

Valley Center

Municipal Water District



Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

Valley Center, CA

Cover Photo: View of central area of Valley Center, Park Circle Development, Woods Valley Ranch Water Reclamation Facility, and surrounding areas.

Annual Comprehensive Financial Report

For The Fiscal Year Ended June 30, 2022

Valley Center Municipal Water District



Prepared by:

Valley Center Municipal Water District's Finance Department
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www.valleycenterwater.org

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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
Enrico P. Ferro
Vice President
Daniel E. Holtz
Director
Oliver J. Smith
Director
Cooper T. Ness
Director

December 5, 2022

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, 2022. 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. Davis Farr, LLP have issued an unmodified (or clean) opinion on the District's financial statements for the fiscal year ended June 30, 2022. 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 29,708. 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, 2022, 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.

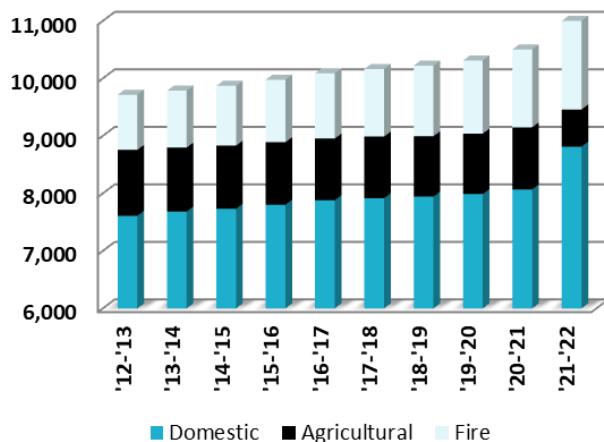
Custodial funds are reported on the Fiduciary Statements for Assessment District No. 2012-1 and Community Facilities District 2020-1, which are described in Note 6 of the Notes to the Basic Financial Statements.



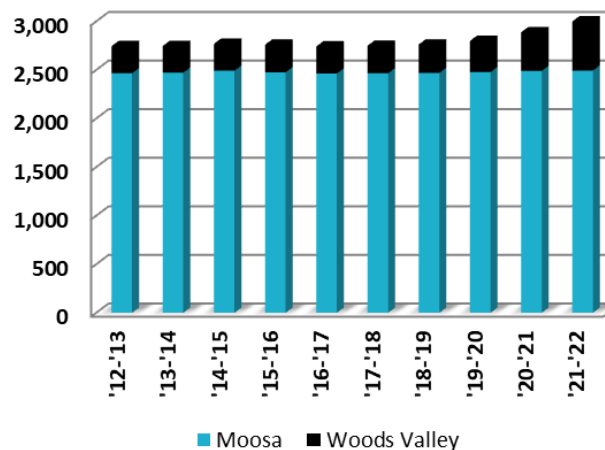
System Overview

- Aqueduct Connections: 7
- Miles of Water Main: 339
- Enclosed Reservoirs: 40
- Open Reservoirs: 1
- Pump Stations: 29
- Wastewater Treatment Facilities: 2
- Wastewater Connections: 3,165
- Miles of Wastewater Lines: 47
- 2021-22 Revenue: \$53.4 Million
- 2021-22 Expenses: \$49.5 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.

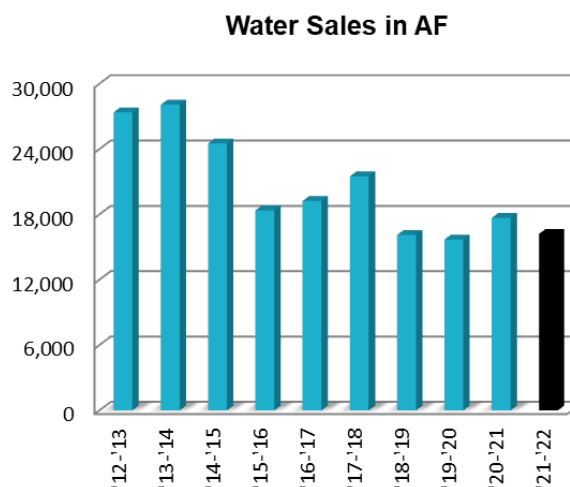
Budget – The Board of Directors annually adopts a Budget Policy that defines reserve requirements, outlines the budget process, and assigns control and accountability. Operating and capital budgets for the District are prepared by departments annually and are reviewed and modified by management before 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.

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

Over the last decade, Valley Center has transitioned from being predominately agricultural to a more balanced rural-suburban and agricultural setting. Once over 90% of the water delivered by the District went to commercial agricultural users, the mix is now 62% agricultural and 38% domestic-commercial. The decline in agricultural use in Valley Center, as well as the nearby communities of Rainbow and Fallbrook, is due to rapid increases in wholesale water costs over the last 10 years, regulatory restrictions, labor costs and shortages, and market competition.

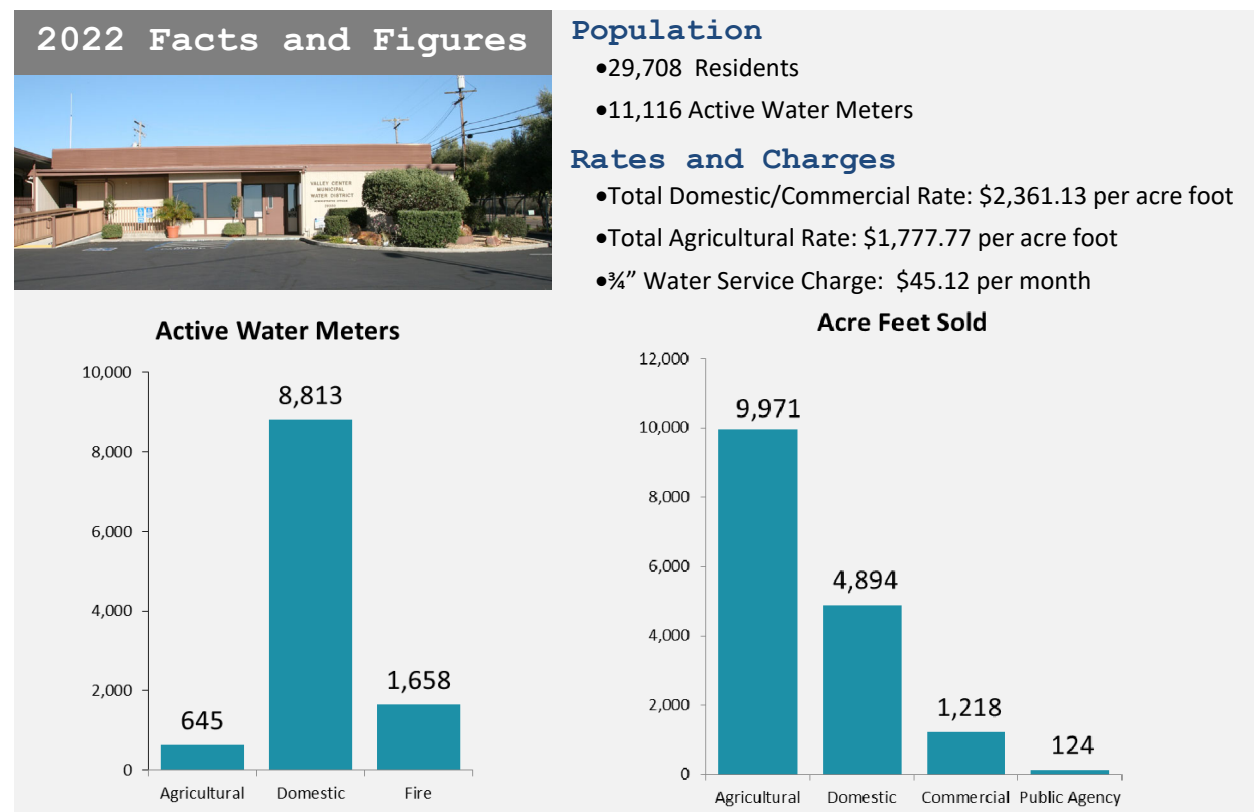


As a result, the District has seen a significant decrease in the volume of water deliveries to its customers. Water sales for the year ended June 30, 2022, totaled 16,207 acre feet. Compared to just 10 years ago, in Fiscal Year 2012-13 when the District sold 27,370 acre feet. Additionally, the volume of water purchased was 17,131 acre feet for the year ended June 30, 2022, which is among the lowest levels on record. By comparison, in Fiscal Year 2012-13, the District purchased 29,238 acre feet of water.

With the completion of the 2020 Census, the District population has been estimated at 29,708. At June 30, 2022, unemployment in California was 4.0%, San Diego County was 3.2%, and the local rate in the Valley Center Census Designated Place (CDP) was 2.3%. A significant improvement over 2021, these figures reflect the state's economy recovering from the effects of 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 imported water from two sources: the Colorado River Aqueduct and the State Water Project. These water sources have become increasingly unreliable in recent years as deteriorating ecological conditions have led to regulatory restrictions on pumping water supplies from the Bay-Delta and storage levels on the Colorado River System. 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 under the Quantification Settlement Agreement (QSA) 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 Lining Project and the Coachella Canal Lining Project.



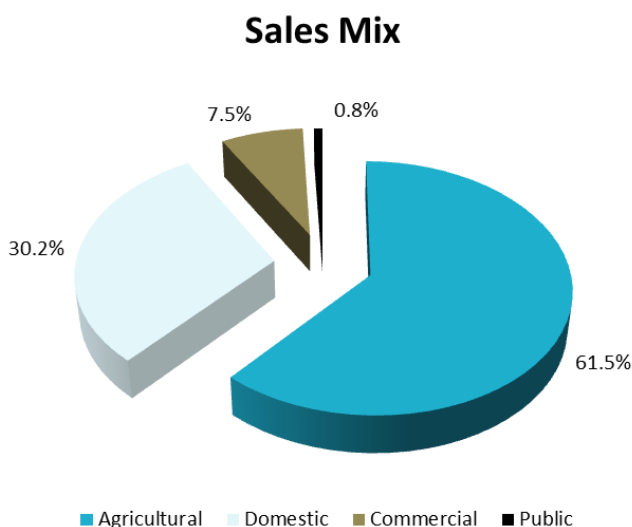
Additionally, the SDCWA added desalinated seawater to its water supply portfolio with the completion of the Carlsbad Desalination Plant in December 2015. This supply reduces the region's dependence on water from the Colorado River and the Bay-Delta that is vulnerable to droughts, natural disasters, and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

VCMWD and the entire California water community will continue to face challenges going forward. Uncertainties surrounding its main sources of imported water, the State Water Project and the Colorado River, the lack of enhancements to the statewide storage system in over 50 years, the effects of climate change, public environmental issues and state regulations concerning water use 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 operations and finances of the District.

Financial and Economic Trends – Customer meter categories have stayed consistent with 601 new meter accounts having been established during 2021-22. This raised the total number of meter connections within the District to 12,002, of which 1,658 are fire meter accounts. Of the total meter accounts, 750 water service accounts and 136 fire service accounts are inactive, resulting in 11,116 revenue generating water meters at the close of the fiscal year. This is an increase of 613 active service accounts (303 fire and 310 water service) compared to the close of 2020-21.

Private development construction increased in fiscal year 2021-22 as the Park Circle Development continued the build out of their community. The District continued to process 23 private development projects containing a total of 1,003 units in various stages of completion, from concept approval to warranty period. Additionally, there are 10 projects with 819 units that are in the active planning stage and 12 inactive projects with 160 units.

For the fiscal year ended June 30, 2022, water sales were 16,207 acre feet, down 1,476 acre feet or 8.3% from sales of 17,683 acre feet in 2020-21. This decrease is due in part to a 35% increase in total rainfall for the year, 10.4 inches versus 7.7 inches in 2020-21. Water deliveries are broken down as follows: 61.5% for agricultural purposes, 30.2% for domestic, 7.5% for commercial, and 0.8% for public use. The total cost of water purchased for the fiscal year was \$27.7 million, or 61.5% of the District's total water operating expenses.



SDCWA Permanent Special Agricultural

Water Rate – Through its representation to the San Diego County Water Authority (SDCWA), and the Authority's Fiscal Sustainability Task Force, the District was able to secure SDCWA Board approval to make the Transitional Special Agricultural Water Rate (TSAWR) the Permanent Special Agricultural Water Rate (PSAWR) program with the support of 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 and secure transfer of the TSAWR participants to the PSAWR Program by September 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 2021 the discount that certified agricultural customers received totaled \$545 per acre foot, based on water rates effective February 1, 2021. With the full PSAWR pricing differential, VCMWD participating agricultural customers will pay \$1,777.77 per acre foot, compared to the \$2,361.13 per acre foot that domestic/commercial customers will pay, a 24.7% reduction or savings of \$583 per acre foot in calendar year 2022.

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, 2022.

Long-Term Capital Facility Planning and Financing – 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. The District recently entered into a new SRF Loan Agreement in May 2022 for three pipeline replacement projects, Oat Hill Discharge and Alps Way, Lilac Road, and Gordon Hill Road.

Facilities which are identified and budgeted annually for replacement are selected from a facility replacement priority list included in the District's Water 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 entered into three Clean Water State Revolving Fund (CWSRF) Loan agreements with the State of California 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 Loans. 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.



Woods Valley Ranch WRF Expansion funded by SRF Loan.

MAJOR INITIATIVES EFFORTS AND ACCOMPLISHMENTS

Water System Operations

Transmission, Distribution, and Storage Facilities Improvements – Major Capital improvement work completed during the fiscal year included the following projects: Advanced Metering Infrastructure System, the painting and recoating of the Couser and Circle R Reservoirs, Lake Turner Slide Gate, and the Calle Oro Verde Pipeline Replacement projects.



Staff installation of Advanced Metering Infrastructure upgrade.

Painting and Recoating of the exterior roof at Couser Reservoir

Pumps, Motors, and Energy Efficiency – The Districts pumps and electric motors are tested annually for efficiency and performance. Under performing pumps, motors and natural gas engines are rebuilt or replaced as needed to maintain or improve overall efficiencies to lower the amount of energy used during pumping. For Fiscal Year 2021-22 several pumps throughout the District were reconditioned or replaced to restore or increase pump efficiencies. Major capital upgrades included were the replacement of Paradise Pump No. 3 and the replacement of the exhaust systems to the natural gas engines at Betsworth Forebay.

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 continues 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 Calendar Year 2021, unaccounted water loss was 3.7% of total water sold, which is lower than the 5.1% reported for Calendar Year 2020.

Wastewater System Operations

Woods Valley Ranch Water Reclamation Facility – The Woods Valley Ranch Water Reclamation Facility provides wastewater service to the Woods Valley Ranch, Bear Peak and Park Circle Subdivisions and the North and South Village areas. The service area is located in the central portion of Valley Center generally along Valley Center Road from 1,300 feet east of Cole Grade to 1,500 feet south of Woods Valley Road. The facility was originally constructed in 2005 to service the 270-unit Woods Valley Ranch Subdivision and Golf Course. The facility was later expanded to its current capacity in 2017. The facility is permitted to treat up to 275,000 gallons per day (GPD) to Title 22 standards and the treated effluent is utilized for irrigation purposes at the Native Oaks Golf Club (formerly the Woods Valley Golf Course). Construction of the expansion was funded utilizing State Revolving Fund and Limited Obligation Bond debt financing secured by Assessment District No. 2012-1 annual assessments and Community Facilities District No. 2020-1 Annual Special Taxes. The funding commitments secured capacity reservations for 1,247 equivalent connections. Total allocated capacity of the facility is 1,527 equivalent connections.



Birdseye view of the general service area of the Woods Valley Ranch WRF.

The service area is growing with new homes and businesses being planned and constructed at a moderate pace. As of the close of the fiscal year, the facility received influent from 632 active connections via the gravity collection system in Woods Valley Ranch, Bear Peak and Park Circle Developments and 39 active connections via the Low Pressure Sewer collection system along the Valley Center Road Corridor, for a total of 671 active wastewater connections. Compared to the prior fiscal year, which had 398 active wastewater connections, that is an increase of 273, or 69%.

The Low Pressure Sewer Collection System consists of a network of small diameter PVC pressure pipe (2-inch to 6-inch) that receive the wastewater from customers by way of individual privately owned grinder pumps at each connection. The District charges a Grinder Pump Maintenance Charge and provides maintenance and replacement services for the customers privately owned grinder pump. Bear Peak and Park Circle developments are served by a gravity system that currently terminates at an interim lift station while the permanent Orchard Run Lift Station is being constructed.

Ultimate buildout of the service area is planned at 3,000 equivalent connections requiring a treatment capacity of 525,000 GPD. Construction of the expansion facilities is contingent upon development in the area and the availability of funding. Future discharge sources may include common area irrigation of nearby developments and roadway medians, in addition to the Native Oaks Golf Club.

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 2,494 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.

Customer water conservation efforts have significantly reduced influent flow rates per connection. As a result, capacity requirements for ultimate buildout in the service area are not expected to exceed the current waste discharge limits. However, while conservation efforts have reduced the hydraulic loading requirements on the facility, expansion of the solids handling portion of the facility will be needed as connections are added to the system and are planned to occur in the next five years. Recent facility improvements have been focused on the replacement of aging infrastructure. During the fiscal year projects were initiated to replace the Motor Control Center and Secondary Clarifier mechanical equipment installed with the original construction of the facility in 1974.

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.

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 completed the Park Circle East/West development in the South Village Area. Park Circle West is a 300-unit residential subdivision and Park Circle East is a mixed-use development of 332 residential units, 4.2 acres of commercial area and 5 acres of parks and recreational facilities. Six major merchant builders have purchased lots within the development and began model and production home construction in October 2020, with approximately 280 new homes being occupied by the end of Fiscal Year 2021-2022.
- **Weston Towne Center** a previously planned mixed-use development in North Village split ownership between the residential and commercial development. North Ranch Estates is a planned 515-unit residential development and the remaining 13.93 acre commercial portion, Weston Towne Center, has a wastewater capacity allocation of 85 equivalent connections. The owners of both the residential and commercial portions continue to evaluate development options.
- 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. The Miller Plaza portion of the development, consisting of convenience store with gas station and car wash, restaurant and office professional building is nearing completion and is expected to be connected in FY 2022-2023.

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.

Upgrades for the SCADA HMI software system at Lower Moosa Canyon Water Reclamation Facility have been completed, and the system is fully operational.

