

San Elijo Joint Powers Authority

Cardiff by the Sea, California

Financial Statements and Independent Auditors' Report

For the Year Ended June 30, 2018



San Elijo Joint Powers Authority
Financial Statements
For the Year Ended June 30, 2018

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the San Elijo Joint Powers Authority ("SEJPA"), which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the year 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.

Auditors' Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Elijo Joint Powers Authority as of June 30, 2018, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion, Analysis, the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Plan Contributions, and the Schedule of Changes in Total OPEB Liability and Related Ratios, as identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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 of the SEJPA. The Combining Schedule of Net Position, the Combining Schedule of Revenues, Expenses and Changes in Net Position, the Combining Schedule of Cash Flows, 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 financial statements.

The Combining Schedule of Net Position, the Combining Schedule of Revenues, Expenses, and Changes in Net Position, and the Combining Statement of Cash Flows are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedule of Net Position, Combining Schedule of Revenues, Expenses, and Changes in Net Position, and Combining Schedule of Cash Flows are fairly stated, in all material respects, in relation to the financial statements as a whole.

The Operating Budget Comparison Schedule - Wastewater and the Operating Budget Comparison Schedule - Reclamation have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or any assurance on them.



San Diego, California
December 6, 2018

San Elijo Joint Powers Authority
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

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 year ended June 30, 2018. Please read it in conjunction with the SEJPA's financial statements which begin on page 10.

Financial Statements

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

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

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

- Net investment in capital assets
- Restricted net position
- Unrestricted net position

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

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

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

- 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.

San Elijo Joint Powers Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2018

Financial Highlights

The SEJPA's net position increased by \$26,097,119 for the year ended June 30, 2018.

The SEJPA's revenues totaled \$35,472,859 for the year ended June 30, 2018, an increase of \$23,599,651 resulting principally from member agency assessments to account for the 2017 Revenue Bonds.

The SEJPA's expenses totaled \$9,375,740 for the year ended June 30, 2018. The expense increase was \$1,895,981 or 25.3% primarily due to interest expense on the 2017 Revenue Bonds, increase in the pension liability, and depreciation.

Financial Analysis of the SEJPA

Net Position

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

	2018	2017	Increase (Decrease)	Percent Increase (Decrease)
Assets:				
Current and other assets	\$ 54,853,525	\$ 15,038,645	\$ 39,814,880	264.8%
Capital assets	49,512,088	39,261,847	10,250,241	26.1%
Total Assets	104,365,613	54,300,492	50,065,121	92.2%
Deferred Outflows of Resources	1,037,082	1,194,748	(157,666)	-13.2%
Liabilities:				
Current liabilities	4,470,291	3,160,006	1,310,285	41.5%
Non-current liabilities	32,524,634	9,952,926	22,571,708	226.8%
Total Liabilities	36,994,925	13,112,932	23,881,993	182.1%
Deferred Inflows of Resources	65,966	137,623	(71,657)	-52.1%
Net Position:				
Net investment in capital assets	66,336,897	33,848,762	32,488,135	96.0%
Restricted	630,000	630,000	-	0.0%
Unrestricted	1,374,907	7,765,923	(6,391,016)	-82.3%
Total Net Position	\$ 68,341,804	\$ 42,244,685	\$ 26,097,119	61.8%

Net position increased by \$21,703,670 from fiscal year 2017 to 2018. Net investment in capital assets increased \$32,488,135 in fiscal year 2018. This increase is the result of the 2017 Revenue Bond issuance, principal paid on long-term debt, and the investment in capital assets, net of depreciation expense.

San Elijo Joint Powers Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2018

Financial Analysis of the SEJPA (Continued)

Net Position (Continued)

Restricted net position is unchanged for the year ended June 30, 2018 as funds restricted for bond reserves remain in place.

Unrestricted net position (those that can be used to finance day-to-day operations) decreased \$(6,391,016) primarily due to cash funding for the Land Outfall Replacement Project.

Revenues, Expenses and Changes in Net Position

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

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Revenues				
Operating contributions from members	\$ 3,492,887	\$ 3,379,007	\$ 113,880	3.4%
Charges for services to other government agencies	7,928,115	6,959,676	968,439	13.9%
Other nonoperating revenue	1,304,599	291,804	1,012,795	347.1%
Member agency assessments	22,747,258	915,336	21,831,922	2385.1%
State grants	-	327,385	(327,385)	-100.0%
Total revenues	<u>35,472,859</u>	<u>11,873,208</u>	<u>23,599,651</u>	<u>198.8%</u>
Expenses				
Operating expenses	8,350,733	7,209,365	1,141,368	15.8%
Nonoperating expenses	1,025,007	270,394	754,613	279.1%
Total expenses	<u>9,375,740</u>	<u>7,479,759</u>	<u>1,895,981</u>	<u>25.3%</u>
Increase in net position	<u>\$ 26,097,119</u>	<u>\$ 4,393,449</u>	<u>\$ 21,703,670</u>	<u>494.0%</u>

Capital Assets

The following is a summary of capital assets at June 30:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Construction in progress	\$ 3,952,385	\$ 2,171,335	\$ 1,781,050	82.0%
Plant equipment	80,678,726	70,265,253	10,413,473	14.8%
Lab equipment	116,325	101,240	15,085	14.9%
Office equipment	70,690	70,690	-	0.0%
Vehicles	289,287	289,287	-	0.0%
Subtotal	<u>85,107,413</u>	<u>72,897,805</u>	<u>12,209,608</u>	<u>16.7%</u>
Less accumulated depreciation	<u>(35,595,325)</u>	<u>(33,635,958)</u>	<u>(1,959,367)</u>	<u>5.8%</u>
Total capital assets, net	<u>\$ 49,512,088</u>	<u>\$ 39,261,847</u>	<u>\$ 10,250,241</u>	<u>26.1%</u>

San Elijo Joint Powers Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2018

Financial Analysis of the SEJPA (Continued)

Capital Assets (Continued)

The net additions to capital assets for fiscal year 2018 totaled \$12,209,608. Capital asset additions include the Land Outfall Replacement and Turbo Blower projects, as well for as several smaller projects.

Long-Term Debt

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

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
2011 Refunding Revenue Bonds	\$ 1,789,732	\$ 3,234,580	\$ (1,444,848)	-44.7%
2017 Revenue Bonds	24,151,495	-	24,151,495	100.0%
State loan payable	2,383,853	3,140,027	(756,174)	-24.1%
Private placement loan payable	1,519,551	1,602,066	(82,515)	-5.2%
SFID Reimbursement Agreement payable	429,329	438,339	(9,010)	-2.1%
SDG&E loan	480,495	-	480,495	100%
Total long-term debt	<u>\$ 30,754,455</u>	<u>\$ 8,415,012</u>	<u>\$ 22,339,443</u>	<u>265.5%</u>

The total long term debt increased by \$22,339,443 due to the issuance of the 2017 Revenue Bonds and the agreement with San Diego Gas & Electric (SDG&E).

Economic Factors

Consistent with the prior year, SEJPA's fiscal year 2018-19 sanitary fund operations and maintenance budget is \$4,934,386. The water reclamation budget is \$1,502,260. Sales of reclaimed water are budgeted to be approximately 1,605 acre feet in the upcoming year.

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 \$160,400 and is \$14,900 higher than last year's budget levels.

The capital project program will have a budget of \$2,295,000 during the upcoming year. This is primarily for improvements to the wastewater, ocean outfall, and reclamation programs.

