are more fully described in Note 17.

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.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 16 - New Governmental Accounting Standards: (Continued)

GASB No. 67

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

GASB No. 68

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

GASB No. 69

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

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Note 16 - New Governmental Accounting Standards: (Continued)

GASB No. 70

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

Note 17 - Change in Accounting Principle:

During the year ended June 30, 2013, the District changed its method of accounting for Bond Issuance Costs as a result of the Governmental Accounting Standards Board issuing Statement No. 65, "Items Previously Reported as Assets and Liabilities". Under the new method, debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

For current and advance refundings, resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Comparative financial statements of prior years have been adjusted to apply these new methods retrospectively. The following financial statement line items have been affected by the change in accounting principle.

	As Originally Reported	<u>Adjustment</u>	<u>As Restated</u>
Bond issuance costs	\$ 201,990	\$ (162,478)	\$ 39,512
Deferred amount on refunding	\$ -	\$ 319,968	\$ 319,968
Net position - Unrestricted	\$ (6,547,584)	\$ 162,478	\$ (6,385,106)
Refunding Revenue Bonds, net of current portion	\$ (8,393,850)	\$ (319,968)	\$ (8,713,818)

**SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF NET POSITION - WASTEWATER
JUNE 30, 2013 AND 2012**

ASSETS

	<u>2013</u>	<u>2012</u>	<u>Difference</u>
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 5,232,670	\$ 2,586,994	\$ 2,645,676
Due from other government agencies	39,338	378,353	(339,015)
Accrued interest receivable	97,793	107,662	(9,869)
Prepaid expenses	12,158	-	12,158
Current portion of loan receivable	1,200,000	1,165,000	35,000
Total Current Assets	6,581,959	4,238,009	2,343,950
<u>Noncurrent Assets:</u>			
Restricted Assets:			
Cash and cash equivalents	1	8,966	(8,965)
Total Restricted Assets	1	8,966	(8,965)
Loans Receivable , net of current portion	6,820,000	8,020,000	(1,200,000)
Capital Assets:			
Nondepreciable	51,424	2,773,003	(2,721,579)
Depreciable, net of accumulated depreciation	23,100,156	22,693,163	406,993
Total Capital Assets	23,151,580	25,466,166	(2,314,586)
Other Assets:			
Bond issuance costs	34,414	39,512	(5,098)
Total Other Assets	34,414	39,512	(5,098)
Total Noncurrent Assets	30,005,995	33,534,644	(3,528,649)
TOTAL ASSETS	36,587,954	37,772,653	(1,184,699)
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	\$ 278,682	\$ 319,968	\$ (41,286)

SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF NET POSITION - WASTEWATER (CONTINUED)
JUNE 30, 2013 AND 2012

LIABILITIES

	<u>2013</u>	<u>2012</u>	<u>Difference</u>
<u>Current Liabilities:</u>			
Accounts payable	\$ 398,321	\$ 432,355	\$ (34,034)
Accrued liabilities	33,784	32,835	949
Accrued interest payable	93,623	105,273	(11,650)
Due to other government agencies	-	1,380	(1,380)
Retentions payable	-	130,511	(130,511)
Current portion of refunding revenue bonds	<u>1,200,000</u>	<u>1,090,000</u>	<u>110,000</u>
Total Current Liabilities	<u>1,725,728</u>	<u>1,792,354</u>	<u>(66,626)</u>
<u>Noncurrent Liabilities:</u>			
 Payable From Restricted Assets:			
Due to member agencies payable from restricted assets	<u>-</u>	<u>8,966</u>	<u>(8,966)</u>
 Long-Term Debt:			
Refunding revenue bonds, net of current portion	<u>7,358,970</u>	<u>8,713,818</u>	<u>(1,354,848)</u>
Total Long-Term Debt	<u>7,358,970</u>	<u>8,713,818</u>	<u>(1,354,848)</u>
 Other Noncurrent Liabilities:			
Net OPEB obligation	62,517	46,234	16,283
Compensated absences	<u>257,681</u>	<u>270,263</u>	<u>(12,582)</u>
Total Other Noncurrent Liabilities	<u>320,198</u>	<u>316,497</u>	<u>3,701</u>
Total Noncurrent Liabilities	<u>7,679,168</u>	<u>9,039,281</u>	<u>(1,360,113)</u>
Total Liabilities	<u>9,404,896</u>	<u>10,831,635</u>	<u>(1,426,739)</u>
NET POSITION:			
Invested in capital assets, net of related debt	22,932,576	25,036,805	(2,104,229)
Unrestricted	<u>4,529,164</u>	<u>2,224,181</u>	<u>2,304,983</u>
Total Net Position	<u>\$ 27,461,740</u>	<u>\$ 27,260,986</u>	<u>\$ 200,754</u>

**SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - WASTEWATER
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>	<u>Difference</u>
<u>Operating Revenue:</u>			
Contributions from City of Encinitas	\$ 1,527,177	\$ 1,613,835	\$ (86,658)
Contributions from City of Solana Beach	1,443,294	1,437,429	5,865
Charges of services or other government agencies	880,730	647,083	233,647
Total Operating Revenue	<u>3,851,201</u>	<u>3,698,347</u>	<u>152,854</u>
<u>Operating Expenses:</u>			
Personnel costs	2,116,105	2,273,224	(157,119)
Depreciation and amortization	1,137,011	1,107,612	29,399
Utilities	462,290	442,467	19,823
Contracted services	284,853	225,551	59,302
Disposal services	176,476	185,205	(8,729)
Supplies	152,160	161,217	(9,057)
Repair parts expense	108,589	109,538	(949)
Miscellaneous	85,178	78,196	6,982
Permit/purveyor fees	51,647	51,541	106
Insurance	25,977	34,688	(8,711)
Total Operating Expenses	<u>4,600,286</u>	<u>4,669,239</u>	<u>(68,953)</u>
Operating (Loss)	<u>(749,085)</u>	<u>(970,892)</u>	<u>221,807</u>
<u>Nonoperating Revenue (Expenses):</u>			
Investment income	313,711	539,908	(226,197)
Rental income	23,649	22,960	689
Other	18,326	(168,652)	186,978
Interest expense	(265,607)	(635,944)	370,337
Total Nonoperating Revenues (Expenses)	<u>90,079</u>	<u>(241,728)</u>	<u>331,807</u>
(Loss) Before Capital Contributions	<u>(659,006)</u>	<u>(1,212,620)</u>	<u>553,614</u>
<u>Capital Contributions:</u>			
Member agency assessments	859,760	749,524	110,236
Member agency contribution to refinancing	-	1,009,320	(1,009,320)
Total Capital Contributions	<u>859,760</u>	<u>1,758,844</u>	<u>(899,084)</u>
Change in Net Position	200,754	546,224	(345,470)
Net Position at Beginning of Year,	<u>27,260,986</u>	<u>26,714,762</u>	<u>546,224</u>
NET POSITION AT END OF YEAR	<u>\$ 27,461,740</u>	<u>\$ 27,260,986</u>	<u>\$ 200,754</u>

**SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF NET POSITION - RECLAMATION
JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>	<u>Difference</u>
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 1,095,498	\$ 3,932,886	\$ (2,837,388)
Due from other government agencies	230,235	171,566	58,669
Accrued interest receivable	-	5,883	(5,883)
Prepaid expenses	5,211	-	5,211
Total Current Assets	<u>1,330,944</u>	<u>4,110,335</u>	<u>(2,779,391)</u>
<u>Noncurrent Assets:</u>			
Restricted Assets:			
Cash and cash equivalents	<u>630,000</u>	<u>2,632,444</u>	<u>(2,002,444)</u>
Total Restricted Assets	<u>630,000</u>	<u>2,632,444</u>	<u>(2,002,444)</u>
Capital Assets:			
Nondepreciable	-	-	-
Depreciable, net of accumulated depreciation	<u>16,844,927</u>	<u>11,706,199</u>	<u>5,138,728</u>
Total Capital Assets	<u>16,844,927</u>	<u>11,706,199</u>	<u>5,138,728</u>
Other Assets:			
Retrofit loans	<u>114,959</u>	<u>130,933</u>	<u>(15,974)</u>
Total Other Assets	<u>114,959</u>	<u>130,933</u>	<u>(15,974)</u>
Total Noncurrent Assets	<u>17,589,886</u>	<u>14,469,576</u>	<u>3,120,310</u>
TOTAL ASSETS	<u>\$ 18,920,830</u>	<u>\$ 18,579,911</u>	<u>\$ 340,919</u>

SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF NET POSITION - RECLAMATION (CONTINUED)
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>	<u>Difference</u>
<u>Current Liabilities:</u>			
Accounts payable	\$ 49,719	\$ 24,374	\$ 25,345
Accrued liabilities	5,363	4,963	400
Accrued interest payable	131,254	145,410	(14,156)
Current portion of state loan payable	685,057	668,348	16,709
Current portion of private placement loan payable	70,013	67,195	2,818
Total Current Liabilities	<u>941,406</u>	<u>910,290</u>	<u>31,116</u>
<u>Noncurrent Liabilities:</u>			
Long-Term Debt:			
State loan payable, net of current portion	5,299,679	5,984,736	(685,057)
Private placement loan payable, net of current portion	1,830,215	1,900,228	(70,013)
SFID reimbursement agreement payable	473,919	-	473,919
Total Long-Term Debt	<u>7,603,813</u>	<u>7,884,964</u>	<u>(281,151)</u>
Other Noncurrent Liabilities:			
Net OPEB obligation	11,087	8,362	2,725
Compensated absences	40,523	42,645	(2,122)
Total Other Noncurrent Liabilities	<u>51,610</u>	<u>51,007</u>	<u>603</u>
Total Noncurrent Liabilities	<u>7,655,423</u>	<u>7,935,971</u>	<u>(280,548)</u>
Total Liabilities	<u>8,596,829</u>	<u>8,846,261</u>	<u>(249,432)</u>
<u>Net Position:</u>			
Invested in capital assets, net of related debt	8,354,789	2,940,282	5,414,507
Restricted	630,000	2,632,444	(2,002,444)
Unrestricted	1,339,212	4,160,924	(2,821,712)
Total Net Position	<u>\$ 10,324,001</u>	<u>\$ 9,733,650</u>	<u>\$ 590,351</u>

**SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - RECLAMATION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>	<u>Difference</u>
<u>Operating Revenue:</u>			
Charges of services or other government agencies	\$ 2,169,907	\$ 1,911,120	\$ 258,787
Total Operating Revenues	<u>2,169,907</u>	<u>1,911,120</u>	<u>258,787</u>
<u>Operating Expenses:</u>			
Depreciation and amortization	466,798	430,446	36,352
Personnel costs	438,425	425,825	12,600
Utilities	177,455	133,668	43,787
Contracted services	148,656	71,246	77,410
Supplies	47,227	35,473	11,754
Miscellaneous	24,353	12,623	11,730
Permit/purveyor fees	24,021	3,518	20,503
Repair parts expense	22,216	40,408	(18,192)
Insurance	11,133	12,549	(1,416)
Total Operating Expenses	<u>1,360,284</u>	<u>1,165,756</u>	<u>194,528</u>
Operating Income	<u>809,623</u>	<u>745,364</u>	<u>64,259</u>
<u>Nonoperating Revenue (Expenses):</u>			
Investment income	16,798	23,918	(7,120)
Interest expense	(236,070)	(217,348)	(18,722)
Total Nonoperating Revenues (Expenses)	<u>(219,272)</u>	<u>(193,430)</u>	<u>(25,842)</u>
Income Before Capital Contributions	<u>590,351</u>	<u>551,934</u>	<u>38,417</u>
Change in Net Position	590,351	551,934	38,417
Net Position at Beginning of Year	<u>9,733,650</u>	<u>9,181,716</u>	<u>551,934</u>
NET POSITION AT END OF YEAR	<u><u>\$ 10,324,001</u></u>	<u><u>\$ 9,733,650</u></u>	<u><u>\$ 590,351</u></u>