Advanced Metering Infrastructure (AMI) – Large-scale deployment for the AMI system throughout the District is complete. The District is now using the system to read all 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.

Customer Engagement & Analytics Platform (WaterSmart) – With the completed installations of the AMI System, a new Customer Platform was required. The District selected WaterSmart and it went live in June 2022. Customers are now able to access their hourly, daily, monthly and yearly usage data, analyze their water consumption and receive automated leak alerts. WaterSmart provides the usual access to billing data, a variety of payment options and up to 18-months of bill archives. Additionally, WaterSmart allows for mobile device capability and a variety of leak self-assessment tools to provide customers with more timely information. Feedback from customers about WaterSmart has been overwhelmingly positive with approximately 40% of eligible accounts registered.



AMI Tower at the McNally Reservoir site.

Asset Management System (CMMS) – Cityworks asset management system is now operational, and in the second phase of the deployment. 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.

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, 2021. 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

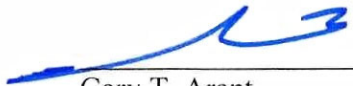
Christopher P. Morill

Executive Director/CEO

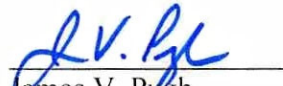
ACKNOWLEDGMENTS

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, 2021

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 2021 totaled 615.1 acre feet, 3.7% of total water sold, representing \$797,850.

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).

Discretionary Reserves as of December 31, 2021 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

The weighted average return on all investments for calendar year 2021 was 0.704% as compared to the 12-month rolling average U.S. Treasury Bonds of 0.106%.

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 10.9% of Municipal & Industrial and 14.4% 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 106.0% 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, with a total capacity of 331.5kWdc, 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 2021 at 2.3% under the Engineer’s estimate.

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

Of the twelve Engineering Department projects with approved funding, all but four were under contract within 12 months.

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 four lost-time accidents in calendar 2021, representing 0.057% of the total hours worked.

12. COMPLIANCE WITH ALL STATE & FEDERAL REGULATIONS.

100%.

DISTRICT OFFICIALS



Robert A. Polito
President
Division 1
Since 1989



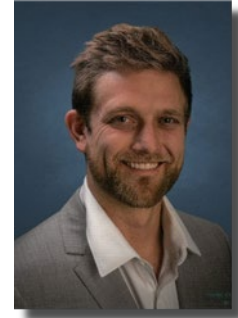
Enrico P. Ferro
Vice-President
Division 4
Since 2016



Daniel E. Holtz
Director
Division 5
Since 2018



Oliver J. Smith
Director
Division 3
Since 2018



Cooper T. Ness
Director
Division 2
Since 2022

Years of Service

34

6

4

4

0

Term Expires

December 2024

December 2024

December 2022

December 2022

December 2022

EXECUTIVE MANAGEMENT

Gary T. Arant
General Manager
33 years of service

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

Brian E. Lovelady
Director of Operations/Facilities
33 years of service

Ando Pilve
Director of Information Technology
14 years of service

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

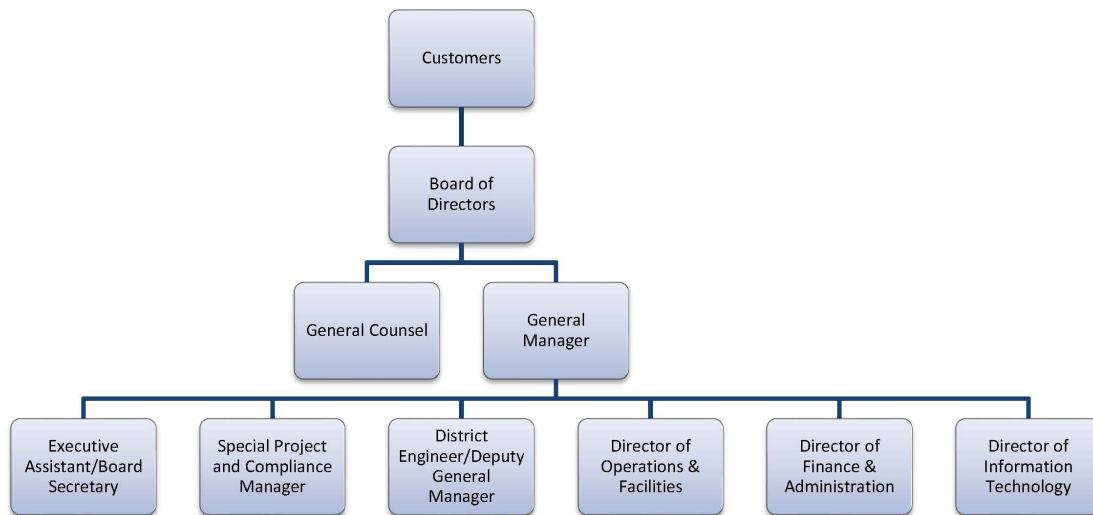


Kirsten N. Peraino
Executive Assistant
Board Secretary
2 years of service

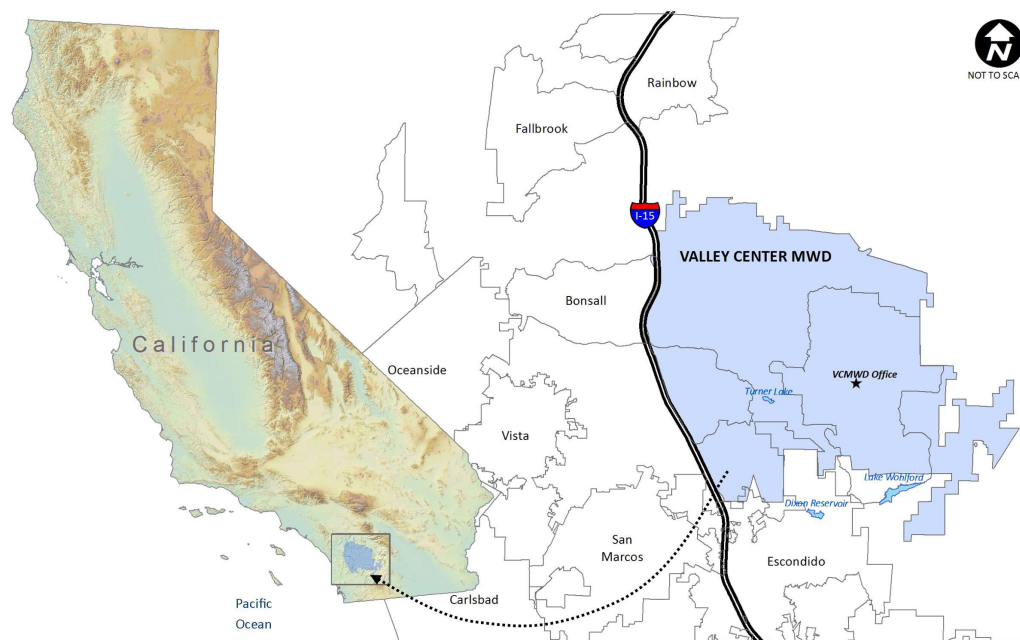
GENERAL COUNSEL

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

DISTRICT ORGANIZATION CHART



DISTRICT SERVICE AREA



Financial Section



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Independent Auditor's Report

Board of Directors
Valley Center Municipal Water District
Valley Center, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of Valley Center Municipal Water District ("the District") as of and for the year June 30, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position and cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of Plan's Proportionate Share of the Net Pension Liability, Schedule of Contributions to the Pension Plan, Schedule of Changes in the District's Net OPEB Liability and Related ratios, and Schedule of OPEB Contributions* be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

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

The *combining statements* 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 statements* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

DavisFarr LLP

Irvine, California
December 5, 2022

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Management's Discussion and Analysis



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 (FY) ended June 30, 2022, of the Valley Center Municipal Water District (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 its 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

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. There are three required components to these statements: the MD&A, the Financial Statements, and the Notes to the Financial Statements.

The **Statement of Net Position** includes information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The **Statement of Revenues, Expenses and Changes in Net Position** identifies the District's revenues and expenses for the fiscal year ended June 30, 2022. 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.

Notes to the Basic Financial Statements (Notes) provide additional information that is essential to a full understanding of the information provided in the basic statements. The Notes also 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.

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.

FINANCIAL HIGHLIGHTS

The District's financial operations remained sound during Fiscal Year 2021-22. Sources of revenues were sufficient to cover combined operating and non-operating costs. The Statement of Net Position remains strong.

COVID-19 Pandemic

While the Governor's State of Emergency is still in effect into 2023, the impacts of COVID-19 and its subsequent variants, have diminished. Even so, staff has continued certain precautionary measures, including daily temperature testing for all staff and the provision of COVID leave to facilitate employees being absent from the workplace for COVID-related issues. District staff will continue to monitor the effects of the COVID-19 pandemic through 2022 and into 2023 and the impact it may have on staff, operations and financials.

Water System Operations

601 new water services were added this year, representing a 5.3% increase in the number of accounts it serves; compared to the prior year's increase of 189 accounts, representing a 1.7% increase. Total water services now equal 12,002 accounts, of which 11,116 are active and 886 inactive. During Fiscal Year 2021-22, water sales totaled 16,207 acre feet (AF) decreasing 8.3%, or 1,476 AF from the previous year.

Water demand in the District's service is largely influenced by temperature and rainfall given the rural-agricultural nature of the community. The annual rainfall during the fiscal year was up totaling 10.4 inches compared to the prior year of 7.7 inches, a 35.0% increase. Additionally, the average temperature was 63.5 degrees during FY 2021-22 compared to 62.75 degrees in FY 2020-21.

Cost of Water Sold is the District's highest single water operating expense. In January 2022, wholesale treated water rates from the San Diego County Water Authority increased 4.4% for domestic customers and 3.5% for certified agricultural customers. The total Cost of Water Sold during FY 2021-22 was \$27,742,610, or 3.2% lower than the previous year. The total amount of water purchased during the year was 17,131 AF compared to 18,862 AF in the previous year.

Wastewater System Operations

The original capacity of the Woods Valley Ranch Water Reclamation Facility provided wastewater service for 280 units generating annual sewer service charge revenue of \$331,300. With completion of the Woods Valley Ranch Expansion Project, wastewater capacity was made available for an additional 1,247 units. The Sewer Standby Fee for the committed, but not connected, capacity units increased annual revenues by \$685,850 for a total of \$1.017M. At full buildout the total annual sewer service charge revenues would increase to \$1.8M.

All components of the Woods Valley Ranch Expansion Project funded from the SRF Loans and Limit Obligation Bonds have been completed, with the exception of the North Village Lift Station design. Funds will remain available to design the facility. Once development planning for the lift station site area is completed and approved by the County of San Diego the site and access easement can be dedicated to the District. Construction of the lift station will be the responsibility of the benefitting property owners.

The Park Circle Development will require 220 additional units of capacity above the capacity available from the Woods Valley Ranch Wastewater Expansion Project. The additional capacity is to be constructed as part of a Phase 3 Expansion Project. Community Facilities District (CFD 2020-1) was formed over the Park Circle Development to secure funding for the design and construction of the needed Phase 3 Expansion Facilities, along with the Orchard Lift Station Project and other minor capacity charges. Construction timing for the expansion facilities, secured by the formation of CFD 2020-1, will depend on the level of buildout within the Woods Valley Ranch Sewer Service Area. Construction of the Phase 3 Facilities will be delayed until the actual flow rates generated in the service area approach the capacity of the existing facilities. The developer has posted a financial security to fund the costs that cannot be included in a future CFD Bond for the Phase 3 Facilities.

Sources of Revenue

Combined Revenues by Category

	Fiscal Year 2022	Fiscal Year 2021	Increase/ (Decrease)	% Change
Water Sales (Acre Feet)	16,207	17,683	-1,476	-8.3%
<u>Revenues by Category:</u>				
Water sales and pumping charges	\$34,310,691	\$35,796,428	(\$1,485,737)	-4.2%
Meter service charges	7,166,011	6,748,844	417,167	6.2%
Meter installation fees	933,816	365,321	568,495	155.6%
Other water operating revenues	986,803	2,262,881	(1,276,078)	-56.4%
Wastewater charges	4,601,540	3,589,915	1,011,625	28.2%
Property taxes and assessments	3,853,473	3,740,185	113,288	3.0%
Investment income (loss)	(754,118)	277,671	(1,031,789)	-371.6%
Other nonoperating revenues	474,470	360,531	113,939	31.6%
Gain (loss) on disposal of capital assets	10,523	(61,688)	72,211	-117.1%
Total Revenues	51,583,209	53,080,088	(1,496,879)	-2.8%
Capital contributions	1,815,304	762,983	1,052,321	137.9%
Total Revenues & Capital Contributions	<u>\$53,398,513</u>	<u>\$53,843,071</u>	<u>(\$444,558)</u>	<u>-0.8%</u>

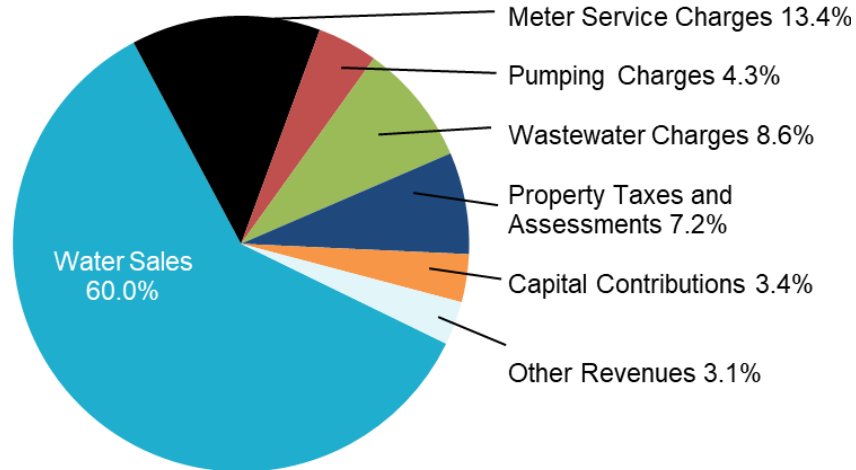
Combined revenues (excluding capital contributions) for the fiscal year totaled \$51,583,209, a decrease of \$1,496,879 or 2.8% from the previous year. Details of this decrease in revenues are as follows:

Water sales and pumping revenue decreased 4.2% or \$1,485,737, from the prior year as the sales volume decreased by 1,476 acre feet. The decrease is due to the increased rainfall that affects agricultural sales throughout the year. Sales to Certified Agricultural customers decreased 1,162 AF for a total of 9,971 AF from 11,133 AF in the prior year, representing a 10.4% decrease.

Meter service charges of \$7,166,011 were \$417,167, or 6.2%, higher than the prior fiscal year. Monthly meter service charges increased 5.5% on January 1, 2022 and the number of active meters increased by 613 bringing the Fiscal Year 2021-22 count to 11,116 from 10,503 in the prior year.

Meter installation fees for the year were up 155.6%, or \$568,495, from the prior year due to an increase in the amount of new water meters and backflow devices purchased and installed. The majority of which are attributable to the new Park Circle development.

Source Of Revenues Fiscal Year Ended June 30, 2022



Other Water Operating Revenues decreased by 56.4%, or \$1,276,078, as a result of the one-time revenues of \$2,014,687 that were received in the prior year for the District's share of the Metropolitan Water District (MWD) Litigation Damages Award. That reduction is partially offset by the receipt of an additional award for the same suit of \$313,769 as well as \$385,892 in delinquency fees that were reinstated in the beginning of FY 2021-22 after having been waived during the pandemic.

Wastewater charges are up by 28.2% or \$1,011,625. This increase is largely due to the collection of the Woods Valley Ranch Wastewater Expansion Projects System Development Charge totaling \$822,557 paid for by participants of the expansion to match the contribution level of existing customers toward the facility value. Additionally, sewer service charges increased 1.5% on January 1, 2022 in the Lower Moosa service area. Although sewer service charges in the Woods Valley Ranch service area remained unchanged in 2022, the number of active meters increased significantly by 273 bringing the Fiscal Year 2021-22 count to 671 as compared to 398 in the prior year.

Property taxes and assessments increased by 3.0%, or \$113,288. 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, also known as the Teeter Plan.

Investment income was down 371.6%, or \$1,031,789, compared to the prior year. Although the District did earn a lower yield on investments, as the average yield decreased from 1.1% in FY 2020-21 down to 0.8% in FY 2021-22, the major difference lies in the requirement to report the value of those assets at fair value (also known as market value). The fair value is the price that would be received if the assets were sold at the measurement date, June 30, 2022. Negative market value adjustments totaled \$1,265,484 in FY 2021-22. The majority of the District's investments are held in the San Diego County Investment Fund, Certificates of Deposits, and Treasuries.

Other non-operating revenues increased 31.6%, or \$113,939 due to a two reasons. First is the receipt of \$42,773 in COVID-19 relief funds from the Federal Arrearages Program; second, is the receipt of an additional payment of \$28,281 for co-location fees at one of the cellular lease sites.

