

# Valley Center Municipal Water District



## Annual Comprehensive Financial Report

For the Fiscal  
Year Ended  
June 30, 2021

**Valley Center, California**



Cover Photo: View of open hay field in the North Village area of Valley Center.

# **Annual Comprehensive Financial Report**

## **For The Fiscal Year Ended June 30, 2021**

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## **Valley Center Municipal Water District**



Prepared by:

Valley Center Municipal Water District's Finance Department  
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**29300 Valley Center Road ▪ PO Box 67 ▪ Valley Center, CA 92082**

**[www.valleycenterwater.org](http://www.valleycenterwater.org)**

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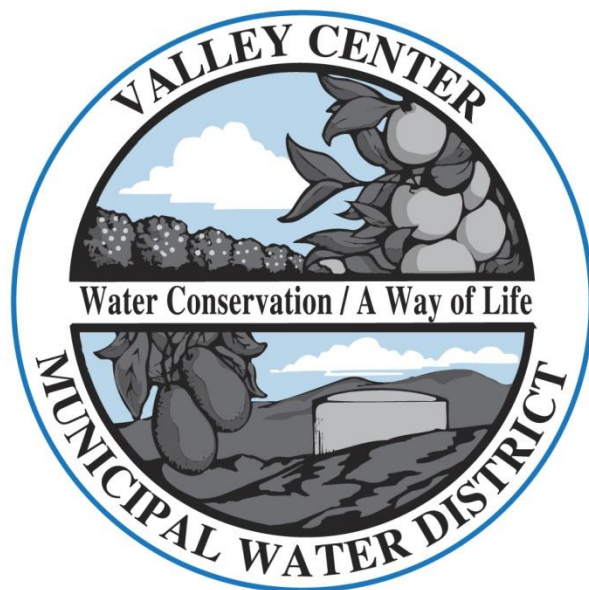
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# Introductory Section



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# VALLEY CENTER MUNICIPAL WATER DISTRICT

A Public Agency Organized July 12, 1954

Board of Directors  
Robert A. Polito  
President  
Randy D. Haskell  
Vice President  
Enrico P. Ferro  
Director  
Daniel E. Holtz  
Director  
Oliver J. Smith  
Director

December 27, 2021

Robert A. Polito, President  
Members of the Board of Directors  
Valley Center Municipal Water District  
29300 Valley Center Road  
Valley Center, CA 92082

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) for the Valley Center Municipal Water District (hereinafter referred to as “the District”) for the fiscal year ended June 30, 2021. The purpose of the report is to provide the Board of Directors, our customers, and any other interested parties with reliable financial information about the District.

The ACFR was prepared by the District's Finance Department in accordance with Generally Accepted Accounting Principles (GAAP). Management assumes full responsibility for the completeness and reliability of the information contained in this report, which is based upon a comprehensive framework of internal controls that were established for this purpose. Because the costs of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to set forth fairly the financial position and results of operations of the District, and that all disclosures necessary to enable readers to gain maximum understanding of the District's financial activity have been included.

The District's policy requires that an independent certified public accounting firm, selected by the Board, audit the basic financial statements on an annual basis. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Leaf & Cole, LLP have issued an unmodified (or clean) opinion on the District's financial statements for the fiscal year ended June 30, 2021. The independent auditor's report is presented as the first component of the Financial Section of this report.

Management's Discussion & Analysis (MD&A) immediately follows the independent auditor's report in the Financial Section and provides an overview, summary, and analysis of the basic financial statements. The MD&A complements this Letter of Transmittal and should be read in conjunction with it.

## REPORTING ENTITY AND SERVICES

Valley Center Municipal Water District (the “District”) was founded on July 12, 1954 and was formed under the provisions of the California Municipal Water District Law of 1911 (California Water Code Sections 71000 et seq.). It is located in northern San Diego County and provides water and wastewater reclamation services to its domestic, agricultural, and commercial customers encompassing a 101 square mile service area, the District serves a population of approximately 26,780. It includes the unincorporated area of Valley Center and unincorporated areas north of Escondido.

The District is governed by a five-member Board of Directors (the “Board”), elected by geographic division and serving staggered four-year terms and manages the District through an appointed general manager. The District’s management team also includes four department heads that oversee the Finance, Engineering, Information Technology, and Operations & Facilities Departments. At June 30, 2021, there were 70 regular full-time employees working for the District.

For reporting purposes, the financial statements present a combined report which includes all District activities for which the Board of Directors of Valley Center Municipal Water District is primarily financially accountable. The District has established various self-balancing groups of accounts in order to enhance internal control and further the attainment of management objectives. The groups of accounts are identified in the District’s books and records as General, Lower Moosa Wastewater Treatment, and Woods Valley Ranch Wastewater.

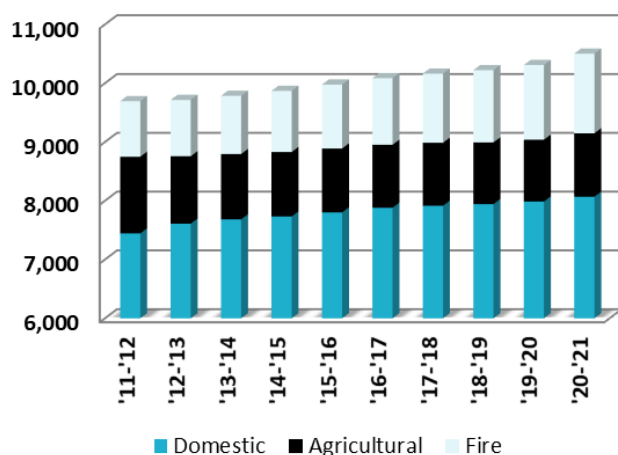
Activity not included as a part of this report is limited to Assessment District No. 2012-1, which is described in note 6 of the Notes to the Basic Financial Statements.



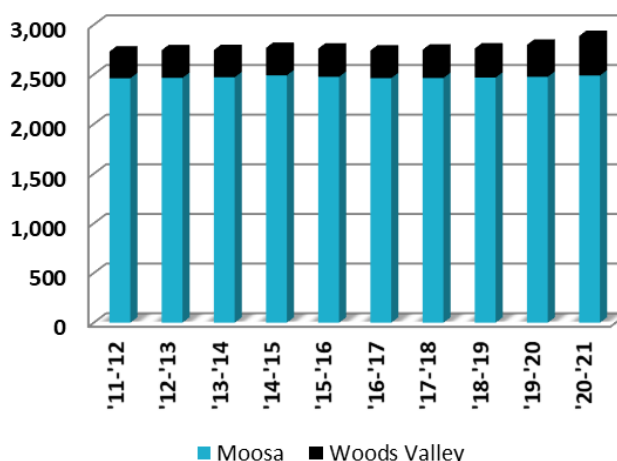
### System Overview

- Aqueduct Connections: 7
- Miles of Water Main: 335
- Enclosed Reservoirs: 40
- Open Reservoirs: 1
- Pump Stations: 29
- Wastewater Treatment Facilities: 2
- Wastewater Connections: 2,888
- Miles of Wastewater Lines: 42
- 2020-21 Revenue: \$53.8 Million
- 2020-21 Expenses: \$51.4 Million

**Active Water Meters**



**Wastewater Connections**





## FINANCIAL POLICIES

The District's Board of Directors has adopted a comprehensive set of financial policies. During the current year, three of these policies were of most significance.

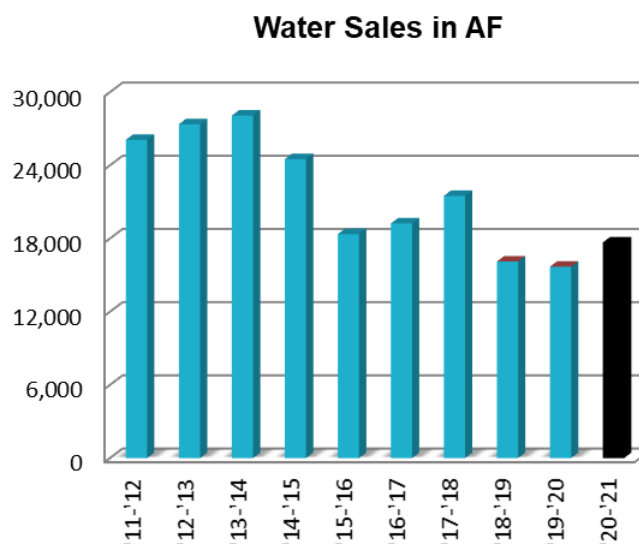
**Budget** – The Board of Directors annually adopts a Budget Policy that defines reserve requirements, outlines the budget process, and assigns control and accountability. Operating and capital budgets for the District are prepared by departments annually and are reviewed and modified by management before being compiled into a comprehensive document for approval by the Board. The annual budget document is adopted prior to the beginning of the fiscal year and provides the basis for prioritizing efforts, activities, financial resources, and personnel needs. Further information can be found in the budget, a copy of which is available on the District website at [www.valleycenterwater.org](http://www.valleycenterwater.org).

**Investment** – Annually, the Board adopts an investment policy that is in compliance with California Government Code Section 53646(a)(2). The investment of idle funds is delegated to the District Treasurer, who further delegates the day-to-day operations of investment of public funds to Finance Department personnel. The District's investment policy is conservative in that the type of investments allowed in the policy is limited to those investments that carry the least risk while continuing to pay at least a market rate of return. The primary goals of the policy are: first, preservation of capital and second, to maintain enough liquidity to meet cash flow requirements. After these goals, investment income is considered. Refer to note 2 in the Notes to the Financial Statements for detailed investment information.

**Debt** – The District established a formal Debt Policy that sets forth guidelines for the purpose, type, and management of debt used to finance the District's capital improvements program. Compliance with the policy is essential to ensure that the District maintains a sound debt position and that it preserves budgetary flexibility and its credit quality. The policy also establishes guidelines for its disclosure obligations and refunding of debt to reduce interest costs.

## LOCAL ECONOMY AND OUTLOOK

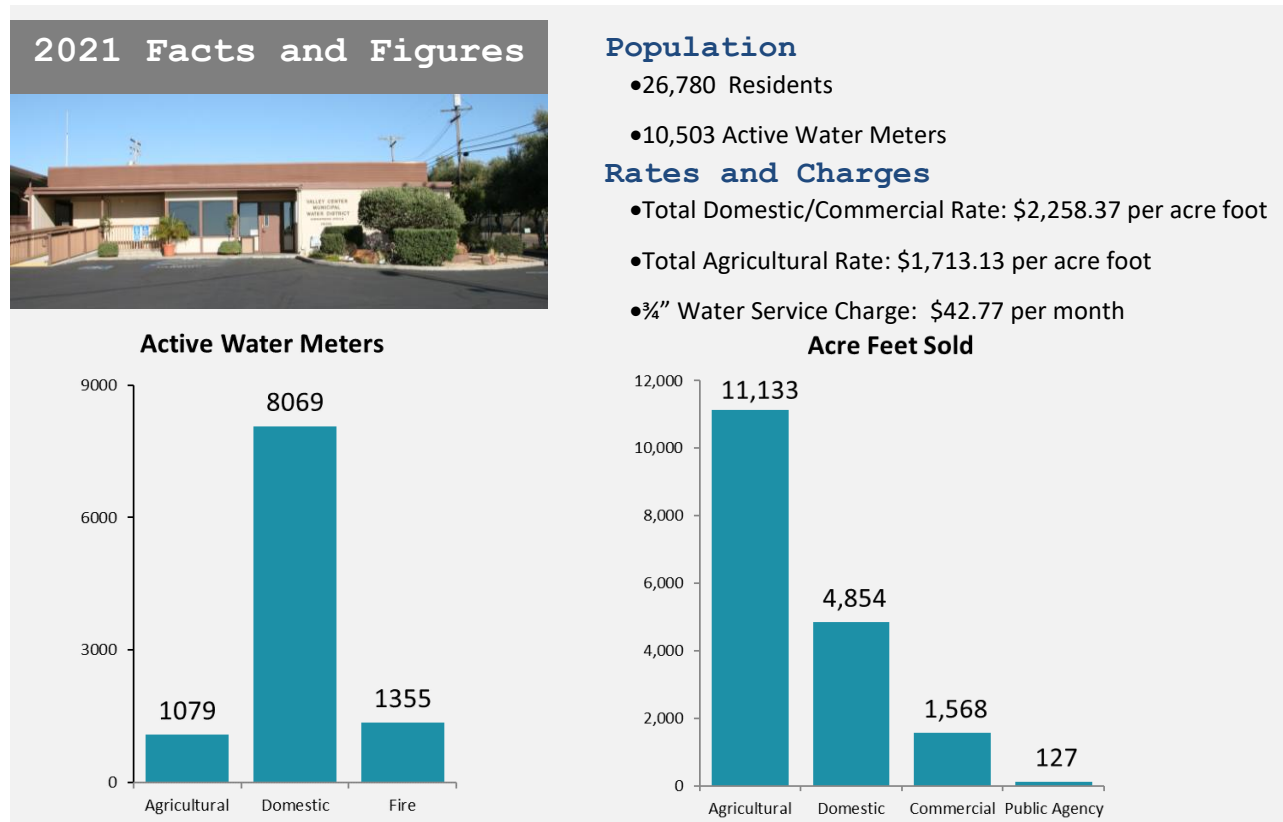
For the last decade, Valley Center has been in transition from being predominately agricultural to a more balanced rural-suburban and agricultural setting. When once over 90% of the water delivered by the District went to commercial agricultural users, the mix is now 63% agricultural and 37% domestic-commercial. This is happening to Valley Center and other surrounding areas, such as Rainbow and Fallbrook, because of the decline in agriculture and the need for additional land dedicated to residential use. The decline in agricultural use is due in part to regulatory restrictions, labor costs and shortages, market competition, and the rapid rise in the cost of water over the last ten years.



As a result, the District has seen a significant decrease in the volume of water deliveries to its customers. Water sales for the year ended June 30, 2021, totaled 17,683 acre feet. Compared to just 15 years ago in Fiscal Year 2006-07, when the District sold 48,085 acre feet. Additionally, the volume of water purchased was 18,846 acre feet for the year ended June 30, 2021, which is among the lowest. By comparison, in Fiscal Year 2006-07, the District purchased 50,511 acre feet of water.

As of January 1, 2021, the estimated population of the area serviced by the District was 26,780. The median age of the residents was 37.3 years, occupied housing units in the community totaled 8,167, and the median household income, adjusted for inflation is estimated at \$86,326<sup>1</sup>. At June 30, 2021, unemployment in California was 7.6%, San Diego County was 7.0%, and the local rate in the Valley Center Census Designated Place (CDP) was 3.2%. These figures are a result of the state of the economy due to the COVID-19 Pandemic.

The District relies on the San Diego County Water Authority (SDCWA or “Authority”) as its’ sole source provider for treated potable water. The Authority imports water through the Metropolitan Water District of Southern California (MWD) system and its own aqueduct, storage, and treatment system. MWD obtains its water from two sources: the Colorado River Aqueduct and the State Water Project under a water supply contract with the Department of Water Resources. This water has become increasingly unreliable in recent years as deteriorating ecological conditions have led to regulatory restrictions on pumping water supplies from the Bay-Delta. The Bay-Delta is an inland river delta and estuary formed at the confluence of the Sacramento and San Joaquin Rivers east of San Francisco. It is a key water supply source for California including the millions of residents in San Diego County. In addition, the Authority’s water supply portfolio also includes supplies secured in 2003 from the Colorado River. These supplies include a water conservation and transfer agreement with the Imperial Irrigation District and water conserved by two projects, the All American Canal



<sup>1</sup> San Diego Association of Governments (SANDAG) as of April 1, 2020, in the Valley Center Statistical Reference Area, which encompasses part but not all of the District.

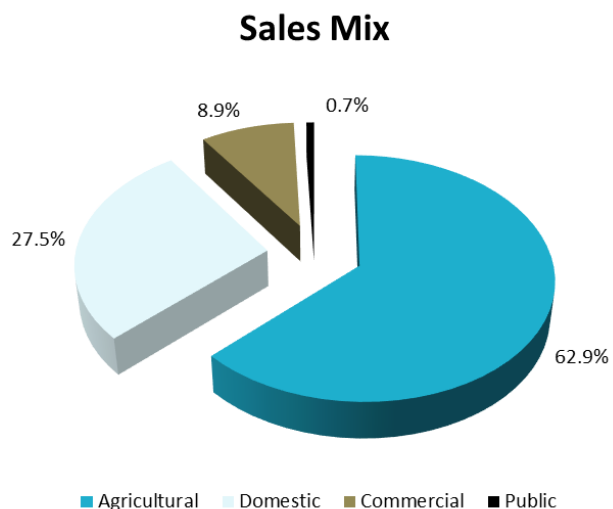
Lining Project and the Coachella Canal Lining Project. Additionally, the SDCWA added desalinated seawater to its water supply portfolio with the completion of the Carlsbad Desalination Plant in December 2015. This supply reduces the region's dependence on water from the Colorado River and the Bay-Delta that is vulnerable to droughts, natural disasters, and regulatory restrictions.

VCMWD and the entire California water community will continue to face challenges going forward. Uncertainties surrounding the COVID-19 Pandemic as well as construction of needed statewide new surface storage, the effects of climate change, public environmental issues and state regulations concerning water restrictions, increasing operating costs and depressing revenues all contribute to a difficult planning environment in which the cost of imported water is all but certain to continue to increase. Water shortages, both natural and man-made, continue to loom in the future. These factors have the potential to adversely impact the finances of the District.

**Financial and Economic Trends** – Customer meter categories have stayed consistent with 189 new meter accounts having been established during 2020-21. This raised the total number of meter connections within the District to 11,401, of which 1,491 are fire meter accounts. Of the total meter accounts, 762 water service accounts and 136 fire service accounts are inactive, resulting in 10,503 revenue generating water meters at the close of the fiscal year. This is an increase of 194 active service accounts (85 fire and 109 water service) compared to the close of 2019-20.

Private development construction increased in fiscal year 2020-21 as the Park Circle Development began the build out of their community. The District continued to process 25 private development projects containing a total of 1,031 units in various stages of completion, from concept approval to warranty period. Additionally, there are 17 projects with 1,721 units that are in the active planning stage and ten inactive projects with 69 units.

For the fiscal year ended June 30, 2021, water sales were 17,683 acre feet, up 1,992 acre feet or 12.6% from sales of 15,691 acre feet in 2019-20. This increase is due in part to a 65% decrease in total rainfall for the year, 7.7 inches versus 22.3 inches in 2019-20. Water deliveries are broken down as follows: 62.9% for agricultural purposes, 27.5% for domestic, 8.9% for commercial, and 0.7% for public use. The total cost of water purchased for the fiscal year was \$28.7 million, or 60.8% of the District's total water operating expenses.



### **SDCWA Permanent Special Agricultural Water Rate**

– As part of the continued District representation to the San Diego County Water Authority (SDCWA), and the SDCWA Fiscal Sustainability Task Force, District staff helped secure SDCWA Board approval for making the Transitional Special Agricultural Water Rate (TSAWR) a permanent program (PSAWR) through coordination with other large agricultural SDCWA Member Agencies and the SD County Farm Bureau. In becoming permanent, the basic SAWR component structure and economic value relative to domestic rates, was preserved. Staff continued to represent the District on a workgroup developing the implementation requirements for the permanent program which went into effect January 1, 2021.



The Permanent Special Agricultural Water Rate (PSAWR) provides a rebate for qualifying agricultural water users. PSAWR customers do not pay for the full cost, nor do they benefit fully from, the SDCWA Emergency Storage or Carry-Over Storage Projects. In addition, the SDCWA melded rate reflects the costs of the supplemental supplies, such as those from the IID Transfer, the All-American-Coachella Canal Lining, and the Carlsbad Seawater Desalination project which PSAWR customers also do not pay.

In exchange for reduced rates, PSAWR customers agree to have their water supply reduced first and at a greater degree during droughts and other emergency situations. For calendar year 2020 the discount that certified agricultural customers received totaled \$566 per acre foot, based on water rates effective February 1, 2020. With the full PSAWR pricing differential, VCMWD participating agricultural customers will pay \$1,713.13 per acre foot, compared to the \$2,258.37 per acre foot that domestic/commercial customers will pay, a 24.1% reduction or savings of \$545 per acre foot in calendar year 2021.

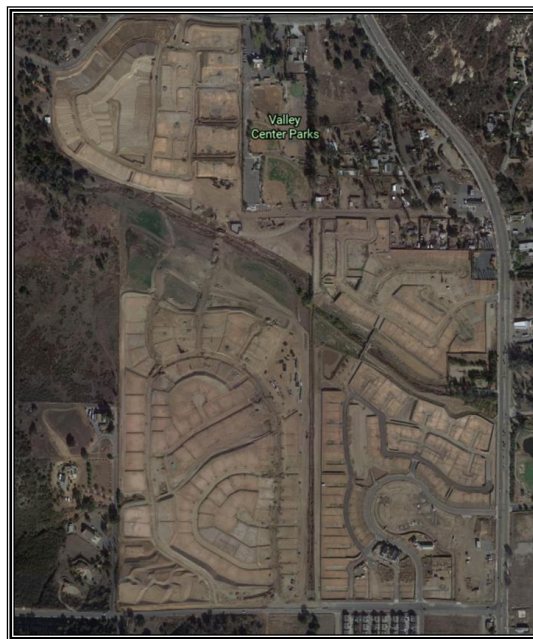
Please refer to the MD&A in the financial section of this report for detailed schedules and analysis of the District's operating results for the fiscal year ended June 30, 2021.

**Long-Term Financial Planning** – New capital improvement facilities are categorized as either, Replacement, System Upgrade or Expansion facilities. Replacement and System Upgrade facilities are currently funded from replacement and capital reserves, primarily on a pay as you go cash basis. These reserves are funded annually by a combination of capacity fees, water availability charges, property taxes, and excess operating and non-operating revenues. The District has increased its leverage of available funding through State Revolving Fund (SRF) financing by establishing a process to apply for funding on a yearly basis. Three pipeline replacement projects, Oat Hill Discharge, Lilac Road, and Gordon Hill Road were submitted by June 30, 2021.

Facilities which are identified and budgeted annually for replacement are selected from a facility replacement priority list included in the district's master plan. In addition, the replacement of existing facilities can be triggered by the County of San Diego road improvement projects that require the relocation of facilities. Private development projects can also provide an opportunity to participate in the replacement of an existing facility or system upgrade when there is a benefit to the overall district system.

The District had previously applied and received a funding commitment from the State of California for a Clean Water State Revolving Fund (CWSRF) Loan to finance the Woods Valley Ranch Wastewater Expansion Project located in the Central Valley Area of the District. Assessment District No. 2012-1 (AD 2012-1) was formed over the participating properties

to fund the repayment of the CWSRF Loan. In 2020, Community Facilities District No. 2020-1 was formed over the Park Circle development (formally within AD 2012-1) to fund the additional wastewater facilities needed for the project and assumed its share of the existing AD 2012-1 debt.



General Area of CFD 2020-1.

## MAJOR INITIATIVES EFFORTS AND ACCOMPLISHMENTS

### Water System Operations

**Transmission, Distribution, and Storage Facilities Improvements** – Capital improvement work completed during the fiscal year included the following projects: Round Tree Road Intertie, Wrapped Concrete Cylinder Pipe Manways, the Computerized Maintenance Management System, an upgrade to the Phone System, and the painting and recoating of the West Bear Ridge Reservoir, Paradise Mountain Reservoir, Reidy Canyon Reservoir and Via Cantamar Reservoir.



West Bear Ridge Reservoir Recoating and Painting of the exterior and interior.

**Pumps, Motors, and Energy Efficiency** – Pumps and Motors Division continued the pump and motor replacement program and developed energy management strategies and practices to reduce operational pumping costs during Time-of-Use pumping periods combined with the use of our natural gas pumps, has resulted in continued energy savings for the District. All of the newly rebuilt pumps are now constructed with mechanical seals to eliminate the packing leaks caused by wear and tear in the older pump designs and reduces water loss across the wide spectrum of pumps the District operates.

The District continued to analyze and change pumping schedules assigned to pump stations to take advantage of the most cost-effective rate schedule that applies to the District's pumping demands and needs.