**SAN ELIJO JOINT POWERS AUTHORITY
OPERATING BUDGET COMPARISON SCHEDULE - WASTEWATER
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Operating Expenses:</u>			
Personnel costs	\$ 2,230,770	\$ 2,116,105	\$ 114,665
Utilities	464,789	462,290	2,499
Contracted services	299,346	284,853	14,493
Miscellaneous	156,421	85,178	71,243
Supplies	181,354	152,160	29,194
Repair parts expense	143,850	108,589	35,261
Insurance	45,500	25,977	19,523
Disposal services	208,500	176,476	32,024
Permit/purveyor fees	41,900	51,647	(9,747)
Contingency	118,630	-	118,630
Total Operating Expenses	<u>3,891,060</u>	<u>3,463,275</u>	427,785
Depreciation	-	<u>1,137,011</u>	<u>(1,137,011)</u>
Operating Expenses, Net	<u>\$ 3,891,060</u>	<u>\$ 4,600,286</u>	<u>\$ (709,226)</u>

DRAFT

**SAN ELIJO JOINT POWERS AUTHORITY
OPERATING BUDGET COMPARISON SCHEDULE - RECLAMATION
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Operating Expenses:</u>			
Personnel costs	\$ 463,510	\$ 438,425	\$ 25,085
Utilities	199,610	177,455	22,155
Contracted services	92,154	148,656	(56,502)
Miscellaneous	45,180	24,353	20,827
Supplies	69,946	47,227	22,719
Repair parts expense	40,000	22,216	17,784
Insurance	19,500	11,133	8,367
Permit/purveyor fees	39,500	24,021	15,479
Total Operating Expenses	<u>969,400</u>	<u>893,486</u>	<u>75,914</u>
Depreciation	-	466,798	(466,798)
Operating Expenses, Net	<u>\$ 969,400</u>	<u>\$ 1,360,284</u>	<u>\$ (390,884)</u>

DRAFT

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

December 9, 2013

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: CALIFORNIA SANITATION RISK MANAGEMENT AUTHORITY (CSRMA) RISK CONTROL AUDIT

RECOMMENDATION

It is recommended that the Board of Directors:

1. Receive and file CSRMA Risk Control Audit; and
2. Discuss and take action as appropriate.

BACKGROUND

The San Elijo Joint Powers Authority (SEJPA) is a member of the California Sanitation Risk Management (CSRMA). CSRMA is a risk-pooling self-insurance authority created under provisions of California Government Code Section 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. 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 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 value through the Public Entity Property Insurance Program (PEPIP) 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 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 insured occurrences.

As a member of CSRMA periodic risk control audits are performed. The audits accomplish the following goals:

1. Assist members in identifying and addressing existing loss exposures.
2. Provide protection to members of the pool by providing oversight and recommendations for minimizing loss exposures.

The audits are intended to help members focus on policies, procedures, and regulatory compliance aspects that routinely have served as a source of risk for CSRMA members in the past.

DISCUSSION

CSRMA provides the SEJPA periodic risk control audits to assist with identifying and addressing risks that could possibly result in employee injury or other form of loss. An "On-line Interactive Self Audit" was conducted and submitted for evaluation on May 2013. The audit covered five (5) areas: CalOSHA Compliance, Collections, General Liability, Risk Control Management Practice, and Workers' Compensation. Based on CSRMA's findings, the SEJPA scored as follows:

Below is a table comparing SEJPA and average CSRMA members for the measured areas:

Area	SEJPA	Average
CalOSHA Compliance	98%	86%
Risk Control Management Practices	76%	55%
Workers Compensation	91%	83%
General Liability	98%	70%
Collections	100%	79%

The SEJPA's audit scores are among the highest yet measured within CSRMA.

The audit did identify areas of improvement for the SEJPA and steps will be implemented to address these areas. Implementation of these recommendations will help the SEJPA better identify and address risk. The areas of improvements are:

- Develop a fall protection policy.
- Perform legal counsel review of the employee handbook and job descriptions for employment law compliance. The SEJPA's employee handbook was last reviewed in 2007. It is recommended that legal counsel review these documents every three years.
- Develop a survey to capture employee opinions and attitudes on safe work practices, areas of risk, and risk mitigation.
- Have our network and SCADA system evaluated by an outside party for external vulnerabilities.

FINANCIAL IMPACT

Management will have the employee handbook and job descriptions reviewed by legal counsel and may consult a safety advisor for the development of a fall protection policy. The estimated cost for these efforts is \$7,500.