Costs of sanitary services are allocated on the basis of percentage of use, as indicated by measured flows, or level of effort, as appropriate. On the basis of connected equivalent dwelling units (EDU's) for wastewater treatment provided to the member agencies, the budgeted cost is approximately \$156 per EDU per year for 2018-19. This represents a 2% decrease from 2017-18. The Encinitas Ranch Golf Course pays a set annual price for interruptible water service. For the remaining water agencies, recycled water sales are based on individual contracts which may include minimum annual purchase volumes and negotiated water rate prices. These revenues are supplemented by incentives from the Metropolitan Water District and the San Diego County Water Authority.

San Elijo Joint Powers Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2018

Economic Factors (Continued)

On October 8, 2012, the Board adopted a resolution to amend the contract between CalPERS and the SEJPA. This resolution amended the contract to include Section 20475 (Different Level of Benefits) for new Miscellaneous Members of the Public Employees' Retirement System, Section 21353 (2% at 60 Full Formula), and Section 20037 (Three-Year Final Compensation) this resolution will be applicable to all SEJPA employees entering membership for the first time in the miscellaneous classification after June 30, 2015. The lower benefit payout will result in a lower contribution rate for the SEJPA in the future as new employees enter the SEJPA workforce. 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.

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FINANCIAL STATEMENTS

San Elijo Joint Powers Authority
Statement of Net Position
June 30, 2018

ASSETS

Current assets:

Cash and investments	\$ 29,345,869
Due from other governmental agencies	708,248
Accrued interest receivable	369,551
Prepaid items	25,738
Current portion of loans receivable	1,415,000
Total current assets	31,864,406

Non-current assets:

Restricted cash and cash equivalents	630,196
Loans receivable - net of current portion	22,350,000
Other assets	8,923
Capital assets:	
Nondepreciable	3,952,385
Depreciable, net of accumulated depreciation	45,559,703
Total capital assets	49,512,088
Total non-current assets	72,501,207
Total assets	104,365,613

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount on refunding	72,250
Deferred outflows of resources related to pensions	964,832
Total deferred outflows of resources	1,037,082

San Elijo Joint Powers Authority
Statement of Net Position (Continued)
June 30, 2018

LIABILITIES

Current liabilities:

Accounts payable	\$	1,059,140
Accrued liabilities		137,160
Accrued interest payable		379,350
Retention payable		510,626
Unearned revenue		22,573
Revenue refunding bonds - due within one year		1,415,000
State loan payable - due within one year		775,079
Private placement loan payable - due within one year		85,975
SDG&E loan - due within one year		53,388
Compensated absences - due within one year		32,000
Total current liabilities		4,470,291

Non-current liabilities:

Due to member agencies payable from restricted assets		196
Revenue refunding bonds - due in more than one year		374,732
Revenue bonds - due in more than one year		24,151,495
State loan payable - due in more than one year		1,608,774
Private placement loan payable - due in more than one year		1,433,576
SFID reimbursement agreement payable		429,329
SDG&E loan - due in more than one year		427,107
Net pension liability		3,227,017
Total OPEB liability		433,020
Compensated absences - due in more than one year		439,388
Total non-current liabilities		32,524,634
Total liabilities		36,994,925

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions		58,017
Deferred inflows of resources related to OPEB		7,949
Total deferred inflows of resources		65,966

Net Position:

Net investment in capital assets		66,336,897
Restricted		630,000
Unrestricted		1,374,907
Total Net Position		\$ 68,341,804

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San Elijo Joint Powers Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

Operating revenues:	
Charges for services to other government agencies	\$ 7,928,115
Contributions from the City of Encinitas	1,945,860
Contributions from the City of Solana Beach	<u>1,547,027</u>
Total operating revenues	<u>11,421,002</u>
 Operating expenses:	
Personnel costs	3,304,919
Depreciation and amortization	2,294,704
Utilities	835,882
Contracted services	840,288
Supplies	327,850
Disposal services	225,119
Miscellaneous	84,164
Rent	140,929
Repair parts expense	140,510
Permit/purveyor fees	101,573
Insurance	<u>54,795</u>
Total operating expenses	<u>8,350,733</u>
 Operating income	 <u>3,070,269</u>
 Non-operating revenues (expenses):	
Investment income	1,275,656
Rental income	27,417
Loss on disposal of assets	(11,481)
Interest expense	(1,013,526)
Other	<u>1,526</u>
Total non-operating revenues, net	<u>279,592</u>
 Net income before capital contributions	 3,349,861
 Capital contributions:	
Assessments from City of Encinitas	11,545,954
Assessments from City of Solana Beach	<u>11,201,304</u>
Total capital contributions	<u>22,747,258</u>
 Change in net position	 26,097,119
 Net position:	
Beginning of year	<u>42,244,685</u>
End of year	<u>\$ 68,341,804</u>

See accompanying Notes to the Financial Statements.

San Elijo Joint Powers Authority
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Cash receipts from customers	\$ 11,118,271
Cash payments to vendors and suppliers for materials and services	(1,564,905)
Cash payments to employees for services	(3,095,551)
Net cash provided by operating activities	6,457,815
Cash flows from non-capital financing activities:	
Rental and other nonoperating income	28,943
Net cash provided by non-capital financing activities	28,943
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(12,241,911)
Proceeds from issuance of long-term debt	24,755,602
Payment of bond issuance costs	(309,420)
Principal paid on long-term debt	(2,416,159)
Interest paid on long-term debt	(706,343)
Capital contributions	-
Net cash (used in) capital and related financing activities	9,081,769
Cash flows from investing activities:	
Proceeds from loans receivable	1,997,258
Investment earnings	965,700
Net cash provided by investing activities	2,962,958
Net increase in cash and cash equivalents	18,531,485
Cash and cash equivalents:	
Beginning of year	11,444,580
End of year	\$ 29,976,065
Cash and cash equivalents:	
Cash and cash equivalents	\$ 29,345,869
Restricted cash and cash equivalents	630,196
Total cash and cash equivalents	\$ 29,976,065

See accompanying Notes to the Financial Statements.

San Elijo Joint Powers Authority
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2018

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 3,070,269
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Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation and amortization	2,294,704
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Change in assets, liabilities, deferred outflows of resources, and deferred inflows of resources:

Due from other governmental agencies	(231,852)
Prepaid items	3,265
Deferred outflows related to pensions	116,385
Accounts payable	685,474
Accrued liabilities	(185,786)
Retentions payable	497,466
Unearned revenue	(70,879)
Net pension liability	302,023
Net OPEB liability	10,000
Compensated absences	38,403
Deferred inflows related to pensions	(79,606)
Deferred inflows related to OPEB	7,949

Total adjustments	3,387,546
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Net cash provided by operating activities	\$ 6,457,815
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Non-cash items:

Amortization of other assets	\$ 5,098
Amortization of deferred amount on refunding	41,287

Total non-cash items	\$ 46,385
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NOTES TO THE FINANCIAL STATEMENTS

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San Elijo Joint Powers Authority
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1 – Reporting Entity

The San Elijo Joint Powers Authority (SEJPA), a Joint Powers Authority authorized by California Government Code Section 6500, 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) (collectively, 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (“GASB”) commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Method of Accounting

The Financial Statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the SEJPA.