Functional Expenses

Combined Expenses by Category

	Fiscal Year 2022	Fiscal Year 2021	Increase/ (Decrease)	% Change
Water Purchased (Acre Feet)	17,131	18,862	-1,731	-9.2%
<u>Expenses by Category:</u>				
Cost of water sold	\$27,742,610	\$28,666,422	(\$923,812)	-3.2%
Energy and pumping costs	3,081,255	2,848,421	232,834	8.2%
Water systems operations	6,021,235	5,901,561	119,674	2.0%
Wastewater collection and treatment	1,770,086	1,588,055	182,031	11.5%
Engineering	2,320,092	2,855,523	(535,431)	-18.8%
General and administrative	3,657,388	4,719,888	(1,062,500)	-22.5%
Depreciation	4,483,611	4,312,773	170,838	4.0%
Interest expense	489,687	514,995	(25,308)	-4.9%
Total expenses	<u>\$49,565,964</u>	<u>\$51,407,638</u>	<u>(\$1,841,674)</u>	<u>-3.6%</u>

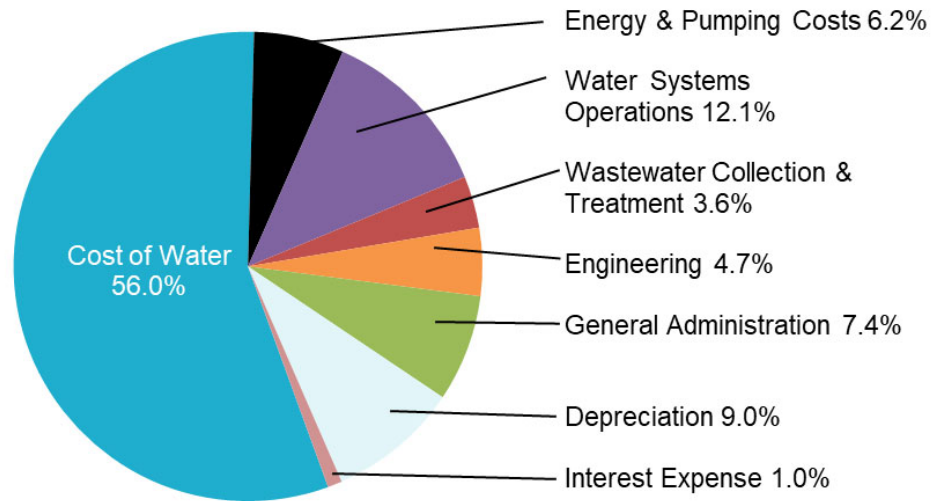
The **Cost of water sold** decreased 3.2% compared to the prior year. Water purchases were down 1,731 AF, or 9.2%, from the prior year, while wholesale water prices were up. In FY 2020-21, the District purchased 18,862 AF of water at an average price of \$1,520 per acre foot. In the current year, the District purchased 17,131 AF of water at an average price of \$1,619 per acre foot, an increase of 6.5% or \$99 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 water purchased. These fixed components include a capacity reservation and readiness-to-serve charges by MWD and customer service, emergency storage, 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 \$1,841,009 on 9,971 AF of sales. This cost reduction for agricultural water is passed through to the District's certified agricultural customers and is included in the Cost of water sold. The agricultural discount is higher than the previous year as the SDCWA melded supply rate, which agricultural customers do not pay, increased on January 1, 2022.

Energy and pumping costs during FY 2021-22 were 8.2%, or \$232,834, higher than FY 2020-21. This is a result of higher gas and electric costs and a one-time refund from SDG&E that was received in the prior year of \$102,252.

Water systems operations expenses increased \$119,674, or 2.0%, over FY 2020-21. The increase is due to higher maintenance costs and labor and benefits that were partially offset by lower outside professional services.

Source Of Expenses Fiscal Year Ended June 30, 2022



Combined **wastewater collection and treatment** costs for Lower Moosa and Woods Valley Ranch were \$182,031, or 11.5%, more than the prior year. The increase is a result of increased labor and benefits, outside professional services, chemical costs and maintenance expenses.

Engineering expenses for FY 2021-22 were down 18.8%, or \$535,431, compared to FY 2020-21. This is a result of studies and plans that were completed and expensed in the prior year, as well as decreases in legal fees and labor and benefits that were partially offset by increases in outside professional services and software technical support.

General and administrative expenses decreased 22.5%, or \$1,062,500, due to lower OPEB and pension expenses and special department expenses. Those decreases were partially offset by increases in labor and benefits, outside professional services, write-off of uncollectible accounts, postage and insurance.

Depreciation expenses increased by \$170,838, or 4.0% compared to the prior year. This was due to the purchase of new equipment and completed projects in both the current and prior fiscal year.

Interest expense decreased by \$25,308, or 4.9% as a result of the regularly scheduled amortization payments made during the year on the State Revolving Fund Loans.

Statement of Revenues, Expenses and Changes In Net Position

	Fiscal Year 2022	Fiscal Year 2021	Increase/ (Decrease)	% Change
<u>Operating Revenues:</u>				
Water sales and pumping charges	\$34,310,691	\$35,796,428	(\$1,485,737)	-4.2%
Meter service charges	7,166,011	6,748,844	417,167	6.2%
Wastewater charges	4,601,540	3,589,915	1,011,625	28.2%
Meter installation fees	933,816	365,321	568,495	155.6%
Other water operating revenues	986,803	2,262,881	(1,276,078)	-56.4%
Total operating revenues	<u>47,998,861</u>	<u>48,763,389</u>	<u>(764,528)</u>	<u>-1.6%</u>
<u>Operating Expenses:</u>				
Cost of water sold	27,742,610	28,666,422	(923,812)	-3.2%
Energy and pumping costs	3,081,255	2,848,421	232,834	8.2%
Water systems operations	6,021,235	5,901,561	119,674	2.0%
Wastewater collection and treatment	1,770,086	1,588,055	182,031	11.5%
Engineering	2,320,092	2,855,523	(535,431)	-18.8%
General and administrative	3,657,388	4,719,888	(1,062,500)	-22.5%
Depreciation	4,483,611	4,312,773	170,838	4.0%
Total operating expenses	<u>49,076,277</u>	<u>50,892,643</u>	<u>(1,816,366)</u>	<u>-3.6%</u>
Operating (Loss)	<u>(1,077,416)</u>	<u>(2,129,254)</u>	<u>1,051,838</u>	<u>-49.4%</u>
<u>Nonoperating Revenues and (Expenses):</u>				
Property taxes and assessments	3,853,473	3,740,185	113,288	3.0%
Investment income (loss)	(754,118)	277,671	(1,031,789)	-371.6%
Other nonoperating revenues	474,470	360,531	113,939	31.6%
Interest expense	(489,687)	(514,995)	25,308	4.9%
Gain (loss) on disposal of capital assets	10,523	(61,688)	72,211	-117.1%
Total Nonoperating Revenues and (Expenses)	<u>3,094,661</u>	<u>3,801,704</u>	<u>(707,043)</u>	<u>-18.6%</u>
Income Before Contributions	2,017,245	1,672,450	344,795	20.6%
Capital contributions	<u>1,815,304</u>	<u>762,983</u>	<u>1,052,321</u>	<u>137.9%</u>
Change in Net Position	<u>3,832,549</u>	<u>2,435,433</u>	<u>1,397,116</u>	<u>57.4%</u>
Net Position at Beginning of Year, as restated	<u>87,889,859</u>	<u>85,454,426</u>	<u>2,435,433</u>	<u>2.9%</u>
NET POSITION AT END OF YEAR	<u><u>\$91,722,408</u></u>	<u><u>\$87,889,859</u></u>	<u><u>\$3,832,549</u></u>	<u>4.4%</u>

The District's **Net Position** at June 30, 2022 totaled \$91,722,408, an increase of \$3,832,549, or 4.4%, from the previous year. Details of this increase are on the following page:

Condensed Statement of Net Position

	Fiscal Year 2022	Fiscal Year 2021	Increase/ (Decrease)	% Change
Current Assets	\$47,107,337	\$41,010,287	\$6,097,050	14.9%
Restricted Assets	3,719,038	2,129,567	1,589,471	74.6%
Long-Term Receivables	12,602,352	6,386,575	6,215,777	97.3%
Capital Assets	100,462,256	99,866,319	595,937	0.6%
Total Assets	163,890,983	149,392,748	14,498,235	9.7%
Deferred Outflows of Resources	6,014,890	6,572,044	(557,154)	-8.5%
Current Liabilities	22,227,416	14,712,792	7,514,624	51.1%
Long-term Debt	21,196,793	22,462,910	(1,266,117)	-5.6%
Other Noncurrent Liabilities	20,823,991	29,088,907	(8,264,916)	-28.4%
Total Liabilities	64,248,200	66,264,609	(2,016,409)	-3.0%
Deferred Inflows of Resources	13,935,265	1,810,324	12,124,941	669.8%
Net Position:				
Net investment in capital assets	77,957,363	76,127,791	1,829,572	2.4%
Restricted for facility expansion	3,719,038	2,129,567	1,589,471	74.6%
Unrestricted	10,046,007	9,632,501	413,506	4.3%
Total Net Position, as Restated	\$91,722,408	\$87,889,859	\$3,832,549	4.4%

Total Assets:

Current Assets were up \$6,097,050, 14.9%, due to developer deposits received for the Woods Valley Ranch Water Reclamation Facility Phase 3 Expansion that resulted in higher cash and cash equivalents compared to the prior fiscal year.

Restricted Assets increased by 74.6%, \$1,589,471, due to the increase in the Reserve for Capacity Charges at year end.

Long-Term Receivables increased \$6,215,777, 97.3%, due to the addition of Lease receivables and an increased investment in VCMWD AD 2012-1 Limited Obligation Bonds.

Capital Assets were up by 0.6%, or \$595,937, as a result of increased Construction in Progress.

Total Liabilities:

Current Liabilities increased \$7,514,624, 51.1%, as customer deposits and accounts payable for SDCWA capacity fees, construction projects in progress, and energy costs were all greater at the end of the year compared to the prior year.

Long-term Debt at the end of the year was down 5.6%, or \$1,266,117, as a result of payments made during the year on the State Revolving Fund Loans.

Other Noncurrent Liabilities decreased 28.4%, or \$8,264,916, as a result of decrease in Net Pension and OPEB liabilities.

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

At June 30, 2022 the District had \$22,451,002 of installment sales agreements consisting of four debt instruments; one for water facilities and three for wastewater facilities.

Water Facilities

The District has a Drinking Water State Revolving Fund Loan (DWSRF) used to finance 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) at an annual interest rate of 1.6%. Annual debt service is \$220,420.

The District has also entered into a second DWSRF Loan for funding three projects included in the 2020 Pipeline Replacement Program. The project consists of the Oat Hill Discharge and Alps Way, the Gordon Hill Road, and the Lilac Road Pipeline Replacement Projects. The first draw on the loan was received on October 1, 2022. The SRF Loan has an approved principal value of \$8.5M payable over a thirty-year term (beginning November 1, 2025 and ending November 1, 2054) at an annual interest rate of 1.2%. Annual debt service is expected to be approximately \$340,000.

As of June 30, 2022, the District had no general obligation bonded debt. As the District has issued no bonded debt for public placement since 1968, it is not rated by any investment rating service.

Wastewater Facilities

The District has three Clean Water State Revolving Fund (CWSRF) Loans with the State of California that were used 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 1,247 Equivalent Dwelling Units of capacity. 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 loans are 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 three components of the project include 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 Loans and has a balance of \$19.5M as of June 30, 2022. More detailed information regarding long-term debt activity is presented in Note 5 to the financial statements.

Assessment District No. 2012-1

To provide the additional funding needed to complete the North Village Collection System and Orchard Run Lift Station design two Limited Obligation Improvement Bonds were issued by Assessment District No. 2012-1 under the Improvement Act of 1915 to fund the fourth project component of the Woods Valley Ranch Water Reclamation Facility Phase 2 Expansion, the North Village Collection System. 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 presented on the Fiduciary Statements of this report. More detailed information regarding Assessment District 2012-1 is presented in Note 6 to the financial statements.

CAPITAL ASSETS

Capital assets include land, transmission and distribution system, general plant, and construction-in-progress. At June 30, 2022, the District had \$202,595,259 in capital assets with \$102,133,003 of accumulated depreciation. This represents a net decrease (additions less deductions) of \$144,235 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 2022	Fiscal Year 2021	Increase/ (Decrease)	% Change
Land	\$7,928,708	\$7,928,708	\$0	0.0%
Construction in progress	6,140,017	6,091,196	48,821	0.8%
Transmission and distribution system	170,857,559	166,767,697	4,089,862	2.5%
Right to use leased asset	52,205	52,205	0	100.0%
General plant	17,616,770	17,558,097	58,673	0.3%
Total assets	<u>\$202,595,259</u>	<u>\$198,397,903</u>	<u>\$4,197,356</u>	<u>2.1%</u>

Significant additions to general plant and transmission and distribution include the Advanced Metering Infrastructure System, the painting and recoating of the Couser and Circle R Reservoirs, the Lake Turner Slide Gate, the Calle Oro Verde Pipeline Replacement, and the Moosa HMI/SCADA Migration & Control Upgrades. Significant additions to construction in progress include the Weaver Reservoir Paint and Recoat, the Oat Hill Discharge and Alps Way project, the Moosa Main MCC Replacement, and the Orchard Run Lift Station.

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

ECONOMIC FACTORS

Rates are set annually based upon anticipated water demands, known and anticipated wholesale water and power costs increases from its suppliers, and estimated cost increases for the local labor, materials, chemical and operational cost increases. A significant reduction in consumption could have an adverse effect on the District's financial position in a given fiscal year. However, any long-term impact will be counter-balanced to the District's diversified revenue portfolio, presence of non-commodity service charge, tax and standby/availability charge revenues. 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, 2022, the District had designated \$5,483,188 of its unrestricted net position as a water operating reserve to mitigate the potential impacts of a short to mid-term interruption or reduction in water supply from the SDCWA. This represents approximately four and a half months of 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.

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Financial Statements



VALLEY CENTER MUNICIPAL WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 28,736,540	\$ 23,921,040
Investments (Note 2)	9,539,783	8,372,470
Accounts receivable, net	6,776,780	6,356,632
Woods Valley Ranch Phase 1 receivable (Note 1i)	165,021	161,468
Interest receivable	118,703	90,164
Taxes receivable	37,918	11,812
Other receivables	3,853	681,268
Lease receivable (Note 11)	222,817	-
Inventory (Note 1k)	1,161,022	1,093,525
Prepaid expenses and deposits	344,900	321,908
Total Current Assets	<u>47,107,337</u>	<u>41,010,287</u>
Noncurrent Assets:		
Restricted cash and cash equivalents (Note 2)	582,751	527,951
Restricted investments (Note 2)	3,136,287	1,601,616
Woods Valley Ranch Phase 1 receivable (Note 1i)	2,506,553	2,671,575
Investment in VCMWD AD 2012-1 (Note 2)	4,245,000	3,715,000
Lease receivable (Note 11)	5,850,799	-
Nondepreciable capital assets (Note 4)	14,068,725	13,620,407
Depreciable capital assets, net (Note 4)	86,393,531	86,245,912
Total Noncurrent Assets	<u>116,783,646</u>	<u>108,382,461</u>
Total Assets	<u>163,890,983</u>	<u>149,392,748</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows related to pensions (Note 8)	4,665,030	5,732,274
Deferred outflows related to OPEB (Note 9)	1,349,860	839,770
Total Deferred Outflows of Resources	<u>6,014,890</u>	<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, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

	<u>2022</u>	<u>2021</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable	7,645,566	6,796,507
Accrued payroll	267,092	250,679
Compensated absences (Note 5)	865,082	850,800
Interest payable	255,735	274,066
Customer deposits	11,885,841	5,265,122
Long-term liabilities (Note 5)	1,308,100	1,275,618
Total Current Liabilities	<u>22,227,416</u>	<u>14,712,792</u>
Noncurrent Liabilities:		
Compensated absences (Note 5)	1,606,581	1,613,970
Long-term liabilities (Note 5)	21,196,793	22,462,910
Net pension liability (Note 8)	18,565,726	24,804,319
Net OPEB liability (Note 9)	651,684	2,670,618
Total Noncurrent Liabilities	<u>42,020,784</u>	<u>51,551,817</u>
Total Liabilities	<u>64,248,200</u>	<u>66,264,609</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to pensions (Note 8)	5,981,170	926,231
Deferred inflows related to OPEB (Note 9)	2,043,607	884,093
Deferred inflows for lease receivables (Note 11)	5,910,488	-
Total Deferred Inflows of Resources	<u>13,935,265</u>	<u>1,810,324</u>
NET POSITION:		
Net investment in capital assets	77,957,363	76,127,791
Restricted for facility expansion	3,719,038	2,129,567
Unrestricted (Note 7)	10,046,007	9,632,501
Total Net Position	<u>\$ 91,722,408</u>	<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, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	2022	2021
Operating Revenues:		
Water sales and pumping charges	\$ 34,310,691	\$ 35,796,428
Meter service charges	7,166,011	6,748,844
Wastewater charges	4,601,540	3,589,915
Meter installation fees	933,816	365,321
Other water operating revenues	986,803	2,262,881
Total Operating Revenues	<u>47,998,861</u>	<u>48,763,389</u>
Operating Expenses:		
Cost of water sold	27,742,610	28,666,422
Energy and pumping costs	3,081,255	2,848,421
Water systems operations	6,021,235	5,901,561
Wastewater collection and treatment	1,770,086	1,588,055
Engineering	2,320,092	2,855,523
General and administrative	3,657,388	4,719,888
Depreciation	4,483,611	4,312,773
Total Operating Expenses	<u>49,076,277</u>	<u>50,892,643</u>
Operating Loss	<u>(1,077,416)</u>	<u>(2,129,254)</u>
Nonoperating Revenues (Expenses):		
Property taxes and assessments	3,853,473	3,740,185
Investment income (loss)	(754,118)	277,671
Other nonoperating revenues	474,470	360,531
Interest expense	(489,687)	(514,995)
Gain (loss) on disposal of capital assets	10,523	(61,688)
Total Nonoperating Revenues (Expenses)	<u>3,094,661</u>	<u>3,801,704</u>
Net Income Before Capital Contributions	2,017,245	1,672,450
Capital Contributions	<u>1,815,304</u>	<u>762,983</u>
Change in Net Position	3,832,549	2,435,433
Net Position at Beginning of Year	<u>87,889,859</u>	<u>85,454,426</u>
Net Position at End of Year	<u><u>\$ 91,722,408</u></u>	<u><u>\$ 87,889,859</u></u>

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, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	2022	2021
Cash Flow From Operating Activities:		
Receipts from customers	\$ 48,252,575	\$ 47,537,562
Payments to suppliers	(27,346,803)	(31,298,033)
Payments to employees	(18,136,975)	(14,466,637)
Collection (return) of deposits	5,895,719	1,166,868
Receipts from others	-	360,531
Net Cash Provided by Operating Activities	<u>8,664,516</u>	<u>3,300,291</u>
Cash Flow From Noncapital Financing Activities:		
Receipts from property taxes	<u>3,832,708</u>	<u>3,742,602</u>
Net Cash Provided by Noncapital Financing Activities	<u>3,832,708</u>	<u>3,742,602</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds from disposal of capital assets	10,523	18,209
Acquisition and construction of capital assets	(4,058,664)	(3,782,194)
Proceeds from capital contributions	1,639,443	393,897
Proceeds from leases	235,954	-
Interest paid on debt	(523,985)	(529,679)
Payments on loans	<u>(1,269,873)</u>	<u>(1,246,560)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(3,966,602)</u>	<u>(5,146,327)</u>
Cash Flows From Investing Activities:		
Proceeds from investment in VCMWD AD 2012-1	170,000	165,000
Interest income	482,827	457,831
Proceeds from sale of investments	8,160,988	-
Purchase of investments	<u>(12,474,137)</u>	<u>(605,619)</u>
Net Cash Provided (Used) by Investing Activities	<u>(3,660,322)</u>	<u>17,212</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,870,300	1,913,778
Cash and Cash Equivalents at Beginning of Year	<u>24,448,991</u>	<u>22,535,213</u>
Cash and Cash Equivalents at End of Year	<u>\$ 29,319,291</u>	<u>\$ 24,448,991</u>

(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, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)**

	<u>2022</u>	<u>2021</u>
Reconciliation of Operating Loss to Net		
Cash Provided by Operating Activities:		
Operating income	\$ (1,077,416)	\$ (2,129,254)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,483,611	4,312,773
Other nonoperating revenues	-	360,531
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable, net	(420,148)	(709,916)
Woods Valley Ranch receivable	161,469	157,992
Other receivable	677,415	(673,903)
Work in progress for others	2,042,452	(658,524)
Inventory	(67,496)	31,550
Prepaid expenses and deposits	(4,942)	85,837
Deferred outflows - pensions	1,067,244	(13,520)
Deferred outflows - OPEB	(510,090)	12,622
Accounts payable	478,918	579,717
Accrued payroll	16,413	37,396
Compensated absences	6,893	(107,773)
Customer deposits	3,853,267	1,825,392
Net pension liability	(6,238,593)	1,117,439
Net OPEB liability	(2,018,934)	(1,000,067)
Deferred inflows - pensions	5,054,939	(745,226)
Deferred inflows - OPEB	1,159,514	817,225
Net Cash Provided by Operating Activities	<u>\$ 8,664,516</u>	<u>\$ 3,300,291</u>
Cash and Cash Equivalents:		
Financial Statement Classification		
Cash and cash equivalents	\$ 28,736,540	\$ 23,921,040
Restricted cash and cash equivalents	582,751	527,951
Total Cash and Cash Equivalents	<u>\$ 29,319,291</u>	<u>\$ 24,448,991</u>
Noncash Investing, Capital and Financing Activities		
Net unrealized loss on investments	\$ 1,265,484	\$ 116,403
Capital assets included in increase in accounts payable	370,141	116,907
Capital assets contributed	251,249	369,086
	<u>\$ 1,886,874</u>	<u>\$ 602,396</u>

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022**

	<u>2022</u>	<u>2021</u>
ASSETS:		
Cash and Investments (Note 2)	\$ 1,915,938	\$ 586,581
Taxes receivable	16,784	5,341
Prepaid expenses	131,726	18,050
Construction in progress	-	399,497
Total Assets	<u>2,064,448</u>	<u>1,009,469</u>
LIABILITIES:		
Deposits - Phase III planning	-	375,000
Deposits - Phase III construction	<u>-</u>	<u>350,000</u>
Total Liabilities	<u>-</u>	<u>725,000</u>
NET POSITION:		
Held in trust for the benefit of residents of the AD 2012-1 and CFD 2020-1	<u>\$ 2,064,448</u>	<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
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2022</u>	<u>2021</u>
ADDITIONS:		
Property taxes and assessments	\$ 611,094	\$ 365,895
Investment income	7,543	8,819
Proceeds of debt	700,000	-
Other revenue	1,490	-
Total additions	<u>1,320,127</u>	<u>374,714</u>
DEDUCTIONS:		
Labor and benefits	19,720	2,958
Outside professional services	8,587	4,932
Bond principal	170,000	-
Bond interest	99,035	82,355
Total deductions	<u>297,342</u>	<u>90,245</u>
Change in net position	1,022,785	284,469
Net Position - Beginning, as Restated (Note 15)	<u>1,041,663</u>	<u>-</u>
Net Position - Ending	<u><u>\$ 2,064,448</u></u>	<u><u>\$ 284,469</u></u>

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

Notes to the Financial Statements



**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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.

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's financial activities are accounted for as an enterprise fund. An enterprise fund is a Proprietary-type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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, 2022**

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

(b) Method of Accounting (Continued)

The District also reports the following Fiduciary Fund types:

Custodial Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and other governments. The custodial funds are used to account for taxes received for special assessments debt for which the District is not obligated.

(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, 2022, 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, 2022**

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. All investments are stated at their fair value. The District has not elected to report certain investments at amortized costs.

(h) Accounts Receivable - Water and Wastewater

The District extends credit to customers in the normal course of operations. Management has evaluated the accounts and has established an allowance for doubtful accounts for the accounts that they believe are not collectible.

(i) Woods Valley Ranch Phase 1 Receivable

The Woods Valley Ranch (WVR) 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 \$2,671,574 at June 30, 2022.

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

(j) Investment in VCMWD AD 2012-1

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.

On March 21, 2022, the Valley Center Municipal Water District Assessment District 2012-1 (AD2012-1) issued an additional \$700,000 of limited obligation improvement bonds. The District purchased this bond in its entirety and is the sole bondholder. The VCMWD AD-2012-1 limited obligation bonds totaled \$4,245,000 at June 30, 2022.

(k) Inventory

Inventory consists of water and materials in storage valued at average cost. Water inventory is valued at cost at which the water was purchased using the last-in-first-out (LIFO) method. Total inventory at June 30, 2022 is \$1,161,022.

(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
Right to Use Asset	The estimated life of the leased asset or the contract term whichever is shorter

(m) Compensated Absences

Accumulated unpaid vacation and sick leave totaling \$2,471,663 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2022.

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

(n) Leases

The District is a lessor and lessee for leases as detailed in Footnotes 5 and 11. The District recognizes a lease receivable, a deferred inflow of resources, and a lease payable in the financial statements.

At the commencement of the lease, the District initially measures the lease receivable at the present value of payments expected to be received and paid during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received and the lease payable is reduced by the principal portion of lease payments made. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the district determines the discount rate it uses to discount the expected lease payments to present value.

- The District used the incremental borrowing rate for leases.
- The lease term includes the noncancellable period of the lease.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease payable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease payable.

(o) Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category, deferred actuarial pension costs and deferred actuarial OPEB costs are items that are deferred and recognized as an outflow of resources in the period the amounts become available.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The items, deferred actuarial pension costs, deferred actuarial OPEB costs, and deferred lease revenue are deferred and recognized as an inflow of resources in the period that the amounts become available.

(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

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

(p) Pensions (Continued)

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, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

(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, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

(r) 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.

(s) Prior Year Comparative Information

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

(s) Prior Year Comparative Information (continued)

In addition, certain minor reclassifications of the prior year data have been made to enhance their comparability to the current year.

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, 2022:

	Total	Investment Maturities (In Years)	
		Less Than 1 Year	1 - 5
Cash on hand	\$ 1,400	\$ 1,400	\$ -
Demand deposits	312,302	312,302	-
Investments:			
Money Market Funds	543,693	543,693	-
California Local Agency Investment Fund (LAIF)	341,188	341,188	-
San Diego County Investment Pool	33,172,933	33,172,933	-
United States Government Agencies Securities	5,960,400	198,099	5,762,302
United States Treasury Obligations	1,231,377	499,023	732,354
Certificates of Deposit	2,348,006	244,954	2,103,052
Investment in VCMWD AD 2012-1 Limited Obligation	4,245,000	190,000	4,055,000
Total Cash and Investments	<u>\$ 48,156,299</u>	<u>\$ 35,503,592</u>	<u>\$ 12,652,708</u>
Financial Statement Classification:			
Cash and Cash Equivalents	\$ 28,736,540		
Investments	9,539,783		
Cash and Cash Equivalents - Restricted	582,751		
Investments - Restricted	3,136,287		
Investment in VCMWD AD 2012-1 Limited Obligation	4,245,000		
Fiduciary Funds			
Cash and Investments	1,915,938		
Total	<u>\$ 48,156,299</u>		

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022, (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	\$ 4,245,000
Federal Home Loan Bank	4,286,439

(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, 2022 the District's investments were rated by Standard & Poor's and by Moody's Investors Service as follows:

	<u>Standard & Poor's</u>	<u>Moody's</u>
Money Market Funds	AAAm	Aaa
California Local Agency Investment Fund	Not rated	Not rated
San Diego County Treasurer's Pooled Money Fund	AAA	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, 2022 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.

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 2 - Cash and Investments: (Continued)

(f) 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.

(g) Investment in San Diego County Pooled Investment Fund

The District is a voluntary participant in the San Diego County Pooled Investment Fund (SDCPIF) is a pooled investment fund program governed by the County of San Diego Board of Supervisors and administered by the County of San Diego Treasurer and Tax Collector. Investments in SDCPIF are highly liquid as deposits and withdrawals can be made at any time without penalty. SDCPIF does not impose a maximum investment limit.

(h) Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

The asset or liability's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 2 - Cash and Investments: (Continued)

(h) Fair Value Measurements (continued)

The determination of what constitutes as observable requires judgment by the District's management. District management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment or liability within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to District management's perceived risk of that investment or liability.

Fair value of assets measured on a recurring basis at June 30, 2022 are as follows:

Investment	Total	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
United States Government Agencies Securities	\$ 5,960,400	\$ -	\$ 5,960,400	\$ -
United States Treasury Obligations	1,231,377	-	1,231,377	-
Certificates of Deposit	2,348,006	-	2,348,006	-
Total Investments at Fair Value	<u>\$ 9,539,783</u>	<u>\$ -</u>	<u>\$ 9,539,783</u>	<u>\$ -</u>

Note 3 - Restricted Assets:

Restricted assets were provided by, and are to be used for the following at June 30, 2022.

Funding Source	Use	
Capacity Fees	Facility Expansion	<u>\$3,719,038</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.

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 4 - Capital Assets:

Capital assets consist of the following at June 30, 2022:

	Balance at June 30, 2021*	Additions	Deletions	Balance at June 30, 2022
Capital Assets Not Being Depreciated:				
Land	\$ 7,928,708	\$ -	\$ -	\$ 7,928,708
Construction in progress	6,091,196	4,076,418	(4,027,597)	6,140,017
	<u>14,019,904</u>	<u>4,076,418</u>	<u>(4,027,597)</u>	<u>14,068,725</u>
Capital Assets Being Depreciated:				
Transmission and distribution system	166,767,697	4,480,289	(390,427)	170,857,559
Right to use leased asset	52,205	-	-	52,205
General plant	17,558,097	98,736	(40,063)	17,616,770
	<u>184,377,999</u>	<u>4,579,025</u>	<u>(430,490)</u>	<u>188,526,534</u>
Less Accumulated Depreciation:				
Transmission and distribution system	83,274,782	3,979,481	(390,427)	86,863,836
Right to use leased asset	-	10,270	-	10,270
General Plant	14,805,100	493,860	(40,063)	15,258,897
	<u>98,079,882</u>	<u>4,483,611</u>	<u>(430,490)</u>	<u>102,133,003</u>
Net Capital Assets Being Depreciated	<u>86,298,117</u>	<u>95,414</u>	<u>-</u>	<u>86,393,531</u>
Net Capital Assets	<u>\$100,318,021</u>	<u>\$ 4,171,832</u>	<u>\$ (4,027,597)</u>	<u>\$100,462,256</u>

* Beginning balances have been restated to reflect the implementation of GASB Statement No. 87.

Depreciation totaled \$4,483,611 for the year ended June 30, 2022.

Note 5 – Long Term Liabilities:

Long Term debt consist of the following at June 30, 2022:

	Balance at June 30, 2021*	Additions	Deletions	Balance at June 30, 2022	Current Portion
Installment sales agreements	\$ 23,711,447	\$ -	\$ (1,260,445)	\$ 22,451,002	\$ 1,287,157
Financing loan agreements	27,081	-	(15,967)	11,114	11,114
Lease payable	52,205	-	(9,428)	42,777	9,829
Compensated absences	2,464,770	1,135,691	(1,128,798)	2,471,663	865,082
Total Long Term Liabilities	<u>\$ 26,255,503</u>	<u>\$ 1,135,691</u>	<u>\$ (2,414,638)</u>	<u>\$ 24,976,556</u>	<u>\$ 2,173,182</u>

* Beginning balances have been restated to reflect the implementation of GASB Statement No. 87.

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 \$162,979 at June 30, 2022.

\$ 13,725,726

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 5 – Long Term Liabilities: (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 \$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 \$56,886 at June 30, 2022. 3,730,365

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. 2,929,134

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 \$39,719 at June 30, 2022. 2,065,777
Total Installment Sales Agreements \$ 22,451,002

Financing Loan Agreements

San Diego Gas & Electric (SDG&E), On Bill Financing Loan Agreements - The District entered into an unsecured and non-interest-bearing loan agreement with SDG&E totaling \$94,474 to retrofit the West Pump Station. Principal payments of \$794 are included in the monthly invoice from SDG&E. The loan matures in September 2023. \$ 11,114

Lease Payable

The District has one radio communication site lease payable with a lease term of 5 years. The District is required to make monthly payments ranging from \$867 to \$938, with a discount rate of 2.0%. As of June 30, 2022, the value of the lease payable is \$42,777. \$ 42,777

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 5 – Long Term Liabilities: (Continued)

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

Year Ended June 30	Installment Sales Agreements		Financing Loan	Lease Payable		Total
	Principal	Interest	Agreements Principal	Principal	Interest	
2023	\$ 1,287,157	\$ 475,653	\$ 11,114	\$ 9,829	\$ 766	\$ 1,784,519
2024	1,314,440	448,370	-	10,241	566	1,773,617
2025	1,342,307	420,503	-	10,666	357	1,773,833
2026	1,370,769	392,040	-	11,103	142	1,774,054
2027	1,399,841	362,968	-	938	-	1,763,747
2028-2032	7,457,537	1,356,512	-	-	-	8,814,049
2033-2037	8,278,951	530,469	-	-	-	8,809,420
	<u>\$ 22,451,002</u>	<u>\$ 3,986,515</u>	<u>\$ 11,114</u>	<u>\$ 42,777</u>	<u>\$ 1,831</u>	<u>\$ 26,493,239</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.

On March 21, 2022 VCMWD AD 2012-1 issued another \$700,000 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 \$4,245,000 at June 30, 2022.

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, 2022:

Capital improvements	\$ 20,613,162
Operating reserve	7,006,046
Debt service	1,762,810
Wastewater capital replacement reserves	1,891,286
Net pension liability	(19,881,866)
Net OPEB liability	(1,345,431)
Unrestricted Net Position	<u>\$ 10,046,007</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, (The 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, 2022, are summarized as follows:

	Miscellaneous	
	Prior to <u>January 1, 2013</u>	On or After <u>January 1, 2013</u>
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	14.33%	7.65%

In addition to the contribution rates above, the District was also required to make payments of \$2,050,249 toward its unfunded actuarial liability during the year ended June 30, 2022.

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, 2022**

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, 2022:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2021	\$ 65,275,509	\$ 40,471,190	\$ 24,804,319
Balance at: 6/30/2022	69,117,425	50,551,698	18,565,726
Net Changes	<u>\$ 3,841,915</u>	<u>\$ 10,080,508</u>	<u>\$ (6,238,593)</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, 2020, 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, 2020.
- 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, 2021, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2021, 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, 2021, 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, 2022**

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, 2021, 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, 2021, to obtain the total pension liability and fiduciary net position as of June 30, 2021. 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, 2020 and June 30, 2021, was as follows:

	<u>Miscellaneous Risk Pool</u>
Proportion at measurement date - June 30, 2020	0.588048%
Proportion at measurement date - June 30, 2021	<u>0.977759%</u>
Change - Increase (Decrease)	<u>0.389711%</u>

For the year ended June 30, 2022, the District recognized pension expense of \$2,791,245. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2022:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 737,165	\$ -
Net difference between projected and actual earnings on pension plan investments	-	4,638,168
Adjustment due to difference in proportions	-	1,343,002
Differences between actual and required contributions	1,020,210	-
Contributions after measurement date	<u>2,907,655</u>	-
Total	<u>\$ 4,665,030</u>	<u>\$ 5,981,170</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 8 - Defined Benefit Pension Plan: (Continued)

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

The \$2,907,655 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 Period Ended June 30,	Deferred Outflows/(Inflows) Of Resources
2022	\$ (987,328)
2023	(1,083,614)
2024	(1,132,774)
2025	(1,020,079)
2026	-
Thereafter	-
Total	<u>\$ (4,223,795)</u>

(c) Actuarial Assumptions

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
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, 2022**

Note 8 - Defined Benefit Pension Plan: (Continued)

(d) Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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 Class¹</u>	<u>New Strategy Allocation</u>	<u>Real Return Years 1 – 10^{2,4}</u>	<u>Real Return Years 11+^{3,4}</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>		

¹ In the ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used for this period.

³ An expected inflation of 2.92% used for this period.

⁴ Figures are based on previous ALM of 2017

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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:

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Net Pension Liability - Miscellaneous	\$ 27,691,363	\$ 18,565,726	\$ 11,021,694

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, 2021 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	48
Inactive employees entitled to but not yet receiving benefit payments	4
	<u>89</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2021 to June 30, 2022, the District's cash contributions were \$1,349,860. 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, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020.

Actuarial Assumptions - The total OPEB liability in the June 30, 2020 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	2.30%
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	Pre-65 rate of 7.00% decreasing 0.25% annually to 4.50% Post-65 rate of 6.50% decreasing 0.25% annually to 4.50% Medicare Part B rate of 5.50% decreasing 0.25% annually to 4.50%

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, 2022**

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	8.0%	3.65%
REIT's	3.0%	1.755%
Total	<u>100.0%</u>	6.80%

Long-term expected rate of return is 6.80%

(b) Discount Rate

The discount rate used to measure the total OPEB liability was 6.80 %. 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>
	(a)	(b)	(c) = (a) - (b)
Balance, Beginning of Year	\$ 8,610,087	\$ 5,939,469	\$ 2,670,618
Service cost	215,323	-	215,323
Interest expense	605,221	-	605,221
Benefit payments	(364,965)	(364,965)	-
Changes in assumptions	(117,880)	-	(117,880)
Employer contributions	-	656,994	(656,994)
Differences between expected and	(418,269)	-	(418,269)
Net investment income	-	1,649,671	(1,649,671)
Administrative expense	-	(3,336)	3,336
Balance, End of Year	<u>\$ 8,529,517</u>	<u>\$ 7,877,833</u>	<u>\$ 651,684</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 9 - Other Postemployment Benefits: (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 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
Net OPEB liability (asset)	\$ 1,655,978	\$ 651,684	\$ (194,302)

(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 (7.0% HMO/7.5% PPO Decreasing to 4.50% HMO / 4.50% PPO)	Current Healthcare Cost Trend Rates (6.0% HMO/6.5% PPO Decreasing to 3.50% HMO / 3.50% PPO)	1% Increase (8.0% HMO/8.5% PPO Decreasing to 5.50% HMO / 5.50% PPO)
Net OPEB liability (asset)	\$ (294,931)	\$ 651,684	\$ 1,796,609

(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, 2022**

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, 2022, the District recognized OPEB credit of \$1,369,510. The District reported deferred outflows and inflows of resources related to OPEB from the following sources at June 30, 2022:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (1,095,260)
Changes in assumptions	-	(101,040)
Net difference between projected and actual earnings in OPEB plan investments	-	(847,307)
Contributions subsequent to the measurement date	1,349,860	-
Total	<u>\$ 1,349,860</u>	<u>\$ (2,043,607)</u>

The \$1,349,860 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
2023	\$ (424,973)
2024	(420,005)
2025	(429,360)
2026	(468,737)
2027	(223,941)
Thereafter	(76,591)
Total	<u>\$ (2,043,607)</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. During the year ended June 30, 2022, District contributions were \$1,349,860.

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022 was \$274,236. There were no instances in the past three years where a settlement exceeded the District's coverage.

Note 11 - Lease Receivable:

The District has entered into 11 cell site leases with lease terms ranging from less than one year to 25 years. The lessees are required to make monthly payments ranging from \$878 to \$4,250 and have discount rates ranging from 2.00% to 3.00%. As of June 30, 2022, the lease receivable is \$6,073,616 and deferred inflows of resources is \$5,910,488. The District recognized \$164,883 of lease revenue during the fiscal year.

Note 12 - 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 13 - 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, 2022, the total unpaid amount on these contracts is approximately \$2,954,840 for water operations and \$3,475,091 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, 2022**

Note 14 – Implementation of New Accounting Standards:

As described in Note 11 to the financial statements, the District change accounting policies related to leases by adopting Statement of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, in the fiscal year 2022. The District did not restate prior year balances as it was not practicable to do so.

Note 15 – Prior Period Adjustment

The District recorded an entry to correct the prior year implementation of GASB 84. The prior year financial statements only reflect activity for CFD 2020, however it was determined that AD 2012 also qualified for reporting. The effects of the adjustment are shown below:

	Assesment District 2012-1	Community Facilities District 2020-1	Total
Balance at July 1, 2021	\$ -	\$ 284,467	\$ 284,467
Adjustment to reflect beginning balance of AD 2012-1	757,196	-	757,196
Balance at July 1, 2021, as Restated	<u>\$ 757,196</u>	<u>\$ 284,467</u>	<u>\$ 1,041,663</u>

Required Supplementary Information



VALLEY CENTER MUNICIPAL WATER DISTRICT
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Ten Fiscal Years*

	Measurement Date				
	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Proportion of the collective net pension liability	0.9778%	0.5880%	0.5915%	0.6019%	0.5859%
Proportionate share of the collective net pension liability	\$ 18,565,726	\$ 24,804,319	\$ 23,686,880	\$ 22,685,118	\$ 23,136,342
Covered payroll	\$ 7,042,969	\$ 6,784,178	\$ 6,180,656	\$ 5,894,187	\$ 5,940,494
Proportionate share of the collective net pension liability as percentage of covered payroll	263.61%	365.62%	383.25%	384.87%	389.47%
Plan fiduciary net position as a percentage of the total pension liability	73.14%	62.00%	61.49%	61.51%	59.30%

Notes to Schedule:

Benefit Changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2018 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Changes in Assumptions:

There were no changes in assumptions for 2020.

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies.

On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.500 percent to 7.000 percent using a three year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2018-19 determined in this valuation were calculated using a discount rate of 7.375 percent. In 2015, amounts reported reflect an adjustment of the discount rate from 7.500 percent (net of administrative expense) to 7.650 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.500 percent discount rate.

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

VALLEY CENTER MUNICIPAL WATER DISTRICT
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Ten Fiscal Years*

	Measurement Date		
	6/30/2016	6/30/2015	6/30/2014
Proportion of the collective net pension liability	0.6024%	0.0687%	0.6973%
Proportionate share of the collective net pension liability	\$20,928,033	\$ 18,860,732	\$ 17,234,744
Covered payroll	\$ 5,916,822	\$ 5,465,453	\$ 5,410,242
Proportionate share of the collective net pension liability as percentage of covered payroll	353.70%	345.09%	318.55%
Plan fiduciary net position as a percentage of the total pension liability	58.82%	60.99%	61.73%

Notes to Schedule:

Benefit Changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2018 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Changes in Assumptions:

There were no changes in assumptions for 2020.

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies.

On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.500 percent to 7.000 percent using a three year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2018-19 determined in this valuation were calculated using a discount rate of 7.375 percent. In 2015, amounts reported reflect an adjustment of the discount rate from 7.500 percent (net of administrative expense) to 7.650 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.500 percent discount rate.

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

VALLEY CENTER MUNICIPAL WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN
Last Ten Fiscal Years*

	Fiscal Year			
	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Actuarially determined contribution	\$2,907,655	\$2,736,175	\$2,505,591	\$2,250,183
Contributions in relation to the Actuarially Determined Contribution	<u>(2,907,655)</u>	<u>(2,736,775)</u>	<u>(2,505,452)</u>	<u>(2,250,183)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (600)</u>	<u>\$ 139</u>	<u>\$ -</u>
Covered payroll	\$7,018,725	\$7,042,969	\$6,784,178	\$6,180,656
Contributions as a percentage of covered payroll	41.43%	38.86%	36.93%	36.41%

Notes to Schedule:

Fiscal Year End: 06/30/22

Valuation Date: 06/30/19

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age Normal in accordance with the requirements of GASB 68
Amortization Method	Level percent of payroll
Asset Valuation Method	Market Value
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75% per annum plus merit

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN
Last Ten Fiscal Years***

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Actuarially determined contribution	\$2,061,087	\$1,945,730	\$1,806,422	\$1,764,663
Contributions in relation to the Actuarially Determined Contribution	<u>(2,061,087)</u>	<u>(1,945,730)</u>	<u>(1,806,422)</u>	<u>(1,764,663)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$5,894,187	\$5,940,494	\$5,916,822	\$5,465,453
Contributions as a percentage of covered payroll	34.97%	32.75%	30.53%	32.29%

Notes to Schedule:

Fiscal Year End: 06/30/22

Valuation Date: 06/30/19

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age Normal in accordance with the requirements of GASB 68
Amortization Method	Level percent of payroll
Asset Valuation Method	Market Value
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75% per annum plus merit

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

VALLEY CENTER MUNICIPAL WATER DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years*

	Measurement Date				
	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	\$ 215,323	\$ 222,328	\$ 180,014	\$ 174,771	\$ 163,337
Interest on the total OPEB liability	605,221	640,904	584,591	555,262	525,499
Actual and expected experience difference	(418,269)	(1,031,442)	418,684	-	-
Changes in assumptions	(117,880)	-	(99,117)	-	-
Changes in benefit terms	-	-	-	-	-
Benefit payments	(364,965)	(305,133)	(344,067)	(288,490)	(261,691)
Net change in total OPEB liability	(80,570)	(473,343)	740,105	441,543	427,145
Total OPEB liability - beginning	8,610,087	9,083,430	8,343,325	7,901,782	7,474,637
Total OPEB liability - ending (a)	<u>\$ 8,529,517</u>	<u>\$ 8,610,087</u>	<u>\$ 9,083,430</u>	<u>\$ 8,343,325</u>	<u>\$ 7,901,782</u>
Plan Fiduciary Net Position					
Contribution - employer	\$ 656,994	\$ 643,050	\$ 658,700	\$ 722,386	\$ 690,259
Net investment income	1,649,671	193,466	300,177	323,308	344,077
Benefit payments	(364,965)	(305,133)	(344,067)	(288,490)	(261,691)
Administrative expense	(3,336)	(4,659)	(2,365)	(7,520)	(1,759)
Net change in plan fiduciary net position	1,938,364	526,724	612,445	749,684	770,886
Plan fiduciary net position - beginning	5,939,469	5,412,745	4,800,300	4,050,616	3,279,730
Plan fiduciary net position - ending (b)	<u>\$ 7,877,833</u>	<u>\$ 5,939,469</u>	<u>\$ 5,412,745</u>	<u>\$ 4,800,300</u>	<u>\$ 4,050,616</u>
Net OPEB (asset) liability - ending (a)-(b)	<u>\$ 651,684</u>	<u>\$ 2,670,618</u>	<u>\$ 3,670,685</u>	<u>\$ 3,543,025</u>	<u>\$ 3,851,166</u>
Plan fiduciary net position as a percentage of the total OPEB liability	92.36%	68.98%	59.59%	57.53%	51.26%
Covered-employee payroll**	\$ 4,197,174	\$ 4,637,566	\$ 4,539,319	\$ 5,148,345	\$ 5,018,358
Net OPEB (asset) liability as a percentage of covered-employee payroll	15.53%	57.59%	80.86%	68.82%	76.74%

Notes to Schedule:

Changes in assumptions:

The discount rate of 6.80% was used in the valuation. The interest rate used in the prior valuation was 7.0% per year net of expenses.

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

**The Districts contribution are not determined as a measure of pay and therefore covered-employee payroll has been disclosed.

VALLEY CENTER MUNICIPAL WATER DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
Last Ten Fiscal Years*

	Fiscal Year				
	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 482,483	\$ 578,463	\$ 572,254	\$ 556,404	\$ 637,891
Contributions in relation to the ADC	<u>(656,994)</u>	<u>(643,050)</u>	<u>(658,700)</u>	<u>(722,386)</u>	<u>(690,259)</u>
Contribution deficiency (excess)	<u>\$ (174,511)</u>	<u>\$ (64,587)</u>	<u>\$ (86,446)</u>	<u>\$ (165,982)</u>	<u>\$ (52,368)</u>
Covered-employee payroll	3,947,784	4,197,174	4,664,150	4,539,319	5,148,345
Contributions as a percentage of covered-employee payroll	16.64%	15.32%	14.12%	15.91%	13.41%

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022 were from the June 30, 2021 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll over a closed rolling 15-year period
Asset Valuation Method	Market Value
Inflation	2.30%
Payroll Growth	2.75% per annum, in aggregate
Investment Rate of Return	6.80%, assuming actuarially determined contributions funded into California Employers' Retiree Benefit Trust Investment Strategy 2.
Healthcare cost-trend rates	Based on recent premium experience, assuming 1%-1% increase due to market trends then reduced to a rate reflecting medical price inflation.
Retirement Age	Tier 1 employees - 2.7% @55
Mortality	The probabilities of Retirement are based on the 2021 CalPERS Experience Study The mortality assumptions are based on the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

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Combining Statements



**VALLEY CENTER MUNICIPAL WATER DISTRICT
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2022**

	General	Lower Moosa Wastewater	Woods Valley Ranch Wastewater	Total
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 13,618,635	\$ 1,482,103	\$ 13,635,802	\$ 28,736,540
Investments	9,539,783	-	-	9,539,783
Accounts receivable, net	6,776,780	-	-	6,776,780
Woods Valley Ranch Phase 1 receivable	-	-	165,021	165,021
Interest receivable	118,703	-	-	118,703
Taxes receivable	18,220	-	19,698	37,918
Other receivables	3,853	-	-	3,853
Current lease receivable	222,817	-	-	222,817
Inventory	1,161,022	-	-	1,161,022
Prepaid expenses and deposits	344,900	-	-	344,900
Total Current Assets	<u>31,804,713</u>	<u>1,482,103</u>	<u>13,820,521</u>	<u>47,107,337</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	-	582,751	-	582,751
Restricted investments	3,136,287	-	-	3,136,287
Woods Valley Ranch Phase 1 receivable	-	-	2,506,553	2,506,553
Investment in VCMWD AD 2012-1	3,545,000	-	700,000	4,245,000
Nondepreciable capital assets	8,457,197	674,786	4,936,742	14,068,725
Depreciable capital assets, net	52,559,025	6,348,861	27,485,645	86,393,531
Lease receivable	5,850,799	-	-	5,850,799
Total Noncurrent Assets	<u>73,548,308</u>	<u>7,606,398</u>	<u>35,628,940</u>	<u>116,783,646</u>
Total Assets	<u>105,353,021</u>	<u>9,088,501</u>	<u>49,449,461</u>	<u>163,890,983</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows related to pensions	4,665,030	-	-	4,665,030
Deferred outflows related to OPEB	1,349,860	-	-	1,349,860
Total Deferred Outflows of Resources	<u>6,014,890</u>	<u>-</u>	<u>-</u>	<u>6,014,890</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	7,081,096	38,878	525,592	7,645,566
Accrued payroll	267,092	-	-	267,092
Compensated absences	865,082	-	-	865,082
Interest payable	-	-	255,735	255,735
Customer deposits	3,612,375	22,700	8,250,766	11,885,841
Long-term liabilities	195,193	-	1,112,907	1,308,100
Total Current Liabilities	<u>12,020,838</u>	<u>61,578</u>	<u>10,145,000</u>	<u>22,227,416</u>
Noncurrent Liabilities:				
Compensated absences	1,606,581	-	-	1,606,581
Long-term liabilities	2,787,833	-	18,408,960	21,196,793
Net pension liability	18,565,726	-	-	18,565,726
Net OPEB Liability	651,684	-	-	651,684
Total Noncurrent Liabilities	<u>23,611,824</u>	<u>-</u>	<u>18,408,960</u>	<u>42,020,784</u>
Total Liabilities	<u>35,632,662</u>	<u>61,578</u>	<u>28,553,960</u>	<u>64,248,200</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows related to pensions	5,981,170	-	-	5,981,170
Deferred inflows related to OPEB	2,043,607	-	-	2,043,607
Deferred inflows for lease receivable	5,910,488	-	-	5,910,488
Total Deferred Inflows of Resources	<u>13,935,265</u>	<u>-</u>	<u>-</u>	<u>13,935,265</u>
NET POSITION:				
Net investment in capital assets	58,033,196	7,023,647	12,900,520	77,957,363
Restricted for facility expansion	3,136,287	582,751	-	3,719,038
Unrestricted	630,501	1,420,525	7,994,981	10,046,007
Total Net Position	<u>\$ 61,799,984</u>	<u>\$ 9,026,923</u>	<u>\$ 20,895,501</u>	<u>\$ 91,722,408</u>

VALLEY CENTER MUNICIPAL WATER DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	General	Lower Moosa Wastewater	Woods Valley Ranch Wastewater	Total
Operating Revenues:				
Water sales and pumping charges	\$ 34,310,691	\$ -	\$ -	\$ 34,310,691
Meter service charges	7,166,011	-	-	7,166,011
Wastewater charges	-	1,796,994	2,804,546	4,601,540
Meter installation fees	933,816	-	-	933,816
Other water operating revenues	986,033	770	-	986,803
Total Operating Revenues	43,396,551	1,797,764	2,804,546	47,998,861
Operating Expenses:				
Cost of water sold	27,742,610	-	-	27,742,610
Energy and pumping costs	2,889,006	130,315	61,934	3,081,255
Water systems operations	6,021,235	-	-	6,021,235
Wastewater collection and treatment	-	1,123,025	647,061	1,770,086
Engineering	2,287,313	26,832	5,947	2,320,092
General and administrative	3,101,536	347,771	208,081	3,657,388
Depreciation	3,061,779	343,813	1,078,019	4,483,611
Total Operating Expenses	45,103,479	1,971,756	2,001,042	49,076,277
Operating Loss	(1,706,928)	(173,992)	803,504	(1,077,416)
Nonoperating Revenues (Expenses):				
Property taxes and assessments	3,338,453	-	515,020	3,853,473
Investment income (loss)	(794,576)	17,388	23,070	(754,118)
Other nonoperating revenues	441,855	32,615	-	474,470
Interest expense	(50,731)	-	(438,956)	(489,687)
Gain (loss) on disposal of capital assets	10,523	-	-	10,523
Total Nonoperating Revenues (Expenses)	2,945,524	50,003	99,134	3,094,661
Income (Loss) Before Contributions	1,238,596	(123,989)	902,638	2,017,245
Capital Contributions	1,757,739	54,800	2,765	1,815,304
Change in Net Position	2,996,335	(69,189)	905,403	3,832,549
Net Position at Beginning of Year	58,803,649	9,096,112	19,990,098	87,889,859
Net Position at End of Year	\$ 61,799,984	\$ 9,026,923	\$ 20,895,501	\$ 91,722,408

**VALLEY CENTER MUNICIPAL WATER DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2022**

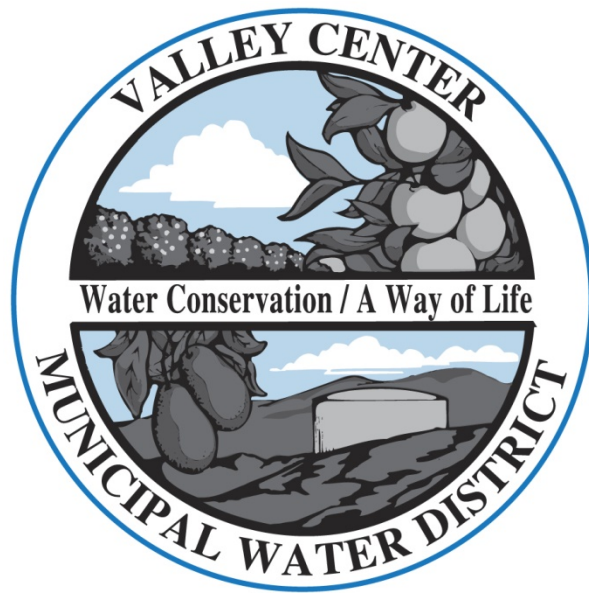
	Assessment District 2012-1	Community Facilities District 2020-1	Total
ASSETS			
Cash and Investments	\$ 1,483,796	\$ 432,142	\$ 1,915,938
Taxes receivable	-	16,784	16,784
Prepaid expenses	-	131,726	131,726
Total Assets	<u>1,483,796</u>	<u>580,652</u>	<u>2,064,448</u>
NET POSITION			
Held in trust for the benefit of residents of the AD - 2012-1 and CFD 2020-1	<u>\$ 1,483,796</u>	<u>\$ 580,652</u>	<u>\$ 2,064,448</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Assessment District 2012-1	Community Facilities District 2020-1	Total
ADDITIONS:			
Property taxes and assessments	\$ 288,553	\$ 322,541	\$ 611,094
Investment income	7,082	461	7,543
Proceeds from issuance of debt	700,000	-	700,000
Other revenue	-	1,490	1,490
Total additions	<u>995,635</u>	<u>324,492</u>	<u>1,320,127</u>
DEDUCTIONS:			
Labor and benefits	-	19,720	19,720
Outside professional services	-	8,587	8,587
Bond principal	170,000	-	170,000
Bond interest	99,035	-	99,035
Total deductions	<u>269,035</u>	<u>28,307</u>	<u>297,342</u>
Change in net position	<u>726,600</u>	<u>296,185</u>	<u>1,022,785</u>
Net Position - Beginning of Year, as Restated	<u>757,196</u>	<u>284,467</u>	<u>1,041,663</u>
Net Position - End of year	<u><u>\$ 1,483,796</u></u>	<u><u>\$ 580,652</u></u>	<u><u>\$ 2,064,448</u></u>

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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	69
<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	71
<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	81
<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	83
<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	85
<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>2022</u>	<u>2021</u>	<u>2020⁽¹⁾</u>	<u>2019</u>	<u>2018⁽¹⁾</u>
Primary government					
Net investment in capital assets	\$ 77,957,363	\$ 76,127,791	\$ 75,005,714	\$ 74,019,639	\$ 71,684,014
Restricted for facility expansion	3,719,038	2,129,567	1,717,852	1,550,544	1,359,327
Unrestricted	10,046,007	9,632,501	8,730,860	11,333,093	10,718,376
Total primary government net position	<u>\$ 91,722,408</u>	<u>\$ 87,889,859</u>	<u>\$ 85,454,426</u>	<u>\$ 86,903,276</u>	<u>\$ 83,761,717</u>
	Fiscal year ended				
	<u>2017⁽¹⁾</u>	<u>2016</u>	<u>2015⁽¹⁾</u>	<u>2014</u>	<u>2013</u>
Primary government					
Net investment in capital assets	\$ 72,382,729	\$ 84,494,979	\$ 79,423,330	\$ 75,462,875	\$ 76,276,487
Restricted for facility expansion	1,177,622	1,075,636	947,142	1,047,564	628,018
Unrestricted	8,073,823	276,747	3,026,744	20,655,672	17,022,399
Total primary government net position	<u>\$ 81,634,174</u>	<u>\$ 85,847,362</u>	<u>\$ 83,397,216</u>	<u>\$ 97,166,111</u>	<u>\$ 93,926,904</u>

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

Source: Valley Center Municipal Water District

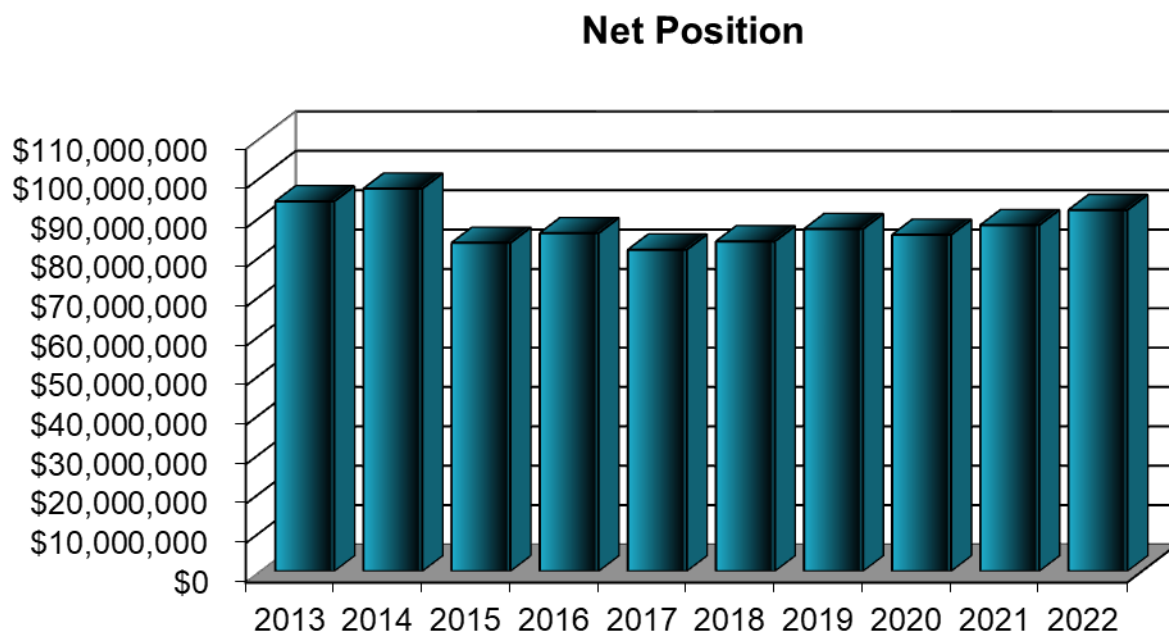


Table II
Changes in Net Position (Last Ten Fiscal Years)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Operating Revenues:										
Water sales ⁽¹⁾	\$39,190,250	\$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
Pumping charges	2,286,452	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
Wastewater charges	4,601,540	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
Meter installation fees	933,816	365,321	320,408	224,666	222,587	196,154	215,995	233,939	139,563	101,930
Other water operating revenues	986,803	2,262,881	453,037	588,436	610,544	645,435	545,347	565,452	622,128	532,841
Total operating revenues	\$47,998,861	\$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
Operating Expenses:										
Cost of water sold	\$27,742,610	\$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
Energy and pumping costs	3,081,255	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
Water systems operations	6,021,235	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
Wastewater collection and treatment	1,770,086	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
Engineering	2,320,092	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
General and administrative	3,657,388	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
Depreciation	4,483,611	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
Total operating expenses	\$49,076,277	\$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
Operating (Loss)	\$ (1,077,416)	\$ (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)
Nonoperating Revenues and (Expenses):										
Property taxes and assessments	\$ 3,853,473	\$ 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
Investment income (loss)	(754,118)	277,671	866,684	861,130	345,698	169,070	201,138	157,024	130,887	82,496
Other nonoperating revenues	474,470	360,531	384,328	336,181	325,571	350,924	328,923	341,794	323,813	291,832
Interest expense	(489,687)	(514,995)	(539,660)	(557,983)	(540,037)	(238,935)	(47,272)	(15,030)	(7,749)	(15)
Gain (loss) on disposal of capital assets ⁽²⁾	10,523	(61,688)	15,074	16,278	123,546	23,747	13,484	(163,605)	(2,448)	(37,238)
Total Nonoperating Revenues and (Expenses)	\$ 3,094,661	\$ 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
Income (Loss) Before Contributions	\$ 2,017,245	\$ 1,672,450	\$ (1,420,524)	\$ (397,770)	\$ 1,849,895	\$ 2,711,564	\$ 806,834	\$ 681,847	\$ 2,056,013	\$ 676,277
Capital contributions	1,815,304	762,983	872,099	3,539,329	396,898	205,285	1,643,312	2,510,558	1,183,194	702,111
Change in Net Position	\$ 3,832,549	\$ 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
Net Position at Beginning of Year	\$87,889,859	\$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
Restatement ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	\$ -	\$ -	\$ (900,425)	\$ -	\$ (119,250)	\$ (7,130,037)	\$ -	\$ (16,961,300)	\$ -	\$ -
Restated Net Position at Beginning of Year	\$87,889,859	\$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
NET POSITION AT END OF YEAR	\$91,722,408	\$87,889,859	\$85,454,426	\$86,903,276	\$83,761,717	\$81,634,174	\$85,847,362	\$83,397,216	\$97,166,111	\$93,926,904

(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 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 ⁽¹⁾ (Last Ten Fiscal Years)

Fiscal Year Ended	Domestic		Commercial		Certified Agricultural ⁽²⁾		Total	
	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet
2022	\$17,947,573	4,893.8	\$3,362,725	1,342.3	\$17,879,952	9,970.9	\$39,190,250	16,207.0
2021	\$17,835,007	4,854.2	\$3,429,176	1,695.8	\$18,861,563	11,132.7	\$40,125,745	17,682.7
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
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
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
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
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
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
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
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) 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

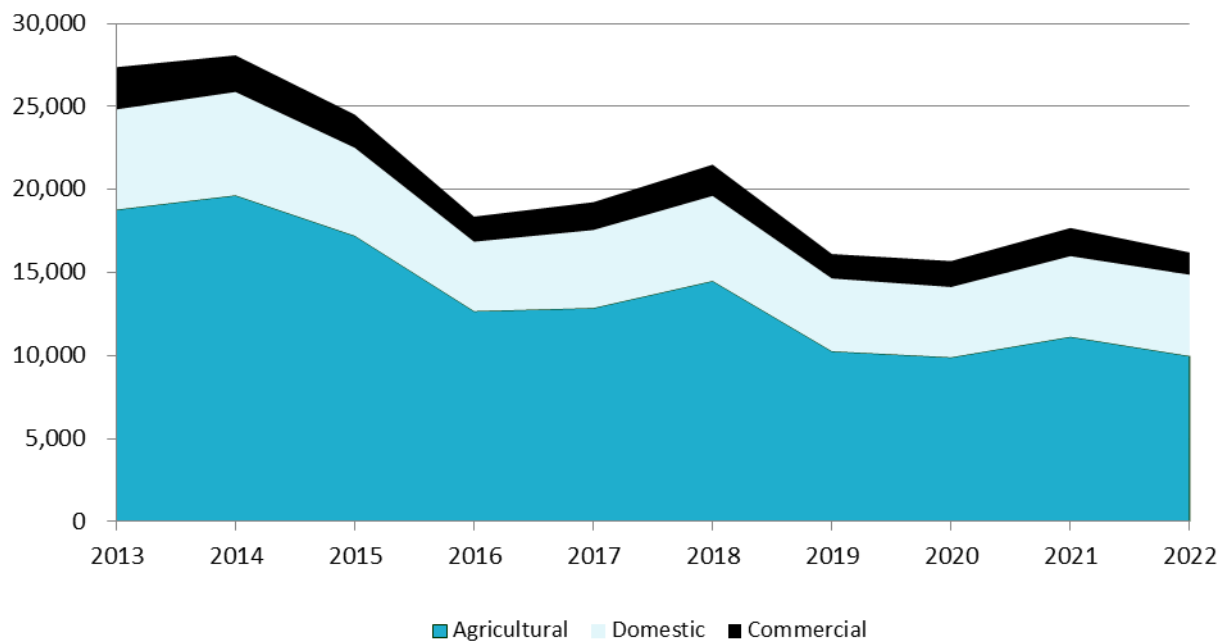


Table IV
Active Water Meters (Last Ten Fiscal Years)

Fiscal Year Ended	Domestic	Commercial	Certified Agricultural ⁽¹⁾	Total Active	All Inactive Meters	Total
2022	10,091	380	645	11,116	886	12,002
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

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

Source: Valley Center Municipal Water District

Active Water Meters

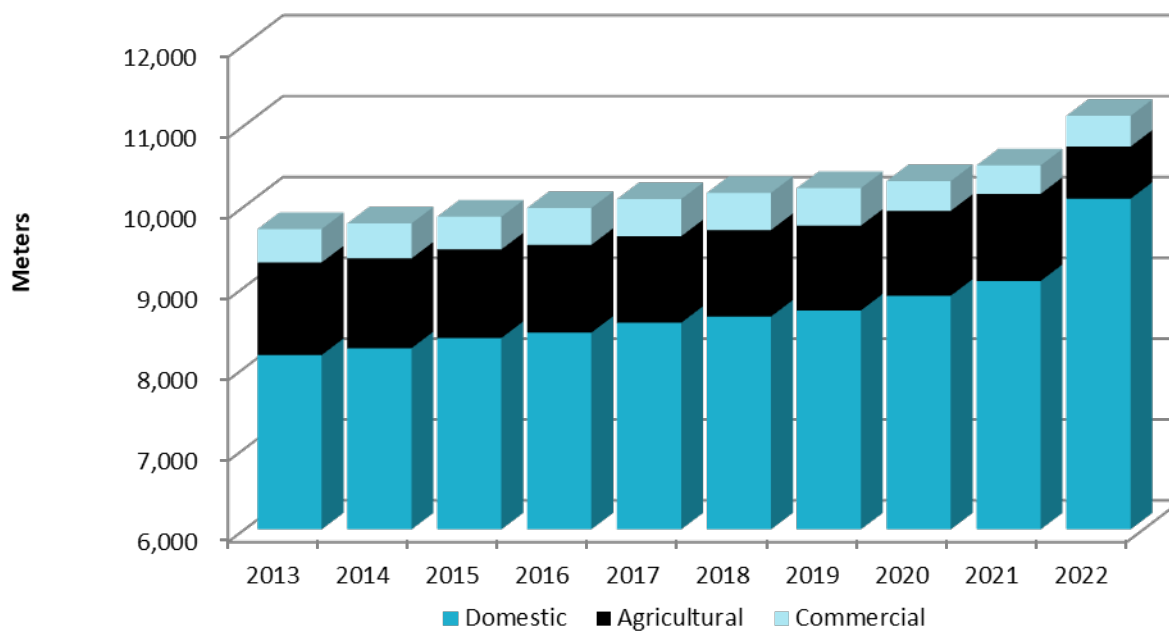


Table V
Assessed Value of Taxable Property (Last Ten Fiscal Years)

Fiscal Year Ended	Secured				Assessed Unsecured Value	Total Assessed Value	Tax Rate
	Real Property	Personal Property	Exemptions	Net Assessed Value			
2022	\$5,819,539,737	\$23,734	\$49,745,335	\$5,769,818,136	\$202,564,317	\$5,972,382,453	0
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

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

Assessed Value of Taxable Property

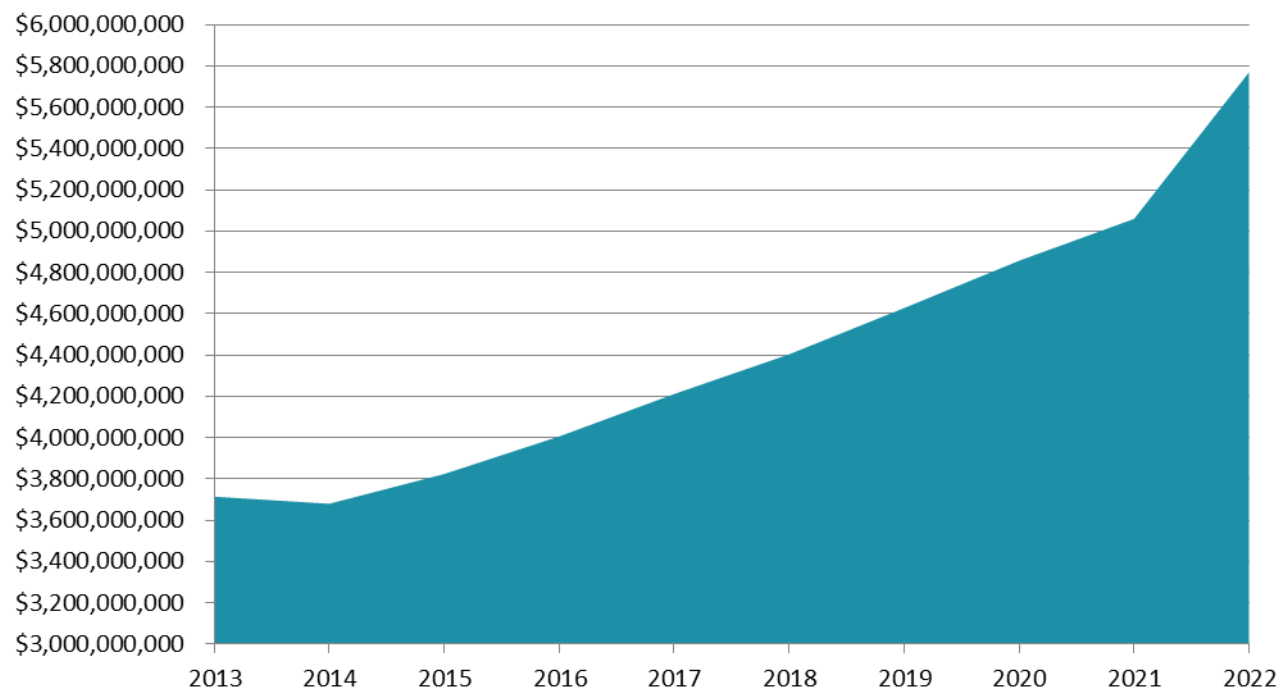


Table VI
Property Taxes and Assessment Levies and Collections⁽¹⁾ (Last Ten Fiscal Years)

Fiscal Year Ended	Levy			Total Collections ⁽³⁾	Net Delinquent ⁽⁴⁾	Percent Delinquent ⁽⁵⁾
	Property Taxes	Special Assessments ⁽²⁾	Total Levy			
2022	\$2,862,972	\$3,853,841	\$6,716,813	\$6,665,680	\$51,133	0%
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%

(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

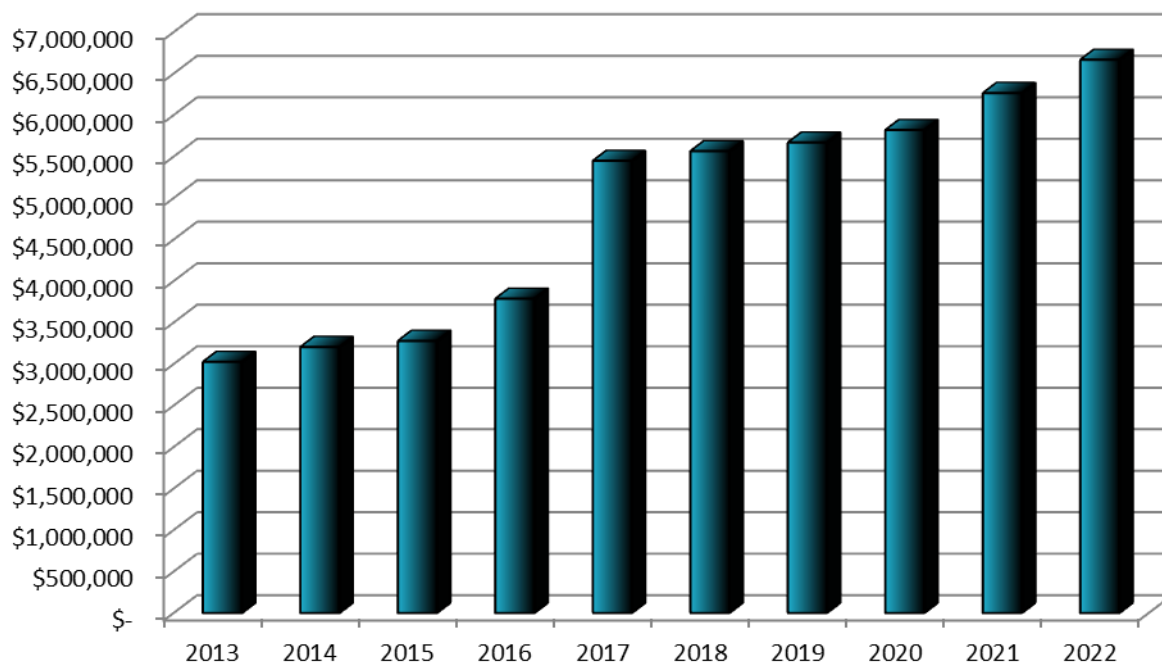


Table VII
Direct and Overlapping Bonded Debt ⁽¹⁾ (June 30, 2021)

2021-22 Assessed Valuation: \$5,309,933,689

	Total Debt 6/30/2022	% Applicable ⁽¹⁾	District's Share of Debt 6/30/22
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 20,175,000	0.156%	\$ 31,473
Palomar Pomerado Hospital District	408,228,082	5.444%	22,223,937
Palomar Community College District	655,840,155	3.796%	24,895,692
Escondido Union High School District	79,639,809	5.860%	4,666,893
Fallbrook Union High School District	39,780,000	0.037%	14,719
Escondido Union School District	170,289,622	6.053%	10,307,631
Fallbrook Union School District	12,830,689	0.040%	5,132
Bonsall Unified School District	11,201,181	3.952%	442,671
Valley Center-Pauma USD Community Facilities District No. 2003-1	6,030,000	100.000%	6,030,000
City of Escondido	50,615,000	0.030%	15,185
Valley Center Municipal Water District	0	100.000%	0
Valley Center Municipal Water District Assessment District No. 2012-1	4,245,000	100.000%	4,245,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$72,878,333</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$ 245,340,000	0.876%	\$ 2,149,178
San Diego County Pension Obligation Bonds	340,825,000	0.876%	2,985,627
San Diego County Superintendent of Schools Certificates of Participation	7,780,000	0.876%	68,153
Palomar Community College District Certificates of Participation	1,440,000	3.796%	54,662
Bonsall Unified School District Certificates of Participation	6,559,500	3.952%	259,231
Escondido Union High School District Certificates of Participation	49,800,000	5.860%	2,918,280
Fallbrook Union High School District General Fund Obligations	6,770,000	0.037%	2,505
Escondido Union School District Certificates of Participation	12,255,000	6.053%	741,795
City of Escondido Certificates of Participation	2,760,000	0.030%	828
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>\$9,180,259</u>
TOTAL DIRECT DEBT			\$0
TOTAL OVERLAPPING DEBT			<u>\$82,058,592</u>
COMBINED TOTAL DEBT			<u>\$82,058,592</u> ⁽²⁾

Ratios to Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	1.37%
Combined Total Debt	1.55%

2021-22 TYPICAL TOTAL TAX RATE (TRA 94-075): 1.06094

KD:(\$550)

- (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.

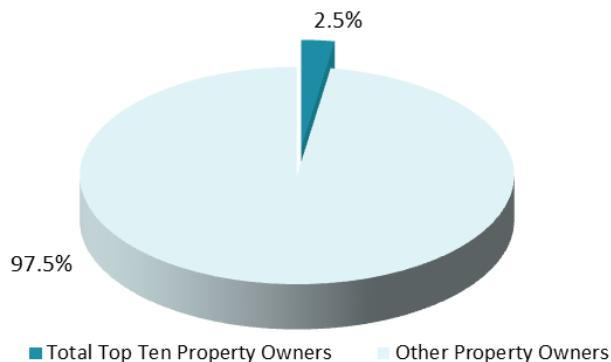
Source: California Municipal Statistics, Inc.

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

Fiscal Year Ended June 30, 2022			Fiscal Year Ended June 30, 2013		
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.	\$60,634,016	1.14%	Welk Resort Platinum Owners Assoc.	\$36,956,539	0.99%
Welk Resort Properties Inc.	12,615,754	0.24%	Bell Holdings LLC	11,406,205	0.31%
Skyline Ranch Country Club LLC	9,716,122	0.13%	Welk Resort Properties Inc.	11,350,005	0.30%
Welk Mountain Villas Inc.	9,491,461	0.18%	San Pasqual Band of Mission Indians	10,253,632	0.27%
Welk Resort Group Inc.	8,956,071	0.17%	ATC Realty Sixteen Inc.	8,830,000	0.24%
Fairfield Farms LLC	7,087,313	0.13%	Josephine Development LLC	8,150,035	0.22%
Jonathan Delsecco Trust 12-26-19	6,834,000	0.18%	Skyline Ranch Country Club LLC	7,860,426	0.21%
Stephen Gardella Jr Trust 07-08-87	5,610,000	0.11%	Welk Mountain Villas	7,261,660	0.19%
Realty Income Properties 23 LLC	5,451,746	0.10%	Federal Boulevard Properties LLC	6,378,016	0.17%
Manhattan West Tax Deferred Real Es	5,279,946	0.10%	Fairfield Farms	5,987,895	0.16%
Total Top Ten Property Owners	\$131,676,429	2.48%	Total Top Ten Property Owners	\$114,434,413	3.06%
Other Property Owners	\$5,178,257,260	97.52%	Other Property Owners	\$3,619,608,165	96.94%
Total Assessed Valuation	\$5,309,933,689	100.00%	Total Assessed Valuation	\$3,734,042,578	100.00%

Data Source: 2022 Master Property Records from San Diego County Used for 2022-23 Property Taxes.

Principal Property Owners 2022



Principal Property Owners 2013

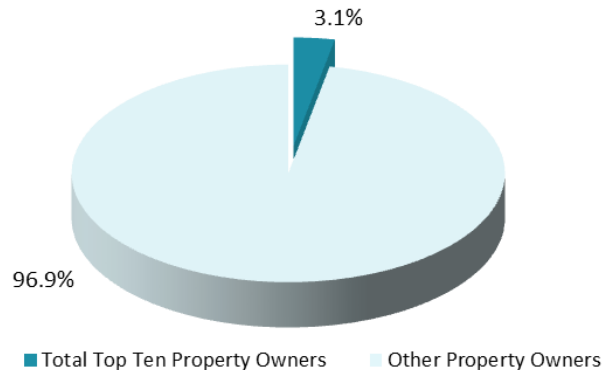


Table IX
Water Rates (Last Ten Fiscal Years)

Fiscal Year Ended ⁽¹⁾	Commodity Charge ⁽²⁾						Monthly Meter Charge ⁽⁴⁾	
	Domestic			PSAWR ⁽³⁾				
	MWD/ SDCWA			MWD/ SDCWA			1"	
	Wholesale	VCMWD	Total	Wholesale	VCMWD	Total	3/4" Meter	Meter ⁽⁵⁾
2022	\$2,101	\$260	\$2,361	\$1,518	\$260	\$1,778	\$45.12	\$61.64
2021	\$2,012	\$246	\$2,258	\$1,467	\$246	\$1,713	\$42.77	\$58.43
2020	\$1,941	\$241	\$2,182	\$1,375	\$241	\$1,616	\$41.77	\$57.06
2019	\$1,884	\$232	\$2,116	\$1,320	\$232	\$1,552	\$39.93	\$54.55
2018	\$1,884	\$232	\$2,116	\$1,320	\$232	\$1,552	\$39.93	\$54.55
2017	\$1,827	\$221	\$2,048	\$1,277	\$221	\$1,498	\$39.93	\$54.55
2016	\$1,714	\$201	\$1,915	\$1,182	\$201	\$1,383	\$36.30	\$49.59
2015	\$1,558	\$183	\$1,741	\$1,151	\$183	\$1,334	\$33.00	\$45.08
2014	\$1,490	\$175	\$1,665	\$1,139	\$175	\$1,314	\$31.55	\$43.10
2013	\$1,419	\$166	\$1,585	\$1,107	\$166	\$1,273	\$31.55	\$43.10

(1) Rate as of January 1.

(2) Excludes pumping charges.

(3) Permanent Special Agricultural Water Rate effective January 1, 2021. Initially implemented by SDCWA on January 1, 2009 as the Transitional Special Agricultural Water Rate.

(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

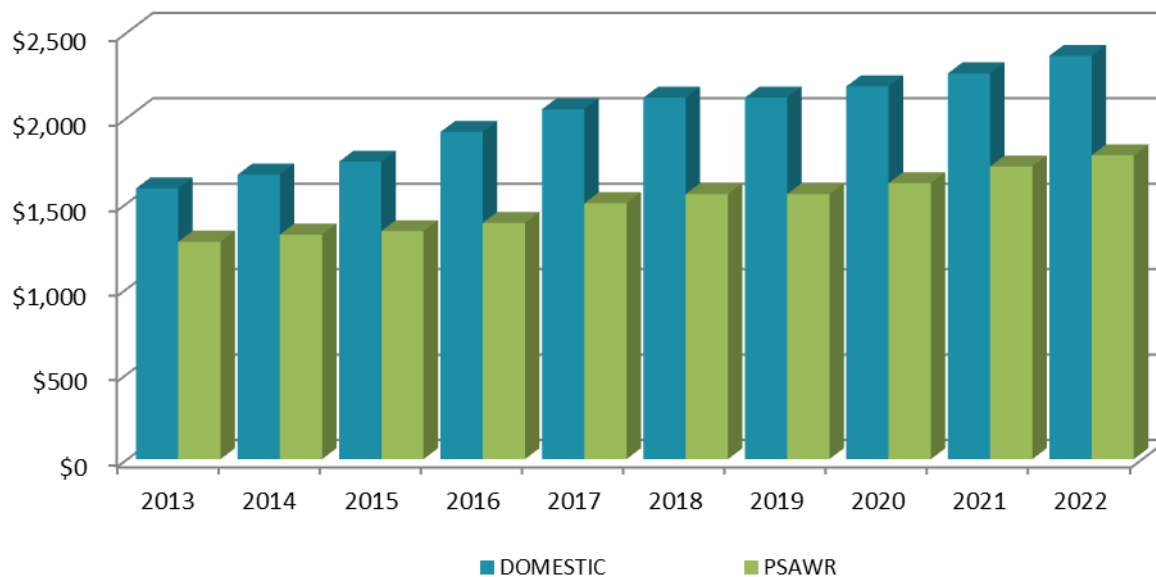


Table X
Wastewater Rates⁽²⁾ (Last Ten Fiscal Years)

Fiscal Year Ended ⁽¹⁾	Moosa Gravity	Moosa Pressure	Woods Valley Ranch
2022	\$58.67	\$107.09	\$98.60
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

(1) Rate as of January 1.

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

Source: Valley Center Municipal Water District

Wastewater Rates

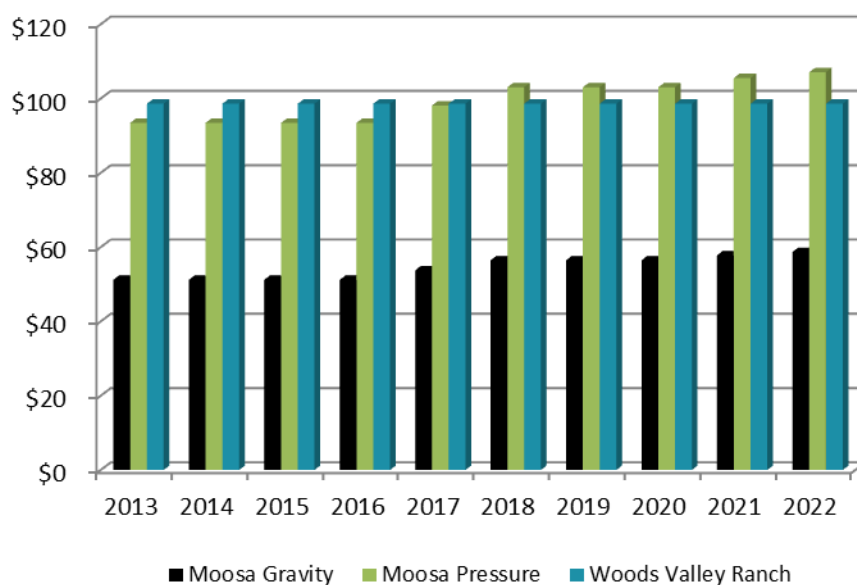


Table XI
Wastewater Services

Fiscal Year Ended ⁽¹⁾	Moosa				Woods Valley Ranch				Grand Total
	Domestic	Commercial	Other	Total	Domestic	Commercial	Other	Total	
2022	2,393	100	1	2,494	626	32	13	671	3,165
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

(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

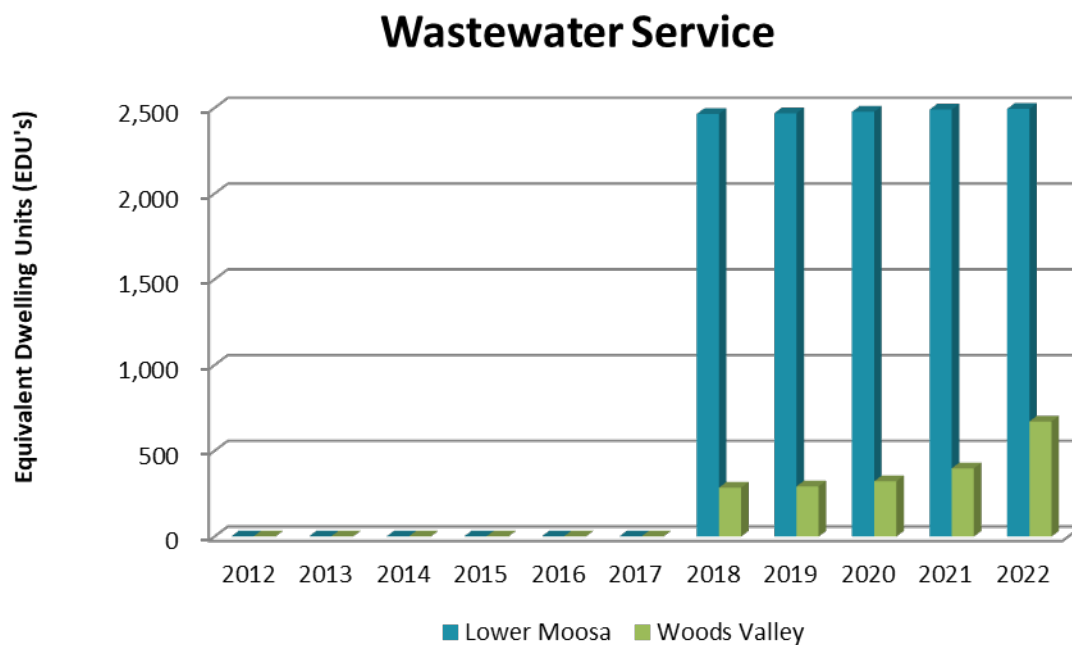
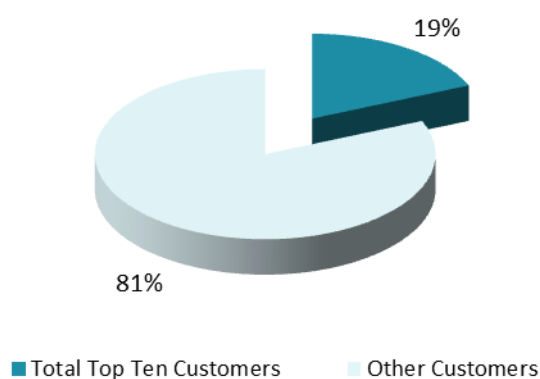


Table XII
Principal Water Customers

Fiscal year ended June 30, 2022			Fiscal year ended June 30, 2013		
Customer	Usage in Acre Feet	Percent of Water Sold	Customer	Usage in Acre Feet	Percent of Water Sold
Harold Investments LP	631.0	3.89%	Coykendall, H. C. J.	551.8	2.02%
BSTCO	397.9	2.46%	Harlan Beck & Associates	525.2	1.92%
2K Commercial CDV LLC	416.3	2.57%	Grandon Ranch Corp.	477.9	1.75%
A-1 Sunshine Farms LLC	326.7	2.02%	Rancho Sereno	338.1	1.24%
Rancho Erico	309.6	1.91%	Gregory Wang	325.9	1.19%
Stehly, N. J.	215.1	1.33%	Mission Produce Inc	321.7	1.18%
Grandon Ranch Corp	208.8	1.29%	Rancho Trio	320.0	1.17%
Holtz, E	181.7	1.12%	Sundance Natural Foods	310.9	1.14%
Rancho Sereno	170.3	1.05%	Rancho Erico	293.6	1.07%
Woods Valley Country Club	157.1	0.97%	Stehly, N. J. C.	290.6	1.06%
Total Top Ten Customers	3,014.6	18.61%	Total Top Ten Customers	3,755.7	13.74%
Other Customers	13,192.4	81.39%	Other Customers	23,614.7	86.26%
Total Water Sales	16,207.0	100.00%	Total Water Sales	27,370.4	100.00%

Source: Valley Center Municipal Water District

Principal Water Customers
2022



Principal Water Customers
2013

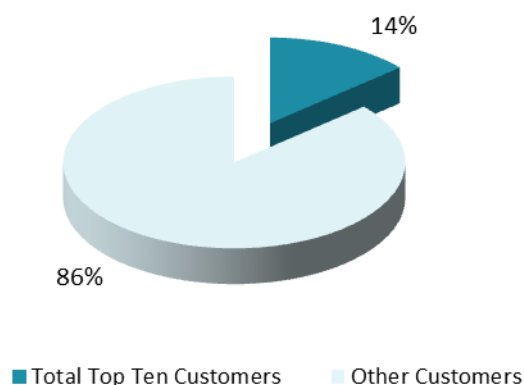


Table XIII
Ratios of Outstanding Debt by Type (Last Ten Fiscal Years)

Fiscal Year Ended	General Obligation Bonds ⁽¹⁾	Revenue Bonds ⁽²⁾	Notes Payable SRF Loan ⁽³⁾	Financing Loan Agreement ⁽⁴⁾	Lease Payable ⁽⁵⁾	Total	Percentage of Personal Income ⁽⁶⁾	Per Capita ⁽⁶⁾
2022	-	-	\$22,451,002	\$11,114	\$42,777	\$22,504,893	1.02%	\$758
2021	-	-	\$23,711,447	\$27,081	-	\$23,738,528	1.22%	\$886
2020	-	-	\$24,945,739	\$39,349	-	\$24,985,088	1.29%	\$876
2019	-	-	\$25,809,665	\$58,943	-	\$25,868,608	1.61%	\$1,004
2018	-	-	\$26,753,731	\$78,537	-	\$26,832,268	1.70%	\$1,042
2017	-	-	\$23,029,735	\$98,130	-	\$23,127,865	1.55%	\$902
2016	-	-	\$7,679,830	\$117,724	-	\$7,797,554	0.54%	\$304
2015	-	-	\$676,310	\$137,318	-	\$813,638	0.06%	\$32
2014	-	-	\$676,310	\$88,123	-	\$764,433	0.06%	\$30
2013	-	-	-	-	-	-	0.00%	\$0

(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) In Fiscal Year 2022 the District recorded a Lease Payable for the right-to-use a leased asset known as the Palomar repeater site.

(6) 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 ⁽¹⁾	Nonoperating Revenues ⁽¹⁾	Gross Revenues	Less: Operating Expenses ⁽¹⁾⁽²⁾	Net Available Revenues	Principal	Debt Service Interest	Total	Coverage Ratio ⁽³⁾
2022	\$47,998,861	\$3,584,348	\$51,583,209	\$44,592,666	\$6,990,543	\$1,275,618	\$489,687	\$1,765,305	3.96
2021	\$48,763,389	\$4,316,699	\$53,080,088	\$46,579,870	\$6,500,218	\$1,252,207	\$514,995	\$1,767,202	3.68
2020	\$41,469,459	\$4,362,747	\$45,832,206	\$42,481,338	\$3,350,868	\$1,211,612	\$539,660	\$1,751,272	1.91
2019	\$41,448,560	\$4,199,475	\$45,648,035	\$41,352,704	\$4,295,331	\$1,182,874	\$557,983	\$1,740,857	2.47
2018	\$50,108,564	\$3,673,774	\$53,782,338	\$47,989,798	\$5,792,540	\$1,108,980	\$540,037	\$1,649,017	3.51
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

(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

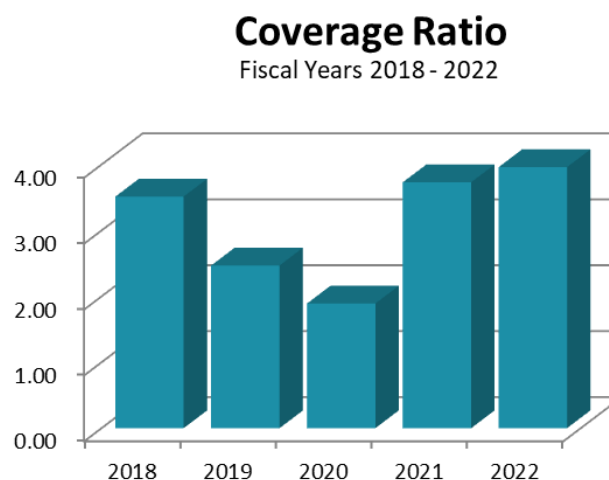
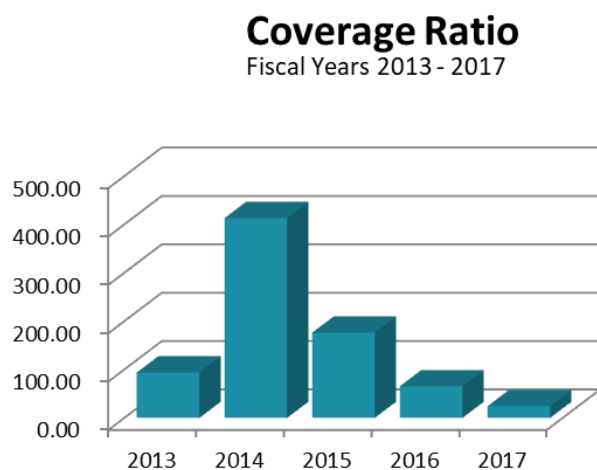


Table XV
Demographic and Economic Statistics (Last Ten Fiscal Years)

Fiscal Year Ended	Population (1)	Total Personal Income (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
2022	29,708	\$2,201,363,000	\$74,100	2.3%
2021	26,780	\$1,945,219,000	\$72,637	3.2%
2020	28,507	\$1,933,630,000	\$67,830	6.4%
2019	25,766	\$1,611,225,000	\$62,533	3.5%
2018	25,760	\$1,581,303,000	\$61,386	3.1%
2017	25,630	\$1,489,026,000	\$58,097	2.3%
2016	25,608	\$1,442,294,000	\$56,322	3.6%
2015	25,394	\$1,353,449,000	\$53,298	3.5%
2014	25,248	\$1,292,041,000	\$51,174	2.9%
2013	25,286	\$1,237,446,000	\$48,938	3.6%

- (1) Beginning FYE 2022, population estimate is based on data from the 2020 federal census. This figure was also used for the Division Boundary Reapportionment that was approved in April 2022. The FYE 2021 population estimate is based on SanDAG Series 14 Regional Growth Forecast (Version 17). The FYE 2020 population estimate is based on ESRI Demographics. Prior to that, years 2013 - 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 County, a close approximation of the VCMWD area. U.S. Department of Commerce, Bureau of Economic Analysis, St. Louis Federal Reserve Economic Data (FRED).
- (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.

Source: Valley Center Municipal Water District except as noted

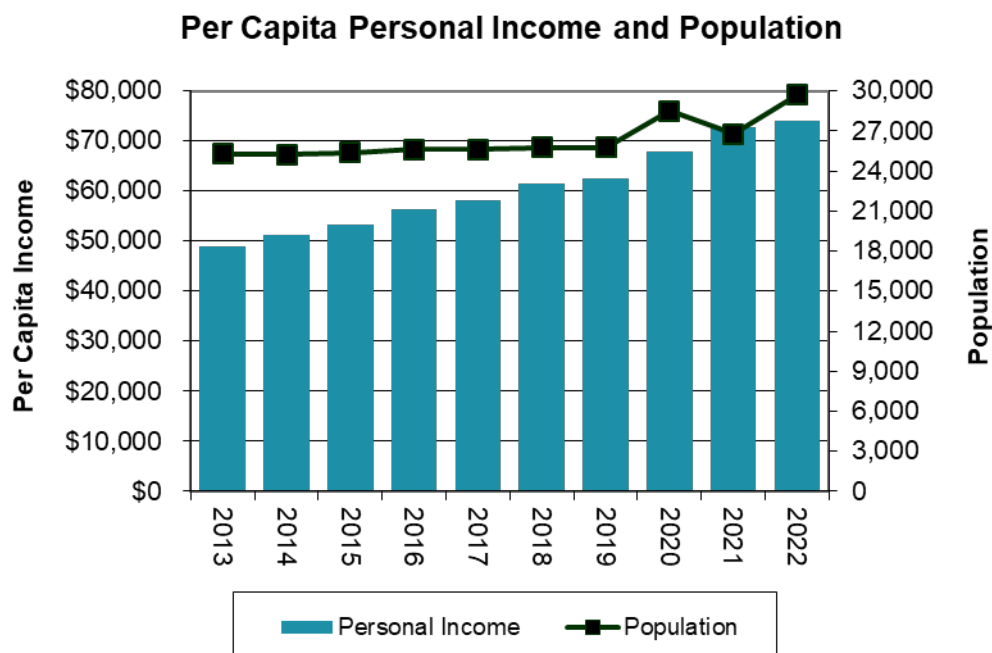


Table XVI
Principal Employers – County of San Diego (Current Fiscal Year and Nine Years Prior)

Fiscal year ended June 30, 2021 ⁽¹⁾				Fiscal year ended June 30, 2012			
Employer	Rank	# of Employees	% of Total Employment	Employer	Rank	# of Employees	% of Total Employment
Naval Base San Diego	1	43,003	3.02%	U.S. Department of Defense	1	136,664	10.83%
University of California, San Diego	2	35,807	2.51%	Federal Government	2	46,300	3.67%
Sharp Healthcare	3	19,321	1.35%	State of California	3	45,500	3.61%
County of San Diego	4	17,285	1.21%	University of California, San Diego	4	27,393	2.17%
Scripps Health	5	14,001	0.98%	North Island Naval Air Station	5	27,000	2.14%
San Diego Unified School District	6	13,559	0.95%	County of San Diego	6	15,109	1.20%
City of San Diego	7	11,295	0.79%	Sharp Healthcare	7	14,969	1.19%
Qualcomm Inc.	8	11,200	0.79%	Scripps Health	8	13,830	1.10%
Kaiser Permanente	9	9,166	0.64%	San Diego Unified School District	9	13,730	1.09%
Northrop Gunman Corporation	10	5,652	0.40%	San Diego State University	10	10,509	0.83%
Total Top Ten		<u>180,289</u>	12.64%	Total Top Ten		<u>351,004</u>	27.83%
2021 Total Number employed in San Diego County		<u>1,426,200</u>		2012 Total Number employed in San Diego County		<u>1,261,900</u>	

⁽¹⁾Source: Courtesy of San Diego County Water Authority, Fiscal Year 2022 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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Pumping	4.88	5.07	4.15	4.43	3.63	4.20	3.58	2.90	3.16	3.42
Water Systems Operations	29.46	29.36	30.30	29.99	28.94	28.51	28.69	30.46	31.40	31.89
Wastewater Collection and Treatment	6.75	7.18	7.03	7.28	6.66	6.39	5.57	5.59	5.75	5.66
Engineering	9.27	9.27	8.75	8.35	8.80	8.60	8.80	9.83	9.40	9.60
General and Administrative	14.35	13.65	13.00	11.00	10.00	10.00	11.00	11.00	10.00	12.00
Capital Outlay ⁽¹⁾	3.27	3.55	4.05	3.24	3.03	4.32	3.71	3.54	3.46	3.60
Developer Projects ⁽²⁾	2.02	1.92	2.72	1.71	0.94	0.98	0.65	0.68	0.83	0.83
Total Employees	70.00	70.00	70.00	66.00	62.00	63.00	62.00	64.00	64.00	67.00
Average Years of Service	11.97	13.34	13.87	15.00	15.44	15.30	15.90	14.10	14.18	13.20

(1) Capitalized into construction in progress.

(2) Charged to work in progress for others.

Source: Valley Center Municipal Water District

Employees

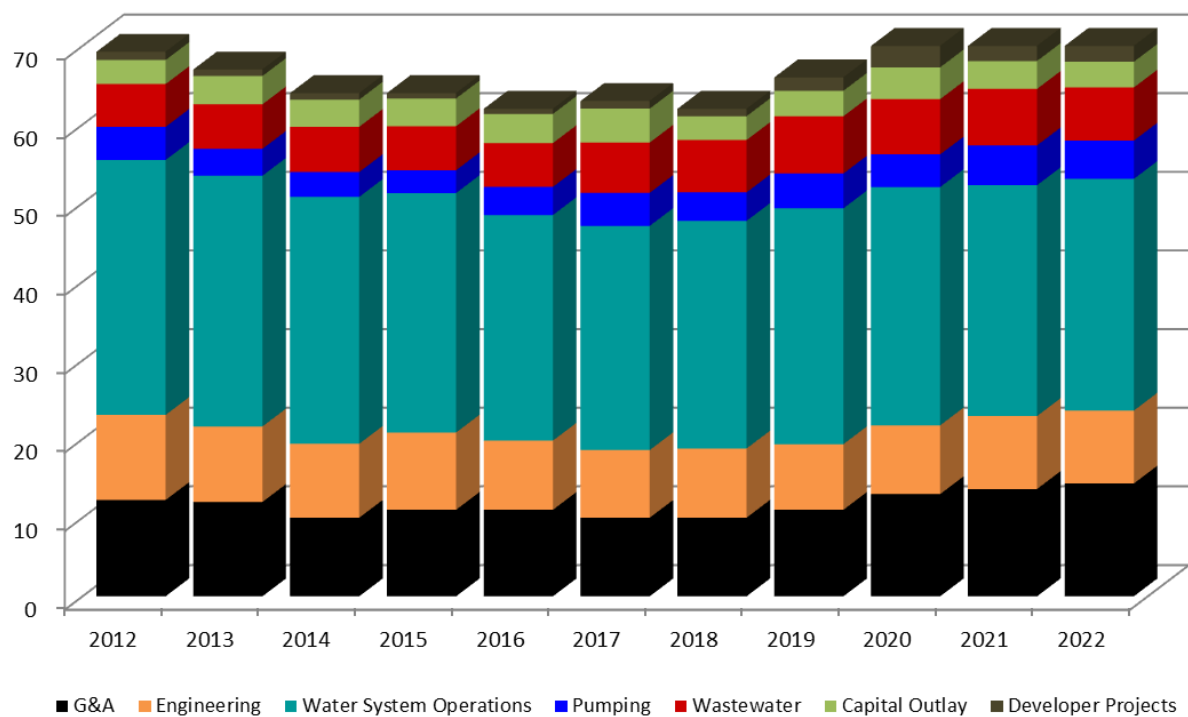


Table XVIII
Operating and Capital Indicators (Last Ten Fiscal Years)

	<u>2022</u>	<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>
Water:										
Service area (acres)	64,293	64,293	64,559	64,557	64,540	64,540	64,540	64,540	64,253	64,253
Miles of water main (8 inches and larger) ⁽¹⁾	339	335	333	333	332	332	301	301	298	297
Number of enclosed reservoirs	40	40	41	41	42	43	43	43	42	42
Capacity of enclosed reservoirs (AF)	431	431	428	433	433	433	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	29	27	26
Number of pumps	105	105	105	105	105	105	106	106	110	106
Total pump capacity (horsepower)	19,960	19,960	19,960	19,960	19,960	19,960	20,310	20,160	20,185	20,185
Number of service connections	12,002	11,401	11,212	11,081	11,027	10,907	10,836	10,761	10,675	10,616
Number of meters in service	11,116	10,503	10,309	10,222	10,163	10,086	9,976	9,869	9,785	9,715
Production peak (m.g.d.)	44.50	34.74	37.73	42.58	41.48	39.90	42.00	50.00	55.84	55.45
Average production (m.g.d.)	14.46	17.10	14.13	15.32	20.11	18.06	17.57	22.83	26.43	26.13
Total rainfall (inches)	10.35	7.67	22.25	20.39	6.29	21.32	11.98	10.10	7.29	8.51
Average daily temperature (F.)	63.50	62.75	62.25	61.80	63.25	61.83	62.75	63.80	63.50	62.33
Electricity purchased (1,000 kWh)	7,147	6,416	5,636	6,414	9,608	6,997	7,344	15,582	16,894	16,276
Natural gas purchased (1,000 therms)	523	760	637	660	729	786	591	234	365	407
Mainline repairs	15	21	23	21	23	21	22	11	15	18
Wastewater:										
Miles of sewer lines ⁽¹⁾	47	42	41	38	38	37	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	0.77	0.57	0.57	0.57	0.57	0.57
Average dry weather flow (m.g.d.)	0.37	0.37	0.37	0.39	0.37	0.36	0.33	0.36	0.37	0.37
Number of sewer connections	3,165	2,888	2,799	2,762	2,750	2,742	2,761	2,769	2,746	2,745

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 2021-22

PAUL ADRIAN	BRADLEY GUEVARA	THANG PHAM
GARY ARANT	CLARENCE LEE HICKS	ANDO PILVE
ALEJANDRA BARRETO VALENZUELA	DEREK HUBBARD	JAMES PUGH
RICHARD BEATH	ANDREW HUERTA	CLIFFORD REEH
DUSTIN BOURGEOIS	RYAN HUGHES	ROY RUTHERFORD
GARRETT BRANDENBURG	TONY JACQUEZ	ALBERTO SANDOVAL
LEONARD BROWN	THAD KLIMAS	JULEE SCOTT
RONALD BURKE	CHRISTOPHER KRATZ	JAMES SEDILLO
JEFFREY BURTON	MASON LAUFFER	YVETTE SERRATO
FERNANDO CARRILLO	WILLIAM LEACH	DANIEL SHUBIN
DANIELLE CATTANEO	BRIAN LOVELADY	MOSES SHUBIN
JOSIAH CRESPO	JESSICA LOVELADY	PAUL STEHLY
RON DARLAND	NIKOLAY LYUBER	JAMES SULLINS
CORT DAY	RYAN MADSON	JARED THOMAS
RAMIRO DE ALBA-JIMENEZ	JOHN MARCHETTA	ROBERT TRUESDALE
EDUARDO DE ALBA	JOHN MARTINEAU	ASHLYN VAN HOUTEN
MARIO DE ALBA	JAMIE MARTINEZ	VANESSA VELASQUEZ
ROMAN DE MANRIQUEZ	MARLENE MARTINEZ	ANNELISE VILLALOBOS
BRANDON DENDY	WILLIAM MORRIS	JACOB VILLALOBOS
MICHAEL FARMER	ISMAEL NAVARRO	GRACE WARREN-DIAZ
GREG FEIK	JAMES NICHOLS	MICHELLE WICK
RODOLFO GARCIA	MICHAEL NICHOLS	CORAL WILLIAMS
BEATRIZ GARNICA	JESON NIKRASCH	KENNETH WILSON
DOMINGO GONZALEZ	GABRIELA OLSON	SHAUN WOODS
MATTHEW GOSWICK	KIRSTEN PERAINO	JAMES WOOTEN
WALLY GRABBE	TAYLOR PETERS	MICHAEL YOUNG

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www.valleycenterwater.org

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