It is therefore recommended that the Board of Directors:

1. Receive and file CSRMA Risk Control Audit; and
2. Discuss and take action as appropriate.

Respectfully submitted,

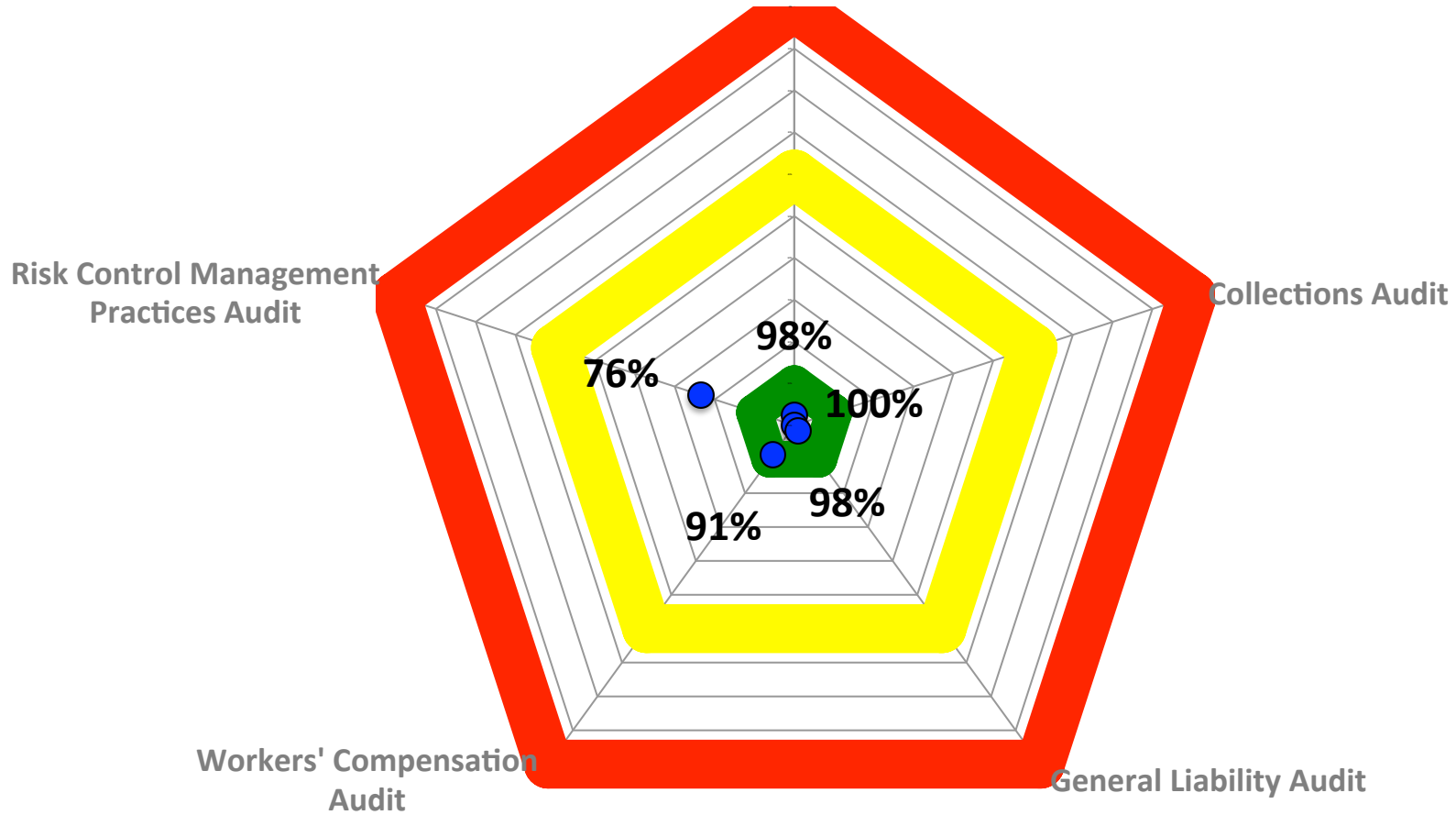


Michael T. Thornton, P.E.
General Manager

Attachment 1: Executive Summary: CSRMA Risk Control Audit Findings 11/13

ATTACHMENT 1

San Elijo Joint Powers Authority
EXECUTIVE SUMMARY: CSRMA Risk Control Audit Findings 11/13
CalOSHA Compliance Audit