The SEJPA utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, the Financial Statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Method of Accounting (Continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

- ***Deferred Outflows of Resources*** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.
- ***Deferred Inflows of Resources*** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Operating revenues are those revenues that are generated from the primary operations of the SEJPA. The SEJPA reports a measure of operations by presenting the change in net position from operations as "operating income" in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the SEJPA as all activities other than financing and investing activities (interest expense and investment income, rental income, etc.), and other infrequently occurring transaction of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the SEJPA. All other expenses are reported as non-operating expenses.

Estimates

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

Revenue Recognition

The SEJPA recognizes revenue from charges for services to other government agencies and contributions from its members when they are earned. Operating activities generally result from providing services and producing and delivering goods. As such, the SEJPA considers charges for services to other government agencies and contributions from the cities to be operating revenues.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value. The majority of the SEJPA's cash and investments are invested in the State of California's Local Agency Investment Fund ("LAIF"). The SEJPA does not own any specifically identifiable securities or investments in LAIF. As a participant in LAIF, the SEJPA has rights to its ratable share of the pooled cash and investments in LAIF, on a dollar-for-dollar basis. The SEJPA's ratable share of investment income from the LAIF pool is calculated and distributed on a quarterly basis. Investment income is reported as non-operating revenue in the Statement of Revenues, Expenses and Changes in Net Position. Since all amounts invested in LAIF are available upon demand, the SEJPA considers all amounts invested in LAIF to be cash equivalents.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

Certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

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

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all amounts due from other government agencies, loans receivable and the retrofit loans receivable were fully collectible; therefore no allowance for doubtful accounts was recorded at June 30, 2018.

Capital Assets

Capital assets consist of construction in progress, plant equipment, lab equipment, office equipment, and vehicles. 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:

<u>Asset Type</u>	<u>Years</u>
Plant equipment	5 - 50
Lab equipment	5 - 40
Office equipment	5 - 20
Vehicles	5

Capitalized Interest

The SEJPA incurred interest charges on long-term debt. No interest was capitalized as a cost of construction for the year ended June 30, 2018.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Amortization

2011 Refunding Bonds

Bond insurance costs are being amortized on the straight-line method over periods not to exceed the debt maturities. Amortization expense totaled \$5,098 for the year ended June 30, 2018.

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 for the year ended June 30, 2018 and is included in interest expense.

The deferred amount on refunding is being amortized over the remaining life of the refunded debt. Amortization expense totaled \$41,287 for the year ended June 30, 2018, and is included in interest expense.

2017 Revenue Bonds

The original issue premium is being amortized on the straight-line method over 30 years. Amortization of the original issue premium totaled \$70,224 for the year ended June 30, 2018 and is included in interest expense.

Classification of Liabilities

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

Compensated Absences

Employees are entitled to accrue vacation leave up to a maximum amount equal to twice the employees' annual accrual rate, after which accrual ceases until the balance of maximum accrued falls below the maximum accumulation (208 – 368 hours, depending on length of service). Upon separation of employment, accrued vacation benefits that have not been used are paid to the employee. Sick leave benefits may be accrued up to a maximum of 1,000 hours after which accrual ceases. Employee who are not terminated for cause and have given the SEJPA 14 calendar days written notice are paid for 50% of their sick leave balance upon separation. Accumulated and unpaid vacation and sick-leave totaling \$471,388 is accrued when incurred and included in noncurrent liabilities at June 30, 2018.

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, 2018, 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 the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Risk Management (Continued)

- **Property Damage**

\$61,118,112 in scheduled values is covered through the APIP Property Program with a \$1,000,000,000 shared loss limit per occurrence with a \$5,000 deductible. Coverage includes: all risk property coverage, mobile equipment, auto physical damage and boiler and machinery. The SEJPA has a \$5,000 to \$350,000 deductible for boiler and machinery coverage depending on the size of the machinery.

- **Faithful Performance/Employee Dishonesty Bond**

SEJPA is insured up to \$2,000,000 with a \$2,500 deductible. Coverage includes: employee dishonesty, faithful performance forgery or alteration, computer fraud, money and securities theft, disappearance and destruction.

- **Workers' Compensation**

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

The SEJPA pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of the adjustments cannot be estimated and are charged to expense as invoiced. The SEJPA's insurance expense totaled \$54,795 for the year ended June 30, 2018. There were no instances in the past three years where a settlement exceeded the SEJPA's coverage.

Pensions

For purposes of measuring the net pension liability at June 30, 2018, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 11). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation date	June 30, 2016
Measurement date	June 30, 2017
Measurement period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expenses for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and/or deferred inflows of resources related to pensions and are recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5-year. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefits

For purposes of measuring the Total OPEB liability at June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 12). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for OPEB reporting:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Measurement period	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total pension liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expenses for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and/or deferred inflows of resources related to OPEB and are recognized in future OPEB expense. The amortization period differs depending on the source of the gain or loss. All amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Net Position

In the financial statements, net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, other borrowings, and deferred inflows and outflows of resources that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Economic Dependency

The SEJPA received approximately 30.58% of its operating revenues from its member agencies for the year ended June 30, 2018.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 3 – Cash and Cash Equivalents

At June 30, 2018, cash and investments are reported at fair value based on quoted market prices. The following table presents the fair value measurements of investments recognized in the accompanying statement of net position measured at fair value on a recurring basis and the level within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2018:

	Amount Invested	Percentage of Portfolio	Measurement Input
Petty cash	\$ 174	0.00%	N/A
Deposits held with financial institutions	1,963,871	6.55%	N/A
Local Agency Investment Fund (LAIF)	28,012,020	93.45%	Uncategorized
Total cash and investments	\$ 29,976,065	100.00%	

**Cash and investments reported in the accompanying
Statement of Net Position:**

Cash and investments	\$ 29,345,869
Restricted cash and cash equivalents	630,196
Total cash, investments, and cash equivalents	\$ 29,976,065

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:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Minimum Rating
Local agency bonds	5 years	None	None
U.S. Treasury obligations	5 years	None	None
State obligations	5 years	None	None
CA local agency obligations	5 years	None	None
U.S. agency securities	5 years	None	None
Bankers' acceptances	180 days	40%	None
Commercial paper	270 days	25%	A1
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20%	None
Medium-term notes	5 years	30%	A
Mutual funds	n/a	20%	Multiple
Money market mutual funds	n/a	20%	Multiple
Collateralized bank deposits	5 years	None	None
Mortgage pass-through securities	5 years	20%	AA
Time deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	n/a	None	None
County pooled investments	n/a	None	None

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 3 – Cash and Cash Equivalents (Continued)

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.

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 is 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 shown via the distribution of the SEJPA's investments by maturity at June 30, 2018 as follows:

<u>Description</u>	<u>Balance</u>	<u>Maturity</u> <u>12 Months or</u> <u>Less</u>
Cash on hand	\$ 174	\$ 174
Deposits held with financial institutions	1,963,871	1,963,871
California Local Agency Investment Fund (LAIF)	28,012,020	28,012,020
Total cash and cash equivalents	<u>\$ 29,976,065</u>	<u>\$ 29,976,065</u>

Disclosures Relating to Credit Risk

Credit risk is defined as 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 organization. Presented below is the minimum rating required by (where applicable) the Gov't Code, the Investment Policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings as of June 30, 2018 were as follows:

<u>Description</u>	<u>Minimum</u> <u>Legal Rating</u>	<u>Standards &</u> <u>Poor's Rating at</u> <u>June 30, 2018</u>
Local Agency Investment Fund (LAIF)	N/A	Not Rated
Open ended money market mutual funds	N/A	Not Rated

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 3 – Cash and Cash Equivalents (Continued)

Disclosures Relating to Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude to the SEJPA's investment in a single issue. GASB Statement No. 40 requires disclosure by amount and issuer, of investments in any one issuer that represent 5% or more of total investments.

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, 2018.

Disclosures Relating to 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, 2018, none of the SEJPA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2018, no SEJPA investments were held by the same broker-dealer (counterparty) that was used by the SEJPA to buy the securities.

Investment in State of California Local Agency Investment Fund

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.

SEJPA's investments with Local Agency Investment Fund (LAIF) include a portion of the pool funds invested in structured notes and asset-backed securities. These investments include the following:

- Structured Notes - debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 3 – Cash and Cash Equivalents (Continued)

Investment in State of California Local Agency Investment Fund (Continued)

- Asset-Backed Securities - entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's), small business loans or credit card receivables.

LAIF is overseen by the Local Investment Advisory Board, which consists of five members, in accordance with State statute. The fair value of our position in the pool is the same as the value of the pool shares.

As of June 30, 2018, SEJPA had \$28,012,020 invested in LAIF, which had invested 2.67% of the pool investment funds in structured notes and asset-backed securities. The LAIF fair value factor of 0.998126869 was used to calculate the fair value of the investment in LAIF.

Note 4 – Due From Other Government Agencies

The SEJPA provides reclaimed water and wastewater treatment to a variety of governmental agencies within San Diego County. The following is a detail of amounts owed to/from the SEJPA by these agencies at June 30, 2018:

<u>Description</u>	<u>Balance</u>
San Dieguito Water District	\$ 68,329
San Diego County Water Authority	58,500
Rancho Santa Fe CSD 2 & 3	29,558
City of Encinitas	87,879
City of Solana Beach	140,278
Santa Fe Irrigation District	91,938
City of Del Mar	178,552
Olivenhain Municipal Water District	40,286
Other	12,928
Total due from other governmental agencies	<u>\$ 708,248</u>

Note 5 – Restricted Assets

Restricted assets were provided by and are to be used for the following at June 30, 2018:

<u>Funding Source</u>	<u>Use</u>	<u>Amount</u>
Receipts from customers	State loan reserve requirement	\$ 630,000
Debt proceeds and interest earned	Debt service - Solana Beach	54
Debt proceeds and interest earned	Debt service - Encinitas	142
		<u>\$ 630,196</u>

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 6 – Loans Receivable

The City of Encinitas and the City of Solana Beach have entered into the fourth amendment and restated loan agreements with the SEJPA. The loans bear interest from 2% to 4%. Principal and interest are payable semi-annually four days prior to each September 1 and March 1 of each year, in order to provide the SEJPA with sufficient funds to service the debt on the 2011 Refunding Revenue Bonds and 2017 Revenue Bonds (See Note 8). Loans receivable consist of the following at June 30, 2018:

City of Solana Beach	\$	11,926,155
City of Encinitas		<u>11,838,845</u>
Subtotal		23,765,000
Less: current portion		<u>(1,415,000)</u>
Total	\$	<u>22,350,000</u>

Note 7 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2018 is as follows:

<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2018</u>
Non-depreciable assets:					
Construction in progress	\$ 2,171,335	\$ 12,049,587	\$ -	\$ (10,268,537)	\$ 3,952,385
Total non-depreciable assets	<u>2,171,335</u>	<u>12,049,587</u>	<u>-</u>	<u>(10,268,537)</u>	<u>3,952,385</u>
Depreciable assets:					
Plant equipment	70,265,253	172,748	(27,812)	10,268,537	80,678,726
Lab equipment	101,240	19,576	(4,491)	-	116,325
Office equipment	70,690	-	-	-	70,690
Vehicles	289,287	-	-	-	289,287
Total depreciable assets	<u>70,726,470</u>	<u>192,324</u>	<u>(32,303)</u>	<u>10,268,537</u>	<u>81,155,028</u>
Accumulated depreciation:					
Plant equipment	(33,222,490)	(1,959,169)	16,331	-	(35,165,328)
Lab equipment	(75,690)	(3,591)	4,491	-	(74,790)
Office equipment	(66,644)	(4,223)	-	-	(70,867)
Vehicles	(271,134)	(13,206)	-	-	(284,340)
Total accumulated depreciation	<u>(33,635,958)</u>	<u>(1,980,189)</u>	<u>20,822</u>	<u>-</u>	<u>(35,595,325)</u>
Total depreciable assets, net	<u>37,090,512</u>	<u>(1,787,865)</u>	<u>(11,481)</u>	<u>10,268,537</u>	<u>45,559,703</u>
Total capital assets, net	<u>\$ 39,261,847</u>	<u>\$ 10,261,722</u>	<u>\$ (11,481)</u>	<u>\$ -</u>	<u>\$ 49,512,088</u>

Depreciation totaled \$1,980,189 for the year ended June 30, 2018. Depreciation plus amortization of other assets of \$314,515, as reported in the Statement of Revenues, Expenses, and Changes in Net Position, totaled \$2,294,704 for the year ended June 30, 2018.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 8 – Noncurrent Liabilities

A summary of changes in noncurrent liabilities for the year ended June 30, 2018 is as follows:

	Balance			Balance July 1, 2018	Classification	
	July 1, 2017	Additions	Deletions		Due Within One Year	Due in More Than One Year
Payable from Restricted Assets:						
Due to member agencies payable from restricted assets	\$ 247	\$ -	\$ (51)	\$ 196	\$ -	\$ 196
Total payable from restricted assets	247	-	(51)	196	-	196
Long-Term Debt:						
2011 Refunding Revenue Bonds	3,015,000	-	(1,365,000)	1,650,000	1,415,000	235,000
add: original issue premium	219,580	-	(79,848)	139,732	-	139,732
2017 Revenue Bonds	-	22,115,000	-	22,115,000	-	22,115,000
add: original issue premium	-	2,106,719	(70,224)	2,036,495	-	2,036,495
State loan payable	3,140,027	-	(756,174)	2,383,853	775,079	1,608,774
Private placement loan payable	1,602,066	-	(82,515)	1,519,551	85,975	1,433,576
SFID Reimbursement Agreement payable	438,339	-	(9,010)	429,329	-	429,329
SDG&E financing	-	533,883	(53,388)	480,495	53,388	427,107
Total long-term debt	8,415,012	24,755,602	(2,416,159)	30,754,455	2,329,442	28,425,013
Other Noncurrent Liabilities:						
Compensated absences	432,985	193,291	(154,888)	471,388	32,000	439,388
Total OPEB liability	423,020	10,000	-	433,020	-	433,020
Net pension liability	2,924,994	302,023	-	3,227,017	-	3,227,017
Total other noncurrent liabilities	3,780,999	505,314	(154,888)	4,131,425	32,000	4,099,425
Total long-term obligations	\$ 12,196,258	\$ 25,260,916	\$ (2,571,098)	\$ 34,886,076	\$ 2,361,442	\$ 32,524,634

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 six years and obtained an economic gain (difference between the present values of the old debt and the new debt service payments) of \$1,251,450. The deferred amount on refunding totaled \$72,250 at June 30, 2018.

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 \$1,650,000 at June 30, 2018. Accrued interest totaled \$21,023 at June 30, 2018. 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 the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 8 – Noncurrent Liabilities (Continued)

2011 Refunding Revenue Bonds (Continued)

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 1,415,000	\$ 63,068	\$ 1,478,068
2020	115,000	6,468	121,468
2021	120,000	3,420	123,420
Total	<u>\$ 1,650,000</u>	<u>\$ 72,956</u>	<u>\$ 1,722,956</u>

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 \$2,383,853 at June 30, 2018. Accrued interest totaled \$52,147 at June 30, 2018. The San Elijo Water Reclamation Project represented the construction of tertiary treatment, operational storage facilities, effluent pump stations and a reclaimed water distribution system. Annual loan payments are made by the SEJPA in the amount of \$834,675 and continue through August 2020. The SEJPA has agreed to maintain a dedicated source of revenue sufficient to provide reasonable assurance of repayment of the loan.

The terms of the state loan payable require the SEJPA to place \$63,000 into a reserve fund each year for ten (10) years, beginning with the issuance of the loan. The reserve fund balance was \$630,000 at June 30, 2018 (See Note 4).

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 775,079	\$ 59,596	\$ 834,675
2020	794,456	40,219	834,675
2021	814,318	20,358	834,675
Total	<u>\$ 2,383,853</u>	<u>\$ 120,173</u>	<u>\$ 2,504,025</u>

Private Placement Loan Payable

In November 2011, the SEJPA entered into a private placement loan payable with Municipal Finance Corporation in the amount of \$2,000,000 to fund advanced water treatment improvements (Advanced Water Treatment Project) at the San Elijo Water Reclamation Facility. Interest accrues at 4.15% on the unpaid principal balance and is payable in forty (40) semi-annual payments of \$74,077 including principal and interest and continue through December 2031. The private placement loan payable outstanding totaled \$1,519,551 at June 30, 2018. Accrued interest totaled \$5,255 at June 30, 2018. 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.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 8 – Noncurrent Liabilities (Continued)

Private Placement Loan Payable (Continued)

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 85,975	\$ 62,179	\$ 148,154
2020	89,580	58,574	148,154
2021	93,336	54,817	148,153
2022	97,249	50,904	148,153
2023	101,327	46,826	148,153
2024-2028	574,042	166,723	740,765
2029-2032	478,042	40,492	518,534
Total	<u>\$ 1,519,551</u>	<u>\$ 480,515</u>	<u>\$ 2,000,066</u>

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 down payment of \$50,000. SEJPA will further make a lump sum payment of all remaining principal and interest due after completion of the 20th year of this agreement if the average annual delivery volume of the extension from year 13 through year 15 exceeds 50 acre feet annually. Future payments on the SFID reimbursement agreement payable are contingent upon future reclaimed water sales, therefore future maturities have not been estimated and the agreement is considered noncurrent. The SFID reimbursement agreement payable totaled \$429,329 at June 30, 2018.

2017 Revenue Bonds

On June 21, 2017, the SEJPA issued \$22,115,000 of 2017 Revenue Bonds (Clean Water Projects) (the “Bonds”) that were funded on July 6, 2017. The Bonds were issued for the purpose of funding facilities and improvements as part of the SEJPA’s capital improvement plan. The SEJPA entered into *Series 2017 Loan Agreements* with the City of Encinitas and the City of Solana Beach (together the “Cities”) to assist in the financing of the Cities’ respective shares of the Bonds. Each *Series 2017 Loan Agreement* is an absolute and unconditional obligation of the City of Encinitas and the City of Solana Beach, respectively, to make payments from an secured by a pledge of System Revenues and other funds of each respective City lawfully available therefor and does not constitute an obligation of the other City. Each of the Cities has agreed to pay its respective Loan Installments from its System Revenues comprised of gross revenues derived from its respective wastewater collection and disposal system (including the SEJPA’s treatment of wastewater collected by its system) after the deduction of operation and maintenance expenses, in an amount sufficient to pay the annul principal and interest due under its respective *Series 2017 Loan Agreement*. In addition, each City has made covenants under its respective *Series 2017 Loan Agreement* regarding the collection of its System Revenues, and the SEJPA has made certain covenants with respect to the operation and maintenance of its facilities.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 8 – Noncurrent Liabilities (Continued)

2017 Revenue Bonds (Continued)

The Loan Installments paid by Encinitas would pay approximately 50% of the total debt service on the Bonds and the Loan Installments paid by Solana Beach would pay approximately 50% of the debt service on the Bonds.

Debt service requirements on the 2017 Revenue Bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ -	\$ 902,775	\$ 902,775
2020	435,000	902,775	1,337,775
2021	450,000	889,725	1,339,725
2022	460,000	876,225	1,336,225
2023	475,000	862,425	1,337,425
2024-2028	2,685,000	4,004,475	6,689,475
2029-2033	3,415,000	3,268,875	6,683,875
2034-2038	4,250,000	2,440,800	6,690,800
2039-2043	5,090,000	1,590,313	6,680,313
2044-2047	4,855,000	494,800	5,349,800
Total	<u>\$ 22,115,000</u>	<u>\$ 16,233,188</u>	<u>\$ 38,348,188</u>

San Diego Gas & Electric Loan:

On July 3, 2017, the SEJPA entered into an on-bill financing loan agreement with San Diego Gas & Electric (SDG&E) in the amount of \$533,883 in order to retrofit certain electrical equipment. The SEJPA will pay an additional \$4,449 on their monthly SDG&E bills. This retrofitting is expected to save the SEJPA \$68,120 per year and be paid off in under eight years.

Note 9 – Postemployment Benefits

Plan Description

The SEJPA provides medical insurance benefits to eligible retirees in accordance with various labor agreements subject to the SEJPA's vesting schedule. Medical benefits are typically available at age 55 and are only available to those retirees that select CalPERS medical upon the date of retirement. The current maximum contribution by the SEJPA to the retiree is \$128 per month, which is set by CalPERS.

Eligibility

Employees of the SEJPA are eligible for retiree health benefits if they retire within 120 days of their separation date. Membership in the plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Active plan members	20
Retirees	<u>4</u>
Total	<u><u>24</u></u>

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 9 – Postemployment Benefits (Continued)

Contributions

The obligation of the SEJPA to contribute to the plan is established and may be amended by the Board of Directors. The Board of Directors has established a policy of funding the actuarially determined contribution (ADC) on a pay as you go basis. For the fiscal year ended June 30, 2018, the SEJPA’s average contribution rate was 0.33 % of covered-employee payroll. Employees are not required to contribute to the plan.

Total OPEB Liability

The SEJPA’s total OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The total OPEB liability at June 30, 2018 was:

Total OPEB liability	\$	433,020
Total OPEB liability	\$	433,020

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:

Discount Rate	3.50%
Inflation	2.75%
Aggregate payroll increases	3.00%
Expected long-term investment rate of return	n/a
Mortality, Termination, and Disability	CalPERS 1997-2011
Mortality Improvement Scale	Modified MP-2014, which converge to ultimate mortality improvement rates in 2022.
Pre-retirement turnover	Ranging from 0.01% to 17.42% based on termination rates under the CalPERS pension plan.
Healthcare Trend Rate	An annual healthcare cost trend rate of 6.5% initially reduced by decrements to an ultimate of 5.0% therefore.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2018.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.50% percent. This discount rate is the mid-point, rounded to five basis points, of the range of 3-20 year municipal bond rate indices; S&P Municipal bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO AA 20 Year Bond Index.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 9 – Postemployment Benefits (Continued)

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 423,020
Changes Recognized for the Measurement Period:	
Service cost	18,879
Interest on the total OPEB liability	14,566
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	(9,275)
Contributions from the employer	-
Net investment income	-
Administrative expenses	-
Benefit payments	(14,170)
Net Changes during July 1, 2017 to June 30, 2018	10,000
Balance at June 30, 2018 (Measurement Date)	\$ 433,020

Change in the Total OPEB Liability (Continued)

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

The following presents the total OPEB liability of the SEJPA, as well as what the SEJPA's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.35 percent) or 1-percentage-point higher (4.35 percent) than the current discount rate:

Plan's Total OPEB Liability/(Asset)		
Discount Rate - 1% (2.50%)	Current Discount Rate (3.50%)	Discount Rate + 1% (4.35%)
\$ 501,041	\$ 433,020	\$ 378,196

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 9 – Postemployment Benefits (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the SEJPA, as well as what the SEJPA’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

Plan's Total OPEB Liability		
Discount Rate - 1%	Healthcare Cost Trend Rates	Discount Rate + 1%
(5.5% decreasing to 4.0%)	(6.5% decreasing to 5.0%)	(7.5% decreasing to 5.0%)
\$ 368,668	\$ 433,020	\$ 514,459

OPEB Expense

For the fiscal year ended June 30, 2018, the SEJPA recognized OPEB expense of \$32,120.

Deferred outflows or deferred inflows of resources associated with OPEB at June 30, 2018 were the following:

	Deferred outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	(7,949)
Net difference between projected and actual earning on OPEB plan investments	-	-
Total	\$ -	\$ (7,949)

These deferred outflows or deferred inflows related to OPEB will be recognized as OPEB expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources
2019	\$ (1,325)
2020	(1,325)
2021	(1,325)
2022	(1,325)
2023	(1,325)
Thereafter	(1,324)
	\$ (7,949)

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 10 – Defined Benefit Pension Plan

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Plan of the San Elijo Joint Powers Authority, (All Plans) a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS) in which the SEJPA participates with other public agencies that each have fewer than 100 active members and share the same benefit formula. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. 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.

The Plan’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

Hire Date	Miscellaneous		
	Prior to	On or After July 1, 2012	
	July 1, 2012	Second Tier	PEPRA
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.25%
Required employer contribution rates	10.110%	7.200%	6.533%

Contributions - Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The SEJPA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 10 – Defined Benefit Pension Plan (Continued)

Employees Covered by the Benefit Terms

For the year ended June 30, 2018, the SEJPA’s plan’s proportionate share of aggregate employer contributions made for the plan was as follows:

	Miscellaneous
Contributions - employer	\$ 367,677

At June 30, 2016, the following employees were covered by the benefit terms for the miscellaneous plan:

	Miscellaneous
Active employees	20
Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to, but not yet receiving benefits	15
Total	49

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions

As of June 30, 2018, the SEJPA reported net pension liabilities for its proportionate shares of the net pension liability of the plan as follows:

	Miscellaneous
Proportionate share of net pension liability	\$ 3,227,017

The SEJPA’s net pension liability for the plan is measured as the proportionate share of the net pension liability. The net pension liability of the plan is measured as of June 30, 2017, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The SEJPA’s proportion of the net pension liability was based on a projection of the SEJPA’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2016). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 10 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions (Continued)

- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2017). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2017 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2016-17).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The SEJPA's proportionate share of the net pension liability for the plan as of June 30, 2017 was as follows:

	Miscellaneous
Proportion June 30, 2016	0.079200%
Proportion June 30, 2017	0.080480%
Change - increase (decrease)	0.001280%

For the year ended June 30, 2018, the SEJPA recognized pension expense of \$581,700. At June 30, 2018, the SEJPA reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 302,451	\$ -
Difference between expected and actual experience	-	(58,017)
Changes of assumptions	498,962	-
Net difference between projected and actual earnings on pension plan investments	122,159	-
Employer contributions in excess/(under) proportionate share of contributions	35,221	-
Adjustments due to difference in proportions	6,039	-
Total	\$ 964,832	\$ (58,017)

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 10 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions (Continued)

The \$302,451 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources
2019	\$ 184,784
2020	295,794
2021	196,316
2022	(72,530)
2023	-
Thereafter	-
Total	<u>\$ 604,364</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

The underlying mortality assumption and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2014. Further details for the Experience Study can be found on the CalPERS website under "Forms and Publications."

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 10 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions (Continued)

Change of Assumption

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2016 measurement date to correct the adjustment, which previously reduced the discount rate for administrative expense. The discount rate was changed from 7.65 percent as of the June 30, 2016 measurement date to 7.15% as of the June 30, 2017 measurement date.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 10 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions (Continued)

Discount Rate (Continued)

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 ¹</u>	<u>Real Return Years 11 + ²</u>
Global equity	47.00%	4.90%	5.38%
Global fixed income	19.00%	0.80%	2.27%
Inflation sensitive assets	6.00%	0.60%	1.39%
Private equity	12.00%	6.60%	6.63%
Real estate	11.00%	2.80%	5.21%
Infrastructure and forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

¹ An expected inflation of 2.5% was used for this period.

² An expected inflation of 3.0% was used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the plan, as of the measurement date calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<u>Plan's Net Pension Liability/(Asset)</u>		
<u>Discount Rate - 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
\$ 5,007,502	\$ 3,227,017	\$ 1,752,386

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2018, the SEJPA reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 11 – Net Position

At June 30, 2018, net investment in capital assets consisted of the following:

Description	Balance
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 3,952,385
Capital assets, net – being depreciated	45,559,703
Loans receivable - capital	23,765,000
Deferred amount on refunding	72,250
Accrued interest payable	(379,350)
Retention payable	(510,626)
2011 Refunding Revenue Bonds	(1,789,732)
State loan payable	(2,383,853)
Private placement loan	(1,519,551)
SFID loan payable	(429,329)
Total net investment in capital assets	\$ 66,336,897

Note 12 – 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, 2018, the total unpaid amount on these contracts is approximately \$2,965,266.

Litigation

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

Operating Leases

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

In January 2007, the SEJPA entered into a Communications Site License Agreement as lessor with Omnipoint Communications, Inc. which was subsequently conveyed to T-Mobile West, LLC. The initial term of the agreement, which calls for an annual payment of \$20,400 and increasing 3% annually, is for 5 years commencing the earlier of the date the licensees intend to commence construction or October 1, 2007. This lease agreement may be extended automatically for five additional five-year terms on the same terms and conditions at the election of Omnipoint. The lease ended October 1, 2017. The SEJPA recognized rental income in the amount of \$27,417 for the year ended June 30, 2018.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 13 – New and Upcoming Governmental Accounting Standards Implementation

Upcoming Governmental Accounting Standards Implementation

GASB Statement No. 83

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2019.

GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2020.

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2020.

GASB Statement No. 88

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement also defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2018

Note 13 – New and Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 88 (Continued)

In addition the statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2020.

GASB Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2021.

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests– An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2020.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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San Elijo Joint Powers Authority
Required Supplementary Information (Unaudited)
Schedules of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios
Last Ten Fiscal Years*
Miscellaneous Plan
As of June 30, 2018

	<u>6/30/2017</u> ¹	<u>6/30/2016</u> ¹	<u>6/30/2015</u> ¹	<u>6/30/2014</u> ¹
Plan's proportion of the net pension liability	0.081861%	0.079200%	0.089800%	0.031140%
Plan's proportionate share of the net pension liability	\$ 3,227,017	\$ 2,924,994	\$ 2,463,640	\$ 1,937,636
Plan's covered payroll ²	\$ 1,930,102	\$ 1,916,333	\$ 1,718,001	\$ 1,707,696
Plan's proportionate share of the net pension liability as a percentage of covered payroll	167.19%	152.63%	143.40%	113.46%
Plan's fiduciary net position	\$ 9,717,557	\$ 8,477,710	\$ 8,203,952	\$ 7,976,883
Plan's fiduciary net position as a percentage of the total pension liability	75.07%	74.35%	76.91%	80.46%
Plan's proportionate share of aggregate employer contributions ^{3,4}	\$ 367,677	\$ 315,703	\$ 308,067	\$ 215,709

Notes to Schedule:

Benefit changes. In 2015, benefit terms were modified to base miscellaneous employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of miscellaneous employees.

* - Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

¹ Ten year historical information is not available.

² Covered Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

³ The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

⁴ This data is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but it is being shown here because it is used in the calculation of the Plan's pension expense.

San Elijo Joint Powers Authority
Required Supplementary Information (Unaudited)
Schedule of Contributions
Last Ten Fiscal Years*
Miscellaneous Plan
As of June 30, 2018

	<u>2017-18¹</u>	<u>2016-17¹</u>	<u>2015-16¹</u>	<u>2014-15¹</u>	<u>2013-14¹</u>
Contractually determined contribution (actuarially determined)	\$ 302,451	\$ 302,683	\$ 286,852	\$ 267,504	\$ 256,232
Contributions in relation to the actuarially determined contributions ²	(302,451)	(437,683)	(411,852)	(267,504)	(256,232)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (135,000)</u>	<u>\$ (125,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll ^{3,4}	\$ 1,930,102	\$ 1,916,333	\$ 1,829,430	\$ 1,832,405	\$ 1,707,696
Contributions as a percentage of covered payroll ³	15.67%	22.84%	22.51%	14.60%	15.00%

¹ Ten year historical information is not available.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from prior year was assumed to increase by the 3.00% payroll growth assumption.

Notes to Schedule

Valuation date: 6/30/2016

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2015 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2015 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2015 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* - Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

San Elijo Joint Powers Authority
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Fiscal Years ¹
For the Year Ended June 30, 2018

Measurement period, year ending:	6/30/2018 ¹	6/30/2017 ¹
Total OPEB liability		
Service cost	\$ 18,879	\$ 18,267
Interest	14,565	13,926
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	(9,274)	-
Benefit payments, including refunds of member contributions	(14,170)	(13,242)
Net change in total OPEB liability	10,000	18,951
Total OPEB liability - beginning	423,020	404,069
Total OPEB liability - ending (a)	\$ 433,020	\$ 423,020
OPEB fiduciary net position		
Contributions - employer	\$ 14,170	\$ 13,242
Net investment income	-	-
Benefit payments, including refunds of member contributions	(14,170)	(13,242)
Administrative expense	-	-
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending (b)	-	-
Plan net OPEB liability - ending (a) - (b)	\$ 433,020	\$ 423,020
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered-employee payroll	N/A	\$ 1,856,890
Plan net OPEB liability as a percentage of covered-employee payroll	N/A	22.78%

¹ Ten year historical information is not available.

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SUPPLEMENTARY INFORMATION

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San Elijo Joint Powers Authority
Combining Statement of Net Position
June 30, 2018

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
Current assets:			
Cash and investments	\$ 28,211,238	\$ 1,134,631	\$ 29,345,869
Due from other governmental agencies	405,427	302,821	708,248
Accrued interest receivable	364,674	4,877	369,551
Prepaid items	20,643	5,095	25,738
Current portion of loans receivable	1,415,000	-	1,415,000
Total current assets	<u>30,416,982</u>	<u>1,447,424</u>	<u>31,864,406</u>
Non-current assets:			
Restricted cash and cash equivalents	196	630,000	630,196
Loans receivable - net of current portion	22,350,000	-	22,350,000
Other assets	8,923	-	8,923
Capital assets:			
Nondepreciable	3,195,116	757,269	3,952,385
Depreciable, net of accumulated depreciation	29,457,980	16,101,723	45,559,703
Total capital assets	<u>32,653,096</u>	<u>16,858,992</u>	<u>49,512,088</u>
Total non-current assets	<u>55,012,215</u>	<u>17,488,992</u>	<u>72,501,207</u>
Total assets	<u>85,429,197</u>	<u>18,936,416</u>	<u>104,365,613</u>
Deferred outflows of resources:			
Deferred amount on refunding	72,250	-	72,250
Deferred outflows related to pensions	800,810	164,022	964,832
Total deferred outflows of resources	<u>873,060</u>	<u>164,022</u>	<u>1,037,082</u>

San Elijo Joint Powers Authority
Combining Statement of Net Position (Continued)
June 30, 2018

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
Current liabilities:			
Accounts payable	\$ 912,974	\$ 146,166	\$ 1,059,140
Accrued liabilities	113,591	23,569	137,160
Accrued interest payable	321,948	57,402	379,350
Retention payable	510,626	-	510,626
Unearned revenue	22,573	-	22,573
Revenue refunding bonds - due within one year	1,415,000	-	1,415,000
State loan payable - due within one year	-	775,079	775,079
Private placement loan payable - due within one year	-	85,975	85,975
SDG&E loan - due within one year	53,388	-	53,388
Compensated absences - due within one year	27,262	4,738	32,000
Total current liabilities	<u>3,377,362</u>	<u>1,092,929</u>	<u>4,470,291</u>
Non-current liabilities:			
Due to member agencies payable from restricted assets	196	-	196
Revenue refunding bonds - due in more than one year	374,732	-	374,732
Revenue bonds - due in more than one year	24,151,495	-	24,151,495
State loan payable - due in more than one year	-	1,608,774	1,608,774
Private placement loan payable - due in more than one year	-	1,433,576	1,433,576
SFID reimbursement agreement payable	-	429,329	429,329
SDG&E loan - due in more than one year	427,107	-	427,107
Net pension liability	2,678,424	548,593	3,227,017
Total OPEB liability	359,407	73,613	433,020
Compensated absences - due in more than one year	374,332	65,056	439,388
Total non-current liabilities	<u>28,365,693</u>	<u>4,158,941</u>	<u>32,524,634</u>
Total liabilities	<u>31,743,055</u>	<u>5,251,870</u>	<u>36,994,925</u>
Deferred inflows of resources			
Deferred inflows related to pensions	48,154	9,863	58,017
Deferred inflows related to OPEB	6,598	1,351	7,949
Total deferred inflows of resources	<u>54,752</u>	<u>11,214</u>	<u>65,966</u>
Net position:			
Net investment in capital assets	53,868,040	12,468,857	66,336,897
Restricted	-	630,000	630,000
Unrestricted	636,410	738,497	1,374,907
Total net position	<u>\$ 54,504,450</u>	<u>\$ 13,837,354</u>	<u>\$ 68,341,804</u>

San Elijo Joint Powers Authority
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

Operating revenues:	Wastewater	Recycled	Total
Charges for services to other government agencies	\$ 5,070,062	\$ 2,858,053	\$ 7,928,115
Contributions from the City of Encinitas	1,945,860	-	1,945,860
Contributions from the City of Solana Beach	1,547,027	-	1,547,027
Total operating revenues	8,562,949	2,858,053	11,421,002
Operating expenses:			
Personnel costs	2,625,757	679,162	3,304,919
Depreciation and amortization	1,659,012	635,692	2,294,704
Utilities	500,639	335,243	835,882
Contracted services	612,594	227,694	840,288
Supplies	216,440	111,410	327,850
Disposal services	225,119	-	225,119
Miscellaneous	71,299	12,865	84,164
Rent	49,727	91,202	140,929
Repair parts expense	97,276	43,234	140,510
Permit/purveyor fees	77,888	23,685	101,573
Insurance	38,356	16,439	54,795
Total operating expenses	6,174,107	2,176,626	8,350,733
Operating income	2,388,842	681,427	3,070,269
Non-operating revenues (expenses):			
Investment income	1,260,865	14,791	1,275,656
Rental income	27,417	-	27,417
Loss on disposal of assets	(11,481)	-	(11,481)
Interest expense	(880,919)	(132,607)	(1,013,526)
Other	1,526	-	1,526
Total non-operating revenues (expenses), net	397,408	(117,816)	279,592
Net income before capital contributions	2,786,250	563,611	3,349,861
Capital contributions:			
Assessments from City of Encinitas	11,545,954	-	11,545,954
Assessments from City of Solana Beach	11,201,304	-	11,201,304
Total capital contributions	22,747,258	-	22,747,258
Change in net position	25,533,508	563,611	26,097,119
Net position:			
Beginning of year	28,970,942	13,273,743	42,244,685
End of year	<u>\$ 54,504,450</u>	<u>\$ 13,837,354</u>	<u>\$ 68,341,804</u>

San Elijo Joint Powers Authority
Combining Statement of Cash Flows
For the Year Ended June 30, 2018

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
Cash flows from operating activities:			
Cash receipts from customers	\$ 8,234,761	\$ 2,883,510	\$ 11,118,271
Cash payments to vendors and suppliers for materials and services	(782,484)	(782,421)	(1,564,905)
Cash payments to employees for services	(2,481,951)	(613,600)	(3,095,551)
Net cash provided by operating activities	<u>4,970,326</u>	<u>1,487,489</u>	<u>6,457,815</u>
Cash flows from non-capital financing activities:			
Rental and other nonoperating income	28,943	-	28,943
Net cash provided by non-capital financing activities	<u>28,943</u>	<u>-</u>	<u>28,943</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(12,012,804)	(229,107)	(12,241,911)
Proceeds from issuance of long-term debt	24,755,602	-	24,755,602
Payment of bond issuance costs	(309,420)	-	(309,420)
Principal paid on long-term debt	(1,568,459)	(847,700)	(2,416,159)
Interest paid on long-term debt	(556,906)	(149,437)	(706,343)
Net cash provided by (used in) capital and related financing activities	<u>10,308,013</u>	<u>(1,226,244)</u>	<u>9,081,769</u>
Cash flows from investing activities:			
Proceeds from loans receivable	1,997,258	-	1,997,258
Investment earnings	952,601	13,099	965,700
Net cash provided by investing activities	<u>2,949,859</u>	<u>13,099</u>	<u>2,962,958</u>
Net increase in cash and cash equivalents	18,257,141	274,344	18,531,485
Cash and cash equivalents:			
Beginning of year	9,954,293	1,490,287	11,444,580
End of year	<u>\$ 28,211,434</u>	<u>\$ 1,764,631</u>	<u>\$ 29,976,065</u>
Cash and cash equivalents	\$ 28,211,238	\$ 1,134,631	\$ 29,345,869
Restricted cash and cash equivalents	196	630,000	630,196
Total cash and cash equivalents	<u>\$ 28,211,434</u>	<u>\$ 1,764,631</u>	<u>\$ 29,976,065</u>

San Elijo Joint Powers Authority
Combining Statement of Cash Flows (Continued)
For the Year Ended June 30, 2018

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 2,388,842	\$ 681,427	\$ 3,070,269
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,659,012	635,692	2,294,704
Change in assets, liabilities, deferred outflows of resources, and deferred inflows of resources:			
Due from other governmental agencies	(257,309)	25,457	(231,852)
Prepaid items	3,609	(344)	3,265
Deferred outflows related to pensions	112,948	3,437	116,385
Accounts payable	605,779	79,695	685,474
Accrued liabilities	(114,879)	(70,907)	(185,786)
Retentions payable	497,466	-	497,466
Unearned revenue	(70,879)	-	(70,879)
Net pension liability	183,992	118,031	302,023
Total OPEB liability	8,448	1,552	10,000
Compensated absences	29,632	8,771	38,403
Deferred inflows related to pensions	(82,933)	3,327	(79,606)
Deferred inflows related to OPEB	6,598	1,351	7,949
Total adjustments	<u>2,581,484</u>	<u>806,062</u>	<u>3,387,546</u>
Net cash provided by operating activities	<u>\$ 4,970,326</u>	<u>\$ 1,487,489</u>	<u>\$ 6,457,815</u>
Non-cash items:			
Amortization of other assets	\$ 5,098	\$ -	\$ 5,098
Amortization of deferred amount on refunding	41,287	-	41,287
Total non-cash items	<u>\$ 46,385</u>	<u>\$ -</u>	<u>\$ 46,385</u>

San Elijo Joint Powers Authority
Operating Budget Comparison Schedule - Wastewater
For the Year Ended June 30, 2018
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Charges for services to other government agencies	\$ 1,639,418	\$ 5,070,062	\$ 3,430,644
Contributions from the City of Encinitas	1,857,984	1,945,860	87,876
Contributions from the City of Solana Beach	1,406,746	1,547,027	140,281
Total operating revenues	<u>4,904,148</u>	<u>8,562,949</u>	<u>3,658,801</u>
Operating expenses:			
Personnel costs	2,453,973	2,625,757	(171,784)
Utilities	651,863	500,639	151,224
Contracted services	566,254	612,594	(46,340)
Supplies	232,010	216,440	15,570
Disposal services	224,000	225,119	(1,119)
Miscellaneous	80,297	71,299	8,998
Rent	7,388	49,727	(42,339)
Repair parts expense	137,799	97,276	40,523
Permit/purveyor fees	61,774	77,888	(16,114)
Insurance	48,011	38,356	9,655
Capital expense	43,500	-	43,500
Contingency	145,500	-	145,500
Total operating expenses	<u>4,652,369</u>	<u>4,515,095</u>	<u>137,274</u>
Operating income (loss)	<u>\$ 251,779</u>	<u>\$ 4,047,854</u>	<u>\$ 3,796,075</u>

San Elijo Joint Powers Authority
Operating Budget Comparison Schedule - Recycled
For the Year Ended June 30, 2018
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Charges for services to other government agencies	\$ 2,712,190	\$ 2,858,053	\$ 145,863
Contributions from the City of Encinitas	-	-	-
Contributions from the City of Solana Beach	-	-	-
Total operating revenues	<u>2,712,190</u>	<u>2,858,053</u>	<u>145,863</u>
Operating expenses:			
Personnel costs	524,694	679,162	(154,468)
Utilities	388,199	335,243	52,956
Contracted services	275,093	227,694	47,399
Supplies	116,233	111,410	4,823
Miscellaneous	19,470	12,865	6,605
Rent	73,150	91,202	(18,052)
Repair parts expense	43,697	43,234	463
Permit/purveyor fees	29,174	23,685	5,489
Capital expense	5,000	-	5,000
Insurance	20,194	16,439	3,755
Total operating expenses	<u>1,494,904</u>	<u>1,540,934</u>	<u>(46,030)</u>
Operating income (loss)	<u>\$ 1,217,286</u>	<u>\$ 1,317,119</u>	<u>\$ 99,833</u>

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