**Water Loss and Meter Replacement** – The District continued its efforts to survey, verify, and change out the top users' water meters throughout the service area. Continued meter maintenance programs provide further field observation of District meters. Crews continue to evaluate and survey cross country water mains and their associated appurtenances, through its leak detection program, for potential leaks and cross-connections. Field personnel continue to aggressively monitor and inspect the distribution system through these various strategies. For fiscal year 2020-21, unaccounted water loss was 4.6% of total water sold.

## **Wastewater System Operations**

**North and South Village Water Reclamation** – The North Village area of Valley Center is located along Valley Center Road from Lilac Road, east to Cole Grade Road. The South Village area of Valley Center is located along the southern part of Valley Center Road, between Lilac and Woods Valley Roads. Development in this area of the District has long been challenged by high groundwater conditions making private on-site wastewater disposal systems unfeasible for higher density uses. Over the past 30 years, property owners and the District have invested in several proposals for wastewater service only to be abandoned primarily due to high cost and lack of community support.



*Woods Valley Ranch WRF Expansion funded by SRF Loan.*

In 2005 Developers of the Woods Valley Ranch Subdivision completed the Woods Valley Ranch WRF with initial capacity of 75,000 gpd to serve the 280 EDUs within the residential and golf course development of the subdivision. The Woods Valley Ranch WRF was later expanded in 2017 to support more development in the North and South Village Areas up to its current capacity of 275,000 gpd (1,527 EDUs). Currently, the service areas include 398 active connections served by gravity, forced, low pressure systems. The Woods Valley Ranch Subdivision constructed in 2007 includes 280 gravity connections. As of June 30, 2021, 11 individual residential connections and 12 commercial connections along Valley Center Road are served by the low pressure collection system through use of private grinder pumps. Subdivisions such as the recently completed Bear Peak and ongoing Park Circle will be served by Orchard Run Lift Station, currently under construction, to be completed in late 2022. In the meantime, connected units in the Bear Peak and Park Circle developments are being served by an interim lift station. The collection system consists of 5.9 miles of 8-inch gravity PVC sewer main, 116 manholes, 6.1 miles of 4-inch and 6-inch force main with related appurtenances.

Wastewater is treated using conventional activated sludge process, consisting of aeration basins and settling tanks, followed by tertiary treatment, consisting of cloth disc filters and disinfection. Effluent produced is Title 22 tertiary-treated water that is currently discharged onto the Woods Valley golf course for irrigation use. There is one on-site seasonal storage reservoir and additional seasonal storage within the Woods Valley Golf Course.

Future expansion is planned to an ultimate build out of 3,000 EDUs and 525,000 gpd capacity. Timing for the expansion is contingent upon development in the area. Future discharge sources may include common irrigation of nearby developments and roadway medians.



**Lower Moosa Canyon Water Reclamation Facility** – The Lower Moosa Canyon Water Reclamation Facility, built in 1974, provides sewer services to the District’s Interstate 15 corridor area, from the Lawrence Welk development on the southern end, east to Hidden Meadows, and north to Circle R Drive. The facility receives sewage from 2,490 connected customers via 21.6 miles of VCP and PVC gravity collection mains (varying in size from 8-inch to 18-inch), 500 manholes, and over 2,200 laterals. It is permitted to treat up to 440,000 gallons per day (493 AFY) of domestic and commercial wastewater to secondary standards before discharge. Secondary effluent from the Lower Moosa WRF is discharged to percolation ponds which recharge the groundwater table in the San Luis Rey River watershed. This groundwater is not used for human consumption.

### **Development Planning and Construction Projects**

Development activity was minimal during the fiscal year due to regional economic factors, with the exception of the South Village Area of the District served by the Woods Valley Ranch Water Reclamation Facility. Primarily developers in other parts of the District continued their pursuit of land use entitlements from the County with minimal interactions required of the District. Several projects renewed their plan approvals to maintain their entitlements and the ability to start construction at a later date. In the South Village area, the Bear Peak project was completed, and the developer has nearly completed construction of the Orchard Run and Park Circle water, wastewater, streets, and drainage improvements.

**North and South Village Areas** – With completion of the Woods Valley Ranch Wastewater Expansion Project, several developments in the District’s North and South Village Areas are planned to move forward in the upcoming fiscal year.

**Touchstone Communities** has two projects in the South Village Area – Park Circle East and Park Circle West (formerly Orchard Run). Orchard Run is a 300-unit residential subdivision that has completed its development entitlements for the project. Park Circle is a mixed-use development of 332 residential units, 4.2 acres of commercial area and 5 acres of parks and recreational facilities. The project is under contract to six major merchant builders. Model and production home construction began in Fiscal Year 2020-2021, with approximately 125 new homes occupied by the close of the fiscal year.



Park Circle Development

The commercial portion of the **Weston Towne Center** project changed ownership during Fiscal Year 2020-2021, and the owners of both the residential and commercial portions continue to evaluate development options. The project consists of a 600-unit mixed use development in the North Village area.

The **North Village Station** project is a proposed 200-unit mixed use residential, office/professional development owned by Valley Center View Properties, LLC. The developer continued processing their site plan through the County to complete the development entitlements for their project.

## **Information Technology**

**Supervisory Control and Data Acquisition (SCADA) System** – The water SCADA system is fully operational and has now been completed. All remote sites in the original master plan have been changed from the old telemetry-based system to a modern high-performance IP network using redundant wireless connections, Programmable Logic Controllers (PLCs), and computer-based control of all devices on the network. District-wide wireless network now has 156 radios installed, and the entire network has over 600 network devices connected. The network provides seamless communication capabilities to all District facilities, including remote real-time video surveillance, secure remote office connectivity, Wi-Fi connection access, connectivity to Automated Metering Infrastructure (AMI), solar controller monitoring, and more. This network will be maintained and upgraded continuously in the coming years.

The SCADA System for the Woods Valley Ranch Water Reclamation Facility is operational, and work has begun to upgrade the Lower Moosa Canyon Water Reclamation Facility's HMI software system to a new software product as well.

**Advanced Metering Infrastructure (AMI)** – Large-scale deployment for the AMI system throughout the District is nearly complete. The District is now using the system to read a majority of water meters in its service area. The system is now integrated with the Springbrook database. The AMI system automatically reads meters every 15 minutes via a wireless system and maintains a database of all meter readings. Access to these readings will also be made available to customers in a future upgrade to the District's online customer portal.

**Asset Management System (CMMS)** – Cityworks asset management system is now operational, and the second phase of the deployment has been started. The system allows computerized maintenance of District assets. It also improves and modernizes field tracking and scheduling of inspections, maintenance, and repairs of all field activities. The system allows better worker mobility and improved efficiencies, by making it possible to access District data; such as maps and maintenance records, while in the field.

**Phone System Upgrade** – The District's phone system was upgraded to a cloud-based provider. The new phone system provides many new features previously unavailable in the old system. In addition to the phone services on-premises, the system also provides complete mobility and flexibility to deploy the phones anywhere, including in mobile phones.

## **ACCOUNTING SYSTEMS**

District records are maintained on an enterprise basis, as it is the intent of the Board of Directors that the cost of providing water and wastewater services to the customers of the District are financed primarily through user charges. Revenues and expenses are recognized on the accrual basis in that both are recognized in the accounting period they are earned or incurred. Capital assets are recorded in the fund purchasing the asset.

As an enterprise fund, the District maintains a self-balancing set of accounts established to record the financial position and results that pertain to each activity. The activities of enterprise funds are similar to regular businesses, whereby a governmental agency collects sufficient revenues through user charges to pay for operating expenses and maintain infrastructure in order to sustain operations.

## **INTERNAL CONTROLS**

Valley Center Municipal Water District operates within a system of internal accounting controls established and continually reviewed by management, to provide reasonable assurance that assets are adequately safeguarded and transactions are recorded correctly according to District policies and procedures. When establishing or reviewing control, management must consider the cost of the control and the value of the benefit derived from its utilization. Management normally maintains or implements only those controls whose value adequately exceeds their cost.

## **BUDGETARY CONTROLS**

On an annual basis, the District's Board of Directors adopts a budget that is prepared on a departmental level. Although the District is not legally required to adopt and adhere to a budget or report on compliance with any prepared budgets, the Board of Directors chooses to approve a budget to be used solely as a management tool. Depending upon the timing and level of the demand for water services, the revenues and expenditures may vary significantly and cannot be strictly controlled by means of detailed and rigid appropriations. Therefore, the budget must be viewed as an estimate only. Budget appropriations for major capital projects continue from year to year until the project is completed.

## **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Valley Center Municipal Water District for its Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2020. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Valley Center Municipal Water District has received a Certificate of Achievement each year since 1992. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Valley Center Municipal Water District  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

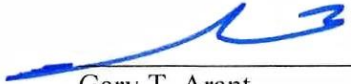
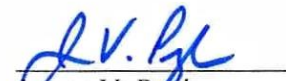
*Christopher P. Morill*

Executive Director/CEO

## ACKNOWLEDGMENTS

We would like to express our appreciation to all members of the District's staff, particularly the members of the Finance Department who have participated in the preparation of this report. Special thanks are extended to the members of the District's Board of Directors for their continued interest and support in all aspects of the District's financial management.

Respectfully Submitted:

  
\_\_\_\_\_  
Gary T. Arant  
General Manager  
\_\_\_\_\_  
James V. Pugh  
Director of Finance  
& Administration

*Our mission is to ensure customer satisfaction  
through quality service at the lowest possible cost.*

## STRATEGIC PLAN PERFORMANCE MEASUREMENT STANDARDS RESULTS FOR CALENDAR YEAR ENDED DECEMBER 31, 2020

**1. CUSTOMER SATISFACTION** - Our standard will be that our service “meets” or “exceeds expectations” 95% of the time, based upon the “Customer Comment Card” responses.

Survey responses show the District met or exceeded the standard 100.0% of the time.

**2. WATER LOSS** – Report annually for the past 10 years of unknown water loss in terms of percent of water sold, acre feet, and value of water loss, as well as efforts to minimize and reduce unknown water loss wherever possible.

Unaccounted water loss for 2020 totaled 890 acre feet, 5.1% of total water sold, representing \$1.1 million dollars.

**3. DISCRETIONARY RESERVES** - Unrestricted or uncommitted reserves not anticipated to be used in the current fiscal year equal to a minimum three and a maximum six months’ operations and maintenance expenses (excluding wholesale water and power purchases).

Our Discretionary Reserves as of December 31, 2020 represents 6 months operating and maintenance expenses.

**4. RETURN ON INVESTMENTS** - While seeking to preserve capital and maintain a level of liquidity necessary to meet cash flow requirements, our rate of return, on an annualized basis, shall be at least equal to the average rate of return on one year U.S. Treasury Bonds

Our weighted average return on all investments for calendar year 2020 was 1.058% as compared to the 12-month rolling average U.S. Treasury Bonds of 0.389%.

**5. LOCAL COMMODITY RATE for LOCAL OPERATING and MAINTENANCE COSTS** - We will hold the local share of total commodity costs as low as possible, but at no time will the local rate be more than 15% of total water commodity cost for Municipal & Industrial and 18% for Certified Agricultural.

The District’s component of the water rate for operating costs is currently 11.0% of Municipal & Industrial and 14.9% of Certified Agricultural.

**6. PUMP EFFICIENCY** - Through ongoing testing, adjusting, and maintenance, we will maintain pump efficiency above 95% of the design criteria.

Our pump efficiency was 108.0% of design criteria.

**7. SOLAR ENERGY PRODUCTION** – District owned and operated solar arrays shall be maintained at 90% of scheduled production which reflects array location and anticipated production loss due to panel age.

All six of the District-owned Solar Arrays exceeded 90% of the low range of anticipated production.

**8. PROJECT ACTUAL COST** -  $\pm 10\%$  of Engineer’s cost estimate.

Three projects were completed in calendar 2020. Two were over the Engineer’s estimate by 97% and 36%; one was 9% lower.

**9. CAPITAL IMPROVEMENT PROJECTS** – Project timelines shall be under contract within 12 months of budget approval (new).

Six projects were funded of which four were under contract by the end of fiscal year 2020-2021, one was rescheduled to the following year and another was deferred indefinitely.

**10. WATER SERVICE RELIABILITY GREATER THAN 99%** - We will strive to maintain water service to all customers at greater than a 99% reliability level. This will be measured based upon total hours of service interruption against all service hours in a given measurement period.

Reliability was 99.999%.

**11. LOST-TIME ACCIDENTS LESS THAN 1% OF TOTAL HOURS WORKED.**

The District had six lost-time accidents in calendar 2020, representing 0.467% of the total hours worked.

**12. COMPLIANCE WITH ALL STATE & FEDERAL REGULATIONS.**

100%.

## DISTRICT OFFICIALS



**Robert A. Polito**  
President  
Division 1  
*Since 1989*



**Enrico P. Ferro**  
Vice-President  
Division 4  
*Since 2016*



**Randy D. Haskell**  
Director  
Division 2  
*Since 2001*



**Daniel E. Holtz**  
Director  
Division 5  
*Since 2018*



**Oliver J. Smith**  
Director  
Division 3  
*Since 2019*

### Years of Service

33

5

21

4

2

### Term Expires

January 2025

January 2023

January 2025

January 2023

January 2023

## EXECUTIVE MANAGEMENT

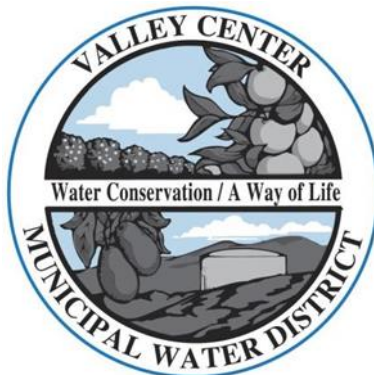
**Gary T. Arant**  
General Manager  
*32 years of service*

**Wally T. Grabbe**  
District Engineer  
Deputy General Manager  
*29 years of service*

**Brian E. Lovelady**  
Director of Operations/Facilities  
*32 years of service*

**Ando Pilve**  
Director of Information Technology  
*13 years of service*

**James V. Pugh**  
Director of Finance & Administration  
Treasurer  
*18 years of service*



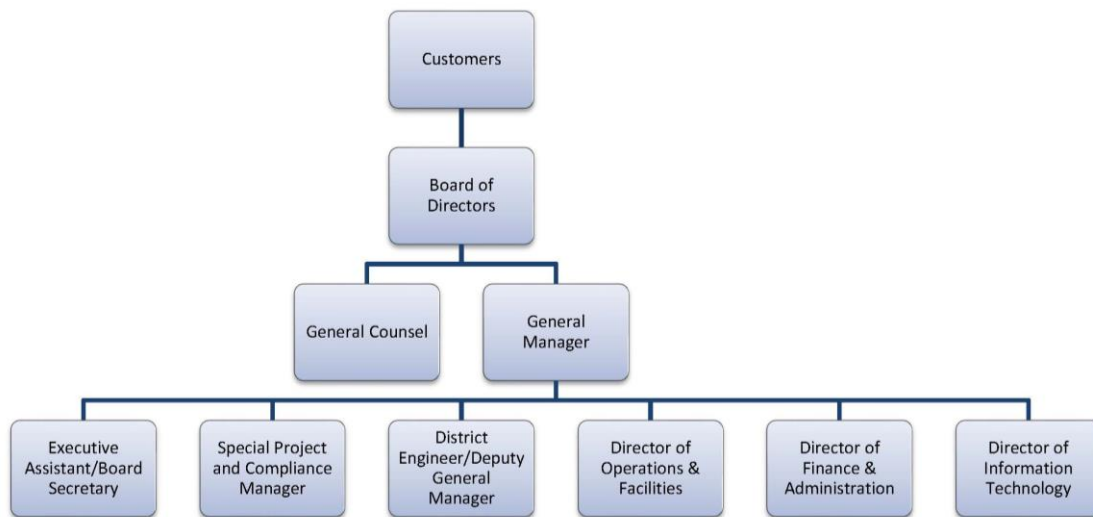
**Kirsten N. Peraino**  
Executive Assistant  
Board Secretary  
*1 year of service*

## GENERAL COUNSEL

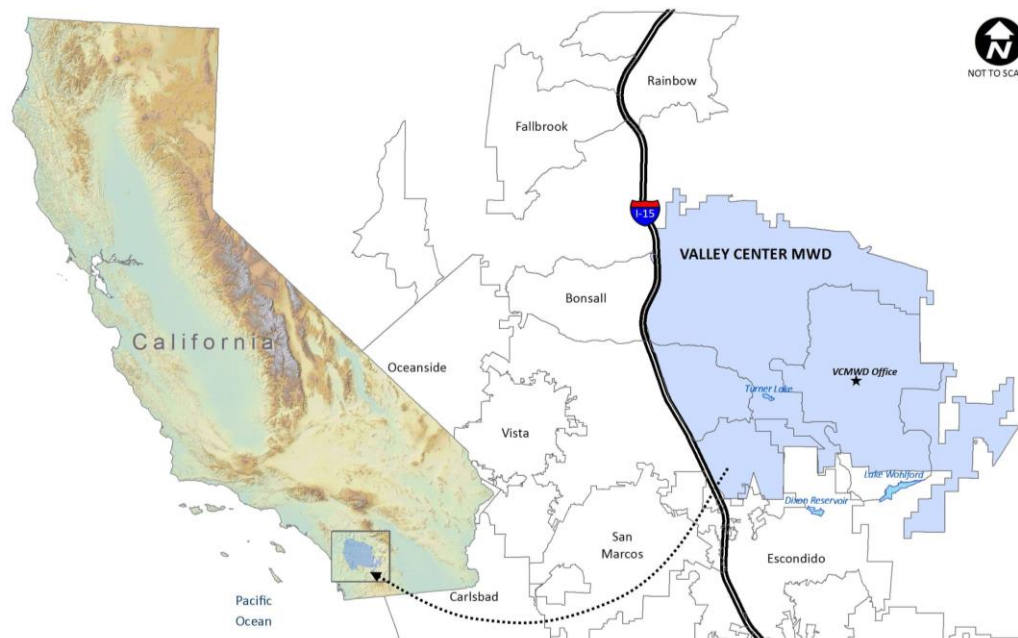
**Paula C.P. de Sousa**  
Best, Best & Krieger, LLP  
*11 years*



## DISTRICT ORGANIZATION CHART



## DISTRICT SERVICE AREA



# Financial Section



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

## **Independent Auditor's Report**

To the Board of Directors  
Valley Center Municipal Water District  
29300 Valley Center Road  
Valley Center, California 92082

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the remaining fund information of Valley Center Municipal Water District, as of and for the year ended June 30, 2021 which collectively comprise the Valley Center Municipal Water District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 opinions.



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of the Valley Center Municipal Water District, as of June 30, 2021, and the respective changes in financial position and where applicable, cash flows thereof 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 management's discussion and analysis and the required supplementary information on pages 46 to 50 as identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Valley Center Municipal Water District's basic financial statements. The introductory section, the combining schedule of net position, the combining schedule of revenues, expenses, and changes in net position, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Leaf & Cole LLP*

San Diego, California  
December 27, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The intent of the Management's Discussion and Analysis (MD&A) is to provide highlights of the financial activities for the fiscal year ended June 30, 2021, of the Valley Center Municipal Water District (the "District"). Readers are encouraged to read this section in conjunction with the Letter of Transmittal located in the front of this report and the accompanying basic financial statements.

### DISTRICT OPERATIONS – AN OVERVIEW

The District operates under the authority of the State of California Water Code and engages in various activities including providing water to our domestic, agricultural, and commercial customers; along with wastewater collection, treatment, reclamation, and disposal in a service area that encompasses approximately 101 square miles.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following four sections: Management's Discussion and Analysis, the Financial Statements, Required Supplementary Information, and Supplementary Information. The Financial Statements include Notes to the Financial Statements, that provide additional information that is essential to a full understanding of the information provided in the basic statements and are an integral part of the financial statements.

### REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial statements conform to accounting principles, which are generally accepted in the United States of America and consist of three interrelated statements designed to provide the reader with relevant, understandable data on the District's financial condition and operating results. They are the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; the Statement of Fiduciary Net Position; and the Statement of Changes in Fiduciary Net Position.

The **Statement of Net Position** includes information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and about the nature and amount of investments in resources (assets), the obligation to District creditors (liabilities), and is a way to measure financial position. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating. Other factors, such as economic conditions, population growth, and new or changing government legislation should also be taken into consideration.

The **Statement of Revenues, Expenses and Changes in Net Position** identifies the District's revenues and expenses for the fiscal year ended June 30, 2021. It provides information on operations over the past fiscal year and can be used to determine whether the District has recovered its actual and projected costs through user fees and other charges.

The **Statement of Cash Flows** provides information regarding the District's cash receipts, cash disbursements, and changes in cash resulting from operations, investing and financing activities during the fiscal year. From the Statement of Cash Flows, the reader can obtain information on the source and use of cash and the changes in the cash balance of the last fiscal year.

In addition, the District reports information on Fiduciary Fund types. This consists of two additional statements; **Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position**. The fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

**Notes to the Basic 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.

## FINANCIAL HIGHLIGHTS

The District's financial operations remained sound during Fiscal Year 2020-21. Sources of revenues were sufficient to cover combined operating and non-operating costs. The Statement of Net Position remains strong.

### COVID-19 Pandemic

An outbreak of COVID-19, a highly contagious disease that affects the respiratory system, was first detected in December of 2019 and it is expected to continue into 2022. Every continent and everyone in the world has in some way been affected by this pandemic. Many people at the beginning of the pandemic experienced losses of income as a result of business closures, the loss of work hours, or layoffs. Businesses continue to be impacted from either employee absences due to illness or supply chain issues and material and labor shortages.

In March 2020, Governor Gavin Newsom issued a state of emergency in California because of the threat of COVID-19 and will remain in place until at least March 2022. In April 2020, in response to many Californians losing their jobs due to business closures, the Governor issued Executive Order, N-42-20, which protected consumers against utility service disconnections for non-payment. In addition to not terminating service for non-payment, the District also decided at that time to suspend the charging of late fees and delinquency charges. The executive order expired on September 30, 2021 and the District resumed charging late fees and delinquency charges.

District staff will continue to monitor the effects of the COVID-19 pandemic through 2022 and the impact it may have on staff, operations and financials.

### Water System Operations

The District added 189 new water services this year, which represents a 1.7% increase in the number of accounts it serves; compared to the prior year's increase of 131 accounts, representing a 1.2% increase. Total water services now equal 11,401 accounts, of which 10,503 are active and 898 inactive. During the fiscal year ended June 30, 2021, water sales totaled 17,683 acre feet (AF) increasing 12.7%, or 1,992 AF from the previous year.

The District's demand is largely influenced by temperature and rainfall. The annual rainfall during the fiscal year was down significantly at 7.7 inches compared to the prior year of 22.3 inches, a 65.5% decrease. Additionally, the average temperature was 63 degrees compared to 62 degrees during Fiscal Year 2020-21 compared to 2019-20.

The Cost of Water Sold is the District's highest single water operating expense. In January 2021, wholesale treated water rates from the San Diego County Water Authority increased 3.6% for domestic customers and 6.6% for our agricultural customers. The total Cost of Water Sold during Fiscal Year 2020-21 was \$28,666,422, or 14.2% higher than the previous year. The total amount of water purchased during the year was 18,846 AF compared to 16,684 AF in the previous year.

### **Wastewater System Operations**

Construction of the Woods Valley Ranch Water Reclamation Facility's, North Village Collection system, was completed in Fiscal Year 2019-20. The two remaining components, the Orchard Run Lift station and North Village Lift Station, are to be funded by developers of the lift station service area with possible reimbursement from proposed indebtedness for the Phase 3 Expansion Facilities.

Planning for a Woods Valley Ranch Water Reclamation Facility Phase 3 Expansion for the additional capacity needed for the Park Circle Development was also completed in Fiscal Year 2019-20. In May 2020 a Community Facilities District (CFD 2020-1) was formed to secure funding for the design and construction of the needed Phase 3 Expansion Facilities. Construction timing for the expansion facilities will depend on the level of build out within the Woods Valley Ranch Sewer Service Area. Construction of the facilities will be delayed until the actual flow rates generated in the service area approach the capacity of the existing facilities.

### **Sources of Revenue**

The following table presents a comparison of revenues for each of the consecutive fiscal years.

#### **Combined Revenues by Category**

	Fiscal Year 2021	Fiscal Year 2020	Increase/ (Decrease)	% Change
<b><u>Revenues by Category:</u></b>				
Water sales and pumping charges	\$35,796,428	\$30,270,788	\$5,525,640	18.3%
Meter service charges	6,748,844	6,383,272	365,572	5.7%
Meter installation fees	365,321	320,408	44,913	14.0%
Other water operating revenues	2,262,881	453,037	1,809,844	399.5%
Wastewater charges	3,589,915	4,041,954	(452,039)	-11.2%
Property taxes and assessments	3,740,185	3,096,661	643,524	20.8%
Investment income	277,671	866,684	(589,013)	-68.0%
Other nonoperating revenues	360,531	384,328	(23,797)	-6.2%
Gain (Loss) on disposal of capital assets	(61,688)	15,074	(76,762)	-509.2%
Total Revenues	53,080,088	45,832,206	7,247,882	15.8%
Capital contributions	762,983	872,099	(109,116)	-12.5%
Total Revenues & Capital Contributions	<u>\$53,843,071</u>	<u>\$46,704,305</u>	<u>\$7,138,766</u>	<u>15.3%</u>

Combined revenues (excluding capital contributions) for the fiscal year totaled \$53,080,088, an increase of \$7,247,882 or 15.8% from the previous year. Details of this increase in revenues are on the follow page:



- Water sales and pumping revenue increased by 18.3% or \$5,525,640, from the prior year as the sales volume increased by 1,992 acre feet. The increase is due to the lower rainfall that affects agricultural sales throughout the year. Sales to Certified Agricultural customers increased to 11,133-acre feet representing a 12.5% increase from the prior year.
- Meter service charges of \$6,748,844 were \$365,572, or 5.7%, higher than the prior fiscal year. Monthly meter service charges increased 2.4% on January 1, 2021; in addition, the number of active meters increased by 194 bringing the 2020-21 count to 10,503 as compared to 10,309 in the prior year.
- Meter installation fees for the year were up 14.0%, or \$44,913, from the prior year due to an increase in the amount of new water meters and backflow devices purchased and installed.
- Other Water Operating Revenues increased by 399.5%, or \$1,809,844, as a result of receiving the District's share of the Metropolitan Water District (MWD) Litigation Damages Award totaling \$2,014,687.
- Wastewater charges are down by 11.2% or \$452,039. This decrease is due to the reclassification of Special Taxes received in the amount of \$529,862 previously included in Wastewater charges, now classified as Property Taxes & Assessments.
- Property taxes and assessments increased by 20.8%, or \$643,524. The majority of the increase is again due to the reclassification of Special Taxes received in the amount of \$529,862 previously included in Wastewater charges, now classified as Property taxes and assessments. For all Fixed Charge Special Assessments (excluding the CFD 2020-1 Special Tax), the District has adopted San Diego County's alternative method of distribution of tax levies and collections under which the County advances 100% of the secured tax levies due to the District each year without consideration for delinquencies.
- Investment income was down 68.0%, or \$589,013, compared to the prior year. The decrease is mainly due to a lower yield on investments, as the average yield decreased from 2.0% in FY 2019-20 down to 1.1% in FY 2020-21. The majority of the Districts investments are in Certificates of Deposits and Treasuries which are down due to the COVID-19 pandemic and its effect on the economy.
- Other non-operating revenues are comprised of the Districts lease revenue which decreased 6.2%, or \$23,797. There was an additional payment for co-location fees received in 2019-20.

### **Functional Expenses**

The following table presents a comparison of expenses for each of the consecutive fiscal years.

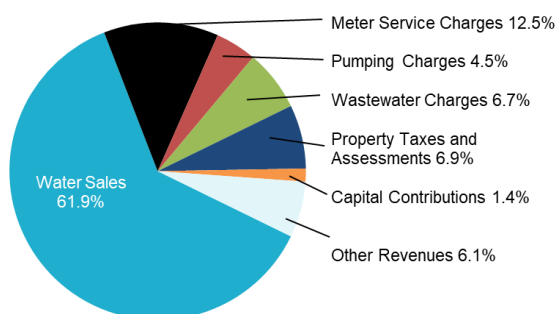
#### **Combined Expenses by Category**

	Fiscal Year 2021	Fiscal Year 2020	Increase/ (Decrease)	% Change
<b><u>Expenses by Category:</u></b>				
Cost of water sold	\$28,666,422	\$25,099,762	\$3,566,660	14.2%
Energy and pumping costs	2,848,421	2,636,432	211,989	8.0%
Water systems operations	5,901,561	5,753,366	148,195	2.6%
Wastewater collection and treatment	1,588,055	1,521,242	66,813	4.4%
Engineering	2,855,523	2,000,013	855,510	42.8%
General and administrative	4,719,888	5,470,523	(750,635)	-13.7%
Depreciation	4,312,773	4,231,732	81,041	1.9%
Interest expense	514,995	539,660	(24,665)	-4.6%
Total expenses	<u>\$51,407,638</u>	<u>\$47,252,730</u>	<u>\$4,154,908</u>	<u>8.8%</u>

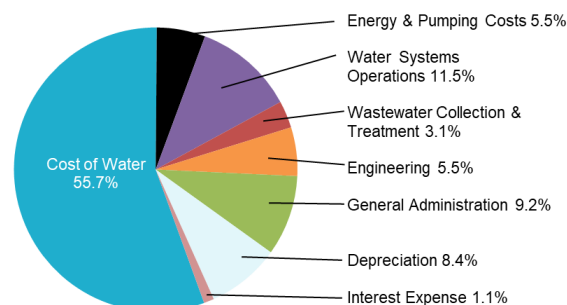
- Cost of water sold increased 14.2% over the prior year. Water purchases were up 2,162 acre feet, or 13.0%, from the prior year, along with wholesale water prices. In 2019-20, the District purchased 16,684 acre feet of water at an average price of \$1,504 per acre foot. In the current year, the District purchased 18,846 acre feet of water at an average price of \$1,521 per acre foot, an increase of 1.1% or \$17 per acre foot. The average price per acre foot is impacted by the fixed components of the Metropolitan Water District of Southern California (MWD) and the San Diego County Water Authority (SDCWA) rate that the District must pay regardless of the volume of our water purchases. These fixed components include a capacity reservation and readiness-to-serve charges by MWD and customer service, emergency storage program, and supply reliability charges by the SDCWA.
- Agricultural discounts passed through to District customers from the SDCWA on their melded water rate during the year were \$1,871,942 on 11,133-acre feet of sales. This cost reduction for agricultural water is passed through to the District's qualified agricultural customers and is included in the Cost of water sold. The agricultural discount is higher than the previous year as agricultural water sales are up 1,239 acre feet.
- Energy and pumping costs during 2020-21 were 8.0%, or \$211,989, higher than 2019-20. This is a result of higher gas and electric costs, motor maintenance costs, and to the higher volume of water purchased.
- Water systems operations expenses increased \$148,195, or 2.6%, over 2019-20. The increase is due to higher labor and benefits and maintenance expenses that were offset by lower outside professional services, chemical and travel expenses.
- Engineering expenses for 2020-21 were up 42.8%, or \$855,510, higher than 2019-20. This is a result of studies and plans that were completed and expensed during the year, as well as increases in labor and benefits and legal fees.

- General and administrative expenses decreased 13.7%, or \$750,635, due to lower OPEB and pension expenses, travel expenses, and special department expenses compared to the previous year. Those decreases were partially offset by increases in labor and benefits, as well as outside services.
- Combined wastewater collection and treatment costs for Moosa and Woods Valley Ranch were \$66,813, or 4.4%, more than the prior year. The increase is a result of increased labor and benefits, outside professional services, administrative overhead, chemical costs and maintenance expenses.

Source Of Revenues Fiscal Year Ended June 30, 2021



Source Of Expenses Fiscal Year Ended June 30, 2021



## CAPITAL ASSETS

Capital assets include land, transmission and distribution system, general plant, and construction-in-progress. At June 30, 2021, the District had \$197,946,201 in capital assets with \$98,079,882 of accumulated depreciation. This represents a net decrease (additions less deductions) of \$124,483 over the prior year. Annual depreciation usually approximates the amount transferred to reserves and in turn is reinvested in the capital plant.

### Capital Assets

	Fiscal Year 2021	Fiscal Year 2020	Increase/ (Decrease)	% Change
Land	\$7,928,708	\$7,928,708	\$0	0.0%
Construction in progress	5,691,699	10,103,033	(4,411,334)	-43.7%
Transmission and distribution system	166,767,697	158,680,903	8,086,794	5.1%
General plant	17,558,097	17,759,575	(201,478)	-1.1%
Total assets	<u>\$197,946,201</u>	<u>\$194,472,219</u>	<u>\$3,473,982</u>	<u>1.8%</u>

Significant additions to general plant and transmission and distribution include the Round Tree Road Intertie, Wrapped Concrete Cylinder Pipe Manways, the Computerized Maintenance Management System, an upgrade to the Phone System, and the painting and recoating of the West Bear Ridge Reservoir, Paradise Mountain Reservoir, Reidy Canyon Reservoir and Via Cantamar Reservoir. Significant additions to construction in progress include the Couser and Circle R Reservoirs Painting and Recoating, the AMI System, Calle Oro Verde Pipeline Replacement, Natural Gas Engine Exhaust Silencers, Cole Grade Road Facility Replacement, RAS/WAS Unit Upgrade, HMI/SCADA Migration & Control Upgrades, and the Moosa Main MCC Replacement projects.

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

## Statement of Revenues, Expenses and Changes In Net Position

	Fiscal Year 2021	Fiscal Year 2020	Increase/ (Decrease)	% Change
<b><u>Operating Revenues:</u></b>				
Water sales and pumping charges	\$35,796,428	\$30,270,788	\$5,525,640	18.3%
Meter service charges	6,748,844	6,383,272	365,572	5.7%
Wastewater charges	3,589,915	4,041,954	(452,039)	-11.2%
Meter installation fees	365,321	320,408	44,913	14.0%
Other water operating revenues	2,262,881	453,037	1,809,844	399.5%
Total operating revenues	48,763,389	41,469,459	7,293,930	17.6%
<b><u>Operating Expenses:</u></b>				
Cost of water sold	28,666,422	25,099,762	3,566,660	14.2%
Energy and pumping costs	2,848,421	2,636,432	211,989	8.0%
Water systems operations	5,901,561	5,753,366	148,195	2.6%
Wastewater collection and treatment	1,588,055	1,521,242	66,813	4.4%
Engineering	2,855,523	2,000,013	855,510	42.8%
General and administrative	4,719,888	5,470,523	(750,635)	-13.7%
Depreciation	4,312,773	4,231,732	81,041	1.9%
Total operating expenses	50,892,643	46,713,070	4,179,573	8.9%
Operating (Loss)	(2,129,254)	(5,243,611)	3,114,357	-59.4%
<b><u>Nonoperating Revenues and (Expenses):</u></b>				
Property taxes and assessments	3,740,185	3,096,661	643,524	20.8%
Investment income	277,671	866,684	(589,013)	-68.0%
Other nonoperating revenues	360,531	384,328	(23,797)	-6.2%
Interest expense	(514,995)	(539,660)	(24,665)	-4.6%
Gain (Loss) on disposal of capital assets	(61,688)	15,074	(76,762)	-509.2%
Total Nonoperating Revenues and (Expenses)	3,801,704	3,823,087	(21,383)	-0.6%
Income Before Contributions	1,672,450	(1,420,524)	3,092,974	-217.7%
Capital contributions	762,983	872,099	(109,116)	-12.5%
Change in Net Position	2,435,433	(548,425)	2,983,858	-544.1%
Net Position at Beginning of Year, as restated	85,454,426	86,903,276	(1,448,850)	-1.7%
Restatement <sup>(1)</sup>	0	(900,425)	900,425	100.0%
<b>NET POSITION AT END OF YEAR</b>	<b>\$87,889,859</b>	<b>\$85,454,426</b>	<b>\$2,435,433</b>	<b>2.9%</b>

(1) Restatement of 2020 Net Position at End of Year is due to previously reported construction in progress projects that are not capitalizable in the amount of \$544,764 in both the Lower Moosa and Woods Valley Wastewater Funds and the previously reported AD 2012-1 portion of the Tax Assessment Revenue totaling \$355,661 received in the Woods Valley Ranch Wastewater Expansion Fund.



## Condensed Statement of Net Position

	Fiscal Year 2021	Fiscal Year 2020	Increase/ (Decrease)	% Change
Current Assets	\$43,052,739	\$39,554,864	\$3,497,875	8.8%
Restricted Assets	2,129,567	1,717,852	411,715	24.0%
Other Assets	6,386,575	6,713,042	(326,467)	-4.9%
Capital Assets	99,866,319	100,535,566	(669,247)	-0.7%
<b>Total Assets</b>	<b>151,435,200</b>	<b>148,521,324</b>	<b>2,913,876</b>	<b>2.0%</b>
Deferred Outflows of Resources	6,572,044	6,571,146	898	0.0%
Current Liabilities	16,755,244	14,181,605	2,573,639	18.1%
Long-term Debt	22,462,910	23,732,881	(1,269,971)	-5.4%
Other Noncurrent Liabilities	29,088,907	29,084,808	4,099	0.0%
<b>Total Liabilities</b>	<b>68,307,061</b>	<b>66,999,294</b>	<b>1,307,767</b>	<b>2.0%</b>
Deferred Inflows of Resources	1,810,324	1,738,325	71,999	4.1%
Net Position:				
Net investment in capital assets	76,127,791	75,005,714	1,122,077	1.5%
Restricted for facility expansion	2,129,567	1,717,852	411,715	24.0%
Unrestricted	9,632,501	8,730,860	901,641	10.3%
<b>Total Net Position, as Restated</b>	<b>\$87,889,859</b>	<b>\$85,454,426</b>	<b>\$2,435,433</b>	<b>2.9%</b>

The District's Net Position at June 30, 2021 totaled \$87,889,859, an increase of \$2,435,433, or 2.9%, from the previous year. Details of this increase are as follows:

### Total Assets:

- Current Assets were up \$3,497,875, 8.8%, due to a refund from the San Diego County Water Authority that resulted in higher cash and cash equivalents compared to the prior fiscal year.
- Restricted Assets increased by 24.0%, \$411,715, this is related to the increase in the Reserve for Capacity Charges at year end.
- Other Assets decreased \$326,467, 4.9%, due to the collection of receipts on the investment in AD 2012-1 Limited Obligation Bonds the Phase 1 Buy-in to the Woods Valley Ranch WRF Expansion.
- Capital Assets were down by 0.7%, or \$669,247, as a result in decreased Construction In Progress for studies and plans that were completed and expensed during the year.

### Total Liabilities:

- Current Liabilities increased \$2,573,639, 18.1%, as Accounts Payable for the water purchases and Customer Deposits were both greater at the end of the year compared to the prior year.
- Long-term Debt at the end of the year was down 5.4%, or \$1,269,971, as a result of payments made during the year on the State Revolving Fund Loans.

More detailed information concerning the Deferred Outflows and Inflows of Resources can be found in Notes 8 and 9 of the Notes to the Financial Statements.

## LONG TERM DEBT

The District previously received a funding commitment from the State of California for a Clean Water State Revolving Fund Loan (CWSRF) to finance the Woods Valley Ranch Wastewater Expansion Project located in the Central Valley Area of the District. The project provides wastewater collection, treatment and disposal capacity for an additional 1095 Equivalent Dwelling Units of capacity. The original loan authorization was for \$30,735,000 and anticipated construction of six separate project components. Annual assessments from the assessment district that was formed over the properties participating in the project will be utilized for repayment of the loan. The loan is payable over a twenty-year term (beginning in FY 2017-18 and ending FY 2036-37) at an annual interest rate of 2.2%. The District has completed three of the project components, including the Woods Valley Ranch Water Reclamation Facility Phase 2 Expansion, the Charlan Road Seasonal Storage and the South Village Collection System Project components at a total cost of approximately \$27.6M, \$24.6M of which was funded from the CWSRF Loan. Staff prepared a \$6.5M CWSRF application for the financing of the final two project components, construction of the Orchard Run Lift Station and the North Village Lift Station. However, approval was denied and the projects will be funded by the developer with the potential for reimbursement from future assessment district indebtedness.

The District also has a State Revolving Fund Loan (SRF) used for the Cool Valley Reservoir Cover-Liner replacement. This loan for \$3,715,572 is payable over a twenty-year term (beginning in January 2018 and ending July 2037) with interest at 1.6%.

The District had no general obligation bonded debt at June 30, 2021. As the District has issued no bonded debt for public placement since 1968, it is not rated by any investment rating service.

More detailed information regarding long-term debt activity is presented in Note 5 to the financial statements.

**Assessment District No. 2012-1** issued Limited Obligation Improvement Bond in July 2018 under the Improvement Act of 1915 to fund the fourth project component, the North Village Collection System, of the Woods Valley Ranch Water Reclamation Facility Phase 2 Expansion. The Bond was established and is repayable over a twenty-year term (beginning March 2019 and ending September 2038) at an annual interest rate of 2.2%, to match the CWSRF financing terms. These bonds are not an obligation of the District but are secured by annual assessments that are billed to and collected from property owners within the assessment district and are not presented in this report. More detailed information about Assessment District 2012-1 is presented in Note 6 to the financial statements.

## ECONOMIC FACTORS

The District sets its rates annually based upon anticipated consumption. A significant reduction in consumption could have an adverse effect on the District's financial position. Additionally, the District purchases all of its water from the San Diego County Water Authority. Interruption of this service would have a significant negative effect on the District's financial position. At June 30, 2021, the District had designated \$7,138,008 of its unrestricted net position as a water operating reserve to mitigate the potential impacts of these effects. This represents approximately six months operating and maintenance expenses. Wastewater fund reserves are excluded from this figure.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the Valley Center Municipal Water District's Finance Department at 29300 Valley Center Road, Valley Center, California 92082, or call (760) 735-4500.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

**ASSETS**

**Current Assets:** (Notes 1 and 2)

Cash and cash equivalents	\$ 23,921,040
Investments	8,372,470
Accounts receivable - Water and wastewater, net	6,356,632
WVR Phase 1 Buy-In receivable	161,468
Interest receivable	90,164
Taxes receivable	11,812
Other receivables	681,268
Inventory	1,093,525
Prepaid expenses and deposits	321,908
Work in progress for others	2,042,452
Total Current Assets	<u>43,052,739</u>

**Noncurrent Assets:** (Notes 1, 2, 3 and 4)

**Restricted Assets:**

Cash and cash equivalents	527,951
Investments	1,601,616
Total Restricted Assets	<u>2,129,567</u>

**Other Assets:**

WVR Phase 1 Buy-In receivable, net of current portion	2,671,575
Investment in VCMWD AD 2012-1 limited obligation	3,715,000
Total Other Assets	<u>6,386,575</u>

**Capital Assets:**

Nondepreciable capital assets	13,620,407
Depreciable capital assets, net	86,245,912
Total Capital Assets	<u>99,866,319</u>

Total Noncurrent Assets	<u>108,382,461</u>
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<b>TOTAL ASSETS</b>	<u>151,435,200</u>
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**DEFERRED OUTFLOWS OF RESOURCES:** (Notes 1, 8 and 9)

Deferred outflows related to pensions	2,995,499
Deferred outflows related to pension contributions	2,736,775
Deferred outflows related to OPEB	155,729
Deferred outflows related to OPEB contributions	684,041
Total Deferred Outflows of Resources	<u>6,572,044</u>

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**JUNE 30, 2021**

**LIABILITIES**

**Current Liabilities:** (Notes 1 and 5)

Accounts payable	\$ 6,796,507
Accrued payroll	250,679
Current portion of accrued compensated absences	850,800
Interest payable	274,066
Customer deposits	7,307,574
Current portion of long-term debt	1,275,618
Total Current Liabilities	<u>16,755,244</u>

**Noncurrent Liabilities:** (Notes 1, 5, 8 and 9)

**Long-Term Debt:**

Long term-debt, net of current portion	22,462,910
Total Long-Term Debt	<u>22,462,910</u>

**Other Noncurrent Liabilities:**

Net pension liability	24,804,319
Net OPEB liability	2,670,618
Accrued compensated absences, net of current portion	1,613,970
Total Other Noncurrent Liabilities	<u>29,088,907</u>

Total Noncurrent Liabilities	<u>51,551,817</u>
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Total Liabilities	<u>68,307,061</u>
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**DEFERRED INFLOWS OF RESOURCES:** (Notes 1, 8 and 9)

Deferred inflows related to pensions	926,231
Deferred inflows related to OPEB	884,093
Total Deferred Inflows of Resources	<u>1,810,324</u>

**Commitments and Contingencies** (Notes 6, 8, 9, 10 and 12)

**NET POSITION:** (Note 7)

Net investment in capital assets	\$ 76,127,791
Restricted for facility expansion	2,129,567
Unrestricted	9,632,501
Total Net Position	<u>\$ 87,889,859</u>

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



**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Operating Revenues:**

Water sales and pumping charges	\$ 35,796,428
Meter service charges	6,748,844
Wastewater charges	3,589,915
Meter installation fees	365,321
Other water operating revenues	2,262,881
Total Operating Revenues	<u>48,763,389</u>

**Operating Expenses:**

Cost of water sold	28,666,422
Energy and pumping costs	2,848,421
Water systems operations	5,901,561
Wastewater collection and treatment	1,588,055
Engineering	2,855,523
General and administrative	4,719,888
Depreciation	4,312,773
Total Operating Expenses	<u>50,892,643</u>

Operating Loss	<u>(2,129,254)</u>
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**Nonoperating Revenues (Expenses):**

Property taxes and assessments	3,740,185
Investment income	277,671
Other nonoperating revenues	360,531
Interest expense	(514,995)
Loss on disposal of capital assets	(61,688)
Total Nonoperating Revenues (Expenses)	<u>3,801,704</u>

Income Before Contributions	1,672,450
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Capital Contributions	<u>762,983</u>
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Change in Net Position	2,435,433
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Net Position at Beginning of Year, as Restated (Note 14)	<u>85,454,426</u>
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<b>NET POSITION AT END OF YEAR</b>	<b><u>\$ 87,889,859</u></b>
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The accompanying notes are an integral part of the financial statements.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Cash Flow From Operating Activities:**

Receipts from customers	\$ 47,537,562
Payments to suppliers for goods and services	(31,298,033)
Payments to employees for services	(14,466,637)
Change in work in progress for others	(658,524)
Customer deposits	1,825,392
Other nonoperating revenue	360,531
Net Cash Provided by Operating Activities	<u>3,300,291</u>

**Cash Flow From Noncapital Financing Activities:**

Proceeds from property taxes, general levy	3,742,602
Net Cash Provided by Noncapital Financing Activities	<u>3,742,602</u>

**Cash Flows From Capital and Related Financing Activities:**

Proceeds from sale of capital assets	18,209
Acquisition and construction of capital assets	(3,782,194)
Principal paid on long-term debt	(1,246,560)
Interest paid on long-term debt	(529,679)
Capital contributions	393,897
Net Cash Used in Capital and Related Financing Activities	<u>(5,146,327)</u>

**Cash Flows From Investing Activities:**

Payments for investments, net	(605,619)
Proceeds for investment in VCMWD AD 2012-1 limited obligation	165,000
Investment income received	457,831
Net Cash Provided by Investing Activities	<u>17,212</u>

Net Increase in Cash and Cash Equivalents	1,913,778
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Cash and Cash Equivalents at Beginning of Year, as Restated ( Note 14)	<u>22,535,213</u>
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<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u>24,448,991</u></b>
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(Continued)

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Reconciliation of Operating Loss to Net**

**Cash Provided by Operating Activities:**

Operating loss	\$ (2,129,254)
<b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>	
Depreciation	4,312,773
Other nonoperating revenues	360,531
<b>Change in assets and liabilities:</b>	
WVR Phase 1 Buy-In receivable	157,992
Accounts receivable - Water and wastewater, net	(709,916)
Other receivables	(673,903)
Inventory	31,550
Prepaid expenses and deposits	85,837
Work in progress for others	(658,524)
Deferred outflows related to pensions	217,803
Deferred outflows related to pension contributions	(231,323)
Deferred outflows related to OPEB	53,613
Deferred outflows related to OPEB contributions	(40,991)
Accounts payable	579,717
Accrued payroll	37,396
Accrued compensated absences	(107,773)
Customer deposits	1,825,392
Net pension liability	1,117,439
Net OPEB liability	(1,000,067)
Deferred inflows related to pensions	(745,226)
Deferred inflows related to OPEB	817,225
Net Cash Provided by Operating Activities	<u><u>\$ 3,300,291</u></u>

**Cash and Cash Equivalents:**

**Financial Statement Classification**

Cash and cash equivalents	\$ 23,921,040
Restricted cash and cash equivalents	527,951
Total Cash and Cash Equivalents	<u><u>\$ 24,448,991</u></u>

**Noncash Investing, Capital and Financing Activities**

Net unrealized loss on investments	<u><u>\$ 116,403</u></u>
Capital assets included in increase in accounts payable	<u><u>\$ 116,907</u></u>
Capital assets contributed	<u><u>\$ 369,086</u></u>

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2021**

	Community Facilities District 2020-1
<b>ASSETS</b>	
Cash	\$ 586,581
Taxes receivable	5,341
Prepaid expenses	18,050
Construction in progress	399,497
Total assets	<u>1,009,469</u>
<b>LIABILITIES</b>	
Deposits - Phase III planning	375,000
Deposits - Phase III construction	350,000
Total Liabilities	<u>725,000</u>
<b>NET POSITION</b>	
Held in trust for the benefit of residents of the community facility district 2020-1	\$ <u>284,469</u>

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2021**

	Community Facilities District 2020-1
	<u>2020-1</u>
<b>ADDITIONS</b>	
Property taxes and assessments:	
CFD 2020-1 Special Fund	\$ <u>291,276</u>
Investment earnings:	
Interest	<u>1,083</u>
Total additions	<u>292,359</u>
<b>DEDUCTIONS</b>	
Labor and benefits	2,958
Outside professional services	<u>4,932</u>
Total deductions	<u>7,890</u>
Change in net assets	<u>284,469</u>
Net Position - Beginning	<u>-</u>
Net Position - Ending	<u>\$ <u>284,469</u></u>

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



**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**(a) Description of Reporting Entity**

The Valley Center Municipal Water District (the “District”) is a governmental corporation governed by an elected five-member board of directors. The District was incorporated July 12, 1954, under the provisions of the California Water District Act of 1911. The District’s 101 square mile service area lies in northern San Diego County and the majority of its sales are to agricultural users. The District’s offices are located in Valley Center, California.

In keeping its books and records, the District has established various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts are identified in the District’s books and records as General, Lower Moosa Wastewater Treatment, and Woods Valley Ranch Wastewater. All significant inter-group transactions and accounts are eliminated in the combination of the accounts for the financial statements of the reporting entity.

In addition, the District has established Assessment District 2012-1 (AD 2012-1) to account for special assessment bonds described in Note 6. The financial position and results of operations of AD 2012-1 are excluded from these financial statements.

The Community Facilities District No. 2020-1 (CFD 2020-1) was created by the District on May 18, 2020 pursuant to the Mello-Roos Community Facilities Act of 1982, as amended to provide financing for the design and construction of certain water and wastewater system facilities necessary to serve new development within CFD 2020-1. The District’s board sits as the legislative body of CFD 2020-1 which approves the rate and apportionment of a special tax within CFD 2020-1 to fund the facilities. The District acts solely as the agent in the collection and remittance of the special taxes for the CFD 2020-1 and initiates foreclosure proceeding as required under the bond covenants.

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

**(b) Method of Accounting**

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

Water and wastewater lines may be constructed by private developers and then dedicated to the District, which is then responsible for future maintenance. These lines are recorded as capital contributions when they pass inspection by the District and the estimated costs are capitalized as transmission and distribution.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**(b) Method of Accounting (Continued)**

The District has not elected to apply the option allowed in GASB Cod. Sec. P80.103 “Proprietary Fund Accounting and Financial Reporting” and as a consequence will continue to apply GASB Statements and Interpretations.

**(c) 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, 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.

**(d) Revenue Recognition**

Revenues from water sales and pumping charges, meter service charges, meter installation fees, and wastewater charges are recognized as they are earned. Taxes and assessments are recognized as revenue based upon amounts reported to the District by the County of San Diego, net of an allowance for estimated uncollectible taxes.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund’s principal operations. The principal operating revenues of the District consist of water sales, wastewater service, and connection and installation fees. Nonoperating revenues consist of property taxes and assessments, investment income, and special charges that can be used for either operating or capital purposes. Operating expenses include the cost of sales, operation, maintenance, and administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

Capital contributions consist of contributed assets and special charges that are legally restricted for capital expenditures by state law or by the Board action that established those charges.

**(e) Property Taxes and Assessments**

Property taxes and assessments are billed by the County of San Diego to property owners. The District’s property tax calendar for the fiscal year ended June 30, 2021, was as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment – November 1 Second Installment – February 1
Delinquent Date:	First Installment – December 10 Second Installment – April 10

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**(e) Property Taxes and Assessments (Continued)**

The County collects the taxes from the property owners and remits the funds to the District periodically during the year. The District has an arrangement with the County whereby the County remits taxes which are delinquent as of each June 30 to the District in exchange for the right to retain the delinquent taxes, penalties, and interest when these amounts are subsequently collected with the exception of CFD 2020-1.

**(f) Cash and Cash Equivalents**

Cash and cash equivalents include deposits in SEC-registered money market mutual funds, deposits in external investment pools, and marketable securities that mature within three months of purchase. Such marketable securities and deposits in money market funds are carried at fair value. Investment pool deposits are carried at the District's proportionate share of the fair value of each pool's underlying portfolio.

**(g) 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.

**(h) Accounts Receivable - Water and Wastewater**

Bad debts are recognized on the allowance method based on historical experience, and management's evaluation of outstanding receivables. Water and wastewater accounts receivable of \$6,356,632 have been reduced by an allowance for estimated uncollectible accounts in the amount of \$20,244 at June 30, 2021.

**(i) WVR Phase 1 Buy-In Receivable**

The Woods Valley Ranch Water Reclamation Facility - Phase 1 project was funded, constructed and dedicated to the District by the developer. Pursuant to the Reimbursement Agreement for Construction of Water Reclamation Facilities (Agreement) the developer was required to oversize certain facilities to serve other areas in addition to the developer's property. The District agreed to reimburse the developer for the cost of benefiting future development facilities with funds collected from participants in future expansion phases and submit payment to the Developer. In May 2016, the District refunded to the developer the \$3,589,720 pursuant to the Agreement. The refund was funded with proceeds from the Installment Sales agreement from the State of California Water Resources Control board obtained for the Phase 2 expansion project and will be repaid from annual assessments from the Phase 2 participants over a 20 year period through June 30, 2036. The WVR Phase I Buy-In receivable totaled \$2,833,043 at June 30, 2021.

**(j) Investment in VCMWD AD 2012-1 Limited Obligation**

On July 31, 2018, the Valley Center Municipal Water District Assessment District 2012-1 (AD2012-1) issued \$4,035,000 of limited obligation improvement bonds. The bonds and interest are paid from general special assessments on property within AD 2012-1. On July 31, 2018 the District purchased this bond in its entirety and is the sole bondholder. The VCMWD AD-2012-1 limited obligation bonds totaled \$3,715,000 at June 30, 2021.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**(k) Inventory**

Inventory consists primarily of materials used in the construction and maintenance of capital assets and is valued at average cost. Water inventory is valued at cost.

At June 30, 2021, inventory consists of the following:

Materials inventory	\$ 981,756
Water inventory	111,769
Total Inventory	<u>\$ 1,093,525</u>

**(l) Capital Assets**

Capital assets purchased or acquired with an initial individual cost exceeding \$2,000 and an estimated useful life of more than two years are reported at historical costs. Donated capital assets, donated works of art, and similar items, and capital assets received in service concession agreements are reported at acquisition value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Upon sale or disposition of property and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings. Depreciation is calculated on the straight-line method over the following estimated useful lives:

	<u>Useful Life</u>
Transmission and distribution system	10 - 40 years
General plant	2 - 40 years

Depreciation totaled \$4,312,773 for the year ended June 30, 2021.

**(m) Compensated Absences**

Accumulated unpaid vacation and sick leave totaling \$2,464,770 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2021.

**(n) Deferred Outflows of Resources and Deferred Inflows of Resources**

Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net assets by the District that is applicable to a future period and an acquisition of net assets by the District that is applicable to a future reporting period respectively. Deferred outflows of resources and deferred inflows of resources are more fully described in Notes 8 and 9.

**(o) Classification of Liabilities**

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**(p) Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS financial office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	June 30, 2019 to June 30, 2020

**(q) Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Other Postemployment Benefit Programs of the Valley Center Municipal Water District (OPEB Plan), the assets of which are held by the California Employers' Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined time frames. For this report, the following time frames are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	June 30, 2019 to June 30, 2020

**(r) Fair Value Measurements**

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).



**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**(r) Fair Value Measurements (Continued)**

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The District's statement of net position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in the California Local Agency Investment Fund (LAIF) are considered Level 2 assets and are reported at the fair value of the underlying assets as provided by LAIF.
- Investments in the San Diego County Treasurer's Pooled Money Fund are considered Level 2 assets and are reported at the fair value of the underlying assets as provided by San Diego County.
- United States Government Sponsored Enterprises are considered Level 2 assets and are reported at the fair value reported by the counter-party.
- Certificates of Deposit included in investments are considered Level 2 assets and are reported at the fair value reported by the counter-party.
- Investment in VCMWD AD 2012-1 limited obligation are considered Level 2 assets and are reported at fair value based upon the principal value of the underlying debt.

**(s) Unrestricted Net Position**

The unrestricted net position of the District is restricted by state law for sole use by the District for its operations. It is reported as unrestricted net position in the accompanying financial statements because this restriction corresponds to the general purpose for which the District has been established. It is unavailable for other government uses and is committed to the ongoing operations of the District, including amounts necessary to cover contingencies, unanticipated expenditures, revenue shortfalls, and weather and economic fluctuations.

**(t) Subsequent Events**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 27, 2021, the date the financial statements were available to be issued.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 2 - Cash and Investments:**

**(a) Authorized Investments**

The District's Ordinances authorize the District to invest in bonds issued by the District; obligations of the United States Treasury, agencies, and government sponsored enterprises; certificates of deposit at commercial banks and savings and loans when insured or collateralized in accordance with law; shares of beneficial interest issued by a diversified management company as authorized by California Government Code Section 53601(k); the State of California Local Agency Investment Fund; as well as deposits with the Treasurer of the County of San Diego.

These authorized investments are more restrictive than those permitted by the California Government Code, which would also allow investments in prime commercial paper, bankers' acceptances, repurchase and reverse repurchase agreements, financial futures or financial options contracts, obligations of the State of California, and obligations of local agencies within California.

Cash and investments held by the District were comprised of the following at June 30, 2021:

		<u>Investment Maturities (In Years)</u>	
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 5</u>
Cash on hand	\$ 1,400	\$ 1,400	\$ -
California Local Agency Investment Fund (LAIF)	344,704	344,704	-
San Diego County Treasurer's Pooled Money Fund	23,826,875	23,826,875	-
Demand deposits	862,593	862,593	-
Investments:			
United States Government Sponsored Enterprises	3,568,694	452,955	3,115,739
Certificates of Deposit	6,405,392	4,803,942	1,601,450
Investment in VCMWD AD 2012-1 Limited Obligation	3,715,000	170,000	3,545,000
Total Cash and Investments	<u>\$ 38,724,658</u>	<u>\$ 30,462,469</u>	<u>\$ 8,262,189</u>
Financial Statement Classification:			
Cash and Cash Equivalents	\$ 24,507,621		
Investments	8,372,470		
Cash and cash equivalents - Restricted	527,951		
Investments - Restricted	1,601,616		
Investment in VCMWD AD 2012-1 Limited Obligation	3,715,000		
Total	<u>\$ 38,724,658</u>		

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**(b) Concentration of Credit Risk**

The District's policy is that investments should be diversified through limited investment to avoid over-concentration in securities from a specific issuer (excluding U.S. Treasury securities), by varying maturities, and by investing a portion of the portfolio in external investment pools or money market funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations. The District further limits certificates of deposit to 30% of its portfolio. State law limits investment in money market funds to 20% of the total portfolio, and investments in any one fund to 10%. At June 30, 2021, (other than U.S. Treasury obligations, mutual funds, and external investment funds) the following investments represented more than 5% of the District's investment portfolio.

Investment in VCMWD AD 2012-1 Limited Obligation	\$ <u>3,715,000</u>
--	---------------------

**(c) Credit Risk**

The District's ordinances subject management of the investment portfolio to the "prudent investor" standard, which states that "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." Certificates of deposit must be fully insured and have a rating of satisfactory or better. As of June 30, 2021 the District's investments were rated by Standard & Poor's and by Moody's Investors Service as follows:

	<u>Standard &amp; Poor's</u>	<u>Moody's</u>
California Local Agency Investment Fund	Not rated	Not rated
San Diego County Treasurer's Pooled Money Fund	AAAf	Not rated
Investment in VCMWD AD 2012-1 Limited Obligation	Not rated	Not rated

**(d) Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To eliminate custodial credit risk, the District's ordinances require that all demand deposits be entirely insured or collateralized and that all investment securities be in the name of the District and held by an insured depository. At June 30, 2021 the District held no deposits or investments that were exposed to custodial credit risk.

**(e) Interest Rate Risk**

The District's ordinances state that the District will structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The District cannot invest in any security that could result in zero interest accrual if held to maturity. Maturities are limited to five years unless the Board of Directors has granted specific express authority to purchase the investment.

**(f) Foreign Currency Risk**

The District is not exposed to foreign currency risk.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**(g) Investment in State Investment Pool**

The District 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 District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District'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.

**Note 3 - Restricted Assets:**

Restricted assets were provided by, and are to be used for, the following at June 30, 2021:

<u>Funding Source</u>	<u>Use</u>	
Capacity fees	Facility expansion	\$ <u><u>2,129,567</u></u>

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

**Note 4 - Capital Assets:**

Capital assets consist of the following at June 30, 2021:

	<u>Balance at June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2021</u>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 7,928,708	\$ -	\$ -	\$ 7,928,708
Construction in progress	10,103,033	4,813,977	(9,225,311)	5,691,699
	<u>18,031,741</u>	<u>4,813,977</u>	<u>(9,225,311)</u>	<u>13,620,407</u>
<b>Capital Assets Being Depreciated:</b>				
Transmission and distribution system	158,680,903	8,301,257	(214,463)	166,767,697
General plant	17,759,575	378,263	(579,741)	17,558,097
	<u>176,440,478</u>	<u>8,679,520</u>	<u>(794,204)</u>	<u>184,325,794</u>
<b>Less Accumulated Depreciation:</b>				
Transmission and distribution system	(79,566,795)	(3,842,553)	134,566	(83,274,782)
General Plant	(14,914,622)	(470,219)	579,741	(14,805,100)
	<u>(94,481,417)</u>	<u>(4,312,772)</u>	<u>714,307</u>	<u>(98,079,882)</u>
<b>Net Capital Assets Being Depreciated</b>	<u>81,959,061</u>	<u>4,366,748</u>	<u>(79,897)</u>	<u>86,245,912</u>
<b>Net Capital Assets</b>	<u>\$ 99,990,802</u>	<u>\$ 9,180,725</u>	<u>\$ (9,305,208)</u>	<u>\$ 99,866,319</u>

Depreciation totaled \$4,312,773 for the year ended June 30, 2021.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 5 - Noncurrent Liabilities:**

Noncurrent liabilities consist of the following at June 30, 2021:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021	Current Portion
<b><u>Long-Term Debt:</u></b>					
Installment sales agreements	\$ 24,945,739	\$ -	\$ (1,234,292)	\$ 23,711,447	\$ 1,260,445
Financing loan agreements	39,349	-	(12,268)	27,081	15,173
Total Long-Term Debt	<u>24,985,088</u>	<u>-</u>	<u>(1,246,560)</u>	<u>23,738,528</u>	<u>1,275,618</u>
<b><u>Other Noncurrent Liabilities:</u></b>					
Net pension liability	23,686,880	3,622,891	(2,505,452)	24,804,319	-
Net OPEB liability	3,670,685	1,064,784	(2,064,851)	2,670,618	-
Accrued compensated absences	<u>2,572,543</u>	<u>1,051,354</u>	<u>(1,159,127)</u>	<u>2,464,770</u>	<u>850,800</u>
Total Other Noncurrent Liabilities	<u>29,930,108</u>	<u>5,739,029</u>	<u>(5,729,430)</u>	<u>29,939,707</u>	<u>850,800</u>
<b>Total Noncurrent Liabilities</b>	<u>\$ 54,915,196</u>	<u>\$ 5,739,029</u>	<u>\$ (6,975,990)</u>	<u>\$ 53,678,235</u>	<u>\$ 2,126,418</u>

**(a) Long-Term Debt**

**Installment Sales Agreements**

State of California, Water Resources Control Board - The District entered into a contract with the State of California, Water Resources Control Board, for a loan in an amount up to \$17,393,705 for the expansion of the Woods Valley Ranch Reclamation Facility. The loan accrues interest at 2.2% with annual payments of principal and interest in the amount of \$1,084,260 beginning in December 2018. The loan matures December 15, 2036. The loan is secured by a lien and pledge of the assessments, assessment fund, enterprise funds, net revenues, and any reserve fund specified in the installment sale agreement. Interest payable totaled \$172,068 at June 30, 2021.

\$ 14,491,180

State of California, Water Resources Control Board - The District entered into a contract with the State of California, Water Resources Control Board, for a loan in an amount up to \$4,752,616 for the expansion of the Woods Valley Ranch Reclamation Facility. The loan accrues interest at 2.2% with annual payments of principal and interest in the amount of \$294,679 beginning in October 2017. The loan matures October 20, 2036. The loan is secured by a lien and pledge of the assessments, assessment fund, enterprise funds, net revenues, and any reserve fund specified in the installment sale agreement. Interest payable totaled \$60,058 at June 30, 2021.

3,938,399



**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Note 5 - Noncurrent Liabilities: (Continued)**

**(a) Long-Term Debt (Continued)**

**Installment Sales Agreements (Continued)**

State of California, Water Resources Control Board - The District entered into a contract with the State of California, Water Resources Control Board, for a loan in an amount up to \$3,715,572 for the Cool Valley Reservoir Cover/Liner Replacement. The loan accrues interest at 1.6% with semi-annual payments of principal and interest in the amount of \$110,211 beginning in January 2020. The loan matures July 1, 2037. The loan is secured by a lien and pledge of the assessments, assessment fund, enterprise funds, net revenues, and any reserve fund specified in the installment sale agreement.

\$ 3,100,629

State of California, Water Resources Control Board - The District entered into a contract with the State of California, Water Resources Control Board, for a loan in an amount up to \$2,626,653 for the expansion of the Woods Valley Ranch Reclamation Facility. The loan accrues interest at 2.2% with annual payments of principal and interest in the amount of \$163,449 beginning in August 2018. The loan matures August 15, 2036. The loan is secured by a lien and pledge of the assessments, assessment fund, enterprise funds, net revenues, and any reserve fund specified in the installment sale agreement. Interest payable totaled \$41,940 at June 30, 2021.

Total Installment Sales Agreements

2,181,239  
\$ 23,711,447

**Financing Loan Agreements**

San Diego Gas & Electric (SDG&E), On Bill Financing Loan Agreements - The District entered into unsecured and non-interest bearing loan agreements with SDG&E totaling \$153,196 to retrofit the Cool Valley Circulation Pumps and West Pump Station. Principal payments of \$1,633 are included in the monthly invoice from SDG&E. The loans mature in April 2022 and September 2023.

Total Financing Loan Agreement

\$ 27,081  
\$ 23,738,528

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 5 - Noncurrent Liabilities: (Continued)**

**(a) Long-Term Debt (Continued)**

Debt service requirements on the long-term debt are as follows:

Years Ended June 30	Installment Sales Agreements		Financing Loan Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 1,260,445	\$ 502,365	\$ 15,173	\$ -	\$ 1,275,618	\$ 502,365
2023	1,287,157	475,653	9,527	-	1,296,684	475,653
2024	1,314,440	448,370	2,381	-	1,316,821	448,370
2025	1,342,307	420,503	-	-	1,342,307	420,503
2026	1,370,769	392,040	-	-	1,370,769	392,040
2027 - 2031	7,302,572	1,511,477	-	-	7,302,572	1,511,477
2032 - 2036	8,111,296	702,753	-	-	8,111,296	702,753
2037	1,722,461	35,720	-	-	1,722,461	35,720
	<u>\$ 23,711,447</u>	<u>\$ 4,488,881</u>	<u>\$ 27,081</u>	<u>\$ -</u>	<u>\$ 23,738,528</u>	<u>\$ 4,488,881</u>

**Note 6 - Special Assessment Bonds:**

On July 31, 2018, Valley Center Municipal Water District Assessment District No. 2012-1 (AD 2012-1) issued \$4,035,000 of limited obligation improvement bonds pursuant to the provisions of the Municipal Improvement Act of 1913 and the Improvement Bond Act of 1915. Under the Acts, the District is not obligated to repay the AD 2012-1 bonds and the District does not intend in any manner to assume responsibility for the repayment of such debt. The bond proceeds were used to establish reserve funds, pay bond issuance costs, and fund public improvements consisting of the North Village Collection System within and for AD 2012-1. AD 2012-1 bonds payable totaled \$3,715,000 at June 30, 2021.

The bonds and interest are paid from annual special assessments on property within AD 2012-1. The annual assessments are billed to and collected from the AD 2012-1 property owners, along with other property taxes and assessments, and remitted to the District. The District remits the annual assessments as well as any prepaid assessments received from property owners to the bondholder.

**Note 7 - Unrestricted Net Position:**

Unrestricted net position has been designated by the Board of Directors for the following purposes at June 30, 2021:

Capital improvements	\$ 20,196,720
Operating reserve	8,540,495
Debt service	1,762,810
Wastewater capital replacement reserves	1,845,693
Net pension liability	(19,998,276)
Net OPEB liability	(2,714,941)
Unrestricted Net Position	<u>\$ 9,632,501</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Note 8 - Defined Benefit Pension Plan:**

**(a) General Information About the Pension Plans**

**Plan Description** - All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Plan of the Valley Center Municipal Water District, (All Plans) a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). 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. The Plan consists of the Miscellaneous Plan and the Miscellaneous PEPR Plan.

**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. Miscellaneous Plan members with five years of service are eligible to retire at age 50 with statutorily reduced benefits. PEPR Plan members with five years of service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability retirement benefits after five years of service. The death benefit is the basic death benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees Retirement law per contract. The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Minimum retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.0%
Required employer contribution rates	14.508%	7.794%

In addition to the contribution rates above, the District was also required to make payments of \$1,831,293 toward its unfunded actuarial liability during the year ended June 30, 2021.

The Miscellaneous Plan is closed to new members that are not already CalPERS eligible participants.

**Contribution Description** - Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through the CalPERS annual actuarial process. The Plans actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 8 - Defined Benefit Pension Plan: (Continued)**

**(b) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

The District reported the following net pension liability for its proportionate share of net position liability of the risk pool at June 30, 2021:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous Risk Pool	\$ <u>24,804,319</u>

The District's net pension liability for the risk pool is measured as the proportionate share of the risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

The District's proportionate share of the net pension liability as of June 30, 2019, the valuation date, was calculated as follows:

- In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to the miscellaneous risk pool. Estimates of the total pension liability and the fiduciary net position were first determined as of the valuation date, June 30, 2019.
- Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The District's proportionate share percentage at the valuation date was calculated by dividing the District's net pension liability for each of its employer rate plans by the net pension liability of the risk pool as of the valuation date.

The District's proportionate share of the net pension liability as of June 30, 2020, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2020, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for the risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for the risk pool at June 30, 2020, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 8 - Defined Benefit Pension Plan: (Continued)**

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

- The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2020, was calculated by applying the District's proportionate share percentage as of the valuation date (described above) to the total pension liability and fiduciary net position as of June 30, 2020, to obtain the total pension liability and fiduciary net position as of June 30, 2020. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

The District's proportionate share percentage of the net pension liability as of June 30, 2019 and June 30, 2020, was as follows:

	<u>Miscellaneous Risk Pool</u>
Proportion at measurement date - June 30, 2019	0.591506%
Proportion at measurement date - June 30, 2020	<u>0.588048%</u>
Change - Increase (Decrease)	<u>(0.003458)%</u>

For the year ended June 30, 2021, the District recognized pension expense of \$3,117,122. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2021:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,278,240	\$ -
Changes of assumptions	-	176,914
Net difference between projected and actual earnings on pension plan investments	736,852	-
Adjustment due to difference in proportions	-	749,317
Differences between actual and required contributions	980,407	-
Contributions after measurement date	<u>2,736,775</u>	<u>-</u>
Total	<u>\$ 5,732,274</u>	<u>\$ 926,231</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 8 - Defined Benefit Pension Plan: (Continued)**

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

The \$2,736,775 of pension contributions subsequent to the measurement date but before the end of the reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as expense as follows:

Measurement Date June 30	Deferred Outflows/(Inflows) Of Resources
2022	\$ 172,882
2023	887,498
2024	655,478
2025	353,410
Total	<u>\$ 2,069,268</u>

**(c) Actuarial Assumptions**

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.0%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.00%
Mortality Rate Table	Derived using CalPERS' membership data for all funds



**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 8 - Defined Benefit Pension Plan: (Continued)**

**(d) Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not deemed necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2020 based on June 30, 2019 Valuations*, that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated 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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (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 the Plan. 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the 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.

<u>Asset Class</u>	<u>New Strategy Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11 +</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.00	2.62
Inflation Assets	-	.77	1.81
Private Equity	8.0	6.30	7.23
Real Estate	13.0	3.75	4.93
Liquidity	1.0	-	(0.92)
	<u>100.0%</u>		

<sup>(a)</sup> An expected inflation of 2.0% used for this period.

<sup>(b)</sup> An expected inflation of 2.92% used for this period

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 8 - Defined Benefit Pension Plan: (Continued)**

**(e) Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability of the risk pool as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of 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>1% Decrease (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
Valley Center Municipal Water District's proportionate share of the Miscellaneous Risk Pool's net pension liability	\$ <u>33,490,897</u>	\$ <u>24,804,319</u>	\$ <u>17,626,873</u>

**Note 9 - Other Postemployment Benefits:**

**(a) General Information About the OPEB Plan**

**Plan Description** - The District's Board of Directors adopted the Retiree's Health Benefits Plan (Plan) on January 16, 1995, for the benefit of all individuals (excluding members of the Board of Directors) employed by the District. The Plan is permitted under Government Code Section 53200 et. Seq. The Plan was closed to employees hired after June 30, 2008.

**Benefits Provided** - The District provides a contribution for continuation of medical coverage for the eligible retirees and eligible spouses, if elected by the retiree. Retirees may be eligible to continue dental and vision coverage on a self-pay basis. In order to participate in the plan, an employee must have at least five years of employment with the District and his or her attained age plus accrued Benefit Units at termination must equal at least 65. Benefit Units are earned based upon the hours worked during a plan year including leave during the year of termination. The District's payment percentage applicable to a plan designated by the District ("Designated Plan") varies based on the sum of the eligible employee's age and Benefits Units at termination. The Designated Plan means the HMO plan offered from time to time by the District or an alternative similar plan designated at the discretion of the District. An eligible employee may elect to participate in the Plan under one of three participant options (Full Spousal Benefits, Reduced Spousal Benefits, and No Spousal Benefits). An election of a participant option is irrevocable once made. Spouse coverage may continue upon death of the retiree. District Directors are not eligible to participate in the Plan unless independently eligible as an employee of the District or as a spouse of an eligible employee.

**Employees Covered** - As of the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the OPEB Plan.:

Active employees	37
Inactive employees or beneficiaries currently receiving benefit payments	49
Inactive employees entitled to but not yet receiving benefit payments	<u>4</u>
	<u>90</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 9 - Other Postemployment Benefits: (Continued)**

**(a) General Information About the OPEB Plan (Continued)**

**Contributions** - The District has established an irrevocable trust fund through the California Employers' Retiree Benefits Trust (CERBT), an agent multiple-employer postemployment healthcare trust administered by CalPERS. For the period from July 1, 2020 to June 30, 2021, the District's cash contributions were \$643,050. The employer contributions include retiree benefits payments inclusive of subsidy not reimbursed from the trust.

**Net OPEB Liability** - The District's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2019.

**Actuarial Assumptions** - The total OPEB liability in the June 2019 actuarial valuation was determined using the following assumptions applied to all periods included in the measurement, unless otherwise specified.

Actuarial Cost Method	Entry Age Normal Cost, Level Percent of Pay
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.50%
Salary Increases	2.75%
Investment Rate of Return	7.00%
Mortality Rate	Derived using CalPERS' Membership Data for all funds
Pre-Retirement Turnover	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	6.0% HMO/6.5% PPO decreasing to 5.0% HMO/5.0% PPO

Mortality information for active and retired employees was based on 2009 CalPERS tables. The pre-retirement turnover information was developed based on the 2009 CalPERS Turnover for Miscellaneous Employees table created by CalPERS.

The assumed gross return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 9 - Other Postemployment Benefits: (Continued)**

**(a) General Information About the OPEB Plan (Continued)**

**Actuarial Assumptions (Continued) -**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
CERBT		
Global Equity	59.0%	5.50%
Global Debt Securities	25.0%	2.35%
Inflation Assets	5.0%	1.50%
Commodities	3.0%	1.75%
REIT's	8.0%	3.65%
Total	<u>100.0%</u>	

Long-term expected rate of return is 7.00%

**(b) Discount Rate**

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that the District will continue to fund the actuarial determined contribution each year. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return of OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**(c) Changes in the OPEB Liability**

The changes in the net OPEB liability for the OPEB Plan are as follows:

		<u>Increase (Decrease)</u>	
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(c) = (a) - (b)</u>
Balance, Beginning of Year	\$ 9,083,430	\$ 5,412,745	\$ 3,670,685
Service cost	222,328	-	222,328
Interest expense	640,904	-	640,904
Benefit payments	(305,133)	(305,133)	-
Employer contributions	-	643,050	(643,050)
Differences between expected and actual experience	(1,031,442)	-	(1,031,442)
Net investment income	-	193,466	(193,466)
Administrative expense	-	(4,659)	4,659
Balance, End of Year	<u>\$ 8,610,087</u>	<u>\$ 5,939,469</u>	<u>\$ 2,670,618</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 9 - Other Postemployment Benefits: (Continued)**

**(a) General Information About the OPEB Plan (Continued)**

**Actuarial Assumptions (Continued) -**

**(d) Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage-point higher than the current discount rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	\$ <u>3,707,091</u>	\$ <u>2,670,618</u>	\$ <u>1,796,170</u>

**(e) Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease (5.0% HMO/5.5% PPO Decreasing to 4.00% HMO/4.00% PPO)	Current Healthcare Cost Trend Rates (6.0% HMO/6.5% PPO Decreasing to 5.00% HMO/5.00% PPO)	1% Increase (7.0% HMO/7.5% PPO Decreasing to 6.00% HMO/6.00% PPO)
Net OPEB liability	\$ <u>1,599,206</u>	\$ <u>2,670,618</u>	\$ <u>3,972,427</u>

**(f) OPEB Plan Fiduciary Net Position**

The California Public Employees' Retirement System's California Employers' Retirement Benefit Trust (CERBT) issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, Post Office Box 942703, Sacramento, California 94429-2703.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 9 - Other Postemployment Benefits: (Continued)**

**(g) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2021, the District recognized OPEB expense of \$513,821. The District reported deferred outflows and inflows of resources related to OPEB from the following sources at June 30, 2021:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 684,041	\$ -
Differences between expected and actual experience	-	884,093
Net difference between projected and actual earnings on OPEB plan investments	155,729	-
Total	<u>\$ 839,770</u>	<u>\$ 884,093</u>

The \$684,041 of OPEB contributions subsequent to the measurement date but before the end of the District's reporting period will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period rather than the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as expense as follows:

Measurement Date June 30	Deferred Outflows/(Inflows) Of Resources
2022	\$ (123,493)
2023	(103,585)
2024	(98,617)
2025	(107,972)
2026	(437,349)
Thereafter	(147,348)
Total	<u>\$ (728,364)</u>

**(h) Defined Contribution Plan**

Employees hired on or after July 1, 2008, participate in a defined contribution plan, Retiree Welfare Benefits Plan. The District administers the plan through an agreement with Mission Square Retirement.

The plan was established by the District's Board of Directors pursuant to Internal Revenue Code Section 115, and may be amended by the Board from time to time.

Employees contribute 3% of their annual covered payroll to the plan, and any sick leave accrued at termination. The District contribution is 1.15% of annual covered payroll plus \$30 per participant. The District has no payment obligation once the employee separates from the District.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 9 - Other Postemployment Benefits: (Continued)**

**(h) Defined Contribution Plan (Continued)**

During the year ended June 30, 2021, employee contributions were \$74,372 and District contributions were \$29,409 for a total of \$103,781.

**Note 10 - Risk Management:**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The JPIA is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage from commercial insurance carriers to reduce its exposure to large losses.

The District pays annual premiums for its liability (auto, general, and public officials), property loss, workers' compensation, and fidelity bond coverage. They are subject to retrospective adjustments based on claims experience. The nature and amounts of these adjustments cannot be estimated and are charged or credited to expense as invoiced. The District's insurance expense for the year ended June 30, 2021 was \$264,488. There were no instances in the past three years where a settlement exceeded the District's coverage.

**Note 11 - Economic Dependency:**

All water sold by the District is purchased from the San Diego County Water Authority. Almost all electricity and natural gas used by the District for pumping and operations is purchased from San Diego Gas and Electric.

**Note 12 - Commitments and Contingencies:**

**(a) Contracts**

The District has entered into various contracts for the purchase of material, and construction of the capital assets. The amounts contracted for are based on the contractors' estimated cost of construction. At June 30, 2021, the total unpaid amount on these contracts is approximately \$542,489 for water operations and \$44,100 for wastewater operations.

**(b) Litigation**

There are pending lawsuits in which the District is involved. The District's management and legal counsel estimate that the potential claims against the District, not covered by insurance, if unfavorable decisions are rendered in these pending legal actions, would not materially affect the operations or financial condition of the District.



**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 12 - Commitments and Contingencies: (Continued)**

**(c) Coronavirus Pandemic**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The District is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the District's customers, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the District's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**Note 13 - New Governmental Accounting Standards:**

**GASB No. 84**

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84 "Fiduciary Activities". The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier Application is encouraged. The effective date of this pronouncement has been postponed by 12 months by GASB Statement No. 95. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

**GASB No. 87**

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87 "Leases". The requirements of this Statement were effective for reporting periods beginning after December 15, 2019. The effective date of this pronouncement has been postponed by 18 months by GASB Statement No. 95. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**GASB No. 89**

In June 2018, the Governmental Accounting Standards Board issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The District has elected to implement this pronouncement and has not capitalized any interest cost in the year ended June 30, 2021.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 13 - New Governmental Accounting Standards: (Continued)**

**GASB No. 90**

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90 “Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

**GASB No. 91**

In May 2019, the Governmental Accounting Standards Board issued Statement No. 91 “Conduit Debt Obligations”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**GASB No. 92**

In January 2020, the Governmental Accounting Standards Board issued Statement No. 92 “Omnibus 2020”. The requirements of this statement are effective at various dates up to and including fiscal years and reporting periods beginning after June 15, 2021. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement did not and is not expected to have a material effect on the financial statements of the District in the year of implementation.

**GASB No. 93**

In March 2020, the Governmental Accounting Standards Board issued Statement No. 93 “Replacement of Interbank Offered Rates”. The requirements of this statement are effective at various dates up to and including reporting periods ending after December 31, 2021. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement is not expected to have a material effect on the financial statements of the District in the year of implementation.

**GASB No. 94**

In March 2020, the Governmental Accounting Standards Board issued Statement No. 94 “Public - Private and Public - Public Partnerships and Availability Payment Arrangements”. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. As used in this pronouncement these Partnerships are an arrangement in which the government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset such as infrastructure or other capital assets for a period of time in an exchange or an exchange-like transaction. The statement also provides guidance on accounting and financial reporting for availability payment arrangements in which the government compensates the operator for services that may include the designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The District has not yet determined the effects of this pronouncement on the financial statements in the year of implementation.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 13 - New Governmental Accounting Standards: (Continued)**

**GASB No. 95**

In May 2020, the Governmental Accounting Standards Board issued Statement No. 95 “Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing for one year the effective dates of GASB Statements 83, 84, 88 – 93 as well as implementation guides 2018-1, 2019-1 and 2019-2. In addition, the effective dates of GASB Statement 87 and Implementation Guide 2019-3 have been postponed by 18 months.

**GASB No. 96**

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96 “Subscription-Based Information Technology Arrangements (SBITA’s). This Statement (1) defines SBITA’s (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including the implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. Earlier application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**GASB No. 97**

In June 2020, the Governmental Accounting Standards issued Statement No. 97 “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No. 14 and No. 84 and Supersession of GASB Statement No. 32”. This statement requires that for purposes of determining whether a primary government is financial accountable for a potential component unit, the absence of a governing board should be treated the same as the appointment of a voting majority. The statement requires that a Section 457 plan be classified as either pension or other employee benefit plan depending on whether the plan meets the definition of a pension plan. This statement supersedes the remaining provisions of GASB Statement No. 32.

**GASB Statement No. 98**

In October 2021 Governmental Accounting Standards Board issued Statement No. 98 “The Annual Comprehensive Financial Report”. The statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. The District has elected to implement this pronouncement. Application of this statement did not have a material effect on the District’s financial statements for the fiscal year ending June 30, 2021.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 14 - Prior Period Adjustment:**

During the year ended June 30, 2021, the District determined that previously reported construction in progress in the Lower Moosa and Woods Valley Wastewater funds included amounts that should have been expensed resulting in a reduction in both construction in progress and previously reported net position as of the beginning of the year.

During the year ended June 30, 2021, the District determined that previously reported property taxes and assessments were overstated as they included amounts collected on behalf of Assessment District 2012-01 resulting in a reduction of cash and previously reported net position as of the beginning of the year.

Construction in progress	\$ (544,764)
Cash and cash equivalents	<u>(355,661)</u>
Net Position at June 30, 2020, as Originally Stated	(900,425)
Net Position at June 30, 2020, as Restated	<u>86,354,851</u>
	\$ <u>85,454,426</u>

# Required Supplementary Information



**VALLEY CENTER MUNICIPAL WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021**

**SCHEDULES OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST TEN YEARS**

	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016
Proportion of the Net Pension Liability	0.588048%	0.591506%	0.601933%	0.585912%	0.602440%
Proportionate Share of the Net Pension Liability	\$ 24,804,319	\$ 23,686,880	\$ 22,685,118	\$ 23,136,342	\$ 20,928,033
Covered Payroll - Measurement Period	\$ 6,784,178	\$ 6,180,656	\$ 5,894,187	\$ 5,940,494	\$ 5,916,822
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	365.62%	383.25%	384.87%	389.47%	353.70%
Plan Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	62.00%	61.49%	61.51%	59.30%	58.82%
	Measurement Date June 30, 2015	Measurement Date June 30, 2014	Measurement Date June 30, 2013	Measurement Date June 30, 2012	Measurement Date June 30, 2011
Proportion of the Net Pension Liability	0.0687478%	0.697343%	N/A	N/A	N/A
Proportionate Share of the Net Pension Liability	\$ 18,860,732	\$ 17,234,744	N/A	N/A	N/A
Covered Payroll - Measurement Period	\$ 5,465,453	\$ 5,410,242	N/A	N/A	N/A
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	345.09%	318.55%	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	60.99%	61.73%	N/A	N/A	N/A

**Notes to Schedules:**

**Change in Benefit Terms** - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they would have minimal impact.

**Changes in Assumptions** - The discount rate was changed from 7.50% in 2015 to 7.65% in 2016 and to 7.00% in 2018.

**Omitted Years** - GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021**

**SCHEDULES OF CONTRIBUTIONS TO THE PENSION PLAN  
LAST TEN YEARS**

	Fiscal Year 2020 - 2021	Fiscal Year 2019 - 2020	Fiscal Year 2018 - 2019	Fiscal Year 2017 - 2018	Fiscal Year 2016 - 2017
Actuarially Determined Contribution	\$ 2,736,175	\$ 2,505,591	\$ 2,250,183	\$ 2,061,087	\$ 1,945,730
Contributions in Relation to the Actuarially Determined Contributions	<u>2,736,775</u>	<u>2,505,452</u>	<u>2,250,183</u>	<u>2,061,087</u>	<u>1,945,730</u>
Contributions Deficiency (Excess)	<u>\$ (600)</u>	<u>\$ 139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll - Fiscal Year	<u>\$ 7,042,969</u>	<u>\$ 6,784,178</u>	<u>\$ 6,180,656</u>	<u>\$ 5,894,187</u>	<u>\$ 5,940,494</u>
Contributions as a Percentage of Covered Payroll	38.86%	36.93%	36.41%	34.97%	32.75%
	Fiscal Year 2015 - 2016	Fiscal Year 2014 - 2015	Fiscal Year 2013 - 2014	Fiscal Year 2012 - 2013	Fiscal Year 2011 - 2010
Actuarially Determined Contribution	\$ 1,806,422	\$ 1,764,663	\$ N/A	\$ N/A	\$ N/A
Contributions in Relation to the Actuarially Determined Contributions	<u>1,806,422</u>	<u>1,764,663</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contributions Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Covered Payroll - Fiscal Year	<u>\$ 5,916,822</u>	<u>\$ 5,465,453</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Contributions as a Percentage of Covered Payroll	30.53%	32.29%	N/A	N/A	N/A

**Notes to Schedules:**

Valuation Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2015	June 30, 2014	June 30, 2013
Valuation Date						June 30, 2012

**Methods and assumptions used to determine contribution rates:**

Actuarial Cost Method	Entry age
Amortization Method	Level Percentage of Payroll
Asset Valuation Method	Market Value
Discount Rate	7.15%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%

**Omitted Years** - GASB Statement No. 68 was implemented during the year ended June 30, 2015, thus information prior to this date was not presented.



**VALLEY CENTER MUNICIPAL WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021**

**SCHEDULES OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS  
LAST TEN YEARS**

Measurement Period	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Total OPEB Liability</b>										
Service cost	\$ 222,328	\$ 180,014	\$ 174,771	\$ 163,337	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	640,904	584,591	555,262	525,499	N/A	N/A	N/A	N/A	N/A	N/A
Change of benefit terms	-	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	(1,031,442)	418,684	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	-	(99,117)	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(305,133)	(344,067)	(288,490)	(261,691)	N/A	N/A	N/A	N/A	N/A	N/A
<b>Net Change in Total OPEB Liability</b>	<b>(473,343)</b>	<b>740,105</b>	<b>441,543</b>	<b>427,145</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Total OPEB Liability - Beginning</b>	<b>9,083,430</b>	<b>8,343,325</b>	<b>7,901,782</b>	<b>7,474,637</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 8,610,087</b>	<b>\$ 9,083,430</b>	<b>\$ 8,343,325</b>	<b>\$ 7,901,782</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>
<b>Plan Fiduciary Net Position</b>										
Contributions - Employer	\$ 643,050	\$ 658,700	\$ 722,386	\$ 690,259	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Net investment income	193,466	300,177	323,308	344,077	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(305,133)	(344,067)	(288,490)	(261,691)	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expense	(4,659)	(2,365)	(7,520)	(1,759)	N/A	N/A	N/A	N/A	N/A	N/A
<b>Net Change in Plan Fiduciary Net Position</b>	<b>526,724</b>	<b>612,445</b>	<b>749,684</b>	<b>770,886</b>						
<b>Plan Fiduciary Net Position - Beginning</b>	<b>5,412,745</b>	<b>4,800,300</b>	<b>4,050,616</b>	<b>3,279,730</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 5,939,469</b>	<b>\$ 5,412,745</b>	<b>\$ 4,800,300</b>	<b>\$ 4,050,616</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>\$ N/A</b>
District's Net OPEB Liability - Ending (a) - (b)	\$ 2,670,618	\$ 3,670,685	\$ 3,543,025	\$ 3,851,166	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	<b>69.0%</b>	<b>59.6%</b>	<b>57.5%</b>	<b>51.3%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Covered Employee Payroll - Measurement Period	\$ 4,664,150	\$ 4,539,319	\$ 5,148,345	\$ 5,018,000	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
<b>Net OPEB Liability as a Percentage of Covered - Employee Payroll</b>	<b>57.3%</b>	<b>80.86%</b>	<b>68.82%</b>	<b>76.75%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Valuation Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2017						
Measurement Period - Fiscal Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017						

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021**

**SCHEDULES OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS  
LAST TEN YEARS**

**Notes to Schedules:**

**Benefit Changes** - None

**Changes in Assumptions** - During 2018, the discount rate was changed from 7.5% to 7.0%

**Omitted Years** - GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021**

**SCHEDULES OF OPEB CONTRIBUTIONS  
LAST TEN YEARS**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Actuarial Determined Contribution (ADC)	\$ 578,463	\$ 572,254	\$ 556,404	\$ 637,891	\$ N/A
Contributions in Relation to the Actuarially Determined Contribution	<u>643,050</u>	<u>658,700</u>	<u>722,386</u>	<u>690,259</u>	<u>N/A</u>
Contribution Deficiency (Excess)	<u>\$ (64,587)</u>	<u>\$ (86,446)</u>	<u>\$ (165,982)</u>	<u>\$ (52,368)</u>	<u>\$ N/A</u>
Covered-Employee Payroll - Employer Fiscal Year	<u>\$</u>	<u>\$ 4,664,150</u>	<u>\$ 4,539,319</u>	<u>\$ 5,148,345</u>	<u>\$ N/A</u>
Contributions as a Percentage of Covered- Employee Payroll	%	14.12%	15.91%	13.41%	N/A
Valuation Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2017
Measurement Period - Fiscal Year Ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Actuarial Determined Contribution (ADC)	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in Relation to the Actuarially Determined Contribution	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contribution Deficiency (Excess)	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Covered-Employee Payroll-Employer Fiscal Year	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Contributions as a Percentage of Covered- Employee Payroll	N/A	N/A	N/A	N/A	N/A
Valuation Date		N/A	N/A	N/A	N/A
Measurement Period - Fiscal Year Ended		N/A	N/A	N/A	N/A

**Notes to Schedules:**

The ADC developed for the District's fiscal year ending June 30, 2020 was determined and presented in the July 2019 Actuarial Valuation report. Expected contributions, relative to ADC, for the fiscal year ending June 30, 2020 are shown above.

**Omitted Years -** GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

# Combining Schedules



**VALLEY CENTER MUNICIPAL WATER DISTRICT  
COMBINING SCHEDULE OF NET POSITION  
JUNE 30, 2021**

**ASSETS**

			Lower Moosa	Woods Valley
	<u>Total</u>	<u>General</u>	<u>Wastewater</u>	<u>Ranch</u> <u>Wastewater</u>
<b><u>Current Assets:</u></b>				
Cash and cash equivalents	\$ 23,921,040	\$ 13,829,554	\$ 1,722,838	\$ 8,368,648
Investments	8,372,470	8,372,470	-	-
Accounts receivable - Water and wastewater, net	6,356,632	6,356,632	-	-
WVR Phase 1 Buy-In receivable	161,468	-	-	161,468
Interest receivable	90,164	90,164	-	-
Taxes receivable	11,812	10,629	-	1,183
Other receivables	681,268	681,268	-	-
Inventory	1,093,525	1,093,525	-	-
Prepaid expenses and deposits	321,908	321,908	-	-
Work in progress for others	2,042,452	2,038,414	4,038	-
Total Current Assets	<u>43,052,739</u>	<u>32,794,564</u>	<u>1,726,876</u>	<u>8,531,299</u>
<b><u>Noncurrent Assets:</u></b>				
<b>Restricted Assets:</b>				
Cash and cash equivalents	527,951	-	527,951	-
Investments	1,601,616	1,601,616	-	-
Total Restricted Assets	<u>2,129,567</u>	<u>1,601,616</u>	<u>527,951</u>	<u>-</u>
<b>Other Assets:</b>				
WVR Phase 1 Buy-In receivable, net of current portion	2,671,575	-	-	2,671,575
Investment in VCMWD AD 2012-1 limited obligation	3,715,000	3,715,000	-	-
Total Other Assets	<u>6,386,575</u>	<u>3,715,000</u>	<u>-</u>	<u>2,671,575</u>
<b>Capital Assets:</b>				
Nondepreciable capital assets	13,620,407	9,432,082	482,776	3,705,549
Depreciable capital assets, net	86,245,912	51,277,262	6,431,964	28,536,686
Total Capital Assets	<u>99,866,319</u>	<u>60,709,344</u>	<u>6,914,740</u>	<u>32,242,235</u>
Total Noncurrent Assets	<u>108,382,461</u>	<u>66,025,960</u>	<u>7,442,691</u>	<u>34,913,810</u>
<b>TOTAL ASSETS</b>	<u>\$ 151,435,200</u>	<u>\$ 98,820,524</u>	<u>\$ 9,169,567</u>	<u>\$ 43,445,109</u>

**DEFERRED OUTFLOWS OF RESOURCES:**

Deferred outflows related to pensions	\$ 2,995,499	\$ 2,995,499	\$ -	\$ -
Deferred outflows related to pension contributions	2,736,775	2,736,775	-	-
Deferred outflows related to OPEB	155,729	155,729	-	-
Deferred outflows related to OPEB contributions	684,041	684,041	-	-
Total Deferred Outflows of Resources	<u>6,572,044</u>	<u>6,572,044</u>	<u>-</u>	<u>-</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
COMBINING SCHEDULE OF NET POSITION (CONTINUED)  
JUNE 30, 2021**

**LIABILITIES**

			Lower Moosa	Woods Valley
	<u>Total</u>	<u>General</u>	<u>Wastewater</u>	<u>Ranch</u> <u>Wastewater</u>
<b><u>Current Liabilities:</u></b>				
Accounts payable	\$ 6,796,507	\$ 6,718,076	\$ 45,755	\$ 32,676
Accrued payroll	250,679	250,679	-	-
Current portion of accrued compensated absences	850,800	850,800	-	-
Interest payable	274,066	-	-	274,066
Customer deposits	7,307,574	4,742,423	27,700	2,537,451
Current portion of long-term debt	1,275,618	186,668	-	1,088,950
Total Current Liabilities	<u>16,755,244</u>	<u>12,748,646</u>	<u>73,455</u>	<u>3,933,143</u>
<b><u>Noncurrent Liabilities:</u></b>				
<b>Long-term debt:</b>				
Long-term debt, net of current portion	<u>22,462,910</u>	<u>2,941,042</u>	<u>-</u>	<u>19,521,868</u>
Total Long-Term Debt	<u>22,462,910</u>	<u>2,941,042</u>	<u>-</u>	<u>19,521,868</u>
<b>Other Noncurrent Liabilities:</b>				
Net pension liability	24,804,319	24,804,319	-	-
Net OPEB Liability	2,670,618	2,670,618	-	-
Accrued compensated absences, net of current portion	<u>1,613,970</u>	<u>1,613,970</u>	<u>-</u>	<u>-</u>
Total Other Noncurrent Liabilities	<u>29,088,907</u>	<u>29,088,907</u>	<u>-</u>	<u>-</u>
Total Noncurrent Liabilities	<u>51,551,817</u>	<u>32,029,949</u>	<u>-</u>	<u>19,521,868</u>
Total Liabilities	<u>68,307,061</u>	<u>44,778,595</u>	<u>73,455</u>	<u>23,455,011</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>				
Deferred inflows related to pensions	926,231	926,231	-	-
Deferred inflows related to OPEB	<u>884,093</u>	<u>884,093</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>1,810,324</u>	<u>1,810,324</u>	<u>-</u>	<u>-</u>
<b><u>NET POSITION:</u></b>				
Net investment in capital assets	76,127,791	57,581,634	6,914,740	11,631,417
Restricted for facility expansion	2,129,567	1,601,616	527,951	-
Unrestricted	<u>9,632,501</u>	<u>(379,601)</u>	<u>1,653,421</u>	<u>8,358,681</u>
Total Net Position	<u>\$ 87,889,859</u>	<u>\$ 58,803,649</u>	<u>\$ 9,096,112</u>	<u>\$ 19,990,098</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Total</u>	<u>General</u>	<u>Lower Moosa Wastewater</u>	<u>Woods Valley Ranch Wastewater</u>
<b><u>Operating Revenues:</u></b>				
Water sales and pumping charges	\$ 35,796,428	\$ 35,796,428	\$ -	\$ -
Meter service charges	6,748,844	6,748,844	-	-
Wastewater charges	3,589,915	-	1,737,844	1,852,071
Meter installation fees	365,321	365,321	-	-
Other water operating revenues	2,262,881	2,262,753	-	128
Total Operating Revenues	<u>48,763,389</u>	<u>45,173,346</u>	<u>1,737,844</u>	<u>1,852,199</u>
<b><u>Operating Expenses:</u></b>				
Cost of water sold	28,666,422	28,666,422	-	-
Energy and pumping costs	2,848,421	2,689,703	117,307	41,411
Water systems operations	5,901,561	5,901,561	-	-
Wastewater collection and treatment	1,588,055	-	1,019,570	568,485
Engineering	2,855,523	2,816,172	39,351	-
General and administrative	4,719,888	4,174,002	310,771	235,115
Depreciation	4,312,773	2,907,955	341,118	1,063,700
Total Operating Expenses	<u>50,892,643</u>	<u>47,155,815</u>	<u>1,828,117</u>	<u>1,908,711</u>
Operating Loss	<u>(2,129,254)</u>	<u>(1,982,469)</u>	<u>(90,273)</u>	<u>(56,512)</u>
<b><u>Nonoperating Revenues (Expenses):</u></b>				
Property taxes and assessments	3,740,185	3,210,323	-	529,862
Investment income	277,671	223,804	24,756	29,111
Other nonoperating revenues	360,531	360,531	-	-
Interest expense	(514,995)	(52,801)	-	(462,194)
Loss on disposal of capital assets	(61,688)	(61,688)	-	-
Total Nonoperating Revenues (Expenses)	<u>3,801,704</u>	<u>3,680,169</u>	<u>24,756</u>	<u>96,779</u>
Income (Loss) Before Contributions and Transfers	1,672,450	1,697,700	(65,517)	40,267
Capital Contributions	762,983	745,190	8,935	8,858
Transfers	<u>-</u>	<u>(399,597)</u>	<u>-</u>	<u>399,597</u>
Change in Net Position	2,435,433	2,043,293	(56,582)	448,722
Net Position at Beginning of Year	<u>85,454,426</u>	<u>56,760,356</u>	<u>9,152,694</u>	<u>19,541,376</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 87,889,859</u></u>	<u><u>\$ 58,803,649</u></u>	<u><u>\$ 9,096,112</u></u>	<u><u>\$ 19,990,098</u></u>



# Statistical Section



## STATISTICAL SECTION

This part of the Valley Center Municipal Water District's (the "District") annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

CONTENTS	PAGE
Financial Trends	61
<i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	
Revenue Capacity	63
<i>These schedules contain information to help the reader access the District's two most significant local revenue sources, water sales and property levies.</i>	
Debt Capacity	73
<i>These schedules present information to help the reader access the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	75
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</i>	
Operating Information	77
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.</i>	

*Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.*

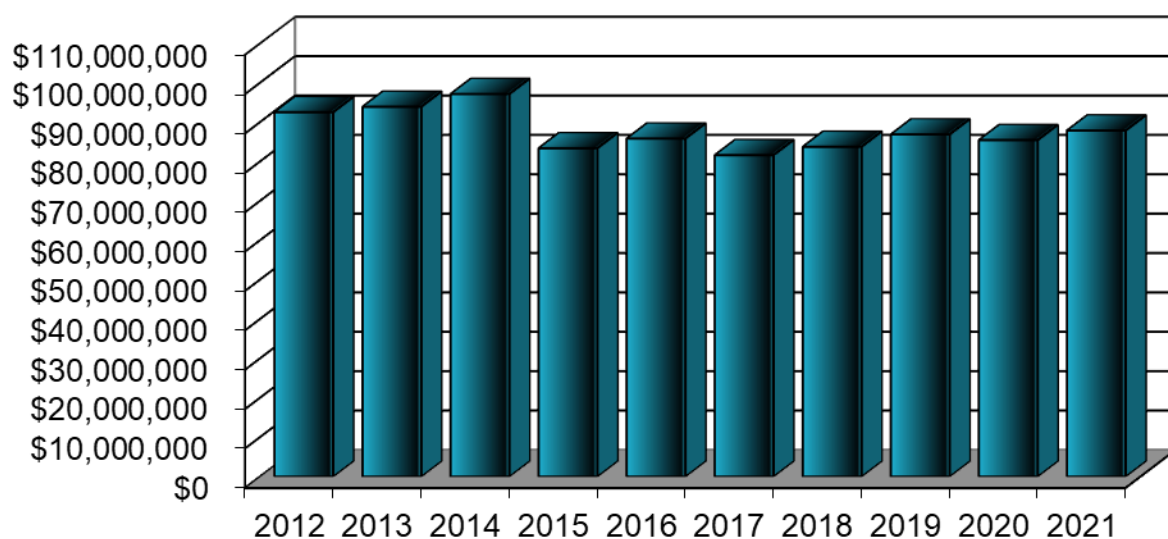
**Table I**  
**Net Position by Component** (Last Ten Fiscal Years)

	Fiscal year ended				
	<u>2021</u>	<u>2020<sup>(1)</sup></u>	<u>2019</u>	<u>2018<sup>(1)</sup></u>	<u>2017<sup>(1)</sup></u>
Primary government					
Net investment in capital assets	\$ 76,127,791	\$ 75,005,714	\$ 74,019,639	\$ 71,684,014	\$ 72,382,729
Restricted for facility expansion	2,129,567	1,717,852	1,550,544	1,359,327	1,177,622
Unrestricted	9,632,501	8,730,860	11,333,093	10,718,376	8,073,823
Total primary government net position	<u>\$ 87,889,859</u>	<u>\$ 85,454,426</u>	<u>\$ 86,903,276</u>	<u>\$ 83,761,717</u>	<u>\$ 81,634,174</u>
	Fiscal year ended				
	<u>2016</u>	<u>2015<sup>(1)</sup></u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Primary government					
Net investment in capital assets	\$ 84,494,979	\$ 79,423,330	\$ 75,462,875	\$ 76,276,487	\$ 77,829,804
Restricted for facility expansion	1,075,636	947,142	1,047,564	628,018	302,877
Unrestricted	276,747	3,026,744	20,655,672	17,022,399	14,415,835
Total primary government net position	<u>\$ 85,847,362</u>	<u>\$ 83,397,216</u>	<u>\$ 97,166,111</u>	<u>\$ 93,926,904</u>	<u>\$ 92,548,516</u>

(1) As restated (See Table II, Notes 3-6).

Source: Valley Center Municipal Water District

## Net Position



**Table II**  
**Changes in Net Position (Last Ten Fiscal Years)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Operating Revenues:</b>										
Water sales <sup>(1)</sup>	\$40,125,745	\$34,608,677	\$34,579,905	\$42,445,575	\$36,090,543	\$33,785,302	\$39,792,544	\$44,114,111	\$40,703,792	\$35,457,375
Pumping charges	2,419,527	2,045,383	2,038,850	2,773,079	2,139,381	1,978,644	2,702,605	3,124,770	3,039,474	2,940,227
Wastewater charges	3,589,915	4,041,954	4,016,703	4,056,779	4,239,359	2,521,787	2,090,109	2,088,881	1,870,259	1,811,397
Meter installation fees	365,321	320,408	224,666	222,587	196,154	215,995	233,939	139,563	101,930	88,834
Other water operating revenues	2,262,881	453,037	588,436	610,544	645,435	545,347	565,452	622,128	532,841	510,083
Total operating revenues	\$48,763,389	\$41,469,459	\$41,448,560	\$50,108,564	\$43,310,872	\$39,047,075	\$45,384,649	\$50,089,453	\$46,248,296	\$40,807,916
<b>Operating Expenses:</b>										
Cost of water sold	\$28,666,422	\$25,099,762	\$25,048,234	\$30,744,890	\$26,930,842	\$25,358,738	\$30,583,409	\$33,822,193	\$31,113,969	\$27,385,538
Energy and pumping costs	2,848,421	2,636,432	2,457,485	2,888,038	2,631,927	2,733,376	3,019,017	2,766,632	2,482,530	2,522,694
Water systems operations	5,901,561	5,753,366	5,571,209	5,890,653	5,304,895	5,267,718	5,047,286	5,123,092	4,810,835	5,008,872
Wastewater collection and treatment	1,588,055	1,521,242	1,458,174	1,333,425	1,283,283	1,121,601	1,104,544	1,086,185	1,058,507	1,019,208
Engineering	2,855,523	2,000,013	1,571,413	1,455,201	1,695,911	1,450,071	1,313,336	1,548,003	1,642,298	1,661,797
General and administrative	4,719,888	5,470,523	5,246,189	5,677,591	2,527,800	1,944,488	3,048,293	2,861,803	2,892,713	3,116,844
Depreciation	4,312,773	4,231,732	4,135,118	3,402,608	3,306,838	3,525,655	3,465,543	3,757,012	4,451,395	4,753,297
Total operating expenses	\$50,892,643	\$46,713,070	\$45,487,822	\$51,392,406	\$43,681,496	\$41,401,647	\$47,581,428	\$50,964,920	\$48,452,247	\$45,468,250
Operating (Loss)	\$ (2,129,254)	\$ (5,243,611)	\$ (4,039,262)	\$ (1,283,842)	\$ (370,624)	\$ (2,354,572)	\$ (2,196,779)	\$ (875,467)	\$ (2,203,951)	\$ (4,660,334)
<b>Nonoperating Revenues and (Expenses):</b>										
Property taxes and assessments	\$ 3,740,185	\$ 3,096,661	\$ 2,985,886	\$ 2,878,959	\$ 2,777,382	\$ 2,665,133	\$ 2,558,443	\$ 2,486,977	\$ 2,543,153	\$ 2,499,875
Investment income	277,671	866,684	861,130	345,698	169,070	201,138	157,024	130,887	82,496	127,900
Other nonoperating revenues	360,531	384,328	336,181	325,571	350,924	328,923	341,794	323,813	291,832	289,382
Interest expense	(514,995)	(539,660)	(557,983)	(540,037)	(238,935)	(47,272)	(15,030)	(7,749)	(15)	(1,709)
Gain on disposal of capital assets <sup>(2)</sup>	(61,688)	15,074	16,278	123,546	23,747	13,484	(163,605)	(2,448)	(37,238)	(8,399)
Total Nonoperating Revenues and (Expenses)	\$ 3,801,704	\$ 3,823,087	\$ 3,641,492	\$ 3,133,737	\$ 3,082,188	\$ 3,161,406	\$ 2,878,626	\$ 2,931,480	\$ 2,880,228	\$ 2,907,049
Income (Loss) Before Contributions	\$ 1,672,450	\$ (1,420,524)	\$ (397,770)	\$ 1,849,895	\$ 2,711,564	\$ 806,834	\$ 681,847	\$ 2,056,013	\$ 676,277	\$ (1,753,285)
Capital contributions	762,983	872,099	3,539,329	396,898	205,285	1,643,312	2,510,558	1,183,194	702,111	29,610
Change in Net Position	\$ 2,435,433	\$ (548,425)	\$ 3,141,559	\$ 2,246,793	\$ 2,916,849	\$ 2,450,146	\$ 3,192,405	\$ 3,239,207	\$ 1,378,388	\$ (1,723,675)
Net Position at Beginning of Year	\$85,454,426	\$86,903,276	\$83,761,717	\$81,634,174	\$85,847,362	\$83,397,216	\$97,166,111	\$93,926,904	\$92,548,516	\$94,272,191
Restatement <sup>(3)(4)(5)(6)</sup>	\$ -	\$ (900,425)	\$ -	\$ (119,250)	\$ (7,130,037)	\$ -	\$ (16,961,300)	\$ -	\$ -	\$ -
Restated Net Position at Beginning of Year	\$85,454,426	\$86,002,851	\$83,761,717	\$81,514,924	\$78,717,325	\$83,397,216	\$80,204,811	\$93,926,904	\$92,548,516	\$94,272,191
<b>NET POSITION AT END OF YEAR</b>	<b>\$87,889,859</b>	<b>\$85,454,426</b>	<b>\$86,903,276</b>	<b>\$83,761,717</b>	<b>\$81,634,174</b>	<b>\$85,847,362</b>	<b>\$83,397,216</b>	<b>\$97,166,111</b>	<b>\$93,926,904</b>	<b>\$92,548,516</b>

(1) A detailed schedule of water sales is presented in Table III.

(2) Net of loss on termination of projects and disposition of assets.

(3) The Restatement of Net Position in 2020 is due to previously reported construction in progress projects that are not capitalizable pursuant to GASB 51 in the amount of \$544,764 in both the Lower Moosa and Woods Valley Wastewater Funds and the previously reported AD 2012-1 portion of the Tax Assessment Revenue totaling \$355,661 received in the Woods Valley Ranch Wastewater Expansion Fund.

(4) The Restatement of Net Position in 2018 of \$119,250 is due to a reclassification of contributed capital previously recorded as revenue in the Lower Moosa Wastewater Fund.

(5) The Restatement of Net Position in 2017 is due to the requirement per GASB 75 for OPEB Liability in the amount of \$3,504,756 and the reclassification of \$3,625,281 in developer deposits to be refunded in the Woods Valley Ranch Wastewater Fund.

(6) The Restatement of Net Position in 2015 is due to the requirement per GASB 68 to record the Pension Liability of \$16,961,300.

Source: Valley Center Municipal Water District

Table III  
Water Sales by User Type <sup>(1)</sup> (Last Ten Fiscal Years)

Fiscal Year Ended	Domestic		Commercial		Certified Agricultural <sup>(2)</sup>		Total		Average Direct Rate <sup>(3)</sup>
	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet	
2021	\$17,835,007	4,854.2	\$3,429,176	1,695.8	\$18,861,563	11,132.7	\$40,125,746	17,682.7	\$2,269
2020	\$14,376,850	4,229.8	\$3,333,040	1,567.3	\$16,898,786	9,893.8	\$34,608,677	15,690.9	\$2,206
2019	\$13,446,211	4,379.6	\$3,752,336	1,476.3	\$17,381,357	10,260.4	\$34,579,905	16,116.3	\$2,146
2018	\$14,545,576	5,118.4	\$4,438,219	1,884.2	\$23,461,780	14,495.3	\$42,445,575	21,497.9	\$1,974
2017	\$13,002,142	4,691.3	\$4,010,125	1,682.1	\$19,078,276	12,865.7	\$36,090,543	19,239.1	\$1,876
2016	\$12,000,426	4,173.4	\$3,362,113	1,517.2	\$18,422,763	12,678.8	\$33,785,302	18,369.4	\$1,839
2015	\$12,153,672	5,293.7	\$3,720,867	1,999.8	\$23,918,005	17,217.9	\$39,792,544	24,511.4	\$1,623
2014	\$13,709,488	6,221.0	\$3,893,594	2,210.7	\$26,511,029	19,650.4	\$44,114,111	28,082.1	\$1,571
2013	\$12,508,073	6,038.3	\$4,083,843	2,545.8	\$24,111,876	18,786.3	\$40,703,792	27,370.4	\$1,487
2012	\$10,529,179	5,486.0	\$3,891,893	2,661.7	\$21,036,302	17,942.8	\$35,457,375	26,090.5	\$1,359

(1) Water sales include monthly meter charges but exclude pumping charges. Amounts in acre feet are water billed.

(2) Includes only sales under interruptible agricultural water rates.

(3) Calculated average rate, including commodity and monthly meter charges. See Table IX for actual rates.

Source: Valley Center Municipal Water District

## Water Sales in Acre Feet

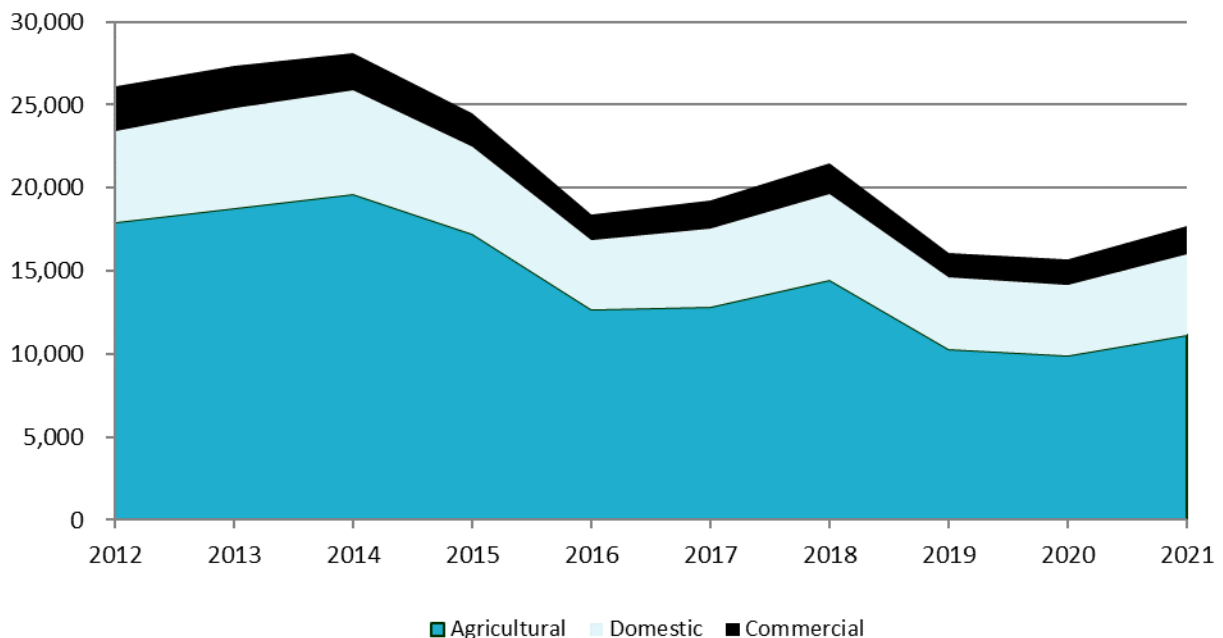
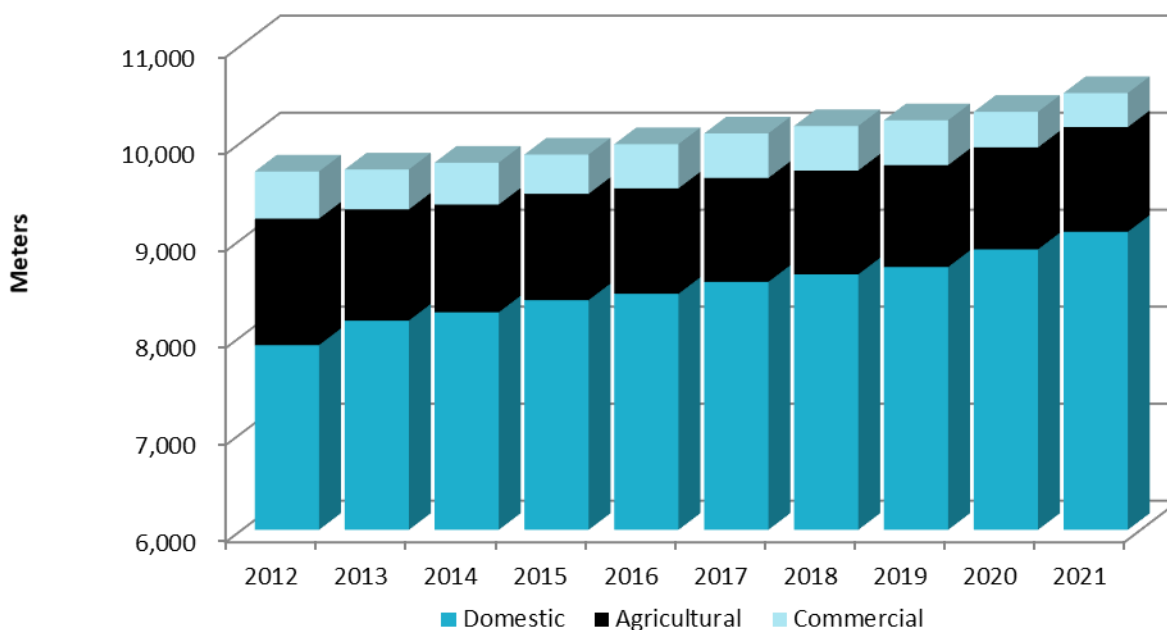


Table IV  
Active Water Meters (Last Ten Fiscal Years)

Fiscal Year Ended	Domestic	Commercial	Certified Agricultural <sup>(1)</sup>	Total Active	All Inactive Meters	Total
2021	9,073	351	1,079	10,503	898	11,401
2020	8,891	367	1,051	10,309	903	11,212
2019	8,709	463	1,050	10,222	859	11,081
2018	8,633	459	1,071	10,163	864	11,027
2017	8,556	459	1,071	10,086	821	10,907
2016	8,433	456	1,087	9,976	860	10,836
2015	8,368	405	1,096	9,869	892	10,761
2014	8,242	432	1,111	9,785	890	10,675
2013	8,157	412	1,146	9,715	901	10,616
2012	7,904	486	1,304	9,694	903	10,597

(1) Includes only meters participating in an interruptible agricultural water rate.

## Active Water Meters



Source: Valley Center Municipal Water District

**Table V**  
**Assessed Value of Taxable Property (Last Ten Fiscal Years)**

Fiscal Year Ended	Secured				Assessed Unsecured Value	Total Assessed Value	Tax Rate
	Real Property	Personal Property	Exemptions	Net Assessed Value			
2021	\$5,104,159,878	\$24,442	\$44,746,043	\$5,059,438,277	\$44,318,095	\$5,103,756,372	0
2020	\$4,897,386,842	\$24,677	\$40,888,444	\$4,856,523,075	\$27,269,285	\$4,883,792,360	0
2019	\$4,667,105,535	\$25,149	\$39,637,005	\$4,627,493,679	\$26,245,630	\$4,653,739,309	0
2018	\$4,440,851,377	\$25,856	\$37,354,411	\$4,403,522,822	\$26,531,923	\$4,430,054,745	0
2017	\$4,244,393,695	\$651,184	\$33,823,178	\$4,211,221,701	\$23,668,704	\$4,234,890,405	0
2016	\$4,036,249,358	\$733,024	\$31,225,271	\$4,005,757,111	\$23,401,366	\$4,029,158,477	0
2015	\$3,852,112,900	\$1,215,597	\$29,635,128	\$3,823,693,369	\$20,367,813	\$3,844,061,182	0
2014	\$3,706,577,321	\$1,376,872	\$28,443,008	\$3,679,511,185	\$20,755,618	\$3,700,266,803	0
2013	\$3,740,016,370	\$1,265,751	\$27,317,686	\$3,713,964,435	\$20,078,143	\$3,734,042,578	0
2012	\$3,831,030,133	\$325,570	\$25,754,739	\$3,805,600,964	\$24,459,608	\$3,830,060,572	0

Source: Office of the Auditor Controller, County of San Diego

## Assessed Value of Taxable Property

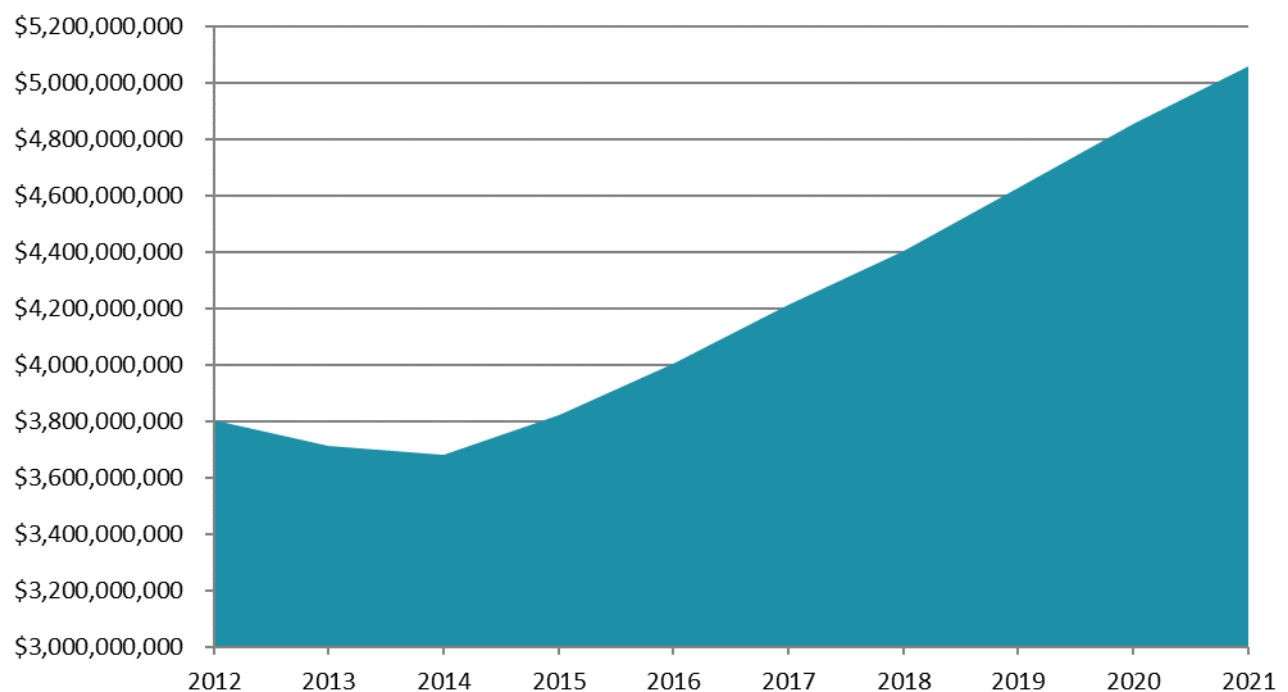


Table VI  
Property Taxes and Assessment Levies and Collections<sup>(1)</sup> (Last Ten Fiscal Years)

Fiscal Year Ended	Levy			Total Collections <sup>(3)</sup>	Net Delinquent <sup>(4)</sup>	Percent Delinquent <sup>(5)</sup>
	Property Taxes	Special Assessments <sup>(2)</sup>	Total Levy			
2021	\$2,716,539	\$3,585,758	\$6,302,297	\$6,264,443	\$37,854	0%
2020	\$2,601,005	\$3,250,234	\$5,851,239	\$5,819,285	\$31,954	0%
2019	\$2,486,393	\$3,213,240	\$5,699,633	\$5,667,517	\$32,116	0%
2018	\$2,366,917	\$3,224,152	\$5,591,068	\$5,564,397	\$26,671	0%
2017	\$2,267,255	\$3,210,182	\$5,477,437	\$5,448,333	\$29,104	0%
2016	\$2,153,564	\$1,659,911	\$3,813,476	\$3,787,091	\$26,384	0%
2015	\$2,050,185	\$1,254,306	\$3,304,491	\$3,278,508	\$25,982	0%
2014	\$1,979,568	\$1,253,812	\$3,233,380	\$3,204,819	\$28,561	0%
2013	\$1,983,638	\$1,068,855	\$3,052,493	\$3,025,479	\$27,014	0%
2012	\$2,003,970	\$1,074,342	\$3,263,253	\$3,051,951	\$211,302	0%

(1) Percent delinquencies for assessments and property taxes are the same since they are both collected on one tax bill.

(2) Increase in 2017 is due to new annual assessment for the Woods Valley Ranch Water Reclamation Facility Expansion AD 2012-1 totaling \$1,713,781.

(3) Collections do not include miscellaneous adjustments.

(4) Net Delinquent includes uncollectible portion.

(5) Percent delinquent represents current secured only. Beginning in fiscal year 1993-94, the County of San Diego remits to the District 100% of the secured property taxes and special assessments assessed. The County of San Diego pursues collection of any remaining delinquencies through the Teeter Plan.

Source: Valley Center Municipal Water District and the Office of the Auditor Controller, County of San Diego

## Property Tax Collections

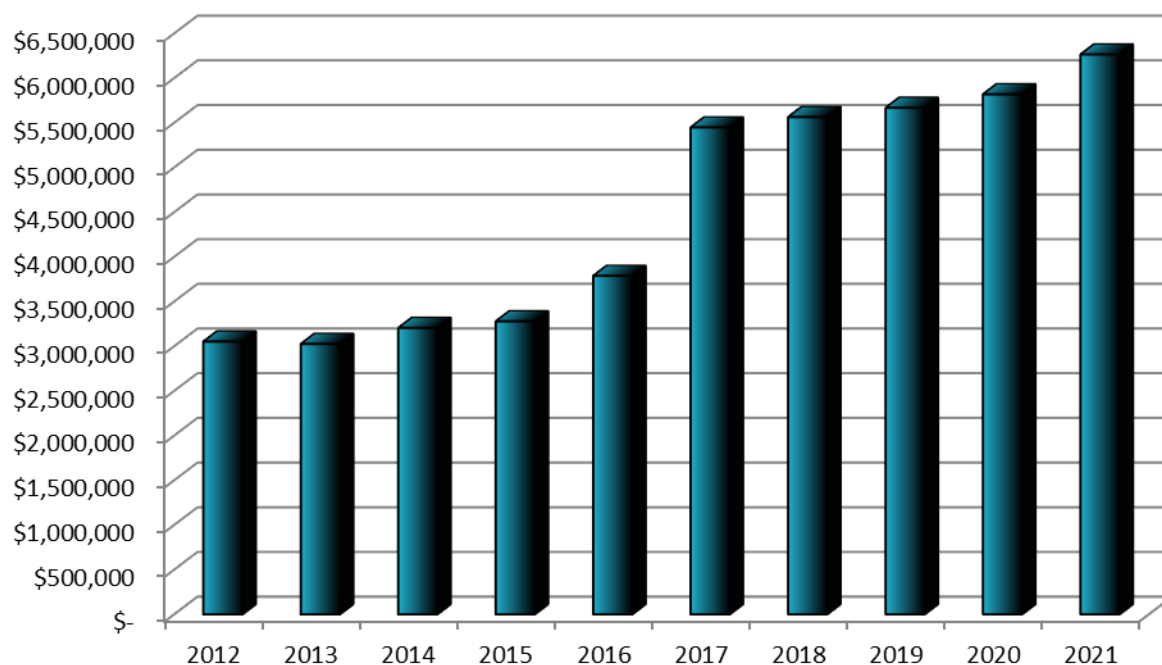




Table VII  
Direct and Overlapping Bonded Debt <sup>(1)</sup> (June 30, 2021)

2020-21 Assessed Valuation: \$5,103,756,372

	Total Debt 6/30/2021	% Applicable <sup>(1)</sup>	District's Share of Debt 6/30/21
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Metropolitan Water District	26,830,000	0.156%	41,855
Palomar Pomerado Health District	415,526,602	5.414%	22,496,610
Palomar Community College District	650,751,375	3.781%	24,604,909
Escondido Union High School District	81,213,748	5.854%	4,754,253
Fallbrook Union High School District	19,800,000	0.051%	10,098
Escondido Union School District	154,024,622	6.050%	9,318,490
Fallbrook Union School District	14,694,476	0.054%	7,935
Bonsall Unified School District	9,282,673	3.952%	366,851
Valley Center-Pauma USD Community Facilities District No. 2003-1	6,425,000	100.000%	6,425,000
City of Escondido	52,780,000	0.028%	14,778
Valley Center Municipal Water District	0	100.000%	0
Valley Center Municipal Water District Assessment District No. 2012-1	3,715,000	100.000%	3,715,000
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b><u>\$71,755,779</u></b>
<b><u>OVERLAPPING GENERAL FUND DEBT:</u></b>			
San Diego County General Fund Obligations	211,585,000	0.871%	1,842,905
San Diego County Pension Obligation Bonds	400,125,000	0.871%	3,485,089
San Diego County Superintendent of Schools Certificates of Participation	8,585,000	0.871%	74,775
Palomar Community College District Certificates of Participation	1,560,000	3.781%	58,984
Bonsall Unified School District Certificates of Participation	6,850,000	3.952%	270,712
Escondido Union High School District Certificates of Participation	51,330,000	5.854%	3,004,858
Escondido Union School District Certificates of Participation	13,390,000	6.050%	810,095
City of Escondido Certificates of Participation	3,020,000	0.028%	846
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>			<b><u>\$9,548,264</u></b>
<b>TOTAL DIRECT DEBT</b>			<b>\$0</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b><u>\$81,304,043</u></b>
<b>COMBINED TOTAL DEBT</b>			<b><u>\$81,304,043</u></b> <sup>(2)</sup>

Ratios to Assessed Valuation:

<b>Direct Debt</b>	<b>0.00%</b>
Total Direct and Overlapping Tax and Assessment Debt	1.41%
Combined Total Debt	1.59%

2020-21 TYPICAL TOTAL TAX RATE (TRA 94-075): 1.06056

KD:(\$500)

- (1) The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the water district divided by the overlapping district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

**Table VIII**  
**Property Owners by Highest Cumulative Net Assessed Property Value** (Current Fiscal Year)

Fiscal Year Ended June 30, 2021			Fiscal Year Ended June 30, 2012		
Property Owner	Cumulative Net Assessed Value	Percent of Total Net Assessed Value	Property Owner	Cumulative Net Assessed Value	Percent of Total Net Assessed Value
Welk Resort Platinum Owners Assoc.	\$70,163,094	1.37%	Welk Resort Platinum Owners Assoc.	\$78,374,802	2.05%
Welk Resort Properties Inc.	13,170,472	0.26%	Welk Resort Group Inc.	30,242,940	0.79%
V T C Orchard Run LLC	10,511,598	0.18%	Rimrock Springs LLC	15,702,592	0.41%
Pardee Homes	10,024,774	0.20%	Welk Resort Properties Inc.	10,539,681	0.28%
Welk Resort Group Inc.	9,536,731	0.19%	Josephine Development LLC	7,930,523	0.21%
Welk Mountain Villas Inc.	9,305,359	0.21%	Skyline Ranch Country Club LLC	7,518,959	0.20%
Skyline Ranch Country Club LLC	9,382,831	0.18%	Federal Boulevard Properties LLC	6,206,231	0.16%
McMillan Trust 11-09-05	7,582,683	0.15%	Bell Holdings LLC	5,983,218	0.16%
Federal Boulevard Properties LLC	7,401,027	0.15%	MLSK LLC	5,960,000	0.16%
ATC Realty Sixteen Inc.	7,345,107	0.14%	Welk Garden Villas, Inc.	5,893,937	0.15%
Total Top Ten Property Owners	\$154,423,676	3.03%	Total Top Ten Property Owners	\$174,352,883	4.57%
Other Property Owners	\$4,949,332,696	96.97%	Other Property Owners	\$3,655,707,689	95.43%
Total Assessed Valuation	\$5,103,756,372	100.00%	Total Assessed Valuation	\$3,830,060,572	100.00%

Data Source: 2020 Master Property Records from San Diego County Used for 2020-21 Property Taxes.

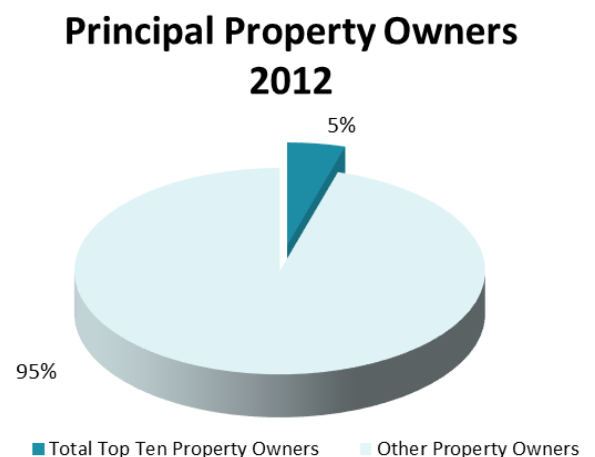
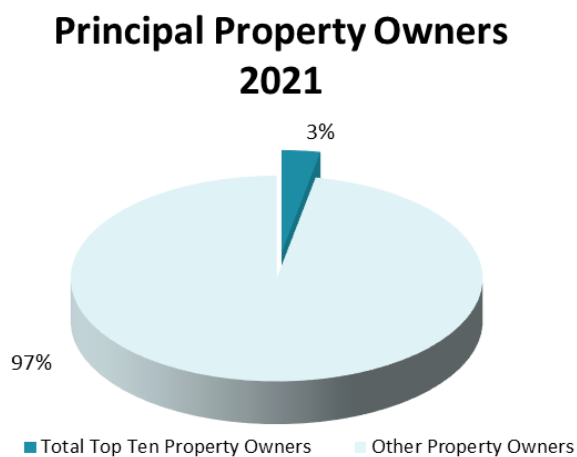


Table IX  
Water Rates (Last Ten Fiscal Years)

Fiscal Year Ended <sup>(1)</sup>	Commodity Charge <sup>(2)</sup>									Monthly Meter Charge <sup>(5)</sup>	
	Domestic			IAWP <sup>(3)</sup>			PSAWR <sup>(4)</sup>				
	MWD/ SDCWA			MWD/ SDCWA			MWD/ SDCWA			3/4"	1"
	Wholesale	VCMWD	Total	Wholesale	VCMWD	Total	Wholesale	VCMWD	Total	Meter	Meter <sup>(6)</sup>
2021	\$2,012	\$246	\$2,258	\$0	\$0	\$0	\$1,467	\$246	\$1,713	\$42.77	\$58.43
2020	\$1,941	\$241	\$2,182	\$0	\$0	\$0	\$1,375	\$241	\$1,616	\$41.77	\$57.06
2019	\$1,884	\$232	\$2,116	\$0	\$0	\$0	\$1,320	\$232	\$1,552	\$39.93	\$54.55
2018	\$1,884	\$232	\$2,116	\$0	\$0	\$0	\$1,320	\$232	\$1,552	\$39.93	\$54.55
2017	\$1,827	\$221	\$2,048	\$0	\$0	\$0	\$1,277	\$221	\$1,498	\$39.93	\$54.55
2016	\$1,714	\$201	\$1,915	\$0	\$0	\$0	\$1,182	\$201	\$1,383	\$36.30	\$49.59
2015	\$1,558	\$183	\$1,741	\$0	\$0	\$0	\$1,151	\$183	\$1,334	\$33.00	\$45.08
2014	\$1,490	\$175	\$1,665	\$0	\$0	\$0	\$1,139	\$175	\$1,314	\$31.55	\$43.10
2013	\$1,419	\$166	\$1,585	\$0	\$0	\$0	\$1,107	\$166	\$1,273	\$31.55	\$43.10
2012	\$1,292	\$152	\$1,444	\$1,018	\$152	\$1,170	\$1,058	\$152	\$1,210	\$28.00	\$38.25

(1) Rate as of January 1.

(2) Excludes pumping charges.

(3) Interim Agricultural Water Program. Phased out by MWD on December 31, 2012.

(4) Transitional Special Agricultural Water Rate implemented by SDCWA effective January 1, 2009.

(5) Excludes SDCWA Infrastructure Access Charge.

(6) Larger meters are multiples of the charge for a 1" meter.

Source: Valley Center Municipal Water District

## Water Rates

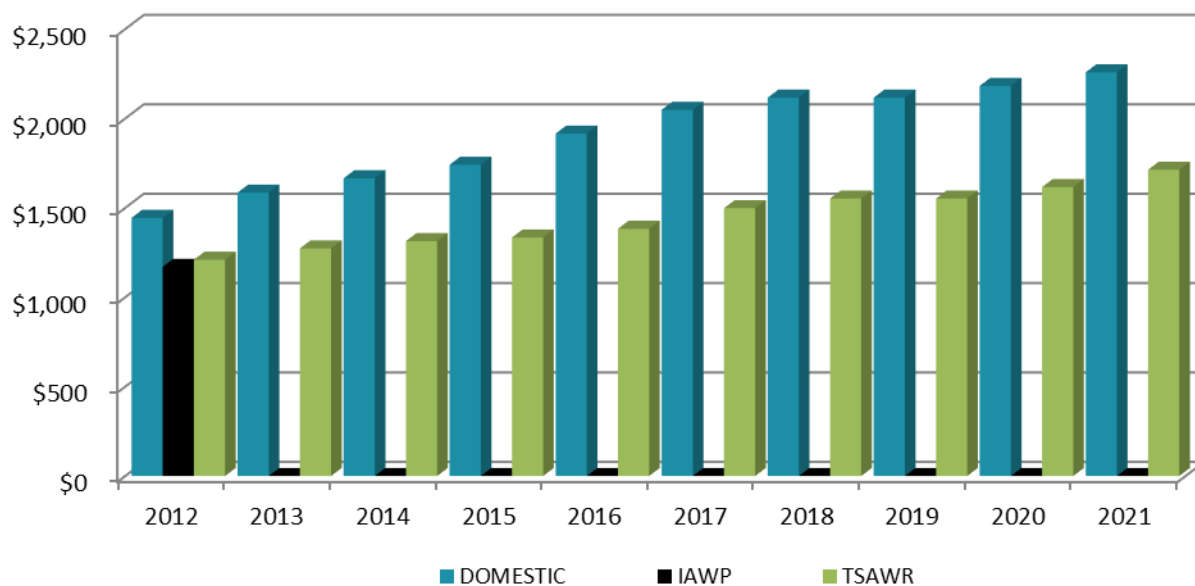


Table X  
Wastewater Rates<sup>(2)</sup> (Last Ten Fiscal Years)

Fiscal Year Ended <sup>(1)</sup>	Moosa Gravity	Moosa Pressure	Woods Valley Ranch
2021	\$57.80	\$105.50	\$98.60
2020	\$56.45	\$103.03	\$98.60
2019	\$56.45	\$103.03	\$98.60
2018	\$56.45	\$103.03	\$98.60
2017	\$53.76	\$98.12	\$98.60
2016	\$51.20	\$93.45	\$98.60
2015	\$51.20	\$93.45	\$98.60
2014	\$51.20	\$93.45	\$98.60
2013	\$51.20	\$93.45	\$98.60
2012	\$48.75	\$89.00	\$98.60

(1) Rate as of January 1.

(2) Rates per equivalent dwelling unit (EDU).

Source: Valley Center Municipal Water District

## Wastewater Rates

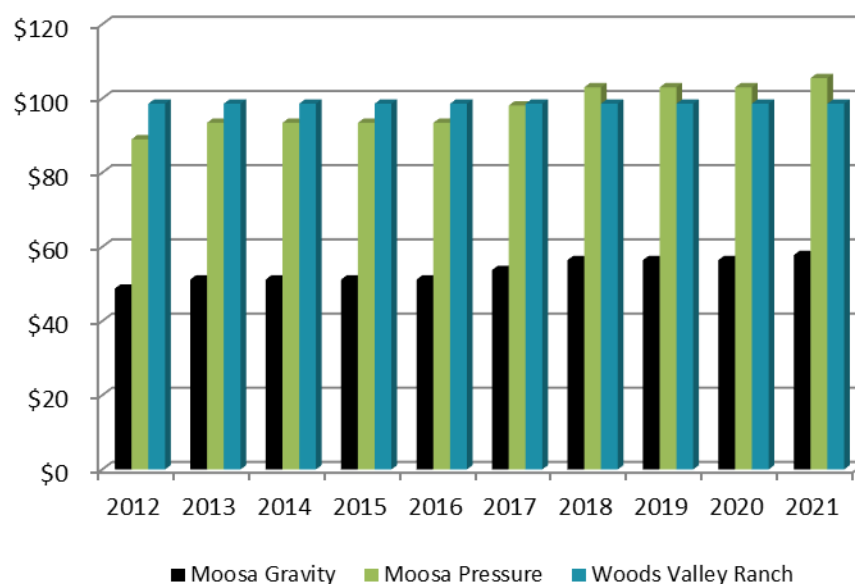


Table XI  
Wastewater Services

Fiscal Year Ended <sup>(1)</sup>	Moosa				Woods Valley Ranch				Grand Total
	Domestic	Commercial	Other	Total	Domestic	Commercial	Other	Total	
2021	2,388	100	2	2,490	353	33	12	398	2,888
2020	2,388	87	2	2,477	295	27	-	322	2,799
2019	2,383	84	2	2,469	274	19	-	293	2,762
2018	2,384	79	2	2,465	270	15	-	285	2,750
2017	-	-	-	2,463	-	-	-	279	2,742
2016	-	-	-	2,476	-	-	-	271	2,747
2015	-	-	-	2,492	-	-	-	277	2,769
2014	-	-	-	2,472	-	-	-	274	2,746
2013	-	-	-	2,466	-	-	-	279	2,745
2012	-	-	-	2,462	-	-	-	269	2,731

(1) Enterprise Resource Planning (ERP) upgrade was implemented during FY 2017. Detailed customer type data is only available beginning FY 2018 as the legacy software did not track this information.

Source: Valley Center Municipal Water District

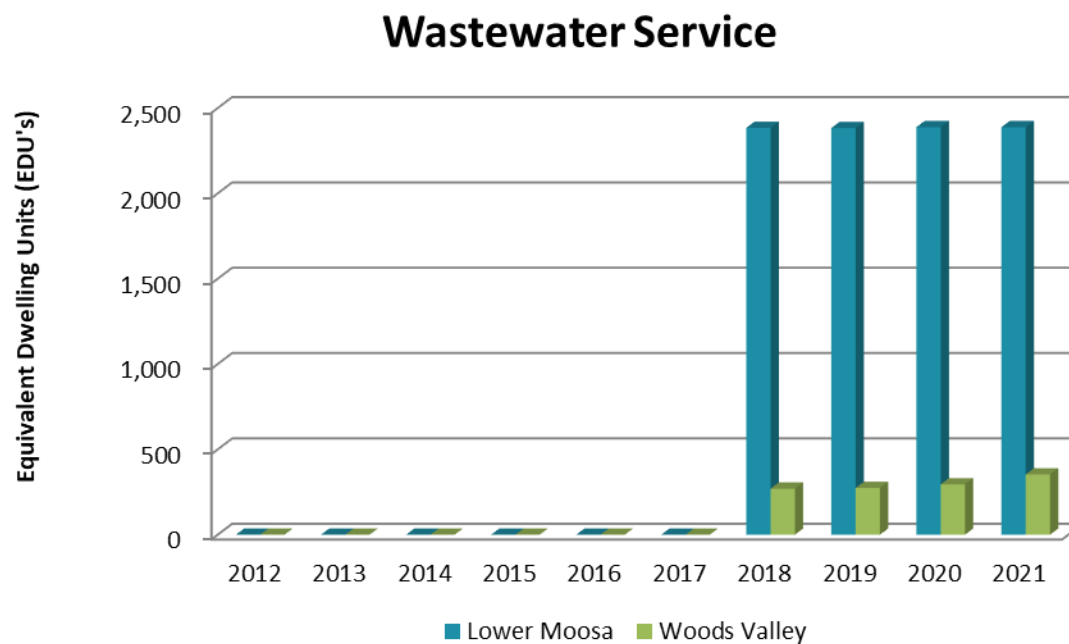
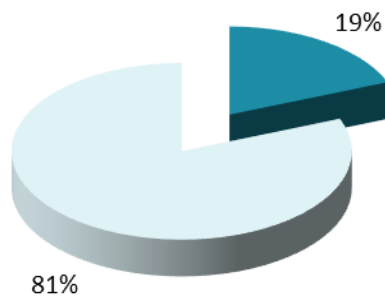


Table XII  
Principal Water Customers

Fiscal year ended June 30, 2021			Fiscal year ended June 30, 2012		
Customer	Usage in Acre Feet	Percent of Water Sold	Customer	Usage in Acre Feet	Percent of Water Sold
Grandon Ranch Corp	706.2	3.99%	Coykendall, H. C. J.	736.3	2.82%
H. J. C. Coykendall	661.4	3.74%	Stehly, N. J. C.	726.9	2.79%
BSTCO	365.0	2.06%	Grandon Ranch Corp.	555.5	2.13%
A-1 Sunshine Farms LLC	347.5	1.97%	Harlan Beck & Associates	532.6	2.04%
Rancho Erico	300.4	1.70%	Rancho Sereno	344.7	1.32%
N J Stehly	262.8	1.49%	Rancho Trio	291.2	1.12%
Rancho Sereno	188.9	1.07%	Gregory Wang	281.6	1.08%
Gregory Wang	183.7	1.04%	Rancho Erico	276.5	1.06%
E Holtz	174.4	0.99%	BSTCO	269.2	1.03%
Jackson Ranch LLC	168.5	0.95%	A-1 Sunshine Farms, LLC	249.2	0.96%
Total Top Ten Customers	3,358.9	19.00%	Total Top Ten Customers	4,263.7	16.35%
Other Customers	14,323.8	81.00%	Other Customers	21,826.8	83.65%
Total Water Sales	17,682.7	100.00%	Total Water Sales	26,090.5	100.00%

Source: Valley Center Municipal Water District

Principal Water Customers  
2021



■ Total Top Ten Customers    ■ Other Customers

Principal Water Customers  
2012



■ Total Top Ten Customers    ■ Other Customers

Table XIII  
Ratios of Outstanding Debt by Type (Last Ten Fiscal Years)

Fiscal Year Ended	General Obligation Bonds <sup>(1)</sup>	Revenue Bonds <sup>(2)</sup>	Notes Payable SRF Loan <sup>(3)</sup>	Financing Loan Agreement <sup>(4)</sup>	Total	Percentage of Personal Income <sup>(5)</sup>	Per Capita <sup>(5)</sup>
2021	-	-	\$23,711,447	\$27,081	\$23,738,528	2.13%	\$886
2020	-	-	\$24,945,739	\$39,349	\$24,985,088	2.15%	\$876
2019	-	-	\$25,809,665	\$58,943	\$25,868,608	2.51%	\$1,004
2018	-	-	\$26,753,731	\$78,537	\$26,832,268	2.66%	\$1,042
2017	-	-	\$23,029,735	\$98,130	\$23,127,865	2.35%	\$902
2016	-	-	\$7,679,830	\$117,724	\$7,797,554	0.81%	\$304
2015	-	-	\$676,310	\$137,318	\$813,638	0.09%	\$32
2014	-	-	\$676,310	\$88,123	\$764,433	0.08%	\$30
2013	-	-	-	-	-	0.00%	\$0
2012	-	\$55,000	-	-	\$55,000	0.01%	\$2

(1) The District has had no General Obligation Bonded Debt since 1999.

(2) On June 29, 1993, the District issued to a bank \$1,400,000 of water revenue bonds to finance legally required water system improvements. The final payment on the outstanding revenue bonds was made on July 1, 2012.

(3) In Fiscal Years 2014 - 2019 the District began receiving funds from the State Revolving Fund Loans for the Cool Valley Reservoir and the Woods Valley Ranch Water Reclamation Facility Expansion.

(4) Financing Loan Agreements consist of two unsecured, non-interest bearing loan agreements with San Diego Gas & Electric.

(5) See Table XIV for personal income and population data.

Source: Valley Center Municipal Water District

Table XIV  
Pledged-Revenue Coverage (Last Ten Fiscal Years)

Fiscal Year Ended	Operating Revenues <sup>(1)</sup>	Nonoperating Revenues <sup>(1)</sup>	Gross Revenues	Less: Operating Expenses <sup>(1)(2)</sup>	Net Available Revenues	Principal	Debt Service Interest	Total	Coverage Ratio <sup>(3)</sup>
2021	\$48,763,389	\$4,386,277	\$53,149,666	\$46,579,870	\$6,569,796	\$1,245,221	\$514,995	\$1,760,216	3.73
2020	\$41,469,459	\$4,362,747	\$45,832,206	\$42,481,338	\$3,350,868	\$1,230,100	\$539,660	\$1,769,760	1.89
2019	\$41,448,560	\$4,199,475	\$45,648,035	\$41,352,704	\$4,295,331	\$1,194,232	\$557,983	\$1,752,215	2.45
2018	\$50,108,564	\$3,673,774	\$53,782,338	\$47,989,798	\$5,792,540	\$1,177,257	\$540,037	\$1,717,294	3.37
2017	\$43,310,872	\$3,321,123	\$46,631,995	\$40,374,658	\$6,257,337	\$19,594	\$238,935	\$258,529	24.20
2016	\$39,047,075	\$3,195,194	\$42,242,269	\$37,875,992	\$4,366,277	\$19,594	\$47,272	\$66,866	65.30
2015	\$45,384,649	\$3,057,261	\$48,441,910	\$44,115,885	\$4,326,025	\$9,527	\$15,030	\$24,557	176.16
2014	\$50,089,453	\$2,941,677	\$53,031,130	\$47,207,908	\$5,823,222	\$6,351	\$7,749	\$14,100	412.99
2013	\$46,248,296	\$2,917,481	\$49,165,777	\$44,000,852	\$5,164,925	\$55,000	\$15	\$55,015	93.88
2012	\$40,807,916	\$2,917,157	\$43,725,073	\$40,714,953	\$3,010,120	\$110,000	\$1,709	\$111,709	26.95

(1) See Table II

(2) Operating expenses excluding depreciation.

(3) Coverage ratio increased dramatically in Fiscal Year 2014 because the District's debt payments decreased significantly.

See Table XII, Notes 2 – 4.

Source: Valley Center Municipal Water District

## Coverage Ratio

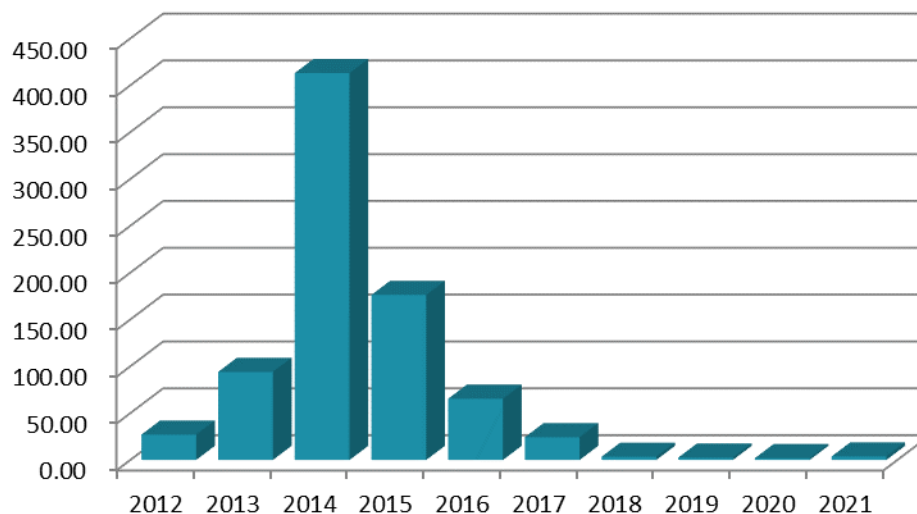




Table XV  
Demographic and Economic Statistics (Last Ten Fiscal Years)

Fiscal Year Ended	Population (1)	Total Personal Income (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
2021	26,780	\$1,114,048,000	\$41,600	3.2%
2020	28,507	\$1,163,086,000	\$40,800	6.4%
2019	25,766	\$1,030,640,000	\$40,000	3.5%
2018	25,760	\$1,009,792,000	\$39,200	3.1%
2017	25,630	\$984,192,000	\$38,400	2.3%
2016	25,608	\$962,861,000	\$37,600	3.6%
2015	25,394	\$937,039,000	\$36,900	3.5%
2014	25,248	\$913,978,000	\$36,200	2.9%
2013	25,286	\$897,653,000	\$35,500	3.6%
2012	25,453	\$885,764,000	\$34,800	4.5%

Other Statistics: <sup>(5)</sup>

Jobs in area	5,491
Median age	44.8
% High school graduate	86%
% Bachelor's degree or higher	35%

- (1) Beginning June 30, 2021, population estimate is based on SanDAG Series 14 Regional Growth Forecast (Version 17). The June 30, 2020 population estimate is based on ESRI. Prior to that, years 2012 - 2019 were estimated by VCMWD using average household size estimated by SanDAG.
- (2) Calculated using the estimated per capita personal income.
- (3) Per capita personal income estimated using San Diego region percentage change from 2010 base year by U.S. Census Bureau for the Valley Center Census Designated Place (CDP) which is a close approximation of the VCMWD area.
- (4) Source: State of California Employment Development Department for the Valley Center Census Designated Place (CDP) which is a close approximation of the VCMWD area.
- (5) Source: U.S. Census Bureau, 2010 Census

Source: Valley Center Municipal Water District except as noted.

**Per Capita Personal Income and Population**

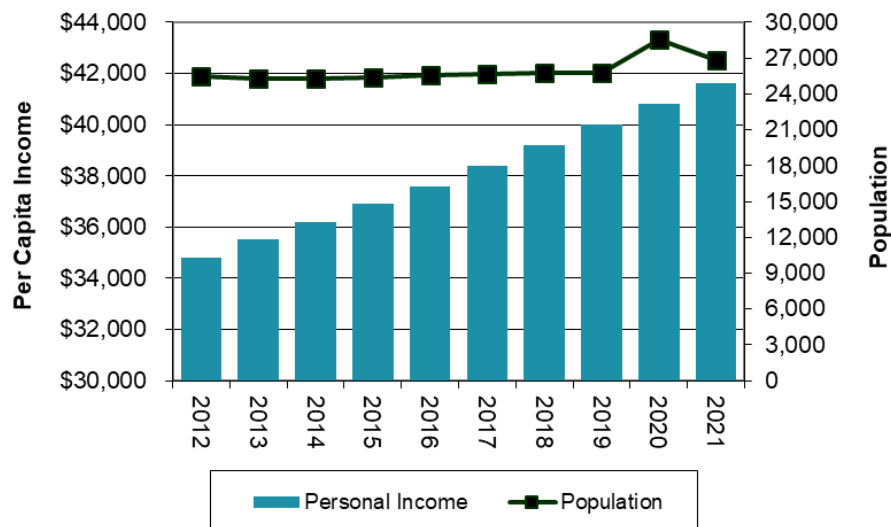


Table XVI  
Principal Employers – County of San Diego (Current Fiscal Year and Nine Years Prior)

Fiscal year ended June 30, 2020 <sup>(1)</sup>				Fiscal year ended June 30, 2011			
Employer	Rank	# of Employees	% of Total Employment	Employer	Rank	# of Employees	% of Total Employment
Naval Base San Diego	1	41,111	3.09%	U.S. Department of Defense	1	136,664	10.10%
University of California, San Diego	2	40,888	3.07%	Federal Government	2	46,300	3.42%
Sharp Healthcare	3	19,148	1.44%	State of California	3	45,500	3.36%
County of San Diego	4	17,929	1.35%	University of California, San Diego	4	27,393	2.02%
San Diego Unified School District	5	14,020	1.05%	County of San Diego	5	15,109	1.12%
Scripps Health	6	13,254	1.00%	Sharp Healthcare	6	14,969	1.11%
City of San Diego	7	11,598	0.87%	Scripps Health	7	13,830	1.02%
Qualcomm Inc.	8	11,050	0.83%	San Diego Unified School District	8	13,730	1.01%
Kaiser Permanente	9	9,653	0.73%	Qualcomm, Inc.	9	10,509	0.78%
San Diego Community College Dist.	10	6,804	0.51%	City of San Diego	10	10,211	0.75%
Total Top Ten		<u>185,455</u>	13.94%	Total Top Ten		<u>334,215</u>	24.70%
2020 Total Number employed in San Diego County		<u>1,330,000</u>		2011 Total Number employed in San Diego County		<u>1,353,400</u>	

<sup>(1)</sup>Source: Courtesy of San Diego County Water Authority, Fiscal Year 2021 Information not available at time of publication.

**Table XVII**  
**Number of Employees** (Last Ten Fiscal Years)

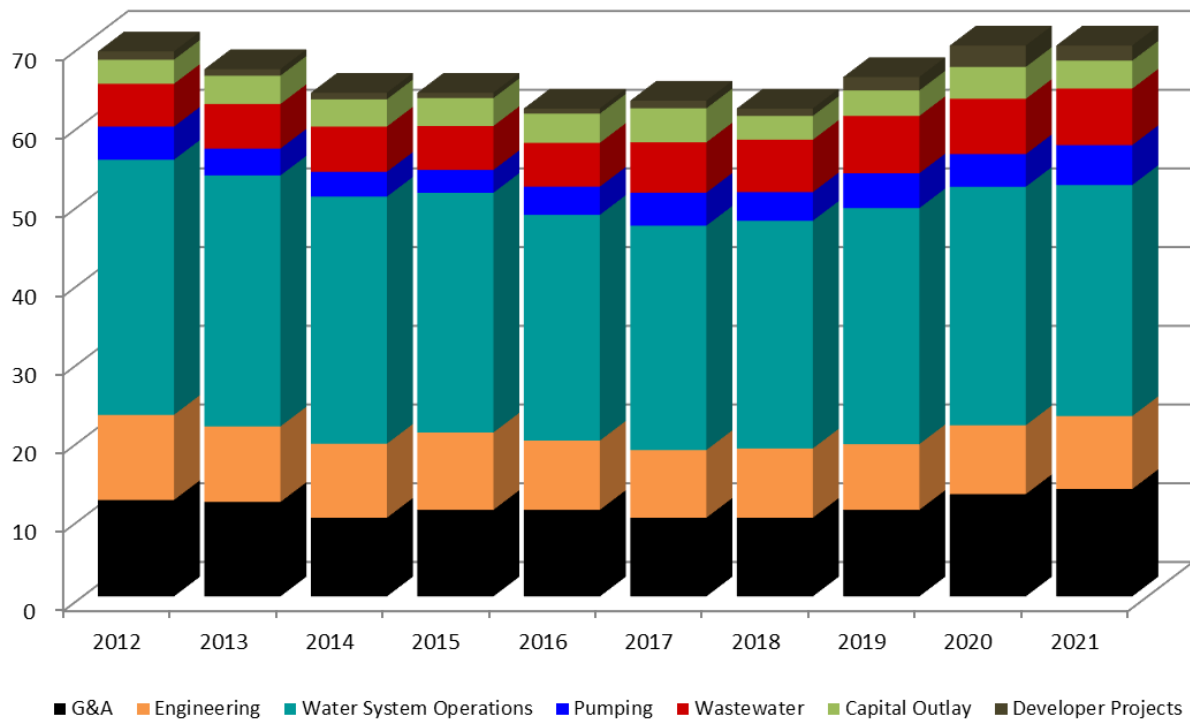
	Full-Time-Equivalent Employees Authorized as of June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Pumping	5.07	4.15	4.43	3.63	4.20	3.58	2.90	3.16	3.42	4.21
Water Systems Operations	29.36	30.30	29.99	28.94	28.51	28.69	30.46	31.40	31.89	32.42
Wastewater Collection and Treatment	7.18	7.03	7.28	6.66	6.39	5.57	5.59	5.75	5.66	5.44
Engineering	9.27	8.75	8.35	8.80	8.60	8.80	9.83	9.40	9.60	10.82
General and Administrative	13.65	13.00	11.00	10.00	10.00	11.00	11.00	10.00	12.00	12.25
Capital Outlay <sup>(1)</sup>	3.55	4.05	3.24	3.03	4.32	3.71	3.54	3.46	3.60	3.06
Developer Projects <sup>(2)</sup>	1.92	2.72	1.71	0.94	0.98	0.65	0.68	0.83	0.83	1.05
<b>Total Employees</b>	<b>70.00</b>	<b>70.00</b>	<b>66.00</b>	<b>62.00</b>	<b>63.00</b>	<b>62.00</b>	<b>64.00</b>	<b>64.00</b>	<b>67.00</b>	<b>69.25</b>
<b>Average Years of Service</b>	<b>13.34</b>	<b>13.87</b>	<b>15.00</b>	<b>15.44</b>	<b>15.30</b>	<b>15.90</b>	<b>14.10</b>	<b>14.18</b>	<b>13.20</b>	<b>12.46</b>

(1) Capitalized into construction in progress.

(2) Charged to work in progress for others.

Source: Valley Center Municipal Water District

## Employees



**Table XVIII**  
**Operating and Capital Indicators (Last Ten Fiscal Years)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Water:</b>										
Service area (acres)	64,293	64,559	64,557	64,540	64,540	64,540	64,540	64,253	64,253	64,253
Miles of water main (8 inches and larger) <sup>(1)</sup>	335	333	333	332	332	301	301	298	297	297
Number of enclosed reservoirs	40	41	41	42	43	43	43	42	42	42
Capacity of enclosed reservoirs (AF)	431	428	433	433	433	421	421	421	421	421
Number of open reservoirs (emergency water only)	1	1	1	1	1	1	1	1	1	1
Capacity of open reservoirs (AF)	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612
Number of pump stations	29	29	29	29	29	29	29	27	26	26
Number of pumps	105	105	105	105	105	106	106	110	106	100
Total pump capacity (horsepower)	19,960	19,960	19,960	19,960	19,960	20,310	20,160	20,185	20,185	20,050
Number of service connections	11,401	11,212	11,081	11,027	10,907	10,836	10,761	10,675	10,616	10,597
Number of meters in service	10,503	10,309	10,222	10,163	10,086	9,976	9,869	9,785	9,715	9,694
Production peak (m.g.d.)	34.74	37.73	42.58	41.48	39.90	42.00	50.00	55.84	55.45	49.87
Average production (m.g.d.)	17.10	14.13	15.32	20.11	18.06	17.57	22.83	26.43	26.13	24.77
Total rainfall (inches)	7.67	22.25	20.39	6.29	21.32	11.98	10.10	7.29	8.51	12.21
Average daily temperature (F.)	62.75	62.25	61.80	63.25	61.83	62.75	63.80	63.50	62.33	61.30
Electricity purchased (1,000 kWh)	6,416	5,636	6,414	9,608	6,997	7,344	15,582	16,894	16,276	15,595
Natural gas purchased (1,000 therms)	760	637	660	729	786	591	234	365	407	163
Mainline repairs	21	23	21	23	21	22	11	15	18	18
<b>Wastewater:</b>										
Miles of sewer lines <sup>(1)</sup>	42	41	38	38	37	57	57	57	57	57
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Maximum capacity of treatment plants (m.g.d.)	0.77	0.77	0.77	0.77	0.57	0.57	0.57	0.57	0.57	0.57
Average dry weather flow (m.g.d.)	0.37	0.37	0.39	0.37	0.36	0.33	0.36	0.37	0.37	0.37
Number of sewer connections	2,888	2,799	2,762	2,750	2,742	2,761	2,769	2,746	2,745	2,731

AF - Acre feet

m.g.d. - Million gallons per day

Source: Valley Center Municipal Water District

(1) The methodology for estimating the Miles of water main and Miles of sewer lines was changed during Fiscal Year Ended June 30, 2017, when the District began using Esri's ArcGIS mapping software.

## VALLEY CENTER MUNICIPAL WATER DISTRICT EMPLOYEES 2020-21

PAUL ADRIAN  
GARY ARANT  
DUSTIN BOURGEOIS  
RICHARD BEATH  
CALVIN BREWER  
LEONARD BROWN  
RONALD BURKE  
JEFFREY BURTON  
FERNANDO CARRILLO  
DANIELLE CATTANEO  
JOSIAH CRESPO  
RON DARLAND  
CORT DAY  
RAMIRO DE ALBA-JIMENEZ  
EDUARDO DE ALBA  
MARIO DE ALBA  
ROMAN DE MANRIQUEZ  
BRANDON DENDY  
GREG FEIK  
RODOLFO GARCIA  
BEATRIZ GARNICA  
DOMINGO GONZALEZ  
MATTHEW GOSWICK  
WALLY GRABBE  
CLARENCE HICKS  
ALBERT HOYLE

DEREK HUBBARD  
RYAN HUGHES  
TONY JACQUEZ  
CHRISTINE JOHNSON  
THAD KLIMAS  
CHRISTOPHER KRATZ  
MASON LAUFFER  
ANTHONY LOPRESTI  
BRIAN LOVELADY  
JESSICA LOVELADY  
NIKOLAY LYUBER  
RYAN MADSON  
JOHN MARCHETTA  
JOHN MARTINEAU  
JAMIE MARTINEZ  
MARLENE MARTINEZ  
WILLIAM MORRIS  
ISMAEL NAVARRO  
JAMES NICHOLS  
MICHAEL NICHOLS  
JESON NIKRASCH  
GABRIELA OLSON  
ROBERT PANEK  
KIRSTEN PERAINO  
TAYLOR PETERS  
THANG PHAM

ANDO PILVE  
JAMES PUGH  
CLIFFORD REEH  
ROY RUTHERFORD  
ALBERTO SANDOVAL  
JULEE SCOTT  
JAMES SEDILLO  
YVETTE SERRATO  
DANIEL SHUBIN  
MOSES SHUBIN  
JAMES SULLINS  
JARED THOMAS  
ROBERT TRUESDALE  
ASHLYN VAN HOUTEN  
VANESSA VELASQUEZ  
ANNELISE VILLALOBOS  
JACOB VILLALOBOS  
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## **VALLEY CENTER MUNICIPAL WATER DISTRICT**

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