**California Sanitation Risk Management Authority
Risk Control Audit SEJPA August 2013**

Survey ID	Risk Rank	Risk Topic	Background/Justification	Recommendations
CalOSHA Compliance Practices				
In Addition to the items to the CalOSHA issues noted below, please see the results of the CalOSHA Self Audits for your Agency's misc. CalOSHA safety policies in Section 3 of this report.				
Cal/OSHA/Fall Protection / Q1.	3	Does your agency have a written Fall Prevention Policy?	Title 8 CCR Section 3203, the Injury and Illness Prevention Program rules, require that all employers develop and maintain policies that describe specific procedures for operations including Standard Operating Procedures, inspections, procedures for use in emergency situations, and training documentation requirements for any activity identified as potentially hazardous.	In order to ensure that employees who work in elevated locations that are not protected by permanently installed guardrail systems, a program that establishes the methods, procedures and policies for working at height including standard operating procedures (SOPs) where needed must be developed in a form readily understandable by all affected employees to communicate the proper way to operate the equipment. Please feel free to contact me for more information or a sample fall protection program.
General Liability Practices				
General Liability/Fall Protection / Q2.	2	Has a fall hazard analysis been conducted to determine if fall hazards have been properly identified and to determine if the appropriate engineering, administrative or personal protective equipment controls have been implemented?	Title 8 CCR Section 3203, the Injury and Illness Prevention Program rules, require that all employers identify all potentially hazardous locations, activities and work procedures in the work areas before exposing employees to such hazards.	Complete a fall hazard survey to identify the fall risks at each work location. Once identified, complete a fall hazard analysis for each location and establish the appropriate the procedures to allow workers to work safely. Be sure to adhere to the hierarchy of fall protection and utilize lower risk protective methods before higher risk methods. Please feel free to contact me for more information or a sample fall hazard analysis.
General Liability/Defensive Driving / Q1.	2	Does your agency provide employees who drive agency vehicles with driver safety training within 6 months of being hired?	Auto accidents are the second leading cause of loss in terms of frequency and severity for CSRMA since 1987.	Provide new employees who drive with driver safety training within six months of hire. Please contact me for additional information.
General Liability/Defensive Driving / Q2.	2	Do employees who drive agency vehicles receive refresher driver safety training at least every 3 years?	Regular defensive driving training has been shown to improve driver safety.	Provide all drivers with drivers training refresher training every three years. Please contact me for additional information.
General Liability/Security / Q4.	2	Has your agency used an outside party to evaluate your agency's network and SCADA systems for external vulnerabilities?	Today's attackers are more advanced than any time in modern history. With the growth of world-wide hacking groups and state-sponsored attacks, no industry sector is immune from attack. It is more important than ever to remain vigilant and to ensure vulnerability management and penetration testing resources are included in your overall risk management plans and execution. Additionally, SCADA systems are relied upon in a large number of the sectors that make up the critical infrastructure and their importance was reinforced during the massive power outage that occurred in August 2003. Growing reliance upon the Internet has emphasized the vulnerability of SCADA system communications to cyber attack. Only through diligent and continuous vulnerability assessment and certification and accreditation of these systems will utilities be able to mitigate some of the vulnerabilities of these systems.	In accordance with CSRMA Best Recommended Risk Control Practices, consider contracting with a network/internet security firm specializing in conducting external vulnerability and penetration testing of the agency's business network and SCADA network.
General Liability Practices/Employment Practices / Q2.	3	Has the employee handbook been reviewed by legal within the last 3 years?	Consistently reviewing and updating personnel rules is both a practical and legal necessity for public agencies. It is essential for keeping up with ever-changing laws and issues that occur both within and outside of the agency. Every year, public agencies experience a panoply of internal changes - fiscal, staffing, leadership, labor relations, and more - that impact personnel policies. Public agencies must also keep abreast of the new laws and regulations created by the California legislature, California and federal courts, and administrative bodies. Thus it is imperative that agencies establish a practice of reviewing -or auditing - their personnel rules at least once every three years, if not every year in order to ensure that they accurately reflect these internal and external changes.	In accordance with CSRMA Best Recommended Risk Control Practices, develop a policy and/or mechanism to ensure the agency's employee handbook and/or personnel policies/procedures are reviewed at a minimum, every three years by a labor law expert, preferably a labor attorney. Please contact me for referrals or for more additional information.

**California Sanitation Risk Management Authority
Risk Control Audit SEJPA August 2013**

Survey ID	Risk Rank	Risk Topic	Background/Justification	Recommendations
Workers' Compensation Practices				
Workers' Compensation Practices/Workplace Violence / Q2.	2	Have all job descriptions been reviewed by legal for compliance with ADA?	The agency should take care that the job qualification standards do not screen out individuals with disabilities, and if they do, such standards must be job-related and consistent with business necessity. The ADA does not require job descriptions to identify essential job functions, but the employer should have job descriptions that clearly identify essential job functions and the physical/mental requirements of each function. The essential functions should be described in terms of the results or outcome of a function, not solely on the way it customarily is performed. A reasonable accommodation may enable a person with a disability to accomplish a job function in a manner that is different from the way an employee who is not disabled may accomplish the same function.	In order to help avoid claims of disability discrimination and in accordance with CSRMA's Best Recommended Risk Control Practices, ensure all agency job descriptions are in compliance with the American's with Disabilities Act. Consider having a labor law professional review the agency's job descriptions for ADA compliance. Please contact me for referrals or for more information.
Workers' Compensation Practices/Workplace Violence / Q2.	2	Is training on workplace violence prevention provide to employees at least every 2 years?	CSRMA recommends that training on proper procedures for reporting acts or threats of workplace violence, on the signs of potential street or workplace violence and on how and when to retreat, on how to handle angry customers, carjacking safety, and what to do (and not do) if assaulted or robbed should be provided. Supervisors should be trained on how to investigate reports of violent acts or threats made within their work group and front office personnel should be trained on handling aggressive or angry customers. All employees should know how to report incidents of violent, intimidating, threatening and other disruptive behavior.	In accordance with CSRMA's Best Recommended Risk Control Practices and CalOSHA's General Duty Clause, provide training to staff every two years on the agency's Workplace Violence Prevention policy and on how to recognize, defuse and report acts or suspected acts of workplace or street violence. Please contact me for trainer referrals.
General Risk Control Practices				

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

December 9, 2013

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: SAN ELIJO JOINT POWERS AUTHORITY (SEJPA) RECYCLED WATER PROGRAM - PROPOSED WHOLESALE AGREEMENT AMENDMENTS

RECOMMENDATION

It is recommended that the Board of Directors:

1. Approve the Second Amendment to the Agreement for Sale of Reclaimed Water to the San Dieguito Water District by the San Elijo Joint Powers Authority;
2. Approve the Fourth Amendment to the Agreement for Sale of Reclaimed Water to the Santa Fe Irrigation District by the San Elijo Joint Powers Authority; and
3. Discuss and take action as appropriate.

BACKGROUND

The San Elijo Joint Powers Authority (SEJPA) operates a recycled water utility that sells recycled water to four water purveyors; Santa Fe Irrigation District (SFID), San Dieguito Water District (SDWD), Olivenhain Municipal Water District (OMWD) and the City of Del Mar; and also has an interruptible service agreement directly with the Encinitas Ranch Golf Authority. The purveyors then sell the recycled water to end customers. The SEJPA owns the majority of the recycled water infrastructure system including treatment, storage, and pipelines. The water districts generally own only the recycled water meter that measures the customer's usage and provide customer billing and other needed administrative services. The SEJPA works collaboratively with the water purveyors to provide seamless utility and customer service, as well as to meet regulatory quality control and oversight requirements.

The SEJPA has individual wholesale water agreements with each water purveyor that includes pricing structure, water quality, and minimum purchase volume. These types of agreements are commonly known as "take or pay" agreements. Most of these agreements were created in the mid-1990's and use an "index pricing method" to establish the price of recycled water. The agreements indexed the recycled water at 85% of the potable water rate. This pricing structure methodology is common in southern California and is endorsed by the San Diego County Water Authority.

Since the execution of the original wholesale agreements, more than 13 years ago, both the pricing structures of the purveyors and the consumption habits of the end users have changed.

Some of the purveyors have not consistently reached their minimum purchase volumes as established by the agreements, which has caused these purveyors to “purchase” recycled water that they had no demand for. Other purveyors have experienced dramatic potable water price increases, which by “indexing” has caused recycled water rates to spike as well. Such dramatic price increases appear to correlate with reduced use of recycled water by the end customers. In interviewing some of the large customers, they have indicated that price of water has resulted in them consciously reducing use. This might be appropriate if the recycled water utility was at full capacity and conservation was needed, but that is not the current case for the recycled water utility. In actuality, the recycled water utility has stranded capacity that if fully utilized, would result in the stabilization of future water rates.

To address these market changes, a Cost of Service Study for the Recycled Water Program was completed in 2013, which can provide a basis for setting future wholesale prices. Staff has engaged the water purveyors to determine mutually acceptable modifications to the wholesale agreements for unifying the pricing structure based on cost of service principles, to extend the terms of the agreements, and to discuss opportunities to expand the beneficial use of recycled water within the local communities.

DISCUSSION

As identified in the 2013 Cost of Service Study, and as echoed by many of the large users of recycled water, the price of recycled water can have an impact on the purchasing behaviors of the customers. Also, as identified in the Cost of Service Study, stabilizing the future cost of recycled water is dependent on the volume of water sold by the program. That is, the more water delivered by the program, the lower the overall unit cost. Based on the most recent revenue and expense data for the program, staff is recommending an overall modest rate increase for 2014 and 2015, and converging the various wholesale recycled water rates into one common rate for the same level of service. Currently, the SEJPA has three different wholesale rates for the same level of service, which was originally created by indexing to each district’s potable water rate. In addition, SEJPA has a fourth rate for a “take if available” wholesale rate and a fifth rate for an interruptible service agreement with the Encinitas Ranch Golf Authority. It is staff’s desire to create one rate for non-interruptible service and one rate for interruptible service. The water purveyors support such a pricing methodology that is based on cost of service principles.

Proposed Price Structure for 2014

Agency	2013 Wholesale Rate	2014 Wholesale Rate	% Increase
SFID	\$1310 per AF	\$1310 per AF	0.0%
SDWD	\$1307 per AF	\$1310 per AF	0.2%
OMWD	\$1253 per AF	\$1310 per AF	4.5%
Del Mar**	\$1176 per AF	\$1276 per AF	8.5%

** Del Mar rate increase is limited in accordance with pricing terms of existing agreements.

Proposed Price Structure for 2015

Agency	2014 Wholesale Rate	2015 Wholesale Rate	% Increase
SFID	\$1310 per AF	\$1356 per AF	3.5%
SDWD	\$1310 per AF	\$1356 per AF	3.5%
OMWD	\$1310 per AF	\$1356 per AF	3.5%
Del Mar**	\$1276 per AF	\$1321 per AF	3.5%

** Del Mar rate increase is only an estimate as the actual rate is in accordance with pricing terms of existing agreements.

The proposed pricing structure for 2014 and 2015 (shown above) has been presented to the recycled water purveyors and was presented at the September 2013 SEJPA Board meeting.

The proposed agreement amendments (attached) provide wholesale price increases as prescribed above, and provide for 2016-2017 price increase based on mutually acceptable cost of service methodology. The amendments also provide for some minor language adjustments to improve consistency between the wholesale agreements.

FINANCIAL IMPACT

The financial impact of these amendments for fiscal year ending (FYE) 2014 is projected to be approximately cost neutral and the revenue targets presented in the FY 2013-14 SEJPA Recycled Water Program Budget is expected to be reached. For FYE 2015, the SEJPA Recycle Water Program is projected to experience a modest revenue increase of approximately \$50,000 as a result of these amendments as compared to FYE 2014, assuming similar water sales. Furthermore, the revenue projections for both FYE 2014 and FYE 2015 are expected to fall within the revenue projections of the 2013 Cost of Service Study.

It is therefore recommended that the Board of Directors:

1. Approve the Second Amendment to the Agreement for Sale of Reclaimed Water to the San Dieguito Water District by the San Elijo Joint Powers Authority;
2. Approve the Fourth Amendment to the Agreement for Sale of Reclaimed Water to the Santa Fe Irrigation District by the San Elijo Joint Powers Authority; and
3. Discuss and take action as appropriate.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

Attachment 1: Second Amendment to the Agreement for Sale of Reclaimed Water to the San Dieguito Water District by the San Elijo Joint Powers Authority

Attachment 2: Fourth Amendment to the Agreement for Sale of Reclaimed Water to the Santa Fe Irrigation District by the San Elijo Joint Powers Authority

DRAFT

**SECOND AMENDMENT TO THE AGREEMENT FOR SALE OF
RECLAIMED WATER TO THE SAN DIEGUITO WATER DISTRICT
BY THE SAN ELIJO JOINT POWERS AUTHORITY**

This Second Amendment to the Agreement for Sale of Reclaimed Water, hereinafter referred to as the "Second Amendment," is made and entered into this ____ day of _____, 2013, by and between the San Elijo Joint Powers Authority, a joint powers authority, hereinafter referred to as the "San Elijo JPA," and the San Dieguito Water District, a California irrigation district, hereinafter referred to as the "Reclaimed Water Purveyor."

RECITALS

WHEREAS, the San Elijo JPA and the Reclaimed Water Purveyor have entered into an agreement dated March 26, 1997, and first amendment dated August 23, 2000, for the sale of reclaimed water by the San Elijo JPA to the Reclaimed Water Purveyor, together hereinafter referred to as the "Purveyor Agreement"; and

WHEREAS, Section 11 of the Purveyor Agreement provides that the cost of reclaimed water to the Reclaimed Water Purveyor in subsequent years may be adjusted by agreement of both parties no later than February 1st each year; and

WHEREAS, the parties are interested in amending the terms of the Purveyor Agreement to extend its term beyond March 26, 2017, adjust the cost of reclaimed water to the Reclaimed Water Purveyor pursuant to Section 11 of the Purveyor Agreement, adjust the pricing for reclaimed water from indexed pricing to a rate based on cost of service principles after July 1, 2015, and set minimum quantity commitments for reclaimed water delivery.

WHEREAS, the majority of the San Elijo JPA Reclaimed Water Program infrastructure debt will be retired in FY 2020-21 and this will be considered a trigger event whereby the parties may re-evaluate both price and quantity of water delivered under this contract by mutually agreeable amendment. The re-evaluation of the price of water delivered under this Agreement shall be based on a cost-of-service analysis.

NOW, THEREFORE, in consideration of these recitals and the mutual covenants contained herein, and notwithstanding anything to the contrary in the Purveyor Agreement, the San Elijo JPA and Reclaimed Water Purveyor agree as follows:

1. The provisions of this Second Amendment shall apply to the sale of reclaimed water by the San Elijo JPA to the Reclaimed Water Purveyor commencing July 1, 2013, through June 30, 2021.
2. For the term of this Second Amendment, the pricing provisions of Section 11 of the Purveyor Agreement are suspended and San Elijo JPA and the Reclaimed Water Purveyor agree that the cost of reclaimed water charged by the San Elijo JPA to Reclaimed Water Purveyor shall increase as follows:

- a) Commencing July 1, 2013, the reclaimed water rate shall be \$1,172 per acre-foot.
 - b) Commencing, September 1, 2013, the reclaimed water rate shall be \$1,307 per acre-foot, which equates to an approximate rate increase of eleven and one-half percent (11.5%) from the July 1, 2013 cost of reclaimed water.
 - c) Commencing July 1, 2014, the reclaimed water rate shall be \$1,310 per acre-foot, which equates to an approximate rate increase of two-tenths of one percent (0.2%) from the September 1, 2013 cost of reclaimed water.
 - d) Commencing July 1, 2015, the reclaimed water rate shall be \$1,356 per acre-foot, which equates to an approximate rate increase of three and one-half percent (3.5%) from the July 1, 2014 cost of reclaimed water.
 - e) From July 1, 2016 through June 30, 2021, the rate charged by SEJPA to SDWD for recycled water shall escalate at a rate no less than 2% annually and no greater than 5% annually as prescribed through a cost-of-service methodology. In the event that the parties do not reach an agreement on the applicable rate by July 1, a rate increase of three percent (3%) shall go into effect through June 30 of the following year provided that either party may (1) initiate arbitration to determine if a different increase between two percent (2%) and five percent (5%) is appropriate for the applicable July 1 to June 30 time period, or terminate the agreement upon one (1) year's written notice to the other party. In the event either party initiates arbitration, the Parties shall bear their own costs and fees incurred related to such arbitration.
3. For the term of this Second Amendment, the Reclaimed Water Purveyor agrees to purchase from the San Elijo JPA no less than four hundred (400) acre-feet ("AF") of reclaimed water for Fiscal Year 2013-14 through Fiscal Year 2020-21. In the event Reclaimed Water Purveyor fails to accept the minimum 400 AF per year, Reclaimed Water Purveyor agrees to pay for the difference between the AF accepted by the Reclaimed Water Purveyor during the fiscal year and the minimum 400 AF at the applicable reclaimed water rate stated in this Second Amendment.
 4. For the term of this Second Amendment, the Reclaimed Water Purveyor and the San Elijo JPA agree that the Administrative Costs, as defined in Section 5, shall be waived. In lieu of payment by the San Elijo JPA, the Reclaimed Water Purveyor shall collect its administrative costs through the application of a meter fee to the end customer.
 5. Section 5 of the Purveyor Agreement, as amended, is hereby deleted in its entirety and replaced with the following:

The Reclaimed Water Purveyor shall be responsible for ensuring installation of its reclaimed water flow meter, meter box, and customer-owned backflow prevention and flow control devices, if required, at a location at or near each reclaimed water customer's property boundary, to measure the quantity of reclaimed water supplied to the customer by the San Elijo JPA. The Reclaimed Water Purveyor shall also be responsible for maintaining, calibrating, and reading the reclaimed water flow meter on a regular basis, and reporting the reclaimed water delivered to each customer to the San Elijo JPA at each billing period.

6. Section 9 of the Purveyor Agreement is amended by adding the following: The price of domestic water used for Supplemental Water as defined in Section 9 of the agreement shall be equal to the wholesale price of recycled water as set by this amendment. The Reclaimed Water Purveyor shall invoice the San Elijo JPA for Supplemental Water, including applicable meter fees associated with the Supplemental Water supply meter.

The expiration of the provisions of this Second Amendment shall not affect the term of the Purveyor Agreement. Except as expressly provided herein, the remaining terms and conditions of the Purveyor Agreement shall remain in full force and effect. Upon expiration of the provisions of this Second Amendment, and unless the parties execute a written agreement otherwise, the terms of the Purveyor Agreement, including any other duly executed amendment thereto and excluding this Second Amendment, shall apply.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be executed and be effective on the date first mentioned above.

**SAN ELIJO
JOINT POWERS AUTHORITY**

SAN DIEGUITO WATER DISTRICT

By: _____

By: _____

Name: _____

Name: _____

Its: _____

Its: _____

DRAFT

FOURTH AMENDMENT TO THE AGREEMENT FOR SALE OF RECLAIMED WATER TO THE SANTA FE IRRIGATION DISTRICT BY THE SAN ELIJO JOINT POWERS AUTHORITY

This Fourth Amendment to the Agreement for Sale of Reclaimed Water, hereinafter referred to as the "Fourth Amendment," is made and entered into this ____ day of _____, 2013, by and between the San Elijo Joint Powers Authority, a joint powers authority, hereinafter referred to as the "San Elijo JPA," and the Santa Fe Irrigation District, an irrigation district, hereinafter referred to as the "Reclaimed Water Purveyor."

RECITALS

WHEREAS, the San Elijo JPA and the Reclaimed Water Purveyor have entered into an agreement dated October 10, 1996, first amendment dated August 14, 2000, for the sale of reclaimed water by the San Elijo JPA to the Reclaimed Water Purveyor, hereinafter referred to as the "Purveyor Agreement"; and

WHEREAS, a Second Amendment of the Purveyor Agreement was executed on November 22, 2010 in order to modify the pricing structure for a two year period; and

WHEREAS, a Third Amendment of the Purveyor Agreement was executed on October 23, 2012 in order to modify the pricing structure for a two year period; and

WHEREAS, the parties are interested in amending the terms of the purveyor agreement to modify the pricing structure for reclaimed water from indexed pricing to a rate based on cost of service principles and set minimum quantity requirements for reclaimed water delivery; and

WHEREAS, Section 11 of the Purveyor Agreement provides that the cost of reclaimed water to the Reclaimed Water Purveyor in subsequent years may be adjusted by agreement of both parties no later than February 1st each year; and

WHEREAS, the parties desire to establish the cost of reclaimed water to the Reclaimed Water Purveyor pursuant to Section 11 of the Purveyor Agreement and minimum quantity requirements for the three year period commencing January 1, 2014, as set forth herein;

NOW, THEREFORE, in consideration of these recitals and the mutual covenants contained herein, and notwithstanding anything to the contrary in the Purveyor Agreement, the San Elijo JPA and Reclaimed Water Purveyor agree as follows:

1. For the term of this Fourth Amendment, the provisions of Section 11 of the Purveyor Agreement are suspended and San Elijo JPA and the Reclaimed Water Purveyor agree that the cost of reclaimed water charged by the San Elijo JPA to Reclaimed Water Purveyor shall increase as follows:
 - a. Commencing January 1, 2014, the recycled water rate shall increase zero percent (0%) from the current cost of reclaimed water in effect October 1, 2013. The resulting recycled water rate beginning January 1, 2014 shall be \$1,310 per acre-foot.

- b. Commencing July 1, 2015, the recycled water rate shall increase to \$1,356 per acre-foot, which equates to an approximate rate increase of three and one-half percent (3.5%) from the January 1, 2014 cost of reclaimed water.
 - c. Commencing July 1, 2016, the recycled water rate may increase annually based on mutually acceptable cost of service principles.
2. For the term of this Fourth Amendment, the Reclaimed Water Purveyor agrees to purchase from the San Elijo JPA no less than four hundred-fifty (450) acre-feet ("AF"). In the event Reclaimed Water Purveyor fails to accept the minimum 450 AF per year, Reclaimed Water Purveyor agrees to pay for the difference between the AF accepted by the Reclaimed Water Purveyor during the fiscal year and the minimum 450 AF at the applicable reclaimed water rate stated in this Fourth Amendment.
 3. For the term of this Fourth Amendment the San Elijo JPA shall make available and deliver a minimum reclaimed water supply of 620 acre-feet per year ("Supply Minimum") to Reclaimed Water Purveyor, which may be requested in whole or in part, at Reclaimed Water Purveyor's option.
 4. For the term of this Fourth Amendment, the Reclaimed Water Purveyor and the San Elijo JPA agree that the Administrative Costs, as defined in Section 5, shall be waived. In lieu of payment by the San Elijo JPA, the Reclaimed Water Purveyor shall collect its administrative costs through the application of a meter fee to the end customer.
 5. For the term of this Fourth Amendment, the supplemental water pricing provisions of Section 9 of the Purveyor Agreement are suspended and San Elijo JPA and the Reclaimed Water Purveyor agree the price of domestic potable water used for Supplemental Water as defined in Section 9 of the agreement shall be equal to the wholesale price of recycled water as set by this amendment. The Reclaimed Water Purveyor shall invoice the San Elijo JPA for Supplemental Water, including applicable meter fees associated with the Supplemental Water supply meter.

The expiration of the provisions of this Fourth Amendment shall not affect the term of the Purveyor Agreement. Upon expiration of the provisions of this Fourth Amendment, and unless the parties execute a written agreement otherwise, the terms of the Purveyor Agreement, including any other duly executed amendment thereto and excluding this Fourth Amendment, shall apply.

IN WITNESS WHEREOF, the parties hereto have caused this Fourth Amendment to be executed and be effective on the date first mentioned above.

**SAN ELIJO JOINT POWERS
AUTHORITY**

SANTA FE IRRIGATION DISTRICT

By: _____

By: _____

Name: _____

Name: _____

Its: _____

Its: _____

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

December 9, 2013

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: 2013 YEAR IN REVIEW - RECOGNIZING AGENCY ACHIEVEMENTS AND
SUCSESSES

RECOMMENDATION

No action required. This memorandum is submitted for information only.

DISCUSSION

The San Elijo Joint Powers Authority (SEJPA) is responsible for providing wastewater treatment and disposal; recycled water production, storage, and delivery; operation and maintenance of Member Agency remote facilities; and ocean outfall management. It is the goal of the SEJPA to provide these services using the most sustainable, efficient, and cost-effective approach. The General Manager will provide a brief PowerPoint presentation highlighting notable achievements and successes by the agency for 2013.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager