

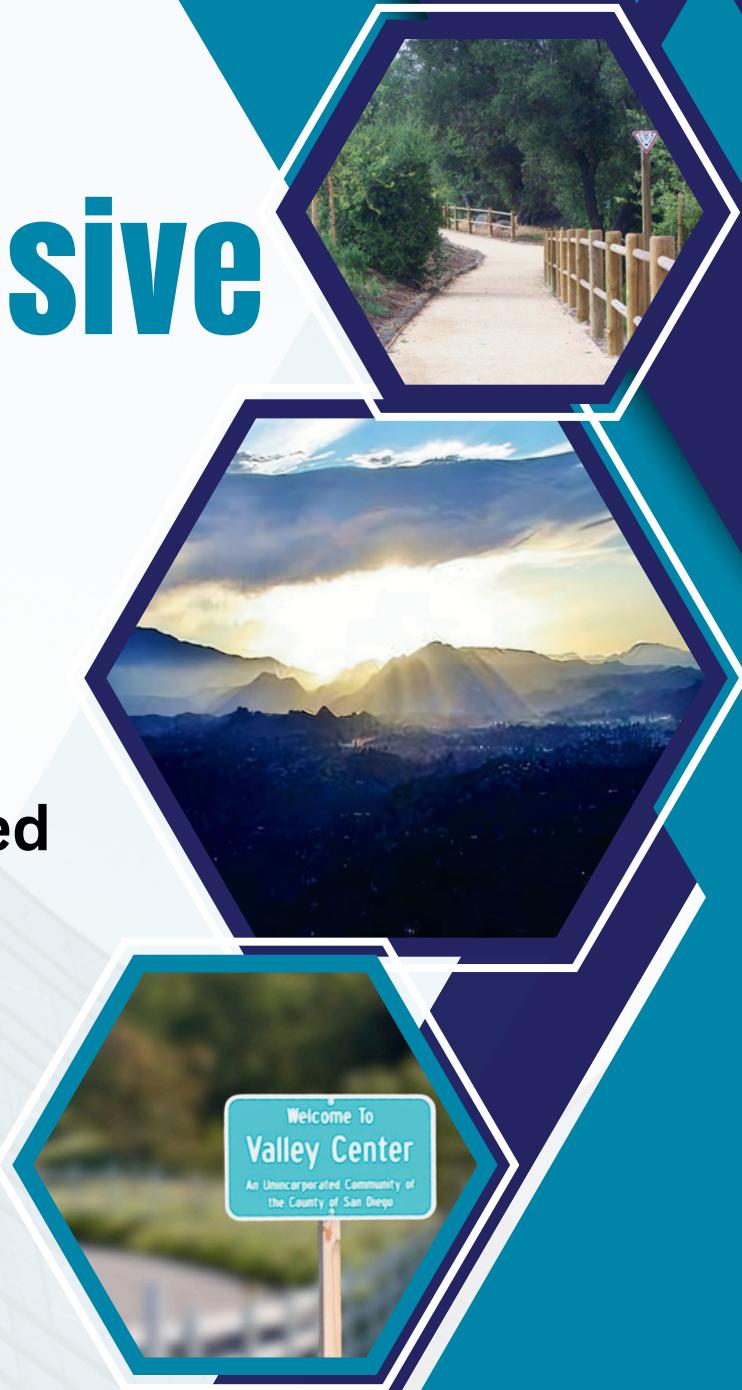


VALLEY CENTER  
MUNICIPAL  
WATER DISTRICT

# Annual Comprehensive Financial Report

For the Fiscal Year Ended  
June 30, 2025

Valley Center, CA



# Annual Comprehensive Financial Report

For The Fiscal Year Ended  
June 30, 2025

---

## Valley Center Municipal Water District



Prepared by:

Valley Center Municipal Water District's Finance Department

James V. Pugh, Director of Finance & Administration

Vanessa Velasquez, Manager of Accounting/Deputy Dir. of Finance & Admin.

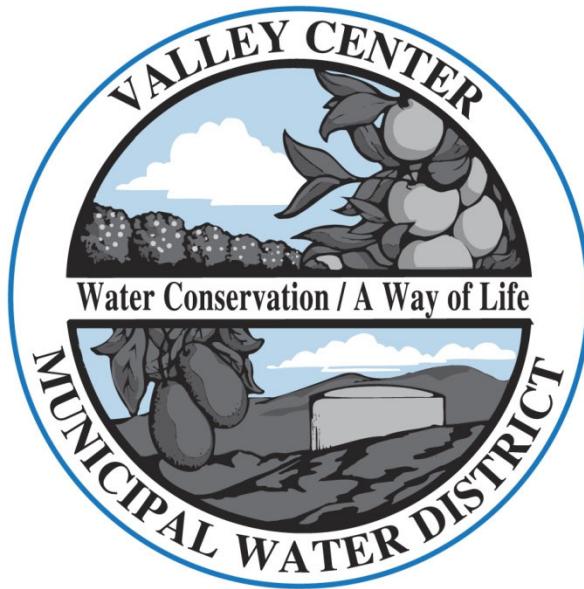
29300 Valley Center Road • PO Box 67 • Valley Center, CA 92082

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

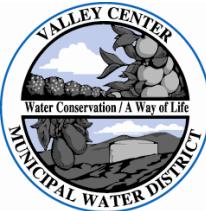
# Table of Contents

|  | Page        |    |
|--|-------------|----|
| <b>Introductory Section</b>  |             |    |
| Transmittal Letter .....   | v           |    |
| District Officials .....   | xviii       |    |
| Organizational Chart .....   | xix         |    |
| District Service Area .....  | xix         |    |
| <b>Financial Section</b>   |             |    |
| Independent Auditor's Report .....   | 3           |    |
| Management's Discussion and Analysis .....                                   | 7           |    |
| Basic Financial Statements   |             |    |
| Statement of Net Position .....  | 20          |    |
| Statement of Revenues, Expenses, and Changes in Net Position .....           | 22          |    |
| Statement of Cash Flows .....  | 23          |    |
| Statement of Fiduciary Net Position.....                                     | 25          |    |
| Statement of Changes in Fiduciary Net Position .....                         | 26          |    |
| Notes to Financial Statements .....  | 27          |    |
| Required Supplementary Information.....                                      | 57          |    |
| Schedule of the Plan's Proportionate Share of the Net Pension Liability..... | 58          |    |
| Schedule of Contributions to the Pension Plan.....                           | 60          |    |
| Schedule of Changes in the Net OPEB Liability and Related Ratios.....        | 62          |    |
| Schedule of OPEB Contributions.....  | 64          |    |
| Supplementary Information – Combining Statements.....                        | 67          |    |
| Description of Fiduciary Funds .....   | 68          |    |
| Combining Schedule of Net Position.....                                      | 69          |    |
| Combining Schedule of Revenues, Expenses, and Changes in Net Position.....   | 70          |    |
| Combining Statement of Fiduciary Net Position.....                           | 71          |    |
| Combining Statement of Changes in Fiduciary Net Position.....                | 72          |    |
| <b>Statistical Section</b>   |             |    |
| Financial Trends   | Table       |    |
| Net Position by Component .....  | I .....     | 75 |
| Changes In Net Position .....  | II .....    | 76 |
| Revenue Capacity   |             |    |
| Water Sales by User Type .....   | III .....   | 77 |
| Active Water Meters .....  | IV .....    | 78 |
| Assessed Value of Taxable Property.....                                      | V .....     | 79 |
| Property Tax and Assessment Levies and Collections .....                     | VI .....    | 80 |
| Direct and Overlapping Bonded Debt .....                                     | VII .....   | 81 |
| Property Owners by Highest Cumulative Net Assessed Property Value .....      | VIII .....  | 82 |
| Water Rates .....  | IX .....    | 83 |
| Wastewater Rates .....   | X .....     | 84 |
| Wastewater Services .....  | XI .....    | 85 |
| Principal Water Customers .....  | XII .....   | 86 |
| Debt Capacity  |             |    |
| Ratios of Outstanding Debt by Type .....                                     | XIII .....  | 87 |
| Pledged-Revenue Coverage .....   | XIV .....   | 88 |
| Demographic and Economic Information   |             |    |
| Demographic and Economic Statistics .....                                    | XV .....    | 89 |
| Principal Employers – County of San Diego .....                              | XVI .....   | 90 |
| Operating Information  |             |    |
| Number of Employees .....  | XVII .....  | 91 |
| Operating and Capital Indicators .....                                       | XVIII ..... | 92 |

# Introductory Section



THIS PAGE INTENTIONALLY LEFT BLANK



# VALLEY CENTER MUNICIPAL WATER DISTRICT

A Public Agency Organized July 12, 1954

Board of Directors  
Enrico P. Ferro  
President  
Daniel E. Holtz  
Vice President  
Cooper T. Ness  
Director  
Alysha M. Stehly  
Director  
Patrick L. Baker  
Director

November 24, 2025

The Honorable Board of Directors and Citizens of Valley Center  
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, 2025. 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, 2025. 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, serving a population of approximately 30,166. 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, 2025, there were 72 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.

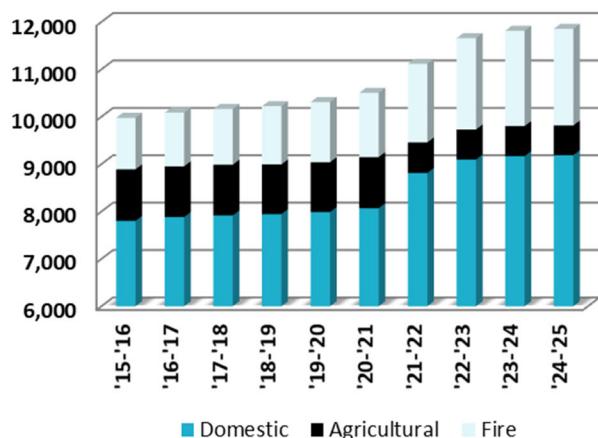
Custodial funds are reported on the Fiduciary Statements for Assessment District No. 2012-1 and Community Facilities District 2020-1, which are described in Note 6 of the Notes to the Basic Financial Statements.



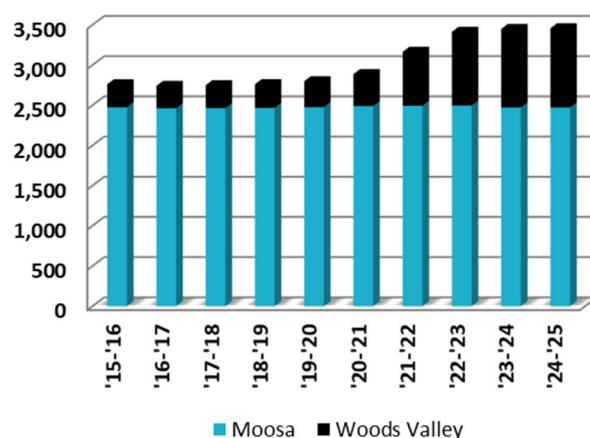
### System Overview

- Aqueduct Connections: 7
- Miles of Water Main: 341
- Enclosed Reservoirs: 40
- Open Reservoirs: 1
- Pump Stations: 29
- Wastewater Treatment Facilities: 2
- Wastewater Connections: 3,458
- Miles of Wastewater Lines: 49
- 2024-25 Revenues: \$68.6 Million
- 2024-25 Expenses: \$55.8 Million

### Active Water Meters



### Wastewater Connections



## FINANCIAL POLICIES

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

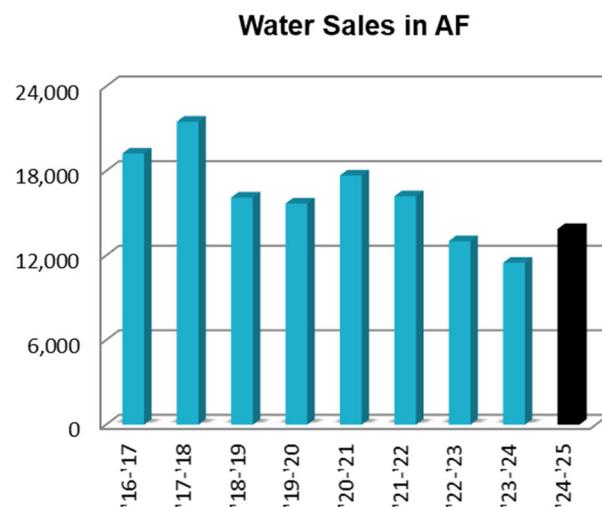
**Budget** – The Board of Directors annually adopts a Budget Policy that defines reserve requirements, outlines the budget process, and assigns control and accountability. Operating and capital budgets for the District are prepared by departments annually and are reviewed and modified by management before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

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

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

## LOCAL ECONOMY AND OUTLOOK

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, now the mix is 56% agricultural and 44% 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.

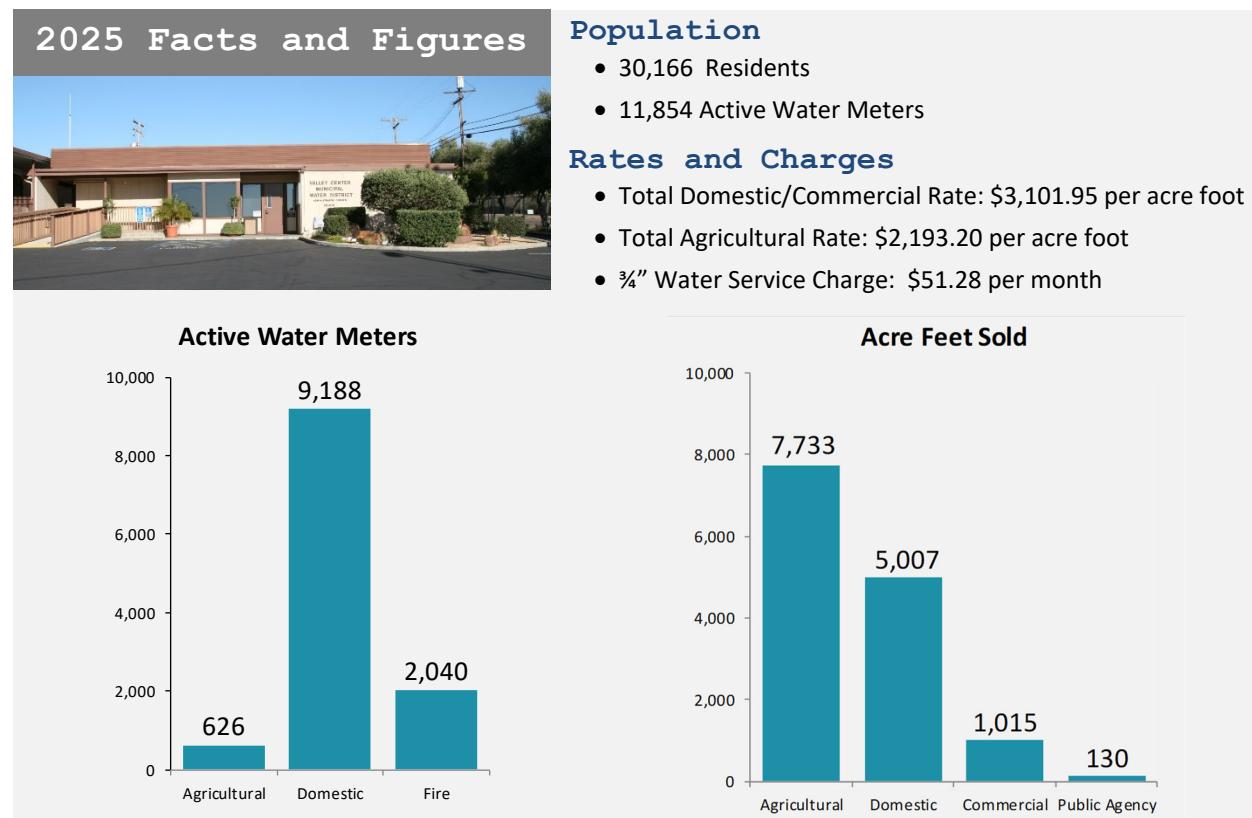


As a result, the District has seen a significant decrease in the volume of water deliveries to its customers. Water sales for the year ended June 30, 2025, totaled 13,885 acre feet. Compared to just 10 years ago, in Fiscal Year 2015-16 when the District sold 18,369 acre feet. Additionally, the volume of water purchased was 14,691 acre feet for the year ended June 30, 2025. By comparison, in Fiscal Year 2015-16, the District purchased 19,657 acre feet of water.

As of June 30, 2025, the estimated population of the area serviced by the District was 30,166. At June 30, 2025, unemployment in California was 5.8%, San Diego County was 4.9%, and the local rate in the Valley Center Census Designated Place (CDP) was 2.7%.

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.

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.



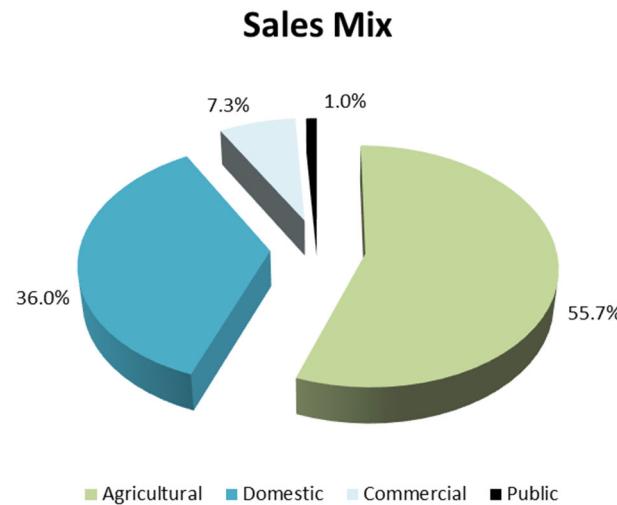
Additionally, the SDCWA added desalinated seawater to its water supply portfolio with the completion of the Carlsbad Desalination Plant in December 2015. This supply reduces the region's dependence on water from the Colorado River and the Bay-Delta that is vulnerable to droughts, natural disasters, and 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 72 new meter accounts having been established during 2024-25. This raised the total number of meter connections within the District to 12,792, of which 2,199 are fire meter accounts. Of the total meter accounts, 779 water service accounts and 159 fire service accounts are inactive, resulting in 11,854 revenue generating water meters at the close of the fiscal year. This is an increase of 41 active service accounts (12 water service and 29 fire) compared to the close of 2023-24.

Private development construction in fiscal year 2024-25 was less than in the prior year as the Park Circle Development nearly 100% complete by the end of the fiscal year. The District continued to process 10 private development projects containing a total of 531 units in various stages of completion, from concept approval to warranty period. Additionally, there are 4 projects with 517 units that are in the active planning stage and 16 inactive projects with 430 units.

For the fiscal year ended June 30, 2025, water sales were 13,885 acre feet, up 2,392 acre feet or 20.8% from sales of 11,493 acre feet in 2023-24. This increase is due in part to a 61% decrease in total rainfall for the year, 8.2 inches versus 20.8 inches in Fiscal Year 2023-24. Water deliveries are broken down as follows: 55.7% for agricultural purposes, 36.0% for domestic, 7.3% for commercial, and 1.0% for public use. The total cost of water purchased for the fiscal year was \$30.9 million, or 61.9% of the District's total water operating expenses (excluding depreciation).



**SDCWA Permanent Special Agricultural Water Rate** – The San Diego County Water Authority's 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 2024 the discount that certified agricultural customers received totaled \$676 per acre foot, based on water rates effective January 3, 2024. With the full PSAWR pricing differential, VCMWD participating agricultural customers will pay \$2,193.21 per acre foot, compared to the \$3,101.96 per acre foot that domestic/commercial customers will pay, a 29% reduction or savings of \$909 per acre foot in calendar year 2025.

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, 2025.

**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.

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.

## 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: North County Emergency Storage Project (NCESP) 14" Pipeline Relocation, the painting and recoating of two reservoirs – McNally Reservoir and Mizpah Reservoir, and Alps Way Pipeline Replacement.



NCESP – 14" Pipeline Relocation  
Creek Crossing



Exterior Paint & Coat of  
Mizpah Reservoir



Interior Paint & Coat of  
McNally Reservoir

**North County Emergency Storage Project** – The North County Emergency Storage Project (NCESP) is the last phase of the San Diego County Water Authority's Emergency & Carryover Storage Project (ESP), originating in 1992. The ESP is a system of interconnected pipelines, pump stations, and reservoirs connected to the regional water distribution system so water can continue to flow throughout the region, even if imported water supplies are disrupted.

Overall, the ESP increased local water storage to approximately 195,000 acre feet along with associated components necessary to convey it throughout the San Diego region. Since its inception, \$1.5 billion in notable facilities have been constructed; the San Vicente Dam Raise, Pipelines and Pump Stations; the Olivenhain Reservoir; and the Lake Hodges Pump Storage Facilities. One of the last projects of the final phase of the program will provide the District and Yuima Municipal Water District (YMWD) access to the additional storage in an emergency event.

The NCESP project involves pump station upgrades, and flow control facilities in multiple work areas throughout Valley Center, restoring flow to areas of the District and YMWD that could not be serviced by SDCWA during an ESP Event.

This phase was managed and implemented by the District, in partnership with YMWD, and funded by San Diego County Water Authority. SDCWA provided over \$12M for the design and construction of the facilities which are scheduled to be completed in the first quarter of 2026, six years since inception of the project and beginning of design and almost three years since initiating construction in June 2023. The project included the replacement and relocation of an inaccessible circa 1970 14-inch water main, fully funded by the District and completed in Fiscal Year 2024-25, to provide a more reliable supply to the area served by the project.



*Ground and aerial views of the North County Emergency Storage Project – Muutama Flow Control Facility*

**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 2024, unaccounted water loss was 3.4% of total water sold, less than the 4.1% reported for Calendar Year 2023.

## **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 east of Cole Grade and south of Woods Valley Road. The facility was originally constructed in 2005 to service the 280-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. 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 dwelling units (EDUs). Total allocated capacity of the facility is 1,527 EDUs.

New homes and businesses continue to be planned and constructed within the service area however at a much slower pace as the Park Circle Community is near completion. As of the close of the fiscal year, the facility served 939 domestic EDUs, 41 commercial units, and 4 public agencies, for a total of 984 EDUs. Compared to the prior fiscal year, which had 976 EDUs, that is an increase of 8, or 0.8%.



*Entrance to the Park Circle Community.*

Ultimate buildout of the service area is planned at 3,000 EDUs requiring a treatment capacity of 475,000 gpd. Construction of the expansion facilities is contingent upon development in the area and the availability of funding. Future discharge locations in addition to the Native Oaks Golf Club may include common area irrigation of nearby developments and roadway medians. At the close of Fiscal Year 2024-25, the District was in negotiations to revise the Recycled Water Use Agreement with the owners of the Native Oaks Golf Club to allow recycled water deliveries up to the future permitted capacity of the treatment facility, as much as 450,000 to 475,000 gpd.



*Lower Moosa Canyon Water Reclamation Facility at sunrise.*

**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 2,474 connected customers via 21.6 miles of VCP and PVC gravity collection mains (varying in size from 8-inch to 18-inch), with over 500 manholes, and 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 major capital improvement work completed included the following projects: Upgrade of Clarifier Number 2 and Improvements to the Chlorine Contact Tank.

Planning and design began on a proposed replacement and upgrade project for the Moosa and Meadows Lift Station Facility. Construction cost of the project is estimated at \$6M to \$7M, with construction scheduled to begin in early Fiscal Year 2026-2027. Improvements at the Moosa facility include replacement of the headworks facility with an influent lift station, flow equalization and grit removal, with ancillary support improvements to the electrical system, and aeration and waste activated sludge pumps. Meadow Lift Station will see the replacement of the electrical system, addition of an inline grinder, replacement of the above ground piping, site grading and paving replacement. Funding for the project would come from debt financing utilizing the replacement reserve funds and the recently implemented Capital Improvement Charge for repayment.



Moosa Clarifier No. 2 Upgrade

### **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. 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** – 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 purchased lots within the development and began model and production home construction in October 2020, with approximately 609 new homes are occupied at the end of Fiscal Year 2024-2025.
- **North Ranch Estates**, previously Weston Towne Center, is a planned mixed-use development in the North Village area on the north side of Valley Center Road with both residential and commercial development. North Ranch Estates has a wastewater capacity allocation of 271 EDUs. The owners of the proposed development continue to evaluate development options.
- The **North Village Station** project is a proposed 80 unit office/professional and commercial development on the south side of Valley Center Road, just west of Indian Creek Road. The developer continued processing their site plan through the County to complete the development entitlements for their project.

## 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, 2024. 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, 2024

*Christopher P. Morrell*

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:



---

Lindsay Leahy, General Manager



---

Gary Arant, General Manager (Fiscal Year 2024-2025)



---

James V. Pugh, Director of Finance and 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, 2024**

**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 2024 totaled 454.3 acre feet, 3.4% of total water sold, representing \$737,776.

**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, 2024 represents 4.6 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 2024 was 4.377% as compared to the 12-month rolling average U.S. Treasury Bonds of 4.693%.

**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 10.3% of Municipal & Industrial and 13.8% 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 106.4% 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.

Of the six District-owned Solar Arrays, with a total capacity of 331.5kWdc, all six exceeded 90% of the low range of anticipated production.

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

Five projects were completed in calendar 2024 at 4.2% over the Engineer’s estimate.

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

Of the fifteen Engineering Department projects with approved funding, all but three 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.

For Calendar Year 2024 service reliability was 99.999%.

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

The District had four recordable accidents with one lost-time accident, representing 0.53% of the total hours worked, in calendar 2024.

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

100%.

## DISTRICT OFFICIALS



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



**Daniel E.  
Holtz**  
Vice President  
Division 5  
Since 2018



**Oliver J.  
Smith**  
Director  
Division 3  
Since 2018



**Cooper T.  
Ness**  
Director  
Division 2  
Since 2022



**Alysha M.  
Stehly**  
Director  
Division 1  
Since 2024

| Years of Service     |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| 9                    | 7                    | 7                    | 3                    | 1                    |
| <i>December 2028</i> | <i>December 2026</i> | <i>December 2026</i> | <i>December 2026</i> | <i>December 2028</i> |

## EXECUTIVE MANAGEMENT

**Lindsay Leahy**  
General Manager  
0 years of service

**Gary T. Arant** (Fiscal Year 2024/25)  
General Manager  
36 years of service

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

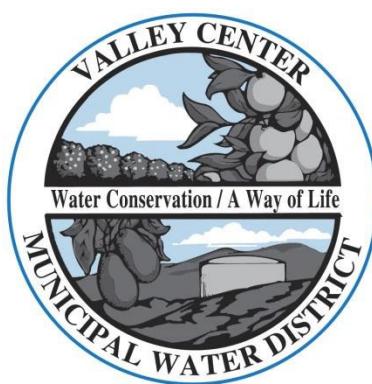
**Brian E. Lovelady**  
Director of Operations/Facilities  
36 years of service

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

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

**Vanessa Velasquez**  
Manager of Accounting/Deputy  
Director of Finance & Administration  
10 years of service

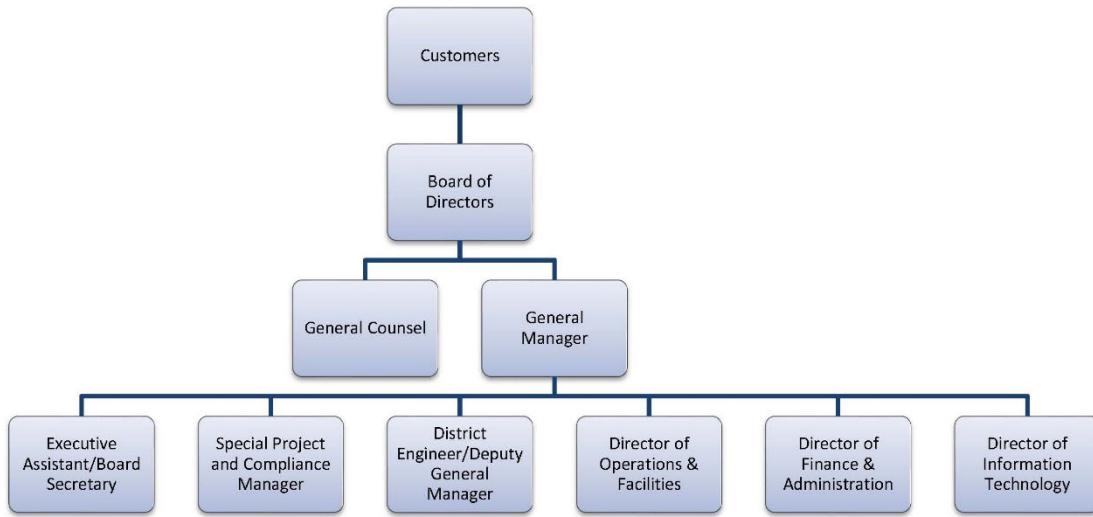
**Kirsten N. Peraino**  
Executive Assistant  
Board Secretary  
5 years of service



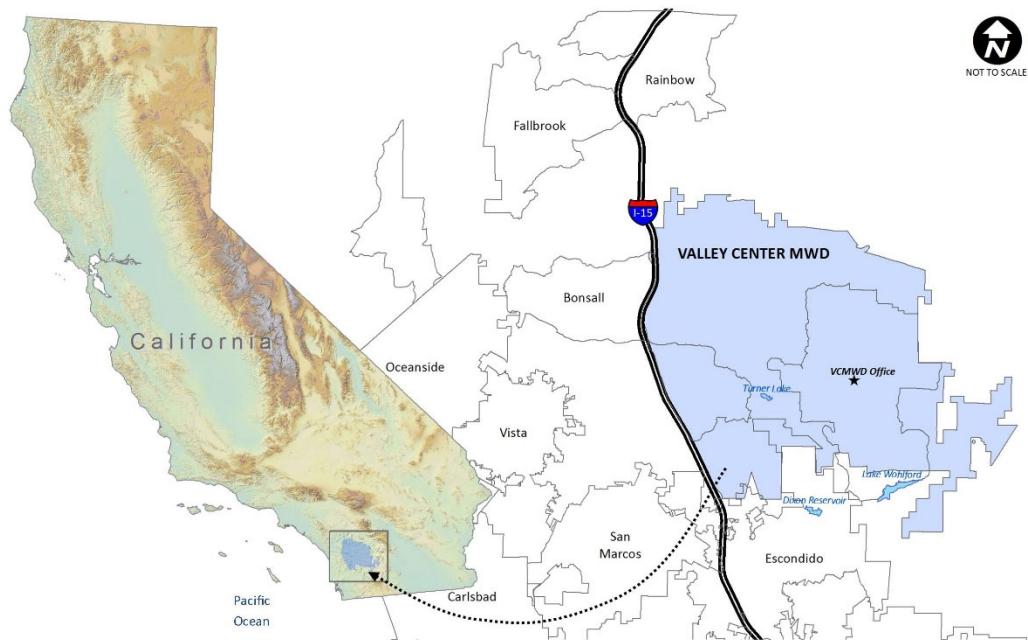
## GENERAL COUNSEL

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

## DISTRICT ORGANIZATION CHART



## DISTRICT SERVICE AREA



THIS PAGE INTENTIONALLY LEFT BLANK

# Financial Section



THIS PAGE INTENTIONALLY LEFT BLANK

### Independent Auditor's Report

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the business-type activity and the aggregate remaining fund information of Valley Center Municipal Water District ("the District") as of and for the year ended June 30, 2025 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 activity and the aggregate remaining fund information of the District, as of June 30, 2025, 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 Opinions***

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 opinions.

#### ***Emphasis of Matter***

As described further in Note 1 to the financial statements, during the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. Our opinion is not modified with respect to this matter.

#### ***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 opinions. 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.

### **Report on Summarized Comparative Information**

We have previously audited the District's 2024 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated November 27, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **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 Schedule of Net Position, Combining Schedule of Revenues, Expenses and Change in Net Position, Combining Statement of Fiduciary Net Position, and Combining Statement of Changes in Fiduciary Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Schedule of Net Position, Combining Schedule of Revenues, Expenses and Change in Net Position, Combining Statement of Fiduciary Net Position, and Combining Statement of Changes in Fiduciary Net Position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

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

### **Other Information**

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

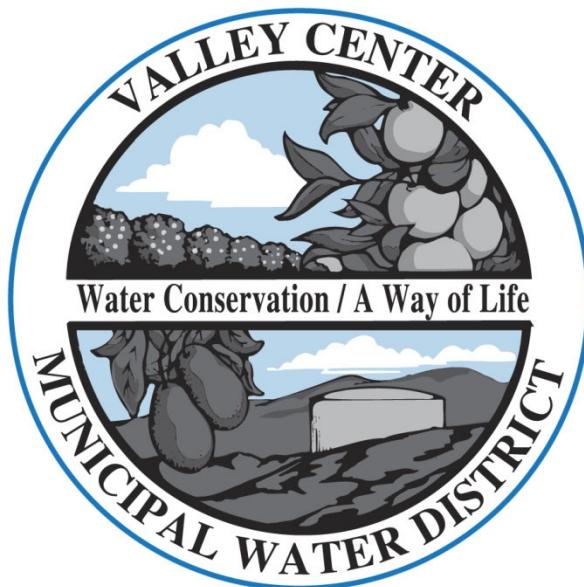
### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2025 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  
November 17, 2025

# 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, 2025, 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, 2025. 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 2024-25. Sources of revenues were sufficient to cover combined operating and non-operating costs with an increase in net position of \$12,779,072, due largely to capital contributions.

### Water System Operations

New water services added this year totalled 72, representing a 0.6% increase in the number of accounts it serves; compared to the prior year's increase of 165 accounts, representing a 1.3% increase. Total water services now equal 12,792 accounts, of which 11,854 are active and 938 inactive. During Fiscal Year 2024-25, water sales totaled 13,885 acre feet (AF) increasing 20.8%, or 2,392 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 down totaling 8.2 inches compared to the prior year of 20.8 inches, a 60.6% decrease. The average temperature was 63.2 degrees during Fiscal Years 2024-25 compared to 62.0 degrees in Fiscal Year 2023-24.

Cost of Water Sold is the District's highest single water operating expense. In January 2025, wholesale treated water rates from the San Diego County Water Authority increased 16.1% for domestic customers and 9.0% for certified agricultural customers. The total Cost of Water Sold during FY 2024-25 was \$30,868,413, or 29.4% higher than the previous year. The total amount of water purchased during the year was 14,691 AF compared to 12,236 AF in the previous year.

### Wastewater System Operations

The original capacity of the Woods Valley Ranch Water Reclamation Facility provided wastewater service for 280 equivalent dwelling units generating annual sewer service charge and sewer standby fee revenue of \$330,660. With completion of the Woods Valley Ranch Expansion Project, wastewater capacity was made available for an additional 1,247 units. 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 Limited 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 complete 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 benefiting 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. 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<br>2025        | Fiscal Year<br>2024        | Increase/<br>(Decrease)    | %<br>Change         |
|---|----------------------------|----------------------------|----------------------------|---------------------|
| Water Sales (Acre Feet)                           | 13,885                     | 11,493                     | 2,392                      | 20.8%               |
| <b>Revenues by Category:</b>                      |                            |                            |                            |                     |
| Water sales and pumping charges                   | \$36,482,154               | \$27,646,096               | \$8,836,058                | 32.0%               |
| Meter service charges                             | 8,903,965                  | 8,190,391                  | 713,574                    | 8.7%                |
| Meter installation fees                           | 363,814                    | 477,360                    | (113,546)                  | -23.8%              |
| Other water operating revenues                    | 1,391,954                  | 674,435                    | 717,519                    | 106.4%              |
| Wastewater charges                                | 4,736,908                  | 4,500,955                  | 235,953                    | 5.2%                |
| Property taxes and assessments                    | 4,667,255                  | 4,486,949                  | 180,306                    | 4.0%                |
| Investment income (loss)                          | 2,204,111                  | 2,046,267                  | 157,844                    | 7.7%                |
| Other nonoperating revenues                       | 412,972                    | 397,513                    | 15,459                     | 3.9%                |
| Gain (loss) on disposal of capital assets         | (33,918)                   | 56,480                     | (90,398)                   | -160.1%             |
| Total Revenues                                    | <u>59,129,215</u>          | <u>48,476,446</u>          | <u>10,652,769</u>          | <u>22.0%</u>        |
| Capital contributions                             | <u>9,394,341</u>           | <u>4,261,441</u>           | <u>5,132,900</u>           | <u>120.5%</u>       |
| <b>Total Revenues &amp; Capital Contributions</b> | <b><u>\$68,523,556</u></b> | <b><u>\$52,737,887</u></b> | <b><u>\$15,785,669</u></b> | <b><u>29.9%</u></b> |

Combined revenues (excluding capital contributions) for the fiscal year totaled \$59,129,215, an increase of \$10,652,769 or 22.0% from the previous year. Details of this increase in revenues are as follows:

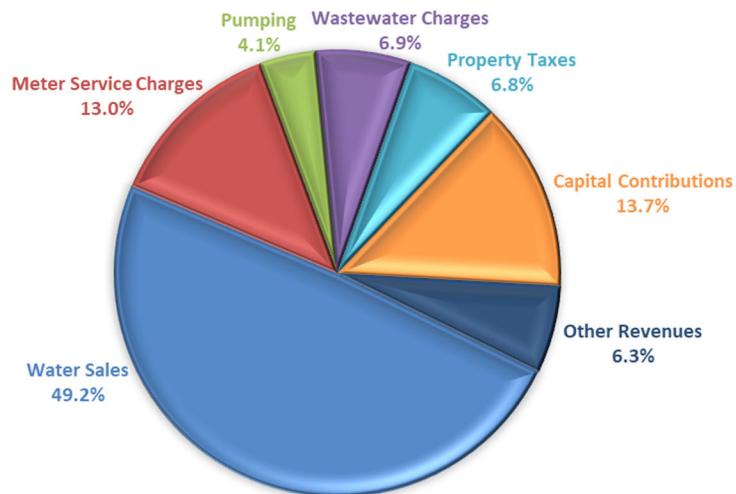
**Water sales and pumping** revenue increased 32.0% or \$8,836,058, from the prior year as the sales volume increased by 2,392 acre feet. The lower than average rainfall directly affects agricultural sales which is still the largest majority of the Districts sales mix. The increase is due to the relatively dry weather conditions experienced during Fiscal Year 2024-25. Sales to Certified Agricultural customers increased 1,373 AF for a total of 7,733 AF from 6,360 AF in the prior year, representing a 21.6% increase.

**Meter service charges** of \$8,903,965 were \$713,574, or 8.7%, higher than the prior fiscal year. The majority of this increase is due to the implementation of a new charge, the MWD Fixed Charge Passthrough, that went into effect on January 1, 2025. Additionally, the monthly meter service charges increased 5.1% on the same day. Furthermore, the number of active meters increased by 41 bringing the Fiscal Year 2024-25 count to 11,854 from 11,813 in the prior year.

**Meter installation fees** for the year were down 23.8%, or \$113,546, from the prior year due to a decrease in the amount of new water meters and backflow devices purchased and installed. The majority of which are attributable to the near completion of the Park Circle development.

**Other Water Operating Revenues** increased by 106.4%, or \$717,519, as a result of higher delinquency fees and the one-time revenues of \$520,000 that were received from Bond proceeds for reimbursement of District expenses for the construction of the Orchard Run Lift Station.

### Source of Revenues Fiscal Year Ended June 30, 2025



**Wastewater charges** are up by 5.2% or \$235,953. This increase is primarily due to two reasons, one being the collection of the Capital Improvement Charge which was implemented for the first time on January 3, 2024. This charge generated \$356,000 in Fiscal Year 2024-25, which was the first full fiscal year that the charge was collected. Second, a 5.1% increase to the wastewater service charges and the low-pressure sewer system charge went into effect on January 1, 2025 resulting in increased revenue from wastewater charges. Additionally, total active service connections increased slightly in the Woods Valley Ranch service area. The number of active meters increased by 8 bringing the Fiscal Year 2024-25 count to 984 as compared to 976 in the prior year.

**Property taxes and assessments** increased by 4.0%, or \$180,306. This increase is due to the increase in Total Assessed Value as a result of the completion of the final phases of the Park Circle Development, resulting in higher Current Secured Property Tax Revenue than normal. For all Fixed Charge Special Assessments (excluding the CFD 2020-1 Special Tax), the District has adopted San Diego County's Teeter Plan, an alternative method of distribution of tax levies and collections under which the County advances 100% of the secured tax levies due to the District each year without consideration for delinquencies.

**Investment income** was up 7.7%, or \$157,844, compared to the prior year. The increase is due to a higher yield on investments, as the average yield increased from 4.1% in Fiscal Year 2023-24 up to 4.4% in Fiscal Year 2024-25. The majority of the District's investments are held in the California Asset Management Program, the San Diego County Investment Fund, Certificates of Deposits, and Treasuries.

**Other nonoperating revenues** increased 3.9%, or \$15,459 due to increased lease fees collected from the lease of facilities for cellular sites. All cellular site lease agreements include a factor of annual fee escalations.

**Gain (loss) on disposal of capital assets** decreased by 160.1%, or \$90,398, as a result of the disposal of assets that were replaced or disposed of before being fully depreciated.

### ***Functional Expenses***

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

|                                     | Fiscal Year<br>2025        | Fiscal Year<br>2024        | Increase/<br>(Decrease)   | %<br>Change         |
|-------------------------------------|----------------------------|----------------------------|---------------------------|---------------------|
| Water Purchased (Acre Feet)         | 14,691                     | 12,236                     | 2,455                     | 20.1%               |
| <b><u>Expenses by Category:</u></b> |                            |                            |                           |                     |
| Cost of water sold                  | \$30,868,413               | \$23,863,733               | \$7,004,680               | 29.4%               |
| Energy and pumping costs            | 2,901,876                  | 2,921,438                  | (19,562)                  | -0.7%               |
| Water systems operations            | 6,845,634                  | 6,306,714                  | 538,920                   | 8.5%                |
| Wastewater collection and treatment | 2,045,940                  | 1,840,953                  | 204,987                   | 11.1%               |
| Engineering                         | 2,568,629                  | 2,354,138                  | 214,491                   | 9.1%                |
| General and administrative          | 4,641,692                  | 3,925,539                  | 716,153                   | 18.2%               |
| Depreciation                        | 5,315,902                  | 5,131,346                  | 184,556                   | 3.6%                |
| Interest expense                    | 556,398                    | 496,041                    | 60,357                    | 12.2%               |
| <b>Total expenses</b>               | <b><u>\$55,744,484</u></b> | <b><u>\$46,839,902</u></b> | <b><u>\$8,904,582</u></b> | <b><u>19.0%</u></b> |

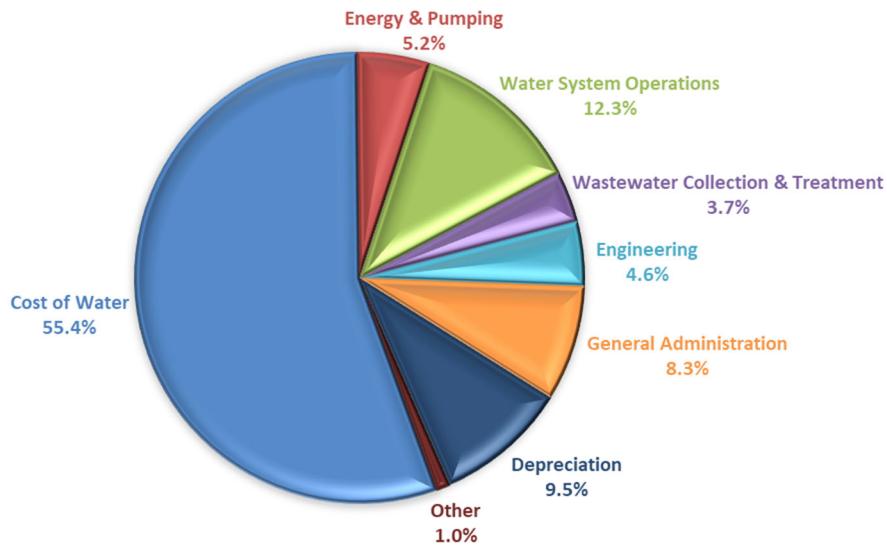
The **Cost of water sold** increased 29.4% compared to the prior year. Water purchases were up 2,455 AF, or 20.1%, over the prior year, while wholesale water prices were also up. In Fiscal Year 2023-24, the District purchased 12,236 AF of water at an average price of \$1,950 per acre foot. In the current year, the District purchased 14,691 AF of water at an average price of \$2,101 per acre foot, an increase of 7.7% or \$151 per acre foot. The average price per acre foot is impacted by the fixed components of the San Diego County Water Authority (SDCWA) rate that the District must pay regardless of the volume of water purchased. These fixed components include 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 \$2,697,478 on 7,733 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, \$909 in Calendar Year 2025 compared to \$676 in 2024, as all three components (the SDCWA melded supply rate, emergency storage, and supply reliability) which agricultural customers do not pay, increased on January 1, 2025.

**Energy and pumping costs** during Fiscal Year 2024-25 were 0.7%, or \$19,562, lower than in Fiscal Year 2023-24. This is a result of a 25% decrease to the SDG&E rates that went into effect in March 2024. The savings from that rate decrease were offset by rate increases later in Fiscal Year 2024/25 as well as higher sales volume compared to the prior year which resulted in more energy requirements to pump the water through the distribution system.

**Water systems operations** expenses increased \$538,920, or 8.5%, over Fiscal Year 2023-24. The increase is due to higher labor and benefits, maintenance of facilities and improvements, and software technical support costs.

### Source of Expenses Fiscal Year Ended June 30, 2025



Combined **wastewater collection and treatment** costs for Lower Moosa and Woods Valley Ranch were \$204,987 or 11.1%, higher than the prior year. The increase is a result of increased labor and benefits, maintenance of facilities, and outside professional services.

**Engineering** expenses for Fiscal Year 2024-25 were up 9.1%, or \$214,491, compared to Fiscal Year 2023-24. This increase is a result of increased capital planning expenses that were partially offset by decreased labor & benefits.

**General and Administrative** expenses increased 18.2%, or \$716,153, primarily due to higher labor and benefits and OPEB expenses, which were partially offset by lower Pension expenses. The District's net pension liability for the risk pool is measured as the proportionate share of the risk pool's net pension liability. Under GASB 68, gains and losses related to the changes in total pension liability and fiduciary net position are recognized as a pension expense systematically over time. Similar gains and losses are recognized for OPEB expenses. These systematic adjustments are not cash transactions, rather gains and losses that reflect the overall performance of the plans at the measurement date. More detailed information concerning the Pension and OPEB Plans can be found in Notes 8 and 9 of the Notes to the Financial Statements.

Other factors that resulted in the overall increase to general and administrative expenses were increases to legal services and insurance premiums that were partially offset by decreases to membership fees and dues and outside services.

**Depreciation** expenses increased by \$184,556, or 3.6% 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** increased by \$60,357, or 12.2% as a result of construction period interest paid on the latest State Revolving Fund (SRF) Loan used to fund the 2020 Pipeline Projects. That payment was partially offset by decreases to the regularly scheduled amortization payments made during the year on the other SRF Loans.

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

|  | Fiscal Year<br>2025         | Fiscal Year<br>2024        | Increase/<br>(Decrease)    | %<br>Change         |
|--|-----------------------------|----------------------------|----------------------------|---------------------|
| <b>Operating Revenues:</b>                   |                             |                            |                            |                     |
| Water sales and pumping charges              | \$36,482,154                | \$27,646,096               | \$8,836,058                | 32.0%               |
| Meter service charges                        | 8,903,965                   | 8,190,391                  | 713,574                    | 8.7%                |
| Wastewater charges                           | 4,736,908                   | 4,500,955                  | 235,953                    | 5.2%                |
| Meter installation fees                      | 363,814                     | 477,360                    | (113,546)                  | -23.8%              |
| Other water operating revenues               | <u>1,391,954</u>            | <u>674,435</u>             | <u>717,519</u>             | <u>106.4%</u>       |
| Total operating revenues                     | <u>51,878,795</u>           | <u>41,489,237</u>          | <u>10,389,558</u>          | <u>25.0%</u>        |
| <b>Operating Expenses:</b>                   |                             |                            |                            |                     |
| Cost of water sold                           | 30,868,413                  | 23,863,733                 | 7,004,680                  | 29.4%               |
| Energy and pumping costs                     | 2,901,876                   | 2,921,438                  | (19,562)                   | -0.7%               |
| Water systems operations                     | 6,845,634                   | 6,306,714                  | 538,920                    | 8.5%                |
| Wastewater collection and treatment          | 2,045,940                   | 1,840,953                  | 204,987                    | 11.1%               |
| Engineering                                  | 2,568,629                   | 2,354,138                  | 214,491                    | 9.1%                |
| General and administrative                   | 4,641,692                   | 3,925,539                  | 716,153                    | 18.2%               |
| Depreciation                                 | <u>5,315,902</u>            | <u>5,131,346</u>           | <u>184,556</u>             | <u>3.6%</u>         |
| Total operating expenses                     | <u>55,188,086</u>           | <u>46,343,861</u>          | <u>8,844,225</u>           | <u>19.1%</u>        |
| Operating (Loss)                             | <u>(3,309,291)</u>          | <u>(4,854,624)</u>         | <u>1,545,333</u>           | <u>31.8%</u>        |
| <b>Nonoperating Revenues and (Expenses):</b> |                             |                            |                            |                     |
| Property taxes and assessments               | 4,667,255                   | 4,486,949                  | 180,306                    | 4.0%                |
| Investment income (loss)                     | 2,204,111                   | 2,046,267                  | 157,844                    | 7.7%                |
| Other nonoperating revenues                  | 412,972                     | 397,513                    | 15,459                     | 3.9%                |
| Interest expense                             | (556,398)                   | (496,041)                  | (60,357)                   | -12.2%              |
| Gain (loss) on disposal of capital assets    | (33,918)                    | 56,480                     | (90,398)                   | -160.1%             |
| Total Nonoperating Revenues and (Expenses)   | <u>6,694,022</u>            | <u>6,491,168</u>           | <u>202,854</u>             | <u>3.1%</u>         |
| Income Before Contributions                  | 3,384,731                   | 1,636,544                  | 1,748,187                  | 106.8%              |
| Capital contributions                        | <u>9,394,341</u>            | <u>4,261,441</u>           | <u>5,132,900</u>           | <u>120.5%</u>       |
| Change in Net Position                       | <u>12,779,072</u>           | <u>5,897,985</u>           | <u>6,881,087</u>           | <u>116.7%</u>       |
| Net Position at Beginning of Year            | <u>97,163,126</u>           | <u>91,265,141</u>          | <u>5,897,985</u>           | <u>6.5%</u>         |
| <b>NET POSITION AT END OF YEAR</b>           | <b><u>\$109,942,198</u></b> | <b><u>\$97,163,126</u></b> | <b><u>\$12,779,072</u></b> | <b><u>13.2%</u></b> |

The District's **Net Position** at June 30, 2025 totaled \$109,942,198, an increase of \$12,779,072, or 13.2%, from the previous year. The increase is largely due to the capital contributions of \$9,394,341 stemming from the completion of the Orchard Run Lift Station and various developer funded improvements completed as part of the Park Circle Development. The remaining \$3,384,731 is due to income before contributions with \$2,403,497 coming from the General Fund, \$201,383 from the Lower Moosa Wastewater Fund, and \$779,851 coming from the Woods Valley Ranch Wastewater Fund.

## Condensed Statement of Net Position

|                                   | Fiscal Year<br>2025  | Fiscal Year<br>2024 | Increase/<br>(Decrease) | %             |
|-----------------------------------|----------------------|---------------------|-------------------------|---------------|
| Current Assets                    | \$49,930,692         | \$49,355,074        | \$575,618               | 1.2%          |
| Restricted Assets                 | 620,576              | 1,018,814           | (398,238)               | -39.1%        |
| Long-Term Receivables             | 11,893,756           | 11,369,880          | 523,876                 | 4.6%          |
| Capital Assets                    | 122,601,213          | 119,322,852         | 3,278,361               | 2.7%          |
| <b>Total Assets</b>               | <b>185,046,237</b>   | <b>181,066,620</b>  | <b>3,979,617</b>        | <b>2.2%</b>   |
| Deferred Outflows of Resources    | 9,281,982            | 10,972,912          | (1,690,930)             | -15.4%        |
| Current Liabilities               | 19,846,074           | 34,629,213          | (14,783,139)            | -42.7%        |
| Long-term Debt                    | 24,888,634           | 18,553,549          | 6,335,085               | 34.1%         |
| Other Noncurrent Liabilities      | 30,268,426           | 31,572,740          | (1,304,314)             | -4.1%         |
| <b>Total Liabilities</b>          | <b>75,003,134</b>    | <b>84,755,502</b>   | <b>(9,752,368)</b>      | <b>-11.5%</b> |
| Deferred Inflows of Resources     | 9,382,887            | 10,120,904          | (738,017)               | -7.3%         |
| Net Position:                     |                      |                     |                         |               |
| Net investment in capital assets  | 94,979,261           | 98,661,084          | (3,681,823)             | -3.7%         |
| Restricted for facility expansion | 620,576              | 1,018,814           | (398,238)               | -39.1%        |
| Unrestricted                      | 14,342,361           | (2,516,772)         | 16,859,133              | 669.9%        |
| <b>Total Net Position</b>         | <b>\$109,942,198</b> | <b>\$97,163,126</b> | <b>\$12,779,072</b>     | <b>13.2%</b>  |

### **Total Assets:**

**Current Assets** were up \$575,618, 1.2%, largely due to an increase in accounts receivable at year end compared to the prior fiscal year end.

**Restricted Assets** decreased by 39.1%, \$398,238, due to a decrease at year end in the Reserve for Water Fund Capacity Charges, which are generated from the sales of new meters and are used to fund capital projects.

**Long-Term Receivables** increased \$523,876, 4.6%, due to the renewal of two lease receivables both at 15-year terms.

**Capital Assets** were up by 2.7%, or \$3,278,361, as a result of increased Capital Assets placed in service during Fiscal Year 2024-25 partially offset by decreased Construction in Progress compared to Fiscal Year 2023-24.

### **Total Liabilities:**

**Current Liabilities** decreased \$14,783,139, 42.7%, due to decreased accounts payable and customer deposits related to the North County Emergency Storage Project which is near completion and the completion of the 2020 Pipeline Replacement Program that now has related long-term debt instead. Additionally, the District reimbursed \$3,800,000 in developer deposits related to the completion of the Orchard Run Lift Station and Bond Sale.

**Long-term Debt** at the end of the year was up 34.1%, or \$6,335,085, as a result of the completion of the 2020 Pipeline Replacement Program and the new related SRF Loan.

**Other Noncurrent Liabilities** decreased 4.1%, or \$1,304,314, as a result of a 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, 2025 the District had \$26,470,847 of installment sales agreements consisting of five debt instruments; two for water facilities and three for wastewater facilities. More detailed information regarding long-term debt activity is presented in Note 5 to the financial statements.

### Water Facilities

The new Drinking Water State Revolving Fund (DWSRF) Loan was used for the 2020 Pipeline Replacement Program, which included the Oat Hill Discharge, Alps Way, Gordon Hill Road, and the Lilac Road Pipeline Replacement Projects. This loan is for \$7,963,750 is payable over a thirty-year term (beginning in November 2025 and ending November 2054) at an annual interest rate of 1.2%. Annual debt service is \$214,200 and the remaining balance at the close of Fiscal Year 2024-25 is \$7.96M.

Staff is continuing to process another DWSRF Loan application for the 2023 Water Facility Replacement Program, which will include the Old Castle Phase 2 Pipeline Replacement project for an anticipated loan amount of \$5,525,000. Approval from the State Water Resources Control Board is anticipated in Fall 2025.

As of June 30, 2025, 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.

### Community Facilities District No. 2020-1

The construction of the Orchard Run Lift Station was initially funded by the developer and was ultimately acquired by Community Facilities District No. 2020-1 (CFD 2020-1). In December 2024, Special Tax Bonds were issued by CFD 2020-1 under the Securities Exchange Act of 1934 and the developer was subsequently reimbursed. The Bonds are repayable over a thirty-year term (beginning March 2025 and ending September 2054) at an annual interest rate of 4.4%. These bonds are not an obligation of the District but are secured by annual special taxes that are billed to and collected from property owners within the community facilities district and are presented on the Fiduciary Statements of this report. More detailed information regarding Community Facilities District 2020-1 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, 2025, the District had \$238,399,824 in capital assets with \$115,798,611 of accumulated depreciation. This represents a net increase (additions less deductions) of \$3,278,361 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<br>2025  | Fiscal Year<br>2024  | Increase/<br>(Decrease) | %<br>Change |
|--------------------------------------|----------------------|----------------------|-------------------------|-------------|
| Land                                 | \$7,967,130          | \$7,967,130          | \$0                     | 0.0%        |
| Construction in progress             | 3,780,449            | 6,498,617            | (2,718,168)             | -41.8%      |
| Transmission and distribution system | 207,710,258          | 197,231,963          | 10,478,295              | 5.3%        |
| Right to use leased asset            | 185,882              | 185,882              | 0                       | 0.0%        |
| General plant                        | <u>18,756,105</u>    | <u>18,353,186</u>    | <u>402,919</u>          | <u>2.2%</u> |
| Total assets                         | <u>\$238,399,824</u> | <u>\$230,236,778</u> | <u>\$8,163,046</u>      | <u>3.5%</u> |

Significant additions to general plant and transmission and distribution include the North County Emergency Storage Project 14" Pipeline Relocation; the painting and recoating of two reservoirs – McNally Reservoir and Mizpah Reservoir; the Alps Way Pipeline Replacement; and the Upgrade of Clarifier Number 2 and Chlorine Contact Tank at the Lower Moosa Canyon Water Reclamation Facility; as well as various contributed capital projects related to the Park Circle Development.

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

## ECONOMIC FACTORS

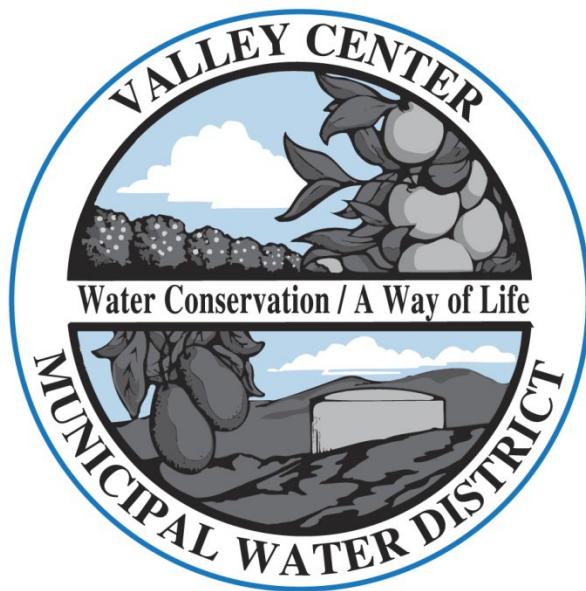
Rates are set annually based upon anticipated water demands, known and anticipated wholesale water and power costs increases from its suppliers, and estimated cost increases for the local labor, materials, chemical and operational cost increases. A significant reduction in consumption could have an adverse 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, 2025, the District had designated \$6,482,230 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.

THIS PAGE INTENTIONALLY LEFT BLANK

# Financial Statements



**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**  
**(WITH COMPARATIVE TOTALS FOR PRIOR YEAR)**

|   | 2025               | 2024               |
|---|--------------------|--------------------|
| <b>ASSETS:</b>                                  |                    |                    |
| <b>Current Assets:</b>                          |                    |                    |
| Cash and cash equivalents (Note 2)              | \$ 25,260,705      | \$ 29,068,829      |
| Investments (Note 2)                            | 14,251,934         | 10,583,010         |
| Accounts receivable, net                        | 7,779,969          | 7,097,389          |
| Woods Valley Ranch Phase 1 receivable (Note 1i) | 176,154            | 165,021            |
| Interest receivable                             | 353,322            | 273,701            |
| Taxes receivable                                | 111,616            | 37,447             |
| Other receivables                               | 140,014            | 326,928            |
| Lease receivable (Note 11)                      | 257,749            | 254,767            |
| Inventory (Note 1k)                             | 1,324,972          | 1,297,006          |
| Prepaid expenses and deposits                   | 274,257            | 250,976            |
| Total Current Assets                            | <u>49,930,692</u>  | <u>49,355,074</u>  |
| <b>Noncurrent Assets:</b>                       |                    |                    |
| Restricted cash and cash equivalents (Note 2)   | 620,576            | 615,261            |
| Restricted investments (Note 2)                 | -                  | 403,553            |
| Woods Valley Ranch Phase 1 receivable (Note 1i) | 1,989,387          | 2,172,881          |
| Investment in VCMWD AD 2012-1 (Note 2)          | 3,625,000          | 3,840,000          |
| Lease receivable (Note 11)                      | 6,279,369          | 5,356,999          |
| Nondepreciable capital assets (Note 4)          | 11,747,579         | 14,465,747         |
| Depreciable capital assets, net (Note 4)        | 110,853,634        | 104,857,105        |
| Total Noncurrent Assets                         | <u>135,115,545</u> | <u>131,711,546</u> |
| <b>Total Assets</b>                             | <u>185,046,237</u> | <u>181,066,620</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>          |                    |                    |
| Deferred outflows related to pensions (Note 8)  | 7,715,495          | 8,571,915          |
| Deferred outflows related to OPEB (Note 9)      | 1,566,487          | 2,400,997          |
| Total Deferred Outflows of Resources            | <u>9,281,982</u>   | <u>10,972,912</u>  |

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
STATEMENT OF NET POSITION (CONTINUED)  
JUNE 30, 2025  
(WITH COMPARATIVE TOTALS FOR PRIOR YEAR)**

|   | 2025                  | 2024                 |
|---|-----------------------|----------------------|
| <b>LIABILITIES:</b>                           |                       |                      |
| Current Liabilities:                          |                       |                      |
| Accounts payable                              | 7,393,127             | 14,860,341           |
| Accrued payroll                               | 344,424               | 337,526              |
| Compensated absences (Note 5)                 | 1,086,239             | 1,021,514            |
| Interest payable                              | 257,763               | 224,972              |
| Customer deposits                             | 9,135,857             | 16,797,477           |
| Long-term liabilities (Note 5)                | 1,628,664             | 1,387,383            |
| Total Current Liabilities                     | <u>19,846,074</u>     | <u>34,629,213</u>    |
| Noncurrent Liabilities:                       |                       |                      |
| Compensated absences (Note 5)                 | 1,649,999             | 1,690,051            |
| Long-term liabilities (Note 5)                | 24,888,634            | 18,553,549           |
| Net pension liability (Note 8)                | 27,891,213            | 28,328,853           |
| Net OPEB liability (Note 9)                   | 727,214               | 1,553,836            |
| Total Noncurrent Liabilities                  | <u>55,157,060</u>     | <u>50,126,289</u>    |
| Total Liabilities                             | <u>75,003,134</u>     | <u>84,755,502</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>         |                       |                      |
| Deferred inflows related to pensions (Note 8) | 2,019,715             | 3,470,538            |
| Deferred inflows related to OPEB (Note 9)     | 1,378,088             | 1,476,894            |
| Deferred inflows related to leases (Note 11)  | 5,985,084             | 5,173,472            |
| Total Deferred Inflows of Resources           | <u>9,382,887</u>      | <u>10,120,904</u>    |
| <b>NET POSITION:</b>                          |                       |                      |
| Net investment in capital assets              | 94,979,261            | 98,661,084           |
| Restricted for facility expansion             | 620,576               | 1,018,814            |
| Unrestricted (Note 7)                         | 14,342,361            | (2,516,772)          |
| Total Net Position                            | <u>\$ 109,942,198</u> | <u>\$ 97,163,126</u> |

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2025**  
**(WITH COMPARATIVE TOTALS FOR PRIOR YEAR)**

|   | 2025                  | 2024                 |
|---|-----------------------|----------------------|
| Operating Revenues:                       |                       |                      |
| Water sales and pumping charges           | \$ 36,482,154         | \$ 27,646,096        |
| Meter service charges                     | 8,903,965             | 8,190,391            |
| Wastewater charges                        | 4,736,908             | 4,500,955            |
| Meter installation fees                   | 363,814               | 477,360              |
| Other water operating revenues            | 1,391,954             | 674,435              |
| Total Operating Revenues                  | <u>51,878,795</u>     | <u>41,489,237</u>    |
| Operating Expenses:                       |                       |                      |
| Cost of water sold                        | 30,868,413            | 23,863,733           |
| Energy and pumping costs                  | 2,901,876             | 2,921,438            |
| Water systems operations                  | 6,845,634             | 6,306,714            |
| Wastewater collection and treatment       | 2,045,940             | 1,840,953            |
| Engineering                               | 2,568,629             | 2,354,138            |
| General and administrative                | 4,641,692             | 3,925,539            |
| Depreciation                              | 5,315,902             | 5,131,346            |
| Total Operating Expenses                  | <u>55,188,086</u>     | <u>46,343,861</u>    |
| Operating Income (Loss)                   | <u>(3,309,291)</u>    | <u>(4,854,624)</u>   |
| Nonoperating Revenues (Expenses):         |                       |                      |
| Property taxes and assessments            | 4,667,255             | 4,486,949            |
| Investment income (loss)                  | 2,204,111             | 2,046,267            |
| Other nonoperating revenues               | 412,972               | 397,513              |
| Interest expense                          | (556,398)             | (496,041)            |
| Gain (loss) on disposal of capital assets | (33,918)              | 56,480               |
| Total Nonoperating Revenues (Expenses)    | <u>6,694,022</u>      | <u>6,491,168</u>     |
| Net Income Before Capital Contributions   | 3,384,731             | 1,636,544            |
| Capital Contributions                     |                       |                      |
| Capacity Charges                          | 265,309               | 400,726              |
| Developer Contributions                   | 9,129,032             | 3,860,715            |
| Total Capital Contributions               | <u>9,394,341</u>      | <u>4,261,441</u>     |
| Change in Net Position                    | 12,779,072            | 5,897,985            |
| Net Position at Beginning of Year         | <u>97,163,126</u>     | <u>91,265,141</u>    |
| Net Position at End of Year               | <u>\$ 109,942,198</u> | <u>\$ 97,163,126</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, 2025**  
**(WITH COMPARATIVE TOTALS FOR PRIOR YEAR)**

|  | <b>2025</b>          | <b>2024</b>          |
|--|----------------------|----------------------|
| <b>Cash Flow From Operating Activities:</b>                          |                      |                      |
| Receipts from customers  | \$ 51,371,999        | \$ 39,683,160        |
| Payments to suppliers  | (33,879,552)         | (18,678,875)         |
| Payments to employees  | (16,337,160)         | (15,123,818)         |
| Collection (return) of deposits                                      | (7,661,620)          | (5,123,192)          |
| Net Cash Provided (Used) by Operating Activities                     | <u>(6,506,333)</u>   | <u>757,275</u>       |
| <b>Cash Flow From Noncapital Financing Activities:</b>               |                      |                      |
| Receipts from property taxes   | <u>4,593,086</u>     | <u>4,621,250</u>     |
| Net Cash Provided by Noncapital Financing Activities                 | <u>4,593,086</u>     | <u>4,621,250</u>     |
| <b>Cash Flows From Capital and Related Financing Activities:</b>     |                      |                      |
| Proceeds from disposal of capital assets                             | -                    | 112,960              |
| Acquisition and construction of capital assets                       | (3,422,231)          | (7,476,283)          |
| Proceeds from capital contributions                                  | 4,070,309            | 1,099,117            |
| Proceeds from leases   | 299,232              | 267,857              |
| Interest paid on debt  | (523,607)            | (467,254)            |
| Payments on debt   | <u>(1,387,384)</u>   | <u>(1,401,758)</u>   |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(963,681)</u>     | <u>(7,865,361)</u>   |
| <b>Cash Flows From Investing Activities:</b>                         |                      |                      |
| Proceeds from investment in VCMWD AD 2012-1                          | 215,000              | 215,000              |
| Interest income  | 1,867,484            | 1,651,754            |
| Proceeds from sale of investments                                    | 6,384,635            | 5,584,416            |
| Purchase of investments  | <u>(9,393,000)</u>   | <u>(6,145,283)</u>   |
| Net Cash Provided (Used) by Investing Activities                     | <u>(925,881)</u>     | <u>1,305,887</u>     |
| Net Increase (Decrease) in Cash and Cash Equivalents                 | <u>(3,802,809)</u>   | <u>(1,180,949)</u>   |
| Cash and Cash Equivalents at Beginning of Year                       | <u>29,684,090</u>    | <u>30,865,039</u>    |
| Cash and Cash Equivalents at End of Year                             | <u>\$ 25,881,281</u> | <u>\$ 29,684,090</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, 2025  
(WITH COMPARATIVE TOTALS FOR PRIOR YEAR)**

|  | <u>2025</u>           | <u>2024</u>          |
|--|-----------------------|----------------------|
| Reconciliation of Operating Loss to Net  |                       |                      |
| Cash Provided (Used) by Operating Activities:  |                       |                      |
| Operating loss   | \$ (3,309,291)        | \$ (4,854,624)       |
| Adjustments to reconcile operating loss<br>to net cash provided (used) by operating activities:      |                       |                      |
| Depreciation   | 5,315,902             | 5,131,346            |
| Change in assets, deferred outflows of resources,<br>liabilities, and deferred inflows of resources: |                       |                      |
| Accounts receivable, net   | (682,580)             | (1,482,210)          |
| Woods Valley Ranch receivable  | 172,361               | 168,651              |
| Other receivable   | 186,914               | (323,870)            |
| Inventory  | (27,966)              | 153,188              |
| Prepaid expenses and deposits  | (23,281)              | (97,372)             |
| Deferred outflows - pensions   | 856,420               | (197,475)            |
| Deferred outflows - OPEB   | 834,510               | (554,349)            |
| Accounts payable   | 614,618               | 8,124,063            |
| Accrued payroll  | 6,898                 | 45,329               |
| Compensated absences   | 24,673                | 207,154              |
| Customer deposits  | (7,661,620)           | (5,123,192)          |
| Net pension liability  | (437,640)             | 1,180,340            |
| Net OPEB liability   | (826,622)             | 742,066              |
| Deferred inflows - pensions  | (1,450,823)           | (1,955,709)          |
| Deferred inflows - OPEB  | (98,806)              | (406,061)            |
| Net Cash Provided (Used) by Operating Activities   | <u>\$ (6,506,333)</u> | <u>\$ 757,275</u>    |
| Cash and Cash Equivalents:   |                       |                      |
| Financial Statement Classification   |                       |                      |
| Cash and cash equivalents  | \$ 25,260,705         | \$ 29,068,829        |
| Restricted cash and cash equivalents   | 620,576               | 615,261              |
| Total Cash and Cash Equivalents  | <u>\$ 25,881,281</u>  | <u>\$ 29,684,090</u> |
| Noncash Investing, Capital and Financing Activities  |                       |                      |
| Net unrealized loss on investments   | \$ 257,006            | \$ 378,356           |
| Capital assets included in accounts payable  | 118,082               | 334,827              |
| Capital assets contributed   | 5,324,032             | 3,162,324            |
| Total Noncash Investing, Capital and Financing Activities  | <u>\$ 5,699,120</u>   | <u>\$ 3,875,507</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, 2025  
(WITH COMPARATIVE TOTALS FOR PRIOR YEAR)**

|  | Custodial Funds     |                     |
|--|---------------------|---------------------|
|  | 2025                | 2024                |
| <b>ASSETS:</b>   |                     |                     |
| Cash and Investments (Note 2)  | \$ 2,275,987        | \$ 1,461,094        |
| Taxes receivable   | 2,050               | 6,296               |
| Total Assets   | <u>2,278,037</u>    | <u>1,467,390</u>    |
| <b>NET POSITION:</b>   |                     |                     |
| Restricted for the benefit of residents<br>of the AD 2012-1 and CFD 2020-1 | <u>\$ 2,278,037</u> | <u>\$ 1,467,390</u> |

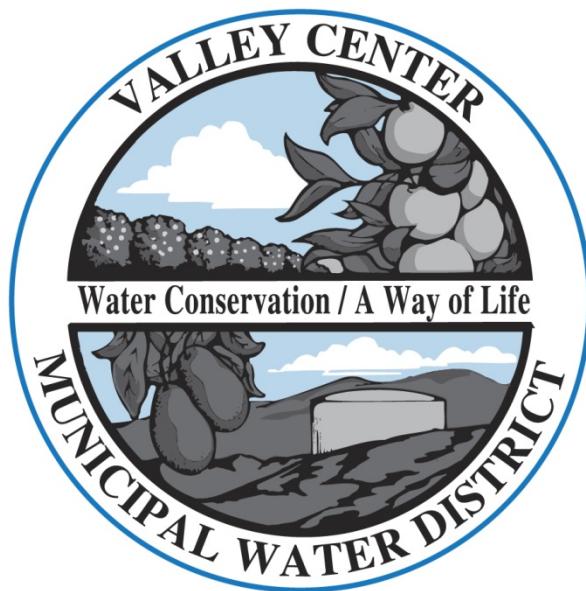
The accompanying notes are an integral part of the financial statements.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**  
**(WITH COMPARATIVE TOTALS FOR PRIOR YEAR)**

|                                | Custodial Funds     |                     |
|--------------------------------|---------------------|---------------------|
|                                | 2025                | 2024                |
| <b>ADDITIONS:</b>              |                     |                     |
| Property taxes and assessments | \$ 659,178          | \$ 656,267          |
| Investment income              | 76,301              | 87,748              |
| Other revenue                  | 463,155             | 5,098               |
| Total additions                | <u>1,198,634</u>    | <u>749,113</u>      |
| <b>DEDUCTIONS:</b>             |                     |                     |
| Labor and benefits             | 8,228               | 31,173              |
| Outside professional services  | 34,105              | 669,583             |
| Payment to VCMWD               | -                   | 698,390             |
| Bond principal                 | 215,000             | 215,000             |
| Bond interest                  | 130,654             | 86,846              |
| Total deductions               | <u>387,987</u>      | <u>1,700,992</u>    |
| Change in net position         | 810,647             | (951,879)           |
| Net Position - Beginning       | <u>1,467,390</u>    | <u>2,419,269</u>    |
| Net Position - Ending          | <u>\$ 2,278,037</u> | <u>\$ 1,467,390</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  
FOR THE YEAR ENDED JUNE 30, 2025**

**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 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. Additionally, the District reports the following fund type:

Fiduciary Funds – used to account for assets held by the District in a custodial capacity for individuals, organizations or other governments. The District's fiduciary funds include: Valley Center Municipal Water Assessment District (AD 2012-1) and Community Facilities District No. 2020-1.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**(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 of capital assets. Expenses not meeting this definition are reported as non-operating 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, 2025, was as follows:

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

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.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**(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 \$2,165,541 at June 30, 2025.

**(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 \$3,625,000 at June 30, 2025.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**(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, 2025 is \$1,324,972.

**(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 / SBITA           | The estimated life of the leased asset or the contract term whichever is shorter |

**(m) Compensated Absences**

During the year ended June 30, 2025, the District adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, which seeks to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. No prior period adjustment was needed. Accumulated unpaid vacation and sick leave totaling \$2,736,239 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2025.

**(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.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**(n) Leases (Continued)**

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 are 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 noncancelable 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) Subscription-Based Information Technology Arrangements**

The District is a lessor and recognizes a lease payable and a right-to-use subscription asset as detailed in Note 4 and 5. At the commencement of the SBITA, the District initially measures the present value of the payments expected to be paid during the SBITA term. Subsequently, the SBITA is reduced by the principal portion of payments made.

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 noncancelable 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.

**(p) 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.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**(p) Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)**

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.

**(q) Pensions**

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

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

|                    |                               |
|--------------------|-------------------------------|
| Valuation Date     | June 30, 2023                 |
| Measurement Date   | June 30, 2024                 |
| Measurement Period | July 1, 2023 to June 30, 2024 |

**(r) 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, 2023                 |
| Measurement Date   | June 30, 2024                 |
| Measurement Period | July 1, 2023 to June 30, 2024 |

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**(s) Net Position**

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position of the District is for sole use by the District for its operations. It is reported as unrestricted net position in the accompanying financial statements because this restriction corresponds to the general purpose for which the District has been established. It is unavailable for other government uses and is committed to the ongoing operations of the District, including amounts necessary to cover contingencies, unanticipated expenditures, revenue shortfalls, and weather and economic fluctuations.

**(t) 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.

**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; the California Asset Management Program; 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.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**(a) Authorized Investments**

Cash and investments held by the District were comprised of the following at June 30, 2025:

|   |                             |
|---|-----------------------------|
| Cash and Investments consists                         |                             |
| Demand Deposits                                       | \$ 1,134,114                |
| Investments   | <u>44,900,088</u>           |
| Total   | <u><u>\$ 46,034,202</u></u> |
| Financial Statement Classification:                   |                             |
| Cash and Cash Equivalents                             | \$ 25,260,705               |
| Investments   | 14,251,934                  |
| Cash and Cash Equivalents - Restricted                | 620,576                     |
| Investment in VCMWD AD 2012-1 Limited Obligation Bond | 3,625,000                   |
| Fiduciary Funds                                       |                             |
| Cash and Investments                                  | <u>2,275,987</u>            |
| Total   | <u><u>\$ 46,034,202</u></u> |

**(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, 2025, (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 Bonds | \$ 3,625,000 |
| Asset Backed Securities – CAMP Term Fund               | 5,235,034    |
| Federal Home Loan Banks                                | 4,708,255    |

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**(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, 2025 the District's investments were rated by Standard & Poor's and by Moody's Investors Service as follows:

|  | <u>Standard &amp; Poor's</u> | <u>Moody's</u> |
|--|------------------------------|----------------|
| Money Market Funds                               | AAAm                         | Aaa            |
| California Local Agency Investment Fund          | Not rated                    | Not rated      |
| San Diego County Treasurer's Investment Pool     | AAA                          | Not rated      |
| Investment in VCMWD AD 2012-1 Limited Obligation | Not rated                    | Not rated      |
| California Asset Management Program              | AAA                          | Aaa            |
| Asset Back Securities – CAMP Term Fund           | AAA                          | Aaa            |
| U.S. Government Agencies Securities              | AAA                          | Aa1            |
| U.S. Treasury Notes & Bonds                      | Exempt                       | Exempt         |
| U.S. Obligations                                 | AAA                          | Aa1            |
| Negotiable Certificates of Deposit               | 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, 2025 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**  
**FOR THE YEAR ENDED JUNE 30, 2025**

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

**(e) Interest Rate Risk (continued)**

|   | Total                | Investment Maturities (In Years) |                    |                    |                      |
|---|----------------------|----------------------------------|--------------------|--------------------|----------------------|
|   |                      | Less Than<br>1 Year              | 1-3<br>Years       | 3-5<br>Years       | More Than<br>5 Years |
| <b>Investments:</b>                                   |                      |                                  |                    |                    |                      |
| Money Market Funds                                    | \$ 784,909           | \$ 784,909                       | \$ -               | \$ -               | \$ -                 |
| California Local Agency Investment Fund (LAIF)        | 7,446,816            | 7,446,816                        | -                  | -                  | -                    |
| San Diego County Investment Pool                      | 2,793,939            | 2,793,939                        | -                  | -                  | -                    |
| United States Government Agencies Securities          | 11,007,143           | 961,965                          | 2,931,137          | 7,114,041          | -                    |
| United States Treasury Obligations                    | 978,517              | 978,517                          | -                  | -                  | -                    |
| Negotiable Certificates of Deposit                    | 2,266,274            | 991,781                          | 1,274,493          | -                  | -                    |
| California Asset Management Program (CAMP)            | 10,762,456           | 10,762,456                       | -                  | -                  | -                    |
| Asset Backed Securities - CAMP Term Fund              | 5,235,034            | 5,235,034                        | -                  | -                  | -                    |
| Investment in VCMWD AD 2012-1 Limited Obligation Bond | 3,625,000            | 225,000                          | 705,000            | 495,000            | 2,200,000            |
| Total Investments                                     | <u>\$ 44,900,088</u> | <u>\$30,180,417</u>              | <u>\$4,910,630</u> | <u>\$7,609,041</u> | <u>\$2,200,000</u>   |

**(f) Investment in State Investment Pool**

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the 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) Investment in California Asset Management Program (CAMP)**

The District is a voluntary participant in the California Asset Management Program (CAMP) that is regulated by the California Government Code. 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 CAMP for the entire CAMP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**(i) 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.

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.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

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

**(i) Fair Value Measurements (Continued)**

Fair value of assets measured on a recurring basis at June 30, 2025 are as follows:

| Investment   | Total                | Quoted<br>Prices<br>Level 1 | Observable<br>Inputs<br>Level 2 | Unobservable<br>Inputs<br>Level 3 |
|--|----------------------|-----------------------------|---------------------------------|-----------------------------------|
| United States Government Agencies Securities           | \$ 11,007,143        | \$ -                        | \$ 11,007,143                   | \$ -                              |
| United States Treasury Obligations                     | 978,517              | 978,517                     | -                               | -                                 |
| Negotiable Certificates of Deposit                     | 2,266,274            | 2,266,274                   | -                               | -                                 |
| Asset Backed Securities - CAMP Term Fund               | 5,235,034            | -                           | 5,235,034                       | -                                 |
| Investment in VCMWD AD 2012-1 Limited Obligation Bonds | 3,625,000            | -                           | 3,625,000                       | -                                 |
| Total Investments at Fair Value                        | <u>\$ 23,111,968</u> | <u>\$ 3,244,791</u>         | <u>\$ 19,867,177</u>            | <u>\$ -</u>                       |

**Note 3 - Restricted Assets:**

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

**Note 4 - Capital Assets:**

Capital assets consist of the following at June 30, 2025:

|   | Balance at<br>June 30, 2024 | Additions           | Deletions             | Balance at<br>June 30, 2025 |
|---|-----------------------------|---------------------|-----------------------|-----------------------------|
| Business-type Activity:   |                             |                     |                       |                             |
| Capital Assets Not Being Depreciated:                                 |                             |                     |                       |                             |
| Land and Annex Charges  | \$ 7,967,130                | \$ -                | \$ -                  | \$ 7,967,130                |
| Construction in progress  | <u>6,498,617</u>            | <u>3,511,337</u>    | <u>(6,229,505)</u>    | <u>3,780,449</u>            |
|   | <u>14,465,747</u>           | <u>3,511,337</u>    | <u>(6,229,505)</u>    | <u>11,747,579</u>           |
| Capital Assets Being Depreciated:                                     |                             |                     |                       |                             |
| Pumping plants, sewer plants,<br>transmission and distribution system | 197,231,963                 | 10,902,609          | (424,314)             | 207,710,258                 |
| Right to use asset / SBITA  | 185,882                     | -                   | -                     | 185,882                     |
| General plant   | <u>18,353,186</u>           | <u>454,336</u>      | <u>(51,417)</u>       | <u>18,756,105</u>           |
|   | <u>215,771,031</u>          | <u>11,356,945</u>   | <u>(475,731)</u>      | <u>226,652,245</u>          |
| Less Accumulated Depreciation:  |                             |                     |                       |                             |
| Pumping plants, sewer plants,<br>transmission and distribution system | 94,947,650                  | 4,822,994           | (379,800)             | 99,390,844                  |
| Right to use asset / SBITA  | 97,647                      | 43,689              | -                     | 141,336                     |
| General Plant   | <u>15,868,629</u>           | <u>449,219</u>      | <u>(51,417)</u>       | <u>16,266,431</u>           |
|   | <u>110,913,926</u>          | <u>5,315,902</u>    | <u>(431,217)</u>      | <u>115,798,611</u>          |
| Net Capital Assets Being Depreciated                                  | <u>104,857,105</u>          | <u>6,041,043</u>    | <u>(44,514)</u>       | <u>110,853,634</u>          |
| Net Capital Assets  | <u>\$ 119,322,852</u>       | <u>\$ 9,552,380</u> | <u>\$ (6,274,019)</u> | <u>\$ 122,601,213</u>       |

Depreciation totaled \$5,315,902 for the year ended June 30, 2025.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**Note 5 – Long Term Liabilities:**

Long Term debt consist of the following at June 30, 2025:

|                                    | Balance at<br>June 30, 2024 | Additions           | Deletions            | Balance at<br>June 30, 2025 | Current<br>Portion  |
|------------------------------------|-----------------------------|---------------------|----------------------|-----------------------------|---------------------|
| <b>Business-type Activity:</b>     |                             |                     |                      |                             |                     |
| Installment sales agreements       | \$19,849,405                | \$ 7,963,750        | \$(1,342,308)        | \$26,470,847                | \$ 1,583,151        |
| Lease payable / SBITA              | 91,526                      | -                   | (45,076)             | 46,450                      | 45,513              |
| Compensated absences*              | 2,711,566                   | 24,673              | -                    | 2,736,239                   | 1,086,239           |
| <b>Total Long Term Liabilities</b> | <b>\$22,652,497</b>         | <b>\$ 7,988,423</b> | <b>\$(1,387,384)</b> | <b>\$29,253,536</b>         | <b>\$ 2,714,903</b> |

\* Compensated absences additions/liabilities are shown net per implementation of GASB No. 101.

**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 \$134,495 at June 30, 2025.

\$ 11,326,834

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 \$46,943 at June 30, 2025.

3,078,396

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.

2,397,943

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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 \$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 \$32,762 at June 30, 2025.

1,703,925

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 \$7,963,750 for the 2020 Pipeline Replacement Project. The loan accrues interest at 1.2% with annual payments of principal and interest in the amount of \$214,200 beginning in November 2025. The loan matures November 2054. 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.

7,963,750

Total Installment Sales Agreements

\$ 26,470,847

**Lease Payable**

The District has one radio communication site lease payable with a lease term of five 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, 2025, the value of the lease payable is \$12,041.

\$ 12,041

**Subscription-Based Information Technology Arrangements**

The District has one SBITA lease payable with a lease term of five years. The District is required to make annual payments ranging from \$31,439 to \$34,410, with an interest rate of 2.37%. As of June 30, 2025, the value of the lease payable is \$34,409.

34,409

Total Lease Payable and SBITA:

\$ 46,450

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**Note 5 – Long Term Liabilities: (Continued)**

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

| Year<br>Ended<br>June 30 | Installment Sales Agreements |                    | Lease Payable / SBITA |                 | Total               |
|--------------------------|------------------------------|--------------------|-----------------------|-----------------|---------------------|
|                          | Principal                    | Interest           | Principal             | Interest        |                     |
| 2026                     | \$ 1,583,151                 | \$ 484,930         | \$ 45,513             | \$ 1,020        | \$ 2,114,614        |
| 2027                     | 1,624,592                    | 453,161            | 937                   | -               | 2,078,690           |
| 2028                     | 1,656,983                    | 420,688            | -                     | -               | 2,077,671           |
| 2029                     | 1,690,042                    | 387,646            | -                     | -               | 2,077,688           |
| 2030                     | 1,723,783                    | 353,872            | -                     | -               | 2,077,655           |
| 2031-2035                | 9,160,483                    | 1,237,837          | -                     | -               | 10,398,320          |
| 2036-2040                | 4,695,116                    | 398,697            | -                     | -               | 5,093,813           |
| 2041-2045                | 1,360,255                    | 227,945            | -                     | -               | 1,588,200           |
| 2046-2050                | 1,443,853                    | 144,347            | -                     | -               | 1,588,200           |
| 2051-2054                | 1,532,589                    | 55,612             | -                     | -               | 1,588,201           |
|                          | <u>\$26,470,847</u>          | <u>\$4,164,735</u> | <u>\$ 46,450</u>      | <u>\$ 1,020</u> | <u>\$30,683,052</u> |

**Note 6 - Special Assessment Bonds:**

**AD 2012-1**

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 and a portion of the Orchard Run Lift Station within and for AD 2012-1. AD 2012-1 bonds payable totaled \$3,625,000 at June 30, 2025.

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.

**CFD 2020-1**

On December 1, 2024, Community Facilities District No. 2020-1 (CFD 2020-1) issued \$5,355,000 of special tax bonds.

On December 16, 2019, the Board of Directors of the District adopted Resolution No. 2019-35, as amended by Resolution No. 2020-04 to form the District under the Mello-Roos Community Facilities Act of 1982, to levy a special tax and to incur bonded indebtedness for the purpose of financing the acquisition or construction of certain water and wastewater system facilities. The Series 2024 bonds payable net of related bond discount totaled \$5,274,586 at June 30, 2025.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**Note 6 - Special Assessment Bonds: (Continued)**

The bonds and interest are paid from special taxes on property within the boundaries of the District. The annual special taxes are billed to and collected from District property owners and remitted to the District. The District remits the special taxes received from the 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, 2025:

|   |                     |
|---|---------------------|
| Capital improvements                    | \$23,502,399        |
| Operating reserve                       | 8,471,731           |
| Debt service                            | 2,074,651           |
| Wastewater capital replacement reserves | 3,027,828           |
| Net pension liability                   | (22,195,433)        |
| Net OPEB liability                      | (538,815)           |
| Unrestricted Net Position               | <u>\$14,342,361</u> |

**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 PEPRA 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.

PEPRA Miscellaneous 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.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

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

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

The Plan's provisions and benefits in effect at June 30, 2025, are summarized as follows:

|   | Miscellaneous                      |                                       |
|---|------------------------------------|---------------------------------------|
|   | Prior to<br><u>January 1, 2013</u> | On or After<br><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%                              | 8.00%                                 |
| Required employer contribution rates              | 16.31%                             | 7.94%                                 |

In addition to the contribution rates above, the District was also required to make payments of \$2,611,910 toward its unfunded actuarial liability during the year ended June 30, 2025.

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 Plan's 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.

**(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, 2025:

|                       | <b>Total Pension<br/>Liability<br/>(a)</b> | <b>Fiduciary Net<br/>Position<br/>(b)</b> | <b>Net Pension<br/>Liability<br/>(c) = (a) - (b)</b> |
|-----------------------|--|---|--|
| Balance at: 6/30/2024 | \$ 78,965,919                              | \$ 50,637,066                             | \$ 28,328,853  |
| Balance at: 6/30/2025 | \$ 83,292,625                              | \$ 55,401,412                             | \$ 27,891,213  |
| Net Changes           | <u>\$ 4,326,706</u>                        | <u>\$ 4,764,346</u>                       | <u>\$ (437,640)</u>                                  |

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

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

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, 2023, 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, 2023.
- 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.

Each risk pool's total pension liability was computed at the measurement date, June 30, 2024, 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, 2024, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

The District's proportionate share of the net pension liability as of June 30, 2024, the measurement date, was calculated as follows:

- The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2024, 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, 2024, to obtain the total pension liability and fiduciary net position as of June 30, 2024. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

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

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

The District's proportionate share percentage of the net pension liability as of June 30, 2023 and June 30, 2024, was as follows:

|  | Miscellaneous<br>Risk Pool |
|--|----------------------------|
| Proportion at measurement date - June 30, 2023 | 0.56653%                   |
| Proportion at measurement date - June 30, 2024 | <u>0.57667%</u>            |
| Change - Increase (Decrease)                   | <u>0.01014%</u>            |

For the year ended June 30, 2025, the District recognized pension credit of (\$1,032,043). The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2025:

|  | Deferred Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|--|-----------------------------------|-------------------------------------|
| Differences between expected and actual experience                               | \$ 1,446,572                      | \$ 56,444                           |
| Changes of assumptions   | 430,028                           | -                                   |
| Net difference between projected and actual earnings on pension plan investments | 801,705                           | -                                   |
| Adjustment due to difference in proportions                                      | -                                 | 1,963,271                           |
| Differences between actual and required contributions                            | 1,383,740                         | -                                   |
| Contributions after measurement date   | 3,653,450                         | -                                   |
| <b>Total</b>   | <b>\$ 7,715,495</b>               | <b>\$ 2,019,715</b>                 |

The \$3,653,450 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:

| Fiscal Year<br>Ended June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|-------------------------------|--|
| 2026                          | \$ 3,481,004                                   |
| 2027                          | 856,741  |
| 2028                          | 699,137  |
| 2029                          | 658,898  |
| 2030                          | -  |
| Thereafter                    | -  |
| <b>Total</b>                  | <b>\$ 5,695,780</b>                            |

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

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

**(c) Amortization of Deferred Outflows and Deferred Inflows of Resources**

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

|   |   |
|---|---|
| Net Difference between projected and actual earning on pension plan investments | 5-year straight-line amortization   |
| All other amounts   | Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period. |

**(d) Actuarial Assumptions**

The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

|                                   |   |
|-----------------------------------|---|
| Valuation Date                    | June 30, 2023   |
| Measurement Date                  | June 30, 2024   |
| Actuarial Cost Method             | Entry Age Normal  |
| Actuarial Assumptions:            |   |
| Discount Rate                     | 6.90%   |
| Inflation                         | 2.30%   |
| Projected Salary Increases        | Varies by Entry Age and Service   |
| Mortality Rate Table <sup>1</sup> | Derived using CalPERS' membership data for all funds  |
| Post Retirement Benefit Increase  | The lesser of contract COLA up to 2.30% until Purchasing Power Protection Allowance floor on applies, 2.30% thereafter. |

<sup>1</sup> The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**(e) Discount Rate**

The discount rate used to measure the total pension liability was 6.90%. 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. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The expected real rates of return by asset class are as follows:

| <u>Asset Class</u>               | <u>Assumed Asset Allocation</u> | <u>Real Return Years<sup>1,2</sup></u> |
|----------------------------------|---------------------------------|--|
| Global equity – cap-weighted     | 30.00%                          | 4.54%                                  |
| Global equity – non-cap-weighted | 12.00                           | 3.84                                   |
| Private Equity                   | 13.00                           | 7.28                                   |
| Treasury                         | 5.00                            | 0.27                                   |
| Mortgage-backed Securities       | 5.00                            | 0.50                                   |
| Investment Grade Corporates      | 10.00                           | 1.56                                   |
| High Yield                       | 5.00                            | 2.27                                   |
| Emerging market Debt             | 5.00                            | 2.48                                   |
| Private Debt                     | 5.00                            | 3.57                                   |
| Real Assets                      | 15.00                           | 3.21                                   |
| Leverage                         | (5.00)                          | (0.59)                                 |
|                                  | <u>100.00%</u>                  |  |

<sup>1</sup> An expected inflation of 2.30% used for this period.

<sup>2</sup> Figures are based on the 2021 Asset Liability Management study

**(f) Subsequent Events**

There were no subsequent events that would materially affect the results presented in this disclosure.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

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

**(g) 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 one percentage-point lower or one percentage-point higher than the current rate:

|                                       | Current              | Discount Rate -1%    | Discount Rate +1%    |
|---------------------------------------|----------------------|----------------------|----------------------|
|                                       | 5.90%                | 6.90%                | 7.90%                |
| Net Pension Liability - Miscellaneous | <u>\$ 39,130,753</u> | <u>\$ 27,891,213</u> | <u>\$ 18,639,418</u> |

**Note 9 - Other Postemployment Benefits:**

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

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

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

**Employees Covered** - As of the June 30, 2024 measurement date, the following current and former employees were covered by the benefit terms under the OPEB Plan:

|  |           |
|--|-----------|
| Active employees   | 28        |
| Inactive employees or beneficiaries currently receiving benefit payments | 56        |
|  | <u>84</u> |

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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, 2024 to June 30, 2025, the District's cash contributions were \$590,628. 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, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023.

**Actuarial Assumptions** - The total OPEB liability in the June 30, 2023 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   |
| <b>Actuarial Assumptions:</b> |   |
| Discount Rate                 | 6.40%   |
| Inflation                     | 2.75%   |
| Salary Increases              | 2.80%   |
| 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 8.00% decreasing 0.25% annually to 4.50%<br>Post-65 rate of 6.50% decreasing 0.25% annually to 4.50%<br>Medicare Part B rate of 5.50% decreasing 0.25% annually to 4.50% |

Mortality information for active and retired employees was based on SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021. The pre-retirement turnover information was developed based on the 2021 experience study for the CalPERS pension plan.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

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

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

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:

| <u>Asset Class</u>     | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return<sup>1</sup></u> |
|------------------------|--------------------------|---|
| Global Equity          | 49.0%                    | N/A   |
| Global Debt Securities | 23.0%                    | N/A   |
| Inflation Assets       | 5.0%                     | N/A   |
| Commodities            | 3.0%                     | N/A   |
| REIT's                 | 20.0%                    | N/A   |
| <b>Total</b>           | <b><u>100.0%</u></b>     | <b>N/A</b>  |

Long-term expected rate of return is 6.40%

<sup>1</sup> Consistent with the information provided by CERBT, L/T Expected Real ROR is not provided by asset class from CERBT and therefore shown as N/A here.

**(b) Discount Rate**

The discount rate used to measure the total OPEB liability was 6.40%. 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.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

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

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

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

|   | Increase (Decrease)            |                                       |   |
|---|--------------------------------|---------------------------------------|---|
|   | Total OPEB<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability<br>(c) = (a) -<br>(b) |
| Balance, Beginning of Year                            | \$ 9,750,714                   | \$ 8,196,878                          | \$ 1,553,836                                |
| Service cost  | 152,035                        | -                                     | 152,035                                     |
| Interest expense                                      | 577,198                        | -                                     | 577,198                                     |
| Benefit payments                                      | (573,935)                      | (573,935)                             | -   |
| Changes in assumptions                                | (281,375)                      | -                                     | (281,375)                                   |
| Employer contributions                                | -                              | 249,152                               | (249,152)                                   |
| Differences between expected and<br>actual experience | (128,299)                      | -                                     | (128,299)                                   |
| Net investment income                                 | -                              | 899,701                               | (899,701)                                   |
| Administrative expense                                | -                              | (2,672)                               | 2,672                                       |
| Balance, End of Year                                  | <u>\$ 9,496,338</u>            | <u>\$ 8,769,124</u>                   | <u>\$ 727,214</u>                           |

**(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<br>5.40% | Current<br>Discount Rate<br>6.40% | 1% Increase<br>7.40% |
|----------------------------|----------------------|-----------------------------------|----------------------|
| Net OPEB liability (asset) | <u>\$ 1,824,451</u>  | <u>\$ 727,214</u>                 | <u>\$ (195,759)</u>  |

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

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

**(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<br>(7.00% Decreasing<br>to 3.50%) | Current Healthcare<br>Cost Trend Rates | 1% Increase<br>(8.00% Decreasing<br>to 4.50%) | (9.00% Decreasing<br>to 5.50%) |
|----------------------------|---|--|---|--------------------------------|
| Net OPEB liability (asset) | \$ (357,625)                                  | \$ 727,214                             | \$ 2,037,574                                  |                                |

**(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.

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$174,927. The District reported deferred outflows and inflows of resources related to OPEB from the following sources at June 30, 2025:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                            | \$ 476,341                        | \$ 1,116,537                     |
| Changes in assumptions  | 404,114                           | 261,551                          |
| Net difference between projected and actual earnings in OPEB plan investments | 95,404                            | -                                |
| Contributions subsequent to the measurement date                              | 590,628                           | -                                |
| Total   | <u>\$ 1,566,487</u>               | <u>\$ 1,378,088</u>              |

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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

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

The \$590,628 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:

| Fiscal Year End<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|-----------------------------|--|
| 2026                        | \$ (114,223)                                   |
| 2027                        | 130,571  |
| 2028                        | (335,064)                                      |
| 2029                        | (83,513)                                       |
| 2030                        | -  |
| Thereafter                  | -  |
| <b>Total</b>                | <b>\$ (402,229)</b>                            |

**(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 1.15% of their annual covered payroll to the plan. 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, 2025, District contributions were \$50,508.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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, 2025 was \$317,402. 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 one year to 25 years. The lessees are required to make monthly payments ranging from \$913 to \$4,597 and have discount rates ranging from 2.00% to 3.00%. As of June 30, 2025, the lease receivable is \$6,537,118 and deferred inflows of resources is \$5,985,084. The District recognized \$412,972 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**

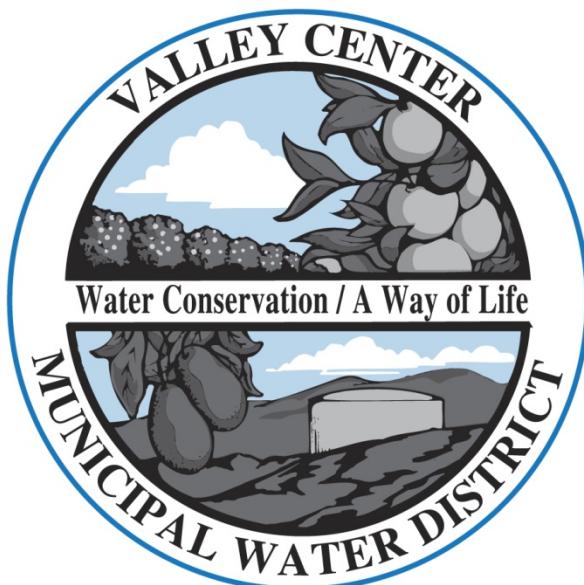
The District has entered into various contracts for the purchase of material, and construction of the capital assets. The amounts contracted for are based on the contractors' estimated cost of construction. At June 30, 2025, the total unpaid amount on these contracts is approximately \$3,115,435 for water operations and \$107,034 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.

THIS PAGE INTENTIONALLY LEFT BLANK

# 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 |               |               |               |               |
|--|------------------|---------------|---------------|---------------|---------------|
|  | 6/30/2024        | 6/30/2023     | 6/30/2022     | 6/30/2021     | 6/30/2020     |
| Proportion of the collective net pension liability   | 0.5767%          | 0.5665%       | 0.5802%       | 0.9778%       | 0.5880%       |
| Proportionate share of the collective net pension liability                                  | \$ 27,891,213    | \$ 28,328,853 | \$ 27,148,513 | \$ 18,565,726 | \$ 24,804,319 |
| Covered payroll  | \$ 7,790,598     | \$ 7,329,072  | \$ 7,018,725  | \$ 7,042,969  | \$ 6,784,178  |
| Proportionate share of the collective net pension liability as percentage of covered payroll | 358.01%          | 386.53%       | 386.80%       | 263.61%       | 365.62%       |
| Plan fiduciary net position as a percentage of the total pension liability                   | 66.51%           | 64.13%        | 63.83%        | 73.14%        | 62.00%        |

Notes to Schedule:

Benefit Changes:

There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Additionally, the figures above do not include any liability impact that occurred after the June 30, 2023 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions:

Changes of Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.90% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, and 7.65% for measurement dates June 30, 2015 through June 30, 2016.

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

|  | Measurement Date |               |               |               |               |
|--|------------------|---------------|---------------|---------------|---------------|
|  | 6/30/2019        | 6/30/2018     | 6/30/2017     | 6/30/2016     | 6/30/2015     |
| Proportion of the collective net pension liability   | 0.5915%          | 0.6019%       | 0.5859%       | 0.6024%       | 0.0687%       |
| Proportionate share of the collective net pension liability                                  | \$ 23,686,880    | \$ 22,685,118 | \$ 23,136,342 | \$ 20,928,033 | \$ 18,860,732 |
| Covered payroll  | \$ 6,180,656     | \$ 5,894,187  | \$ 5,940,494  | \$ 5,916,822  | \$ 5,465,453  |
| Proportionate share of the collective net pension liability as percentage of covered payroll | 383.25%          | 384.87%       | 389.47%       | 353.70%       | 345.09%       |
| Plan fiduciary net position as a percentage of the total pension liability                   | 61.49%           | 61.51%        | 59.30%        | 58.82%        | 60.99%        |

Notes to Schedule:

Benefit Changes:

There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Additionally, the figures above do not include any liability impact that occurred after the June 30, 2023 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions:

Changes of Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.90% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, and 7.65% for measurement dates June 30, 2015 through June 30, 2016.

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

|  | Fiscal Year        |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | 6/30/2025          | 6/30/2024          | 6/30/2023          | 6/30/2022          | 6/30/2021          |
| Actuarially determined contribution                                  | \$ 3,653,450       | \$ 3,231,162       | \$ 3,120,587       | \$ 2,907,655       | \$ 2,736,175       |
| Contributions in relation to the Actuarially Determined Contribution | <u>(3,653,450)</u> | <u>(3,231,162)</u> | <u>(3,120,587)</u> | <u>(2,907,655)</u> | <u>(2,736,775)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ (600)</u>    |
| Covered payroll  | \$ 8,019,556       | \$ 7,790,598       | \$ 7,329,072       | \$ 7,018,725       | \$ 7,042,969       |
| Contributions as a percentage of covered payroll                     | 45.56%             | 41.48%             | 42.58%             | 41.43%             | 38.86%             |

Notes to Schedule:

Fiscal Year End: 06/30/25  
 Valuation Date: 06/30/22

Methods and assumptions used to determine contribution rates:

|                        |   |
|------------------------|---|
| Actuarial Cost Method  | Entry Age Actuarial Cost Method   |
| Amortization Method    | Varies by date established and source. May be level dollar or level percent of pay and may include direct rate smoothing. |
| Asset Valuation Method | Fair value of assets  |
| Discount Rate          | 6.90% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.                                     |
| Inflation              | 2.30%   |
| Salary Increases       | Varies by category, entry age, and duration of service.   |
| Payroll Growth         | 2.80%   |

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

|   | <u>6/30/2020</u>   | <u>6/30/2019</u>   | <u>6/30/2018</u>   | <u>6/30/2017</u>   | <u>6/30/2016</u>   |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Actuarially determined contribution                                     | \$ 2,505,591       | \$ 2,250,183       | \$ 2,061,087       | \$ 1,945,730       | \$ 1,806,422       |
| Contributions in relation to the<br>Actuarially Determined Contribution | <u>(2,505,452)</u> | <u>(2,250,183)</u> | <u>(2,061,087)</u> | <u>(1,945,730)</u> | <u>(1,806,422)</u> |
| Contribution deficiency (excess)  | <u>\$ 139</u>      | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| Covered payroll   | \$ 6,784,178       | \$ 6,180,656       | \$ 5,894,187       | \$ 5,940,494       | \$ 5,916,822       |
| Contributions as a percentage of<br>covered payroll                     | 36.93%             | 36.41%             | 34.97%             | 32.75%             | 30.53%             |

Notes to Schedule:

Fiscal Year End: 06/30/25  
 Valuation Date: 06/30/22

Methods and assumptions used to determine contribution rates:

|                        |   |
|------------------------|---|
| Actuarial Cost Method  | Entry Age Actuarial Cost Method   |
| Amortization Method    | Varies by date established and source. May be level dollar or level percent of pay and may include direct rate smoothing. |
| Asset Valuation Method | Fair value of assets  |
| Discount Rate          | 6.90% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.                                     |
| Inflation              | 2.30%   |
| Salary Increases       | Varies by category, entry age, and duration of service.   |
| Payroll Growth         | 2.80%   |

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

|   | Measurement Date    |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 2024                | 2023                | 2022                | 2021                |
| Total OPEB liability  |                     |                     |                     |                     |
| Service cost  | \$ 152,035          | \$ 188,486          | \$ 164,132          | \$ 215,323          |
| Interest on the total OPEB liability                                    | 577,198             | 504,976             | 577,307             | 605,221             |
| Actual and expected experience difference                               | (128,299)           | 952,683             | (1,092,716)         | (418,269)           |
| Changes in assumptions  | (281,375)           | 113,897             | 694,331             | (117,880)           |
| Changes in benefit terms  | -                   | -                   | -                   | -                   |
| Benefit payments  | (573,935)           | (467,408)           | (414,491)           | (364,965)           |
| Net change in total OPEB liability                                      | (254,376)           | 1,292,634           | (71,437)            | (80,570)            |
| Total OPEB liability - beginning  | 9,750,714           | 8,458,080           | 8,529,517           | 8,610,087           |
| Total OPEB liability - ending (a)                                       | <u>\$ 9,496,338</u> | <u>\$ 9,750,714</u> | <u>\$ 8,458,080</u> | <u>\$ 8,529,517</u> |
| Plan Fiduciary Net Position   |                     |                     |                     |                     |
| Contribution - employer   | \$ 249,152          | \$ 61,549           | \$ 935,370          | \$ 656,994          |
| Net investment income   | 899,701             | 491,239             | (1,163,850)         | 1,649,671           |
| Benefit payments  | (573,935)           | -                   | -                   | (364,965)           |
| Administrative expense  | (2,672)             | (2,220)             | (2,097)             | (4,282)             |
| Net change in plan fiduciary net position                               | 572,246             | 550,568             | (230,577)           | 1,937,418           |
| Plan fiduciary net position - beginning                                 | 8,196,878           | 7,646,310           | 7,876,887           | 5,939,469           |
| Plan fiduciary net position - ending (b)                                | <u>\$ 8,769,124</u> | <u>\$ 8,196,878</u> | <u>\$ 7,646,310</u> | <u>\$ 7,876,887</u> |
| Net OPEB (asset) liability - ending (a)-(b)                             | <u>\$ 727,214</u>   | <u>\$ 1,553,836</u> | <u>\$ 811,770</u>   | <u>\$ 652,630</u>   |
| Plan fiduciary net position as a percentage of the total OPEB liability |                     | 92.34%              | 84.06%              | 90.40%              |
| Covered-employee payroll**  | \$ 3,997,485        | \$ 4,312,596        | \$ 3,947,784        | \$ 4,197,174        |
| Net OPEB (asset) liability as a percentage of covered-employee payroll  |                     | 18.19%              | 36.03%              | 20.56%              |
| 15.55%  |                     |                     |                     |                     |

Notes to Schedule:

Changes in assumptions:

The discount rate of 6.40% was used in the valuation. The interest rate used in the prior valuation was 6.00% 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 CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**  
**Last Ten Fiscal Years\***

|   | Measurement Date           |                            |                            |                            |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
|   | 2020                       | 2019                       | 2018                       | 2017                       |
| Total OPEB liability  |                            |                            |                            |                            |
| Service cost  | \$ 222,328                 | \$ 180,014                 | \$ 174,771                 | \$ 163,337                 |
| Interest on the total OPEB liability                                    | 640,904                    | 584,591                    | 555,262                    | 525,499                    |
| Actual and expected experience difference                               | (1,031,442)                | 418,684                    | -                          | -                          |
| Changes in assumptions  | -                          | (99,117)                   | -                          | -                          |
| Changes in benefit terms  | -                          | -                          | -                          | -                          |
| Benefit payments  | <u>(305,133)</u>           | <u>(344,067)</u>           | <u>(288,490)</u>           | <u>(261,691)</u>           |
| Net change in total OPEB liability                                      | (473,343)                  | 740,105                    | 441,543                    | 427,145                    |
| Total OPEB liability - beginning  | <u>9,083,430</u>           | <u>8,343,325</u>           | <u>7,901,782</u>           | <u>7,474,637</u>           |
| Total OPEB liability - ending (a)                                       | <u><u>\$ 8,610,087</u></u> | <u><u>\$ 9,083,430</u></u> | <u><u>\$ 8,343,325</u></u> | <u><u>\$ 7,901,782</u></u> |
| Plan Fiduciary Net Position   |                            |                            |                            |                            |
| Contribution - employer   | \$ 643,050                 | \$ 658,700                 | \$ 722,386                 | \$ 690,259                 |
| Net investment income   | 193,466                    | 300,177                    | 323,308                    | 344,077                    |
| Benefit payments  | (305,133)                  | (344,067)                  | (288,490)                  | (261,691)                  |
| Administrative expense  | <u>(4,659)</u>             | <u>(2,365)</u>             | <u>(7,520)</u>             | <u>(1,759)</u>             |
| Net change in plan fiduciary net position                               | 526,724                    | 612,445                    | 749,684                    | 770,886                    |
| Plan fiduciary net position - beginning                                 | <u>5,412,745</u>           | <u>4,800,300</u>           | <u>4,050,616</u>           | <u>3,279,730</u>           |
| Plan fiduciary net position - ending (b)                                | <u><u>\$ 5,939,469</u></u> | <u><u>\$ 5,412,745</u></u> | <u><u>\$ 4,800,300</u></u> | <u><u>\$ 4,050,616</u></u> |
| Net OPEB (asset) liability - ending (a)-(b)                             | <u><u>\$ 2,670,618</u></u> | <u><u>\$ 3,670,685</u></u> | <u><u>\$ 3,543,025</u></u> | <u><u>\$ 3,851,166</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 68.98%                     | 59.59%                     | 57.53%                     | 51.26%                     |
| Covered-employee payroll**  | \$ 4,664,150               | \$ 4,539,319               | \$ 5,148,345               | \$ 5,018,358               |
| Net OPEB (asset) liability as a percentage of covered-employee payroll  | 57.26%                     | 80.86%                     | 68.82%                     | 76.74%                     |

Notes to Schedule:

Changes in assumptions:

The discount rate of 6.40% was used in the valuation. The interest rate used in the prior valuation was 6.00% 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         |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 2025                | 2024                | 2023                | 2022                |
| Actuarially Determined Contribution (ADC)                 | \$ 446,623          | \$ 249,152          | \$ 406,778          | \$ 482,483          |
| Contributions in relation to the ADC                      | <u>(590,628)</u>    | <u>(573,935)</u>    | <u>(528,957)</u>    | <u>(656,994)</u>    |
| Contribution deficiency (excess)                          | <u>\$ (144,005)</u> | <u>\$ (324,783)</u> | <u>\$ (122,179)</u> | <u>\$ (174,511)</u> |
| Covered-employee payroll                                  | \$ 3,953,809        | \$ 3,997,485        | \$ 4,312,596        | \$ 3,947,784        |
| Contributions as a percentage of covered-employee payroll | 14.94%              | 14.36%              | 12.27%              | 16.64%              |

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2025 were from the June 30, 2023 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                   | 2.75%   |
| Payroll Growth              | 2.80% per annum, in aggregate   |
| Investment Rate of Return   | 6.40%, 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<br>The mortality assumptions are based on the SOA Pub-2010 General Headcount<br>Weighted Mortality Table fully generational using Scale MP-2021. |

\*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.

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

|   | 2021               | 2020               | 2019                | 2018               |
|---|--------------------|--------------------|---------------------|--------------------|
| Actuarially Determined Contribution (ADC)                 | \$ 578,463         | \$ 572,254         | \$ 556,404          | \$ 637,891         |
| Contributions in relation to the ADC                      | <u>(643,050)</u>   | <u>(658,700)</u>   | <u>(722,386)</u>    | <u>(690,259)</u>   |
| Contribution deficiency (excess)                          | <u>\$ (64,587)</u> | <u>\$ (86,446)</u> | <u>\$ (165,982)</u> | <u>\$ (52,368)</u> |
| Covered-employee payroll                                  | \$ 4,197,174       | \$ 4,664,150       | \$ 4,539,319        | \$ 5,148,345       |
| Contributions as a percentage of covered-employee payroll | 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 2025 were from the June 30, 2024 actuarial valuation.

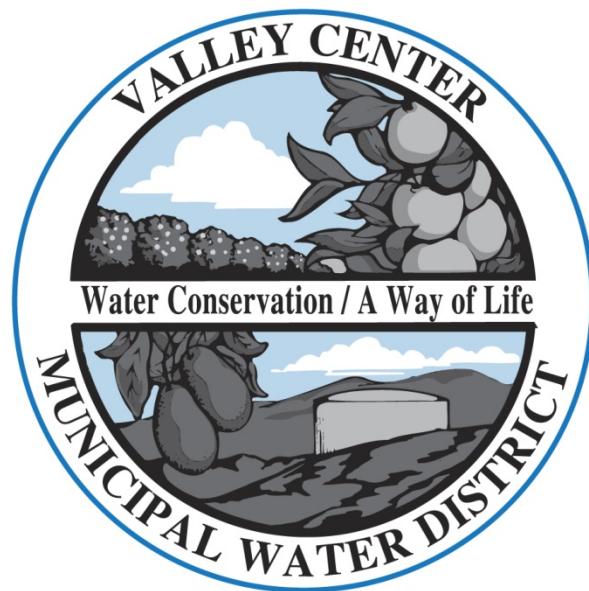
Methods and assumptions used to determine contributions:

|                             |   |
|-----------------------------|---|
| 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                   | 2.75%   |
| Payroll Growth              | 2.80% per annum, in aggregate   |
| Investment Rate of Return   | 6.40%, 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<br>The mortality assumptions are based on the SOA Pub-2010 General Headcount<br>Weighted Mortality Table fully generational using Scale MP-2021. |

\*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.

THIS PAGE INTENTIONALLY LEFT BLANK

# Combining Statements



## **Fiduciary Funds**

### **Community Facilities District No. 2020-1**

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 proceedings as required under the bond covenants.

### **Valley Center Municipal Water District Assessment District**

The Valley Center Municipal Water District Assessment District (AD 2012-1) was created by the District to account for special assessment bonds. The limited obligation bonds and interest are paid from general 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, of which the District is the sole bondholder.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
COMBINING SCHEDULE OF NET POSITION  
JUNE 30, 2025**

|                                       | General              | Lower Moosa<br>Wastewater | Woods Valley Ranch<br>Wastewater | Total                 |
|---------------------------------------|----------------------|---------------------------|----------------------------------|-----------------------|
| <b>ASSETS:</b>                        |                      |                           |                                  |                       |
| Current Assets:                       |                      |                           |                                  |                       |
| Cash and cash equivalents             | \$ 10,557,024        | \$ 1,526,661              | \$ 13,177,020                    | \$ 25,260,705         |
| Investments                           | 14,251,934           | -                         | -                                | 14,251,934            |
| Accounts receivable, net              | 7,779,969            | -                         | -                                | 7,779,969             |
| Woods Valley Ranch Phase 1 receivable | -                    | -                         | 176,154                          | 176,154               |
| Interest receivable                   | 315,409              | -                         | 37,913                           | 353,322               |
| Taxes receivable                      | 16,083               | -                         | 95,533                           | 111,616               |
| Other receivables                     | 140,014              | -                         | -                                | 140,014               |
| Current lease receivable              | 257,749              | -                         | -                                | 257,749               |
| Inventory                             | 1,324,972            | -                         | -                                | 1,324,972             |
| Internal balances                     | 898,929              | (1,794,429)               | 895,500                          | -                     |
| Prepaid expenses and deposits         | 274,257              | -                         | -                                | 274,257               |
| Total Current Assets                  | <u>35,816,340</u>    | <u>(267,768)</u>          | <u>14,382,120</u>                | <u>49,930,692</u>     |
| Noncurrent Assets:                    |                      |                           |                                  |                       |
| Restricted cash and cash equivalents  | -                    | 620,576                   | -                                | 620,576               |
| Woods Valley Ranch Phase 1 receivable | -                    | -                         | 1,989,387                        | 1,989,387             |
| Investment in VCMWD AD 2012-1         | 3,010,000            | -                         | 615,000                          | 3,625,000             |
| Lease receivable                      | 6,279,369            | -                         | -                                | 6,279,369             |
| Nondepreciable capital assets         | 7,514,741            | 861,722                   | 3,371,116                        | 11,747,579            |
| Depreciable capital assets, net       | 70,198,764           | 8,260,842                 | 32,394,028                       | 110,853,634           |
| Total Noncurrent Assets               | <u>87,002,874</u>    | <u>9,743,140</u>          | <u>38,369,531</u>                | <u>135,115,545</u>    |
| Total Assets                          | <u>122,819,214</u>   | <u>9,475,372</u>          | <u>52,751,651</u>                | <u>185,046,237</u>    |
| DEFERRED OUTFLOWS OF RESOURCES:       |                      |                           |                                  |                       |
| Deferred outflows related to pensions | 7,715,495            | -                         | -                                | 7,715,495             |
| Deferred outflows related to OPEB     | 1,566,487            | -                         | -                                | 1,566,487             |
| Total Deferred Outflows of Resources  | <u>9,281,982</u>     | <u>-</u>                  | <u>-</u>                         | <u>9,281,982</u>      |
| LIABILITIES:                          |                      |                           |                                  |                       |
| Current Liabilities:                  |                      |                           |                                  |                       |
| Accounts payable                      | 7,222,167            | 119,974                   | 50,986                           | 7,393,127             |
| Accrued payroll                       | 344,424              | -                         | -                                | 344,424               |
| Compensated absences                  | 1,086,239            | -                         | -                                | 1,086,239             |
| Interest payable                      | -                    | 47,998                    | 209,765                          | 257,763               |
| Customer deposits                     | 3,633,391            | 22,700                    | 5,479,766                        | 9,135,857             |
| Long-term liabilities                 | 440,697              | -                         | 1,187,967                        | 1,628,664             |
| Total Current Liabilities             | <u>12,726,918</u>    | <u>190,672</u>            | <u>6,928,484</u>                 | <u>19,846,074</u>     |
| Noncurrent Liabilities:               |                      |                           |                                  |                       |
| Compensated absences                  | 1,649,999            | -                         | -                                | 1,649,999             |
| Long-term liabilities                 | 9,967,446            | -                         | 14,921,188                       | 24,888,634            |
| Net pension liability                 | 27,891,213           | -                         | -                                | 27,891,213            |
| Net OPEB Liability                    | 727,214              | -                         | -                                | 727,214               |
| Total Noncurrent Liabilities          | <u>40,235,872</u>    | <u>-</u>                  | <u>14,921,188</u>                | <u>55,157,060</u>     |
| Total Liabilities                     | <u>52,962,790</u>    | <u>190,672</u>            | <u>21,849,672</u>                | <u>75,003,134</u>     |
| DEFERRED INFLOWS OF RESOURCES:        |                      |                           |                                  |                       |
| Deferred inflows related to pensions  | 2,019,715            | -                         | -                                | 2,019,715             |
| Deferred inflows related to OPEB      | 1,378,088            | -                         | -                                | 1,378,088             |
| Deferred inflows related to leases    | 5,985,084            | -                         | -                                | 5,985,084             |
| Total Deferred Inflows of Resources   | <u>9,382,887</u>     | <u>-</u>                  | <u>-</u>                         | <u>9,382,887</u>      |
| NET POSITION:                         |                      |                           |                                  |                       |
| Net investment in capital assets      | 66,200,708           | 9,122,564                 | 19,655,989                       | 94,979,261            |
| Restricted for facility expansion     | -                    | 620,576                   | -                                | 620,576               |
| Unrestricted                          | 3,554,811            | (458,440)                 | 11,245,990                       | 14,342,361            |
| Total Net Position                    | <u>\$ 69,755,519</u> | <u>\$ 9,284,700</u>       | <u>\$ 30,901,979</u>             | <u>\$ 109,942,198</u> |

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|   | General              | Lower Moosa<br>Wastewater | Woods Valley Ranch<br>Wastewater | Total                 |
|---|----------------------|---------------------------|----------------------------------|-----------------------|
| <b>Operating Revenues:</b>                    |                      |                           |                                  |                       |
| Water sales and pumping charges               | \$ 36,482,154        | \$ -                      | \$ -                             | \$ 36,482,154         |
| Meter service charges                         | 8,903,965            | -                         | -                                | 8,903,965             |
| Wastewater charges                            | -                    | 2,279,059                 | 2,457,849                        | 4,736,908             |
| Meter installation fees                       | 363,814              | -                         | -                                | 363,814               |
| Other water operating revenues                | 871,182              | 386                       | 520,386                          | 1,391,954             |
| <b>Total Operating Revenues</b>               | <b>46,621,115</b>    | <b>2,279,445</b>          | <b>2,978,235</b>                 | <b>51,878,795</b>     |
| <b>Operating Expenses:</b>                    |                      |                           |                                  |                       |
| Cost of water sold                            | 30,868,413           | -                         | -                                | 30,868,413            |
| Energy and pumping costs                      | 2,684,638            | 120,279                   | 96,959                           | 2,901,876             |
| Water systems operations                      | 6,845,634            | -                         | -                                | 6,845,634             |
| Wastewater collection and treatment           | -                    | 1,241,546                 | 804,394                          | 2,045,940             |
| Engineering                                   | 2,175,297            | 18,265                    | 375,067                          | 2,568,629             |
| General and administrative                    | 3,930,294            | 363,319                   | 348,079                          | 4,641,692             |
| Depreciation                                  | 3,726,661            | 373,193                   | 1,216,048                        | 5,315,902             |
| <b>Total Operating Expenses</b>               | <b>50,230,937</b>    | <b>2,116,602</b>          | <b>2,840,547</b>                 | <b>55,188,086</b>     |
| <b>Operating Income (Loss)</b>                | <b>(3,609,822)</b>   | <b>162,843</b>            | <b>137,688</b>                   | <b>(3,309,291)</b>    |
| <b>Nonoperating Revenues (Expenses):</b>      |                      |                           |                                  |                       |
| Property taxes and assessments                | 4,140,486            | -                         | 526,769                          | 4,667,255             |
| Investment income (loss)                      | 1,600,504            | 123,697                   | 479,910                          | 2,204,111             |
| Other nonoperating revenues                   | 412,972              | -                         | -                                | 412,972               |
| Interest expense                              | (106,725)            | (85,157)                  | (364,516)                        | (556,398)             |
| Gain (loss) on disposal of capital assets     | (33,918)             | -                         | -                                | (33,918)              |
| <b>Total Nonoperating Revenues (Expenses)</b> | <b>6,013,319</b>     | <b>38,540</b>             | <b>642,163</b>                   | <b>6,694,022</b>      |
| <b>Income (Loss) Before Contributions</b>     | <b>2,403,497</b>     | <b>201,383</b>            | <b>779,851</b>                   | <b>3,384,731</b>      |
| <b>Capital Contributions</b>                  |                      |                           |                                  |                       |
| Capacity Charges                              | 270,624              | (5,315)                   | -                                | 265,309               |
| Developer Contributions                       | 3,346,842            | -                         | 5,782,190                        | 9,129,032             |
| <b>Total Capital Contributions</b>            | <b>3,617,466</b>     | <b>(5,315)</b>            | <b>5,782,190</b>                 | <b>9,394,341</b>      |
| <b>Change in Net Position</b>                 | <b>6,020,963</b>     | <b>196,068</b>            | <b>6,562,041</b>                 | <b>12,779,072</b>     |
| <b>Net Position at Beginning of Year</b>      | <b>63,734,556</b>    | <b>9,088,632</b>          | <b>24,339,938</b>                | <b>97,163,126</b>     |
| <b>Net Position at End of Year</b>            | <b>\$ 69,755,519</b> | <b>\$ 9,284,700</b>       | <b>\$ 30,901,979</b>             | <b>\$ 109,942,198</b> |

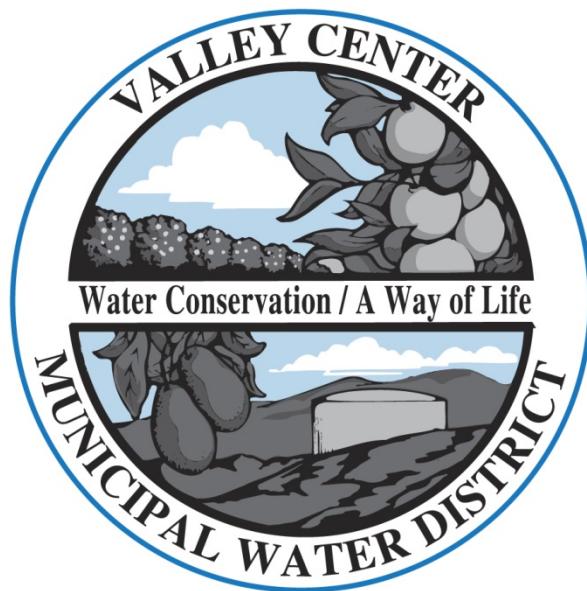
**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**CUSTODIAL FUNDS**  
**JUNE 30, 2025**

|  | Assessment<br>District<br>2012-1 | Community<br>Facilities District<br>2020-1 | Total                   |
|--|----------------------------------|--|-------------------------|
| <b>ASSETS</b>  |                                  |  |                         |
| Cash and Investments   | \$ 916,307                       | \$ 1,359,680                               | \$ 2,275,987            |
| Interest receivable  | -                                | 2,050                                      | 2,050                   |
| <b>Total Assets</b>  | <b><u>916,307</u></b>            | <b><u>1,361,730</u></b>                    | <b><u>2,278,037</u></b> |
| <br><b>NET POSITION</b>  |                                  |  |                         |
| Restricted for the benefit of residents<br>of the AD - 2012-1 and CFD 2020-1 | <u>\$ 916,307</u>                | <u>\$ 1,361,730</u>                        | <u>\$ 2,278,037</u>     |

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2025**

|   | Assessment<br>District<br>2012-1 | Community<br>Facilities District<br>2020-1 | Total                      |
|---|----------------------------------|--|----------------------------|
| <b>ADDITIONS:</b>                           |                                  |  |                            |
| Property taxes and assessments              | \$ 297,115                       | \$ 362,063                                 | \$ 659,178                 |
| Investment income                           | 36,774                           | 39,527                                     | 76,301                     |
| Other revenue                               | -                                | 1,691                                      | 1,691                      |
| <b>Total additions</b>                      | <b><u>333,889</u></b>            | <b><u>403,281</u></b>                      | <b><u>737,170</u></b>      |
| <b>DEDUCTIONS:</b>                          |                                  |  |                            |
| Outside professional services               | -                                | 34,105                                     | 34,105                     |
| Bond principal                              | 215,000                          | -  | 215,000                    |
| Bond interest                               | <u>82,115</u>                    | <u>48,539</u>                              | <u>130,654</u>             |
| <b>Total deductions</b>                     | <b><u>297,115</u></b>            | <b><u>90,872</u></b>                       | <b><u>387,987</u></b>      |
| Excess of revenues over expenditures        | <u>36,774</u>                    | <u>312,409</u>                             | <u>349,183</u>             |
| <b>OTHER FINANCING SOURCES (USES):</b>      |                                  |  |                            |
| Proceeds from bonds                         | -                                | 5,355,000                                  | 5,355,000                  |
| Discount on bonds issued                    | -                                | (80,414)                                   | (80,414)                   |
| Transfer to project fund                    | -                                | (4,813,122)                                | (4,813,122)                |
| <b>Total other financing sources (uses)</b> | <b><u>-</u></b>                  | <b><u>461,464</u></b>                      | <b><u>461,464</u></b>      |
| Change in net position                      | <u>36,774</u>                    | <u>773,873</u>                             | <u>810,647</u>             |
| Net Position - Beginning of Year            | <u>879,533</u>                   | <u>587,857</u>                             | <u>1,467,390</u>           |
| <b>Net Position - End of year</b>           | <b><u>\$ 916,307</u></b>         | <b><u>\$ 1,361,730</u></b>                 | <b><u>\$ 2,278,037</u></b> |

# 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<br><br><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>   | 75   |
| Revenue Capacity<br><br><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>   | 77   |
| Debt Capacity<br><br><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>                            | 87   |
| Demographic and Economic Information<br><br><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>  | 89   |
| Operating Information<br><br><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> | 91   |

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

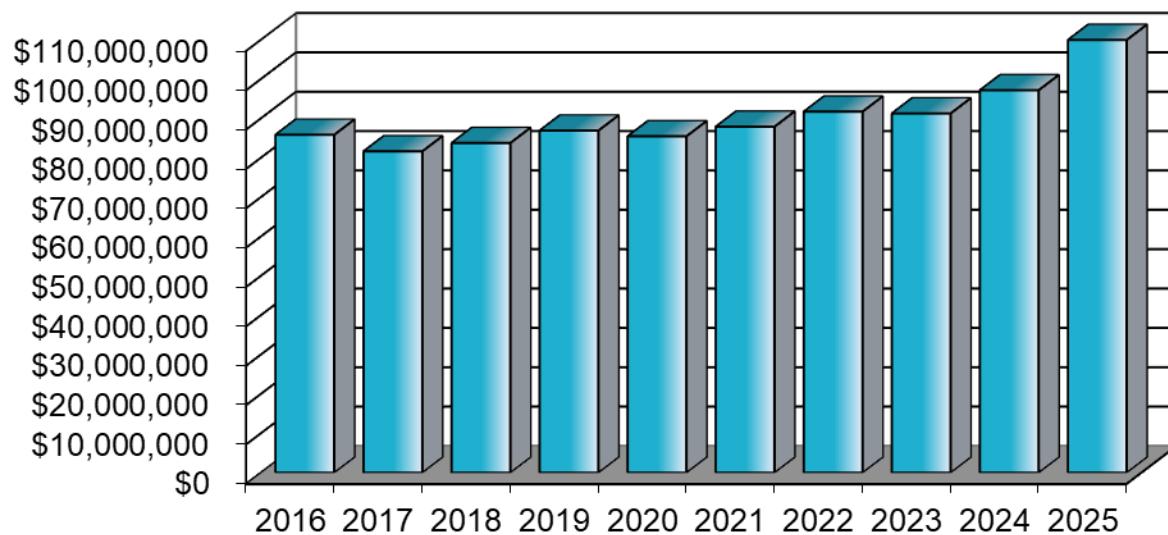
**Table I**  
**Net Position by Component (Last Ten Fiscal Years)**

|                                       | Fiscal year ended     |                      |                      |                      |                      |
|---------------------------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
|                                       | <u>2025</u>           | <u>2024</u>          | <u>2023</u>          | <u>2022</u>          | <u>2021</u>          |
| Primary government                    |                       |                      |                      |                      |                      |
| Net investment in capital assets      | \$ 94,979,261         | \$ 98,661,084        | \$ 92,907,867        | \$ 77,957,363        | \$ 76,127,791        |
| Restricted for facility expansion     | 620,576               | 1,018,814            | 606,326              | 3,719,038            | 2,129,567            |
| Unrestricted                          | 14,342,361            | (2,516,772)          | (2,249,052)          | 10,046,007           | 9,632,501            |
| Total primary government net position | <u>\$ 109,942,198</u> | <u>\$ 97,163,126</u> | <u>\$ 91,265,141</u> | <u>\$ 91,722,408</u> | <u>\$ 87,889,859</u> |
|                                       |                       |                      |                      |                      |                      |
|                                       | Fiscal year ended     |                      |                      |                      |                      |
|                                       | <u>2020 (1)</u>       | <u>2019</u>          | <u>2018 (1)</u>      | <u>2017 (1)</u>      | <u>2016</u>          |
| Primary government                    |                       |                      |                      |                      |                      |
| Net investment in capital assets      | \$ 75,005,714         | \$ 74,019,639        | \$ 71,684,014        | \$ 72,382,729        | \$ 84,494,979        |
| Restricted for facility expansion     | 1,717,852             | 1,550,544            | 1,359,327            | 1,177,622            | 1,075,636            |
| Unrestricted                          | 8,730,860             | 11,333,093           | 10,718,376           | 8,073,823            | 276,747              |
| Total primary government net position | <u>\$ 85,454,426</u>  | <u>\$ 86,903,276</u> | <u>\$ 83,761,717</u> | <u>\$ 81,634,174</u> | <u>\$ 85,847,362</u> |

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

Source: Valley Center Municipal Water District

## Net Position



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

|  | <u>2025</u>           | <u>2024</u>          | <u>2023</u>          | <u>2022</u>          | <u>2021</u>          | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          |
|--|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b><u>Operating Revenues:</u></b>                        |                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Water sales <sup>(1)</sup>                               | \$ 42,595,063         | \$ 33,874,102        | \$ 34,388,425        | \$ 39,190,250        | \$ 40,125,745        | \$ 34,608,677        | \$ 34,579,905        | \$ 42,445,575        | \$ 36,090,543        | \$ 33,785,302        |
| Pumping charges  | 2,791,056             | 1,962,385            | 1,960,517            | 2,286,452            | 2,419,527            | 2,045,383            | 2,038,850            | 2,773,079            | 2,139,381            | 1,978,644            |
| Wastewater charges                                       | 4,736,908             | 4,500,955            | 4,227,215            | 4,601,540            | 3,589,915            | 4,041,954            | 4,016,703            | 4,056,779            | 4,239,359            | 2,521,787            |
| Meter installation fees                                  | 363,814               | 477,360              | 984,220              | 933,816              | 365,321              | 320,408              | 224,666              | 222,587              | 196,154              | 215,995              |
| Other water operating revenues                           | 1,391,954             | 674,435              | 710,954              | 986,803              | 2,262,881            | 453,037              | 588,436              | 610,544              | 645,435              | 545,347              |
| Total operating revenues                                 | \$ 51,878,795         | \$ 41,489,237        | \$ 42,271,331        | \$ 47,998,861        | \$ 48,763,389        | \$ 41,469,459        | \$ 41,448,560        | \$ 50,108,564        | \$ 43,310,872        | \$ 39,047,075        |
| <b><u>Operating Expenses:</u></b>                        |                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Cost of water sold                                       | \$ 30,868,413         | \$ 23,863,733        | \$ 24,059,220        | \$ 27,742,610        | \$ 28,666,422        | \$ 25,099,762        | \$ 25,048,234        | \$ 30,744,890        | \$ 26,930,842        | \$ 25,358,738        |
| Energy and pumping costs                                 | 2,901,876             | 2,921,438            | 3,239,594            | 3,081,255            | 2,848,421            | 2,636,432            | 2,457,485            | 2,888,038            | 2,631,927            | 2,733,376            |
| Water systems operations                                 | 6,845,634             | 6,306,714            | 6,026,660            | 6,021,235            | 5,901,561            | 5,753,366            | 5,571,209            | 5,890,653            | 5,304,895            | 5,267,718            |
| Wastewater collection and treatment                      | 2,045,940             | 1,840,953            | 1,918,109            | 1,770,086            | 1,588,055            | 1,521,242            | 1,458,174            | 1,333,425            | 1,283,283            | 1,121,601            |
| Engineering  | 2,568,629             | 2,354,138            | 2,133,505            | 2,320,092            | 2,855,523            | 2,000,013            | 1,571,413            | 1,455,201            | 1,695,911            | 1,450,071            |
| General and administrative                               | 4,641,692             | 3,925,539            | 8,884,912            | 3,657,388            | 4,719,888            | 5,470,523            | 5,246,189            | 5,677,591            | 2,527,800            | 1,944,488            |
| Depreciation   | 5,315,902             | 5,131,346            | 4,707,082            | 4,483,611            | 4,312,773            | 4,231,732            | 4,135,118            | 3,402,608            | 3,306,838            | 3,525,655            |
| Total operating expenses                                 | \$ 55,188,086         | \$ 46,343,861        | \$ 50,969,082        | \$ 49,076,277        | \$ 50,892,643        | \$ 46,713,070        | \$ 45,487,822        | \$ 51,392,406        | \$ 43,681,496        | \$ 41,401,647        |
| Operating (Loss)   | \$ (3,309,291)        | \$ (4,854,624)       | \$ (8,697,751)       | \$ (1,077,416)       | \$ (2,129,254)       | \$ (5,243,611)       | \$ (4,039,262)       | \$ (1,283,842)       | \$ (370,624)         | \$ (2,354,572)       |
| <b><u>Nonoperating Revenues and (Expenses):</u></b>      |                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Property taxes and assessments                           | \$ 4,667,255          | \$ 4,486,949         | \$ 4,234,849         | \$ 3,853,473         | \$ 3,740,185         | \$ 3,096,661         | \$ 2,985,886         | \$ 2,878,959         | \$ 2,777,382         | \$ 2,665,133         |
| Investment income (loss)                                 | 2,204,111             | 2,046,267            | 1,759,216            | (754,118)            | 277,671              | 866,684              | 861,130              | 345,698              | 169,070              | 201,138              |
| Other nonoperating revenues                              | 412,972               | 397,513              | 389,991              | 474,470              | 360,531              | 384,328              | 336,181              | 325,571              | 350,924              | 328,923              |
| Interest expense   | (556,398)             | (496,041)            | (467,225)            | (489,687)            | (514,995)            | (539,660)            | (557,983)            | (540,037)            | (238,935)            | (47,272)             |
| Gain (loss) on disposal of capital assets <sup>(2)</sup> | (33,918)              | 56,480               | 18,719               | 10,523               | (61,688)             | 15,074               | 16,278               | 123,546              | 23,747               | 13,484               |
| Total Nonoperating Revenues and (Expenses)               | \$ 6,694,022          | \$ 6,491,168         | \$ 5,935,550         | \$ 3,094,661         | \$ 3,801,704         | \$ 3,823,087         | \$ 3,641,492         | \$ 3,133,737         | \$ 3,082,188         | \$ 3,161,406         |
| Income (Loss) Before Contributions                       | \$ 3,384,731          | \$ 1,636,544         | \$ (2,762,201)       | \$ 2,017,245         | \$ 1,672,450         | \$ (1,420,524)       | \$ (397,770)         | \$ 1,849,895         | \$ 2,711,564         | \$ 806,834           |
| Capital contributions                                    | 9,394,341             | 4,261,441            | 2,304,934            | 1,815,304            | 762,983              | 872,099              | 3,539,329            | 396,898              | 205,285              | 1,643,312            |
| Change in Net Position                                   | \$ 12,779,072         | \$ 5,897,985         | \$ (457,267)         | \$ 3,832,549         | \$ 2,435,433         | \$ (548,425)         | \$ 3,141,559         | \$ 2,246,793         | \$ 2,916,849         | \$ 2,450,146         |
| Net Position at Beginning of Year                        | \$ 97,163,126         | \$ 91,265,141        | \$ 91,722,408        | \$ 87,889,859        | \$ 85,454,426        | \$ 86,903,276        | \$ 83,761,717        | \$ 81,634,174        | \$ 85,847,362        | \$ 83,397,216        |
| Restatement <sup>(3)(4)(5)</sup>                         | \$ -                  | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ (900,425)         | \$ -                 | \$ (119,250)         | \$ (7,130,037)       | \$ -                 |
| Restated Net Position at Beginning of Year               | \$ 97,163,126         | \$ 91,265,141        | \$ 91,722,408        | \$ 87,889,859        | \$ 85,454,426        | \$ 86,002,851        | \$ 83,761,717        | \$ 81,514,924        | \$ 78,717,325        | \$ 83,397,216        |
| <b>NET POSITION AT END OF YEAR</b>                       | <b>\$ 109,942,198</b> | <b>\$ 97,163,126</b> | <b>\$ 91,265,141</b> | <b>\$ 91,722,408</b> | <b>\$ 87,889,859</b> | <b>\$ 85,454,426</b> | <b>\$ 86,903,276</b> | <b>\$ 83,761,717</b> | <b>\$ 81,634,174</b> | <b>\$ 85,847,362</b> |

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

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

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

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

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

Source: Valley Center Municipal Water District

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

| Fiscal Year Ended | Domestic     |           | Commercial  |           | Certified Agricultural <sup>(2)</sup> |           | Total        |           | Average Direct Rate <sup>(3)</sup> |
|-------------------|--------------|-----------|-------------|-----------|---------------------------------------|-----------|--------------|-----------|------------------------------------|
|                   | Value        | Acre Feet | Value       | Acre Feet | Value                                 | Acre Feet | Value        | Acre Feet |                                    |
| 2025              | \$21,785,453 | 5,006.7   | \$3,635,809 | 1,145.0   | \$17,173,802                          | 7,733.0   | \$42,595,063 | 13,884.7  | \$3,068                            |
| 2024              | \$17,483,019 | 4,175.6   | \$2,855,731 | 958.0     | \$13,335,197                          | 6,359.7   | \$33,673,945 | 11,493.3  | \$2,930                            |
| 2023              | \$17,006,069 | 4,468.9   | \$3,042,101 | 1,136.3   | \$14,340,254                          | 7,415.3   | \$34,388,425 | 13,020.5  | \$2,641                            |
| 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  | \$2,418                            |
| 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  | \$2,269                            |
| 2020              | \$14,376,850 | 4,229.8   | \$3,333,040 | 1,567.3   | \$16,898,786                          | 9,893.8   | \$34,608,677 | 15,690.9  | \$2,206                            |
| 2019              | \$13,446,211 | 4,379.6   | \$3,752,336 | 1,476.3   | \$17,381,357                          | 10,260.4  | \$34,579,905 | 16,116.3  | \$2,146                            |
| 2018              | \$14,545,576 | 5,118.4   | \$4,438,219 | 1,884.2   | \$23,461,780                          | 14,495.3  | \$42,445,575 | 21,497.9  | \$1,974                            |
| 2017              | \$13,002,142 | 4,691.3   | \$4,010,125 | 1,682.1   | \$19,078,276                          | 12,865.7  | \$36,090,543 | 19,239.1  | \$1,876                            |
| 2016              | \$12,000,426 | 4,173.4   | \$3,362,113 | 1,517.2   | \$18,422,763                          | 12,678.8  | \$33,785,302 | 18,369.4  | \$1,839                            |

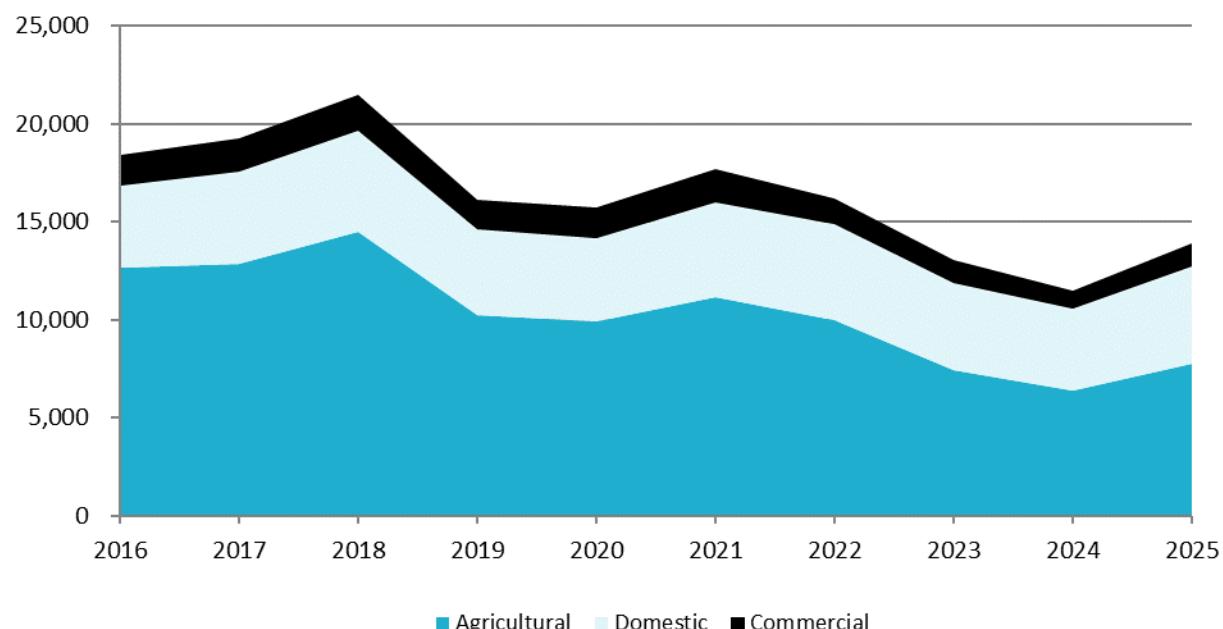
(1) Water sales include monthly meter charges but exclude pumping charges. Amounts in acre feet are water billed.

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

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

Source: Valley Center Municipal Water District

## Water Sales in Acre Feet

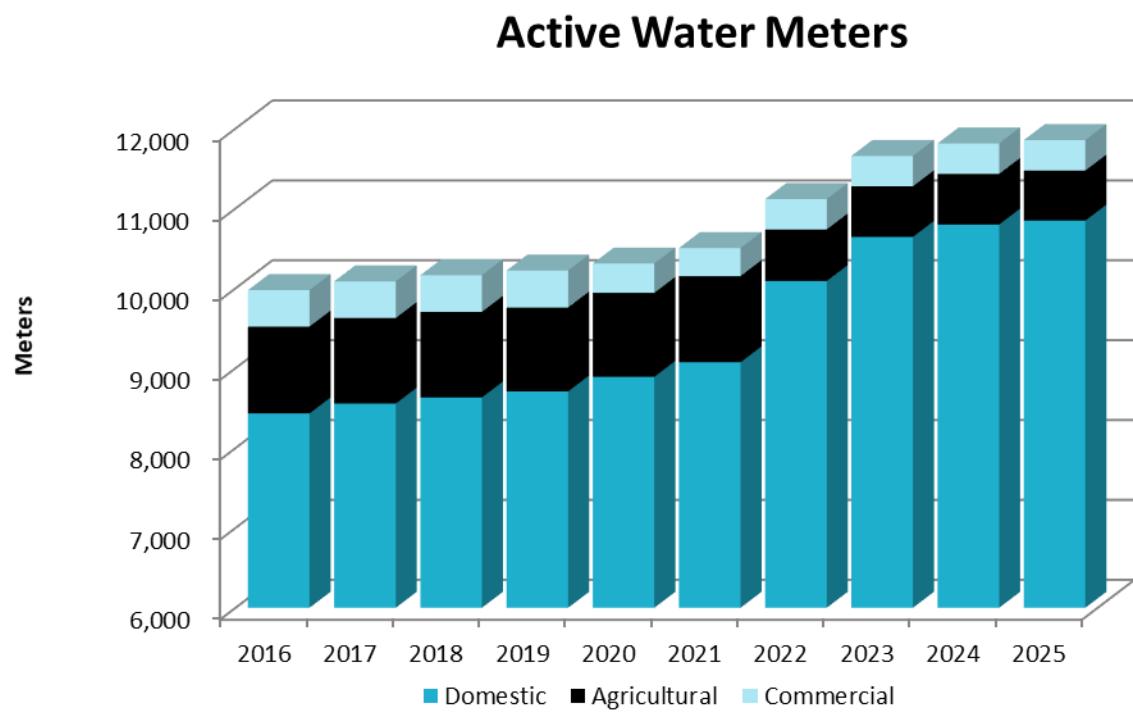


**Table IV**  
**Active Water Meters (Last Ten Fiscal Years)**

| Fiscal Year Ended | Domestic | Commercial | Certified Agricultural <sup>(1)</sup> | Total Active | All Inactive Meters | Total  |
|-------------------|----------|------------|---------------------------------------|--------------|---------------------|--------|
| 2025              | 10,847   | 381        | 626                                   | 11,854       | 938                 | 12,792 |
| 2024              | 10,798   | 382        | 633                                   | 11,813       | 907                 | 12,720 |
| 2023              | 10,643   | 380        | 633                                   | 11,656       | 899                 | 12,555 |
| 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 |

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

Source: Valley Center Municipal Water District



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

| Fiscal Year Ended | Secured         |                   |              |                    | Assessed Unsecured Value | Total Assessed Value | Tax Rate |
|-------------------|-----------------|-------------------|--------------|--------------------|--------------------------|----------------------|----------|
|                   | Real Property   | Personal Property | Exemptions   | Net Assessed Value |                          |                      |          |
| 2025              | \$6,735,129,012 | \$25,195          | \$71,608,440 | \$6,663,545,767    | \$231,020,851            | \$6,894,566,618      | 0        |
| 2024              | \$6,348,327,677 | \$24,463          | \$62,864,487 | \$6,285,487,653    | \$225,132,573            | \$6,510,620,226      | 0        |
| 2023              | \$5,819,539,737 | \$23,734          | \$49,745,335 | \$5,769,818,136    | \$202,564,317            | \$5,972,382,453      | 0        |
| 2022              | \$5,313,291,879 | \$23,472          | \$47,533,219 | \$5,265,782,132    | \$44,151,557             | \$5,309,933,689      | 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        |

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

## Assessed Value of Taxable Property

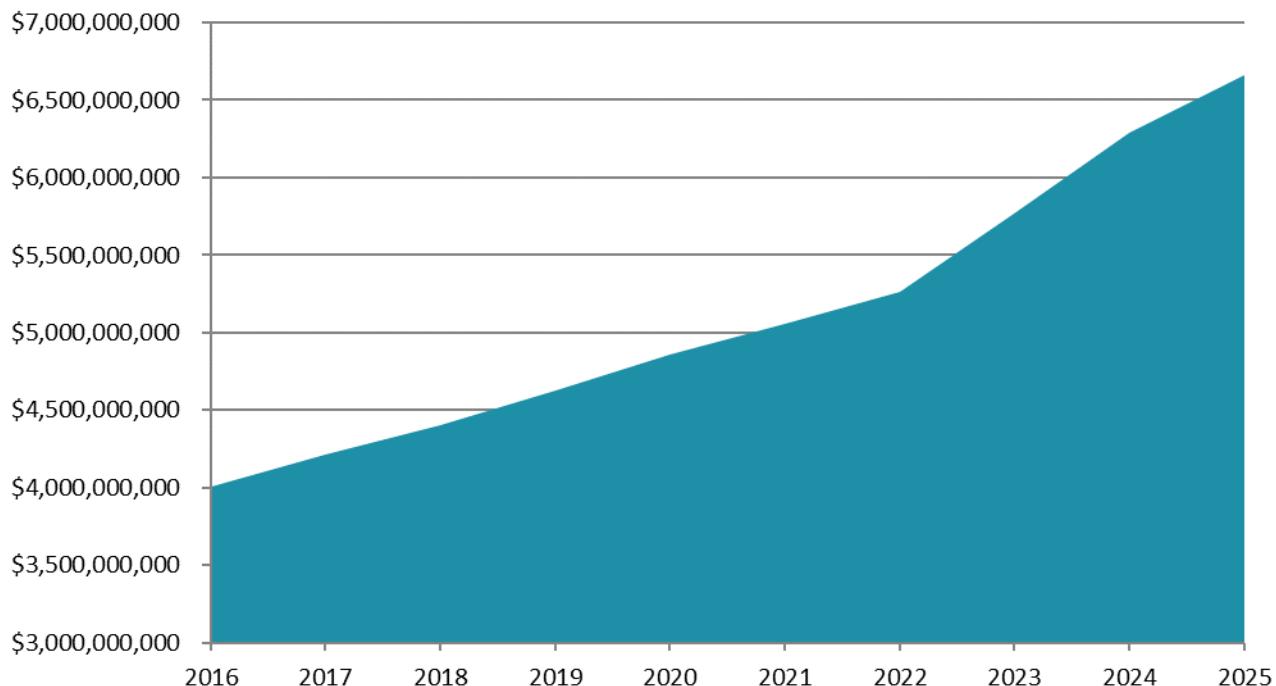


Table VI

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

| Fiscal Year Ended | Levy           |                                    |             | Total Collections <sup>(3)</sup> | Net Delinquent <sup>(4)</sup> | Percent Delinquent <sup>(5)</sup> |
|-------------------|----------------|------------------------------------|-------------|----------------------------------|-------------------------------|-----------------------------------|
|                   | Property Taxes | Special Assessments <sup>(2)</sup> | Total Levy  |                                  |                               |                                   |
| 2025              | \$3,710,559    | \$4,318,337                        | \$8,028,896 | \$7,953,198                      | \$75,698                      | 0%                                |
| 2024              | \$3,538,047    | \$4,408,779                        | \$7,946,826 | \$7,893,295                      | \$53,530                      | 0%                                |
| 2023              | \$3,262,795    | \$4,073,125                        | \$7,335,920 | \$7,285,709                      | \$50,211                      | 0%                                |
| 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%                                |

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

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

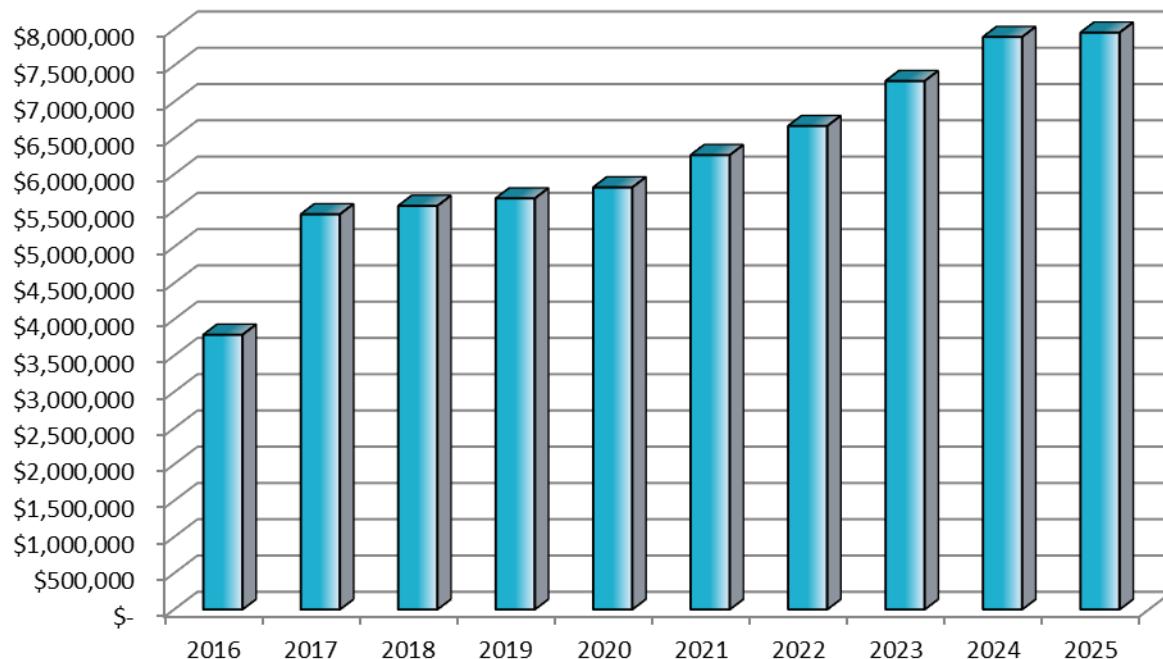
(3) Collections do not include miscellaneous adjustments.

(4) Net Delinquent includes uncollectible portion.

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

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

## Property Tax Collections



**Table VII**  
**Direct and Overlapping Bonded Debt <sup>(1)</sup> (June 30, 2025)**

2024-25 Assessed Valuation: \$6,894,566,618

|   | Total Debt<br>6/30/2025 | % Applicable <sup>(1)</sup> | District's Share<br>of Debt 6/30/25 |
|---|-------------------------|-----------------------------|-------------------------------------|
| <b>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</b>                          |                         |                             |                                     |
| Metropolitan Water District   | \$ 17,155,000           | 0.169%                      | \$ 28,992                           |
| Palomar Pomerado Hospital District  | 381,893,263             | 5.809%                      | 22,184,180                          |
| Palomar Community College District  | 611,941,649             | 4.044%                      | 24,746,920                          |
| Escondido Union High School District  | 70,819,327              | 5.797%                      | 4,105,396                           |
| Escondido Union School District   | 165,809,622             | 5.980%                      | 9,915,415                           |
| Bonsall Unified School District   | 8,712,480               | 3.827%                      | 333,427                             |
| Valley Center-Pauma USD Community Facilities District No. 2003-1                | 4,510,000               | 100.000%                    | 4,510,000                           |
| City of Escondido   | 43,425,000              | 0.030%                      | 13,028                              |
| Valley Center Municipal Water District  | 0                       | 100.000%                    | 0                                   |
| Valley Center Municipal Water District Community Facilities District No. 2020-1 | 5,355,000               | 100.000%                    | 5,355,000                           |
| Valley Center Municipal Water District Assessment District No. 2012-1           | 3,625,000               | 100.000%                    | 3,625,000                           |
| <b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>                     |                         |                             | <b>\$ 74,817,358</b>                |
| <b>OVERLAPPING GENERAL FUND DEBT:</b>   |                         |                             |                                     |
| San Diego County General Fund Obligations                                       | \$ 351,065,000          | 0.930%                      | \$ 3,264,905                        |
| San Diego County Pension Obligation Bonds                                       | 140,370,000             | 0.930%                      | 1,305,441                           |
| San Diego County Superintendent of Schools Certificates of Participation        | 5,125,000               | 0.930%                      | 47,663                              |
| Palomar Community College District Certificates of Participation                | 1,030,000               | 4.044%                      | 41,653                              |
| Bonsall Unified School District Certificates of Participation                   | 5,712,200               | 3.827%                      | 218,606                             |
| Escondido Union High School District Certificates of Participation              | 42,510,000              | 5.797%                      | 2,464,305                           |
| Escondido Union School District Certificates of Participation                   | 26,531,150              | 5.980%                      | 1,586,563                           |
| City of Escondido Certificates of Participation                                 | 1,935,000               | 0.030%                      | 581                                 |
| Valley Center Fire District General Fund Obligations                            | 2,937,880               | 98.029%                     | 2,879,974                           |
| <b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>                                      |                         |                             | <b>\$ 11,809,691</b>                |
| <b>TOTAL DIRECT DEBT</b>  |                         |                             | <b>\$0</b>                          |
| <b>TOTAL OVERLAPPING DEBT</b>   |                         |                             | <b>\$86,627,049</b>                 |
| <b>COMBINED TOTAL DEBT</b>  |                         |                             | <b>\$86,627,049</b>                 |

Ratios to Assessed Valuation:

|  |              |
|--|--------------|
| <b>Direct Debt</b>                                   | <b>0.00%</b> |
| Total Direct and Overlapping Tax and Assessment Debt | 1.09%        |
| Combined Total Debt                                  | 1.26%        |

2024-25 TYPICAL TOTAL TAX RATE (TRA 94-075): 1.05635

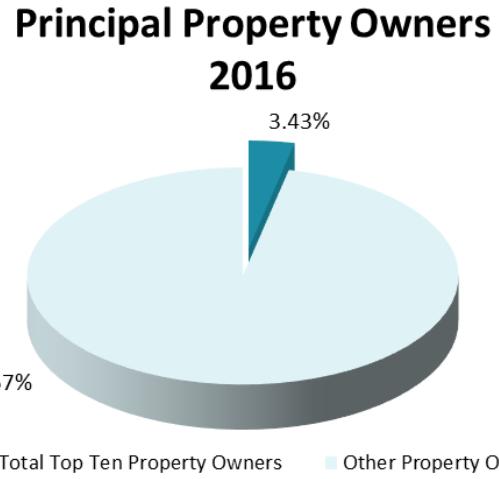
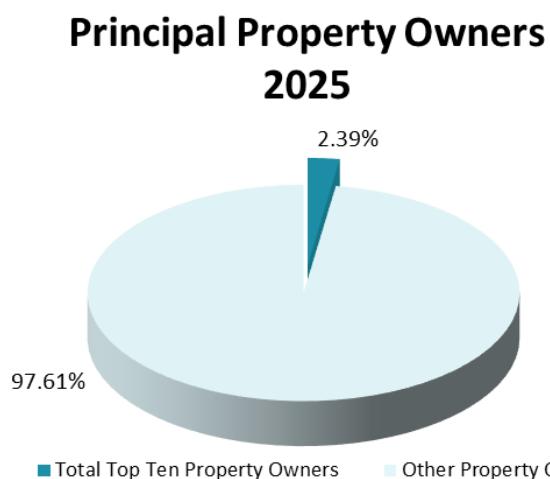
- (1) The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the water district divided by the overlapping 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, 2025    |                               |                                     | Fiscal Year Ended June 30, 2016     |                               |                                     |
|------------------------------------|-------------------------------|-------------------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| 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. | \$64,123,871                  | 0.93%                               | Welk Resort Platinum Owners Assoc.  | \$57,794,221                  | 1.43%                               |
| Pacifica Champagne Lakes LLC       | 23,669,100                    | 0.34%                               | Bell Holdings LLC                   | 11,687,121                    | 0.29%                               |
| Welk Resort Properties Inc.        | 13,387,917                    | 0.19%                               | Welk Resort Properties Inc.         | 11,629,544                    | 0.29%                               |
| Welk Mountain Villas Inc.          | 10,072,398                    | 0.15%                               | Welk Resort Group Inc.              | 10,355,999                    | 0.26%                               |
| Skyline Ranch Country Club LLC     | 10,035,227                    | 0.15%                               | San Pasqual Band of Mission Indians | 9,610,028                     | 0.24%                               |
| Welk Resort Group Inc.             | 9,578,112                     | 0.14%                               | Welk Mountain Villas Inc.           | 8,216,619                     | 0.20%                               |
| San Pasqual Economic Dev. Corp.    | 8,670,000                     | 0.13%                               | Skyline Ranch Country Club LLC      | 7,917,397                     | 0.20%                               |
| Steven Gardella Jr Trust 07-08-87  | 8,095,376                     | 0.12%                               | Perricone California Properties     | 7,519,850                     | 0.19%                               |
| McMillan Trust 11-09-05            | 8,021,799                     | 0.12%                               | ATC Realty Sixteen Inc.             | 6,731,797                     | 0.17%                               |
| Federal Boulevard Properties LLC   | 8,011,092                     | 0.12%                               | Federal Boulevard Properties LLC    | 6,535,104                     | 0.16%                               |
| Total Top Ten Property Owners      | \$163,664,892                 | 2.39%                               | Total Top Ten Property Owners       | \$137,997,680                 | 3.43%                               |
| Other Property Owners              | \$6,730,901,726               | 97.61%                              | Other Property Owners               | \$3,891,160,797               | 96.57%                              |
| Total Assessed Valuation           | \$6,894,566,618               | 100.00%                             | Total Assessed Valuation            | \$4,029,158,477               | 100.00%                             |

Data Source: 2024 Master Property Records from San Diego County Used for 2024-25 Property Taxes.



**Table IX**  
**Water Rates** (Last Ten Fiscal Years)

| Fiscal Year Ended <sup>(1)</sup> | Commodity Charge <sup>(2)</sup> |       |         |                            |       |         | Monthly Service Charge <sup>(4)</sup> |                         |
|----------------------------------|---------------------------------|-------|---------|----------------------------|-------|---------|---------------------------------------|-------------------------|
|                                  | Domestic                        |       |         | PSAWR <sup>(3)</sup>       |       |         |                                       |                         |
|                                  | MWD/<br>SDCWA<br>Wholesale      | VCMWD | Total   | MWD/<br>SDCWA<br>Wholesale | VCMWD | Total   | 3/4" Meter                            | 1" Meter <sup>(5)</sup> |
| 2025                             | \$2,809                         | \$293 | \$3,102 | \$1,901                    | \$293 | \$2,193 | \$51.28                               | \$69.30                 |
| 2024                             | \$2,421                         | \$279 | \$2,699 | \$1,744                    | \$279 | \$2,023 | \$48.31                               | \$66.00                 |
| 2023                             | \$2,199                         | \$273 | \$2,472 | \$1,606                    | \$273 | \$1,879 | \$47.46                               | \$64.84                 |
| 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                 |

(1) Rate as of January 1.

(2) Excludes pumping charges.

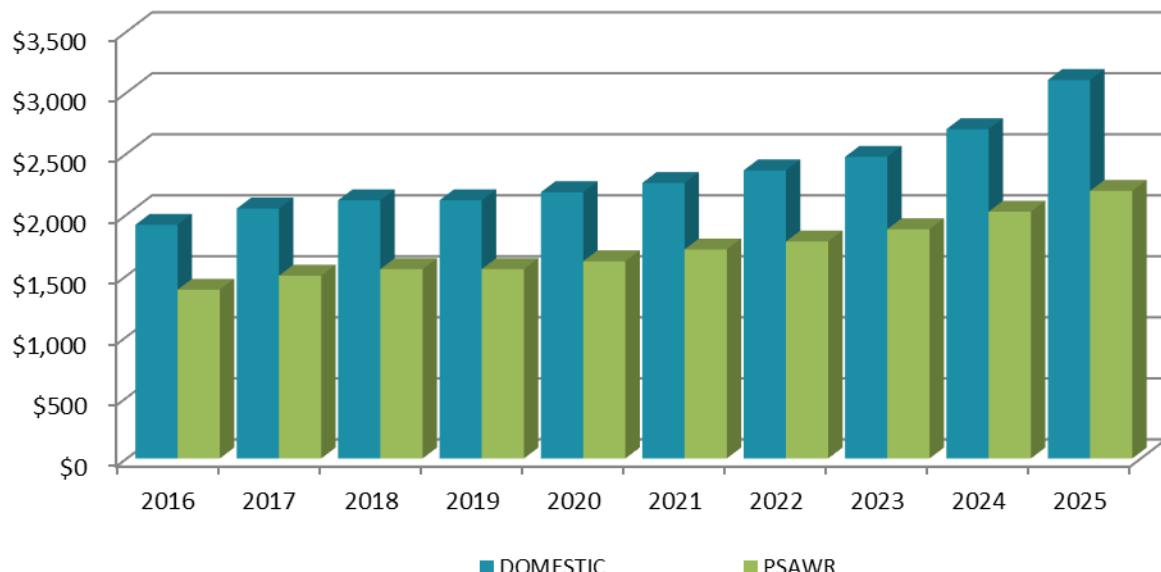
(3) Permanent Special Agricultural Water Rate effective January 1, 2021. Initially implemented by SDCWA on January 1, 2009 as the Transitional Special Agricultural Water Rate.

(4) Excludes SDCWA Infrastructure Access Charge.

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

Source: Valley Center Municipal Water District

## Water Rates



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

| Fiscal Year Ended | Lower Moosa Canyon WRF <sup>(1)</sup> |                                |                                    | Woods Valley Ranch WRF <sup>(4)</sup> |   |
|-------------------|---------------------------------------|--------------------------------|------------------------------------|---------------------------------------|---|
|                   | Service Charge                        | Low Pressure Collection System | Capital Improvement <sup>(3)</sup> | Service Charge                        | Grinder Pump Maintenance <sup>(5)</sup> |
| 2025              | \$64.86                               | \$53.52                        | \$12.00                            | \$98.60                               | \$50.93                                 |
| 2024              | \$61.72                               | \$50.93                        | \$12.00                            | \$98.60                               | \$50.93                                 |
| 2023              | \$61.72                               | \$50.93                        |                                    | \$98.60                               | \$48.42                                 |
| 2022              | \$58.67                               | \$48.42                        |                                    | \$98.60                               | \$48.42                                 |
| 2021              | \$57.80                               | \$47.70                        |                                    | \$98.60                               | \$47.70                                 |
| 2020              | \$56.45                               | \$46.58                        |                                    | \$98.60                               | \$46.58                                 |
| 2019              | \$56.45                               | \$46.58                        |                                    | \$98.60                               | \$46.58                                 |
| 2018              | \$56.45                               | \$46.58                        |                                    | \$98.60                               | \$44.36                                 |
| 2017              | \$53.76                               | \$44.36                        |                                    | \$98.60                               |   |
| 2016              | \$51.20                               | \$42.25                        |                                    | \$98.60                               |   |

(1) Rate as of January 1.

(2) Rates are per month/equivalent dwelling unit (EDU).

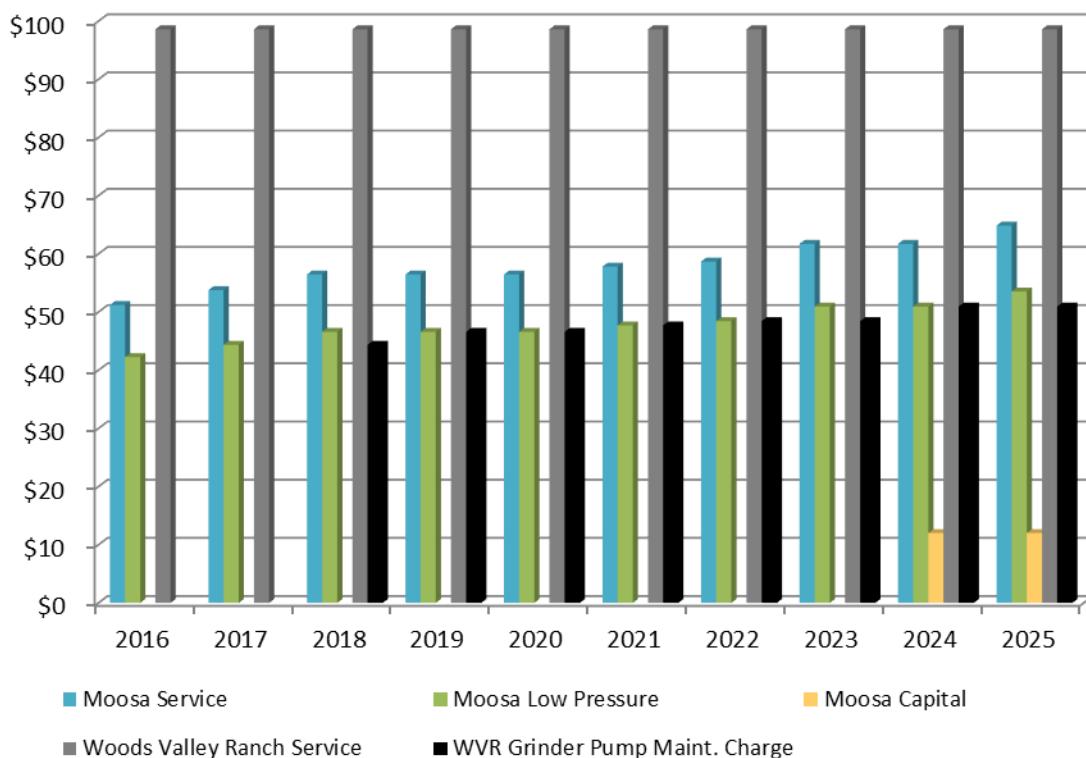
(3) The Capital Improvement charge at Moosa was first implemented January 1, 2024.

(4) Rates as of July 1 as they are collected on each owner's property tax bill.

(5) The Grinder Pump Maintenance charge was first implemented on July 1, 2017.

Source: Valley Center Municipal Water District

## Wastewater Rates

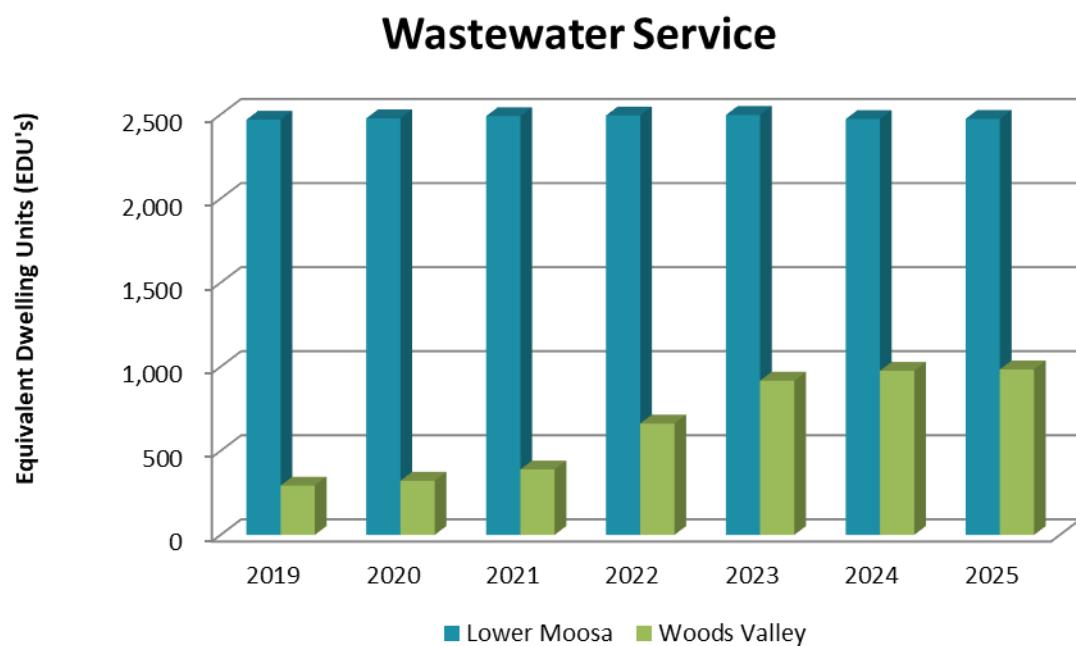


**Table XI**  
Wastewater Services

| Fiscal Year Ended <sup>(1)</sup> | Lower Moosa Canyon WRF (EDU's <sup>2</sup> ) |            |       |       | Woods Valley Ranch WRF (EDU's <sup>2</sup> ) |            |       |       | Grand Total |
|----------------------------------|--|------------|-------|-------|--|------------|-------|-------|-------------|
|                                  | Domestic                                     | Commercial | Other | Total | Domestic                                     | Commercial | Other | Total |             |
| 2025                             | 2,373  | 99         | 2     | 2,474 | 939  | 41         | 4     | 984   | 3,458       |
| 2024                             | 2,372  | 99         | 2     | 2,473 | 933  | 39         | 4     | 976   | 3,449       |
| 2023                             | 2,396  | 100        | 1     | 2,497 | 875  | 38         | 4     | 917   | 3,414       |
| 2022                             | 2,393  | 100        | 1     | 2,494 | 626  | 32         | 4     | 662   | 3,156       |
| 2021                             | 2,388  | 100        | 2     | 2,490 | 353  | 33         | 3     | 389   | 2,879       |
| 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       |

(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.  
 (2) Equivalent Dwelling Units.

Source: Valley Center Municipal Water District



**Table XII**  
**Principal Water Customers**

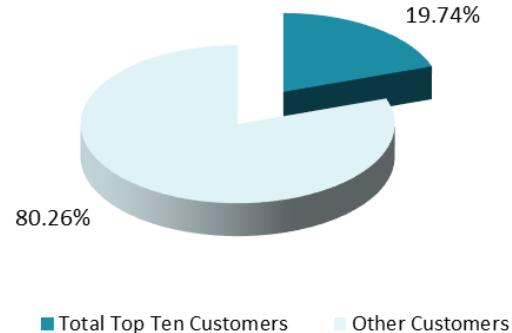
| Fiscal year ended June 30, 2025     |                       |                          | Fiscal year ended June 30, 2016 |                       |                          |
|-------------------------------------|-----------------------|--------------------------|---------------------------------|-----------------------|--------------------------|
| Customer                            | Usage in<br>Acre Feet | Percent of<br>Water Sold | Customer                        | Usage in<br>Acre Feet | Percent of<br>Water Sold |
| Harold Investments LP               | 630.6                 | 4.54%                    | Grandon Ranch Corp.             | 617.5                 | 3.36%                    |
| 2K Commercial CDV LLC               | 542.1                 | 3.90%                    | Coykendall, H. C. J.            | 505.7                 | 2.75%                    |
| BSTCO                               | 400.8                 | 2.89%                    | Harlan Beck & Associates        | 493.7                 | 2.69%                    |
| Jackson Ranch LLC                   | 361.2                 | 2.60%                    | BSTCO                           | 450.2                 | 2.45%                    |
| A-1 Sunshine Farms                  | 294.8                 | 2.12%                    | Stehly, N. J. C.                | 324.8                 | 1.77%                    |
| Rancho Sereno                       | 241.4                 | 1.74%                    | Rancho Erico                    | 274.2                 | 1.49%                    |
| W A Grant II                        | 181.7                 | 1.31%                    | Sundance Natural Foods          | 268.3                 | 1.46%                    |
| Rancho Erico                        | 160.5                 | 1.16%                    | Rancho Sereno                   | 255.8                 | 1.39%                    |
| San Pasqual Band of Mission Indians | 156.5                 | 1.13%                    | Golden Park Ranch               | 224.4                 | 1.22%                    |
| E Holtz                             | 158.3                 | 1.14%                    | Fallbrook Venture One           | 214.0                 | 1.16%                    |
| Total Top Ten Customers             | 3,127.9               | 22.53%                   | Total Top Ten Customers         | 3,628.6               | 19.74%                   |
| Other Customers                     | 10,756.8              | 77.47%                   | Other Customers                 | 14,740.8              | 80.26%                   |
| Total Water Sales                   | 13,884.7              | 100.00%                  | Total Water Sales               | 18,369.4              | 100.00%                  |

Source: Valley Center Municipal Water District

**Principal Water Customers  
2025**



**Principal Water Customers  
2016**



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

| Fiscal Year Ended | General Obligation Bonds <sup>(1)</sup> | Revenue Bonds <sup>(2)</sup> | Notes Payable | Financing Loan Agreement <sup>(3)</sup> | Lease Payable <sup>(4)</sup> | Total        | Percentage of Personal Income <sup>(5)</sup> | Per Capita <sup>(5)</sup> |
|-------------------|---|------------------------------|---------------|---|------------------------------|--------------|--|---------------------------|
| 2025              | -                                       | -                            | \$26,470,847  | \$0                                     | \$46,450                     | \$26,517,297 | 1.11%  | \$879                     |
| 2024              | -                                       | -                            | \$19,849,405  | \$0                                     | \$91,526                     | \$19,940,931 | 0.84%  | \$663                     |
| 2023              | -                                       | -                            | \$21,163,845  | \$0                                     | \$135,186                    | \$21,299,031 | 0.96%  | \$711                     |
| 2022              | -                                       | -                            | \$22,451,002  | \$11,114                                | \$42,777                     | \$22,504,893 | 1.04%  | \$758                     |
| 2021              | -                                       | -                            | \$23,711,447  | \$27,081                                | -                            | \$23,738,528 | 1.31%  | \$886                     |
| 2020              | -                                       | -                            | \$24,945,739  | \$39,349                                | -                            | \$24,985,088 | 1.41%  | \$876                     |
| 2019              | -                                       | -                            | \$25,809,665  | \$58,943                                | -                            | \$25,868,608 | 1.70%  | \$1,004                   |
| 2018              | -                                       | -                            | \$26,753,731  | \$78,537                                | -                            | \$26,832,268 | 1.83%  | \$1,042                   |
| 2017              | -                                       | -                            | \$23,029,735  | \$98,130                                | -                            | \$23,127,865 | 1.64%  | \$902                     |
| 2016              | -                                       | -                            | \$7,679,830   | \$117,724                               | -                            | \$7,797,554  | 0.57%  | \$304                     |

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

(2) The District has had no Revenue Bonds since 2012.

(3) Financing Loan Agreements consist of two unsecured, non-interest bearing loan agreements with San Diego Gas & Electric. The final payment on the outstanding loans was made in Fiscal Year 2022.

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

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

Source: *Valley Center Municipal Water District*

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

| Fiscal Year Ended | Operating Revenues <sup>(1)</sup> | Nonoperating Revenues <sup>(1)</sup> | Gross Revenues | Less: Operating Expenses <sup>(1)(2)</sup> | Net Available Revenues | Debt Service |           |             | Coverage Ratio <sup>(3)</sup> |
|-------------------|-----------------------------------|--------------------------------------|----------------|--|------------------------|--------------|-----------|-------------|-------------------------------|
|                   |                                   |                                      |                |  |                        | Principal    | Interest  | Total       |                               |
| 2025              | \$51,878,795                      | \$7,250,420                          | \$59,129,215   | \$49,872,184                               | \$9,257,031            | \$1,387,383  | \$556,398 | \$1,943,781 | 4.76                          |
| 2024              | \$41,489,237                      | \$6,987,209                          | \$48,476,446   | \$41,212,515                               | \$7,263,931            | \$1,356,863  | \$496,041 | \$1,852,904 | 3.92                          |
| 2023              | \$42,271,331                      | \$6,402,775                          | \$48,674,106   | \$46,262,000                               | \$2,412,106            | \$1,308,100  | \$467,225 | \$1,775,325 | 1.36                          |
| 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                         |

(1) See Table II

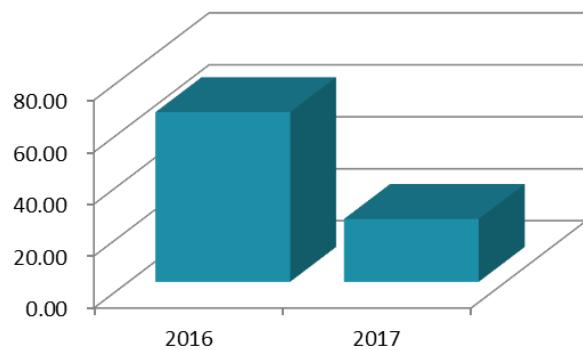
(2) Operating expenses excluding depreciation.

(3) Coverage ratio decreased dramatically in Fiscal Year 2018 because the District's debt payments increased significantly.

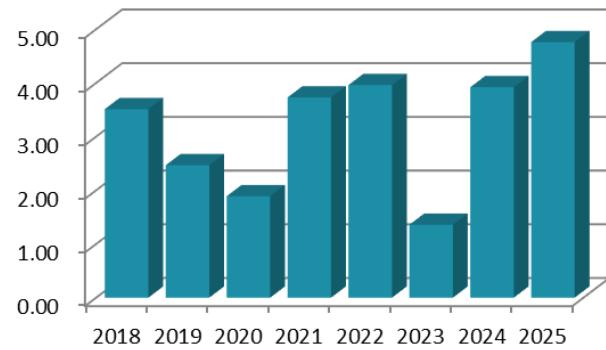
See Table XII, Notes 2 – 4.

Source: Valley Center Municipal Water District

**Coverage Ratio**  
Fiscal Years 2016 - 2017



**Coverage Ratio**  
Fiscal Years 2018 - 2025



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

| Fiscal Year Ended | Population <sup>(1)</sup> | Total Personal Income <sup>(2)</sup> | Per Capita Personal Income <sup>(3)</sup> | Unemployment Rate <sup>(4)</sup> |
|-------------------|---------------------------|--------------------------------------|---|----------------------------------|
| 2025              | 30,166                    | \$2,386,794,000                      | \$79,122                                  | 2.7%                             |
| 2024              | 30,079                    | \$2,379,911,000                      | \$79,122                                  | 2.6%                             |
| 2023              | 29,938                    | \$2,229,662,000                      | \$74,476                                  | 2.3%                             |
| 2022              | 29,708                    | \$2,171,179,000                      | \$73,084                                  | 2.3%                             |
| 2021              | 26,780                    | \$1,809,498,000                      | \$67,569                                  | 3.2%                             |
| 2020              | 28,507                    | \$1,768,774,000                      | \$62,047                                  | 6.4%                             |
| 2019              | 25,766                    | \$1,520,555,000                      | \$59,014                                  | 3.5%                             |
| 2018              | 25,760                    | \$1,467,521,000                      | \$56,969                                  | 3.1%                             |
| 2017              | 25,630                    | \$1,411,547,000                      | \$55,074                                  | 2.3%                             |
| 2016              | 25,608                    | \$1,366,366,000                      | \$53,357                                  | 3.6%                             |

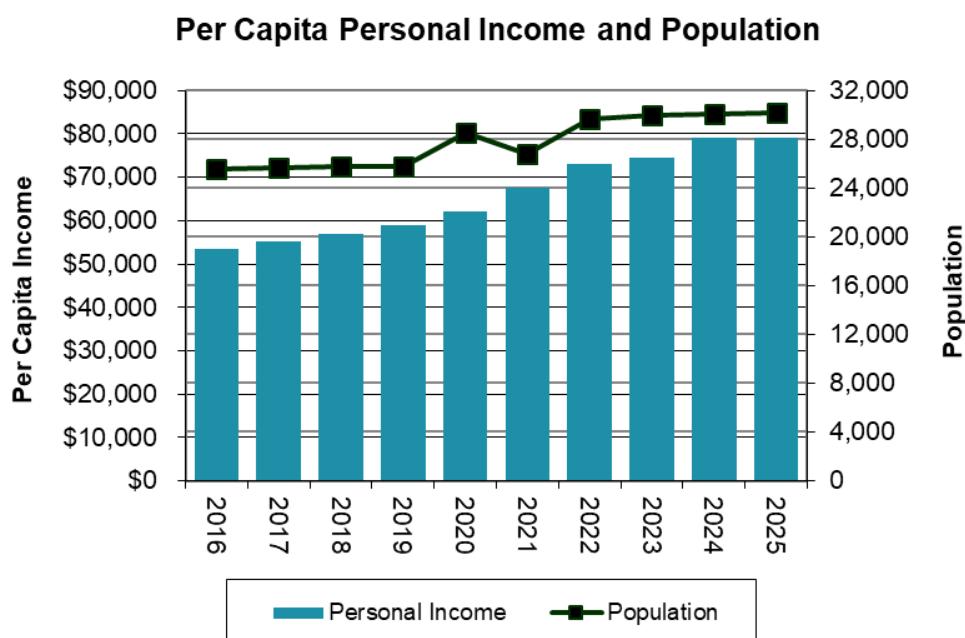
(1) Beginning FYE 2022, population estimate is based on data from the 2020 federal census. This figure was also used for the Division Boundary Reapportionment that was approved in April 2022. The FYE 2021 population estimate is based on SanDAG Series 14 Regional Growth Forecast (Version 17). The FYE 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-Carlsbad Metropolitan Statistical Area (MSA), a close approximation of the VCMWD area. U.S. Department of Commerce, Bureau of Economic Analysis, St. Louis Federal Reserve Economic Data (FRED). Data for 2025 was not updated at the time of this report. The most recent available Data is for Calendar Year 2023.

(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)**

| Employer                                       | Fiscal year ended June 30, 2024 <sup>(1)</sup> |                  |                       | Fiscal year ended June 30, 2015 <sup>(2)</sup> |                |                       |        |
|--|--|------------------|-----------------------|--|----------------|-----------------------|--------|
|  | Rank   | # of Employees   | % of Total Employment | Rank   | # of Employees | % of Total Employment |        |
| University of California, San Diego            | 1  | 35,802           | 2.37%                 | State of California                            | 1              | 40,100                | 2.57%  |
| Sharp Healthcare                               | 2  | 19,468           | 1.29%                 | University of California, San Diego            | 2              | 29,287                | 1.88%  |
| County of San Diego                            | 3  | 17,954           | 1.19%                 | Federal Government                             | 3              | 24,200                | 1.55%  |
| City of San Diego                              | 4  | 11,820           | 0.78%                 | U.S. Department of Defense                     | 4              | 21,500                | 1.38%  |
| General Atomics                                | 5  | 6,745            | 0.45%                 | County of San Diego                            | 5              | 20,100                | 1.29%  |
| San Diego State University                     | 6  | 6,454            | 0.43%                 | Sharp Healthcare                               | 6              | 16,846                | 1.08%  |
| Rady Children's Hospital-San Diego             | 7  | 5,711            | 0.38%                 | Scripps Health                                 | 7              | 14,644                | 0.94%  |
| San Diego Community College Dist.              | 8  | 5,400            | 0.36%                 | Qualcomm                                       | 8              | 13,500                | 0.87%  |
| Sempra Energy                                  | 9  | 5,063            | 0.34%                 | City of San Diego                              | 9              | 10,584                | 0.68%  |
| YMCA of San Diego County                       | 10   | 5,057            | 0.33%                 | Kaiser San Diego Medical Center                | 10             | 7,535                 | 0.48%  |
| <br>   |  |                  |                       |  |                |                       |        |
| Total Top Ten                                  |  | <u>119,474</u>   | 7.92%                 | Total Top Ten                                  |                | <u>198,296</u>        | 12.71% |
| 2024 Total Number employed in San Diego County |  | <u>1,510,700</u> |                       | 2015 Total Number employed in San Diego County |                | <u>1,559,629</u>      |        |

(1) 2024 Source: Courtesy of County of San Diego, Fiscal Year 2025 Information not available at time of publication.  
 The Naval Base was excluded.

(2) 2015 Source: Fiscal Year 2014-2015 ACFR Table XV.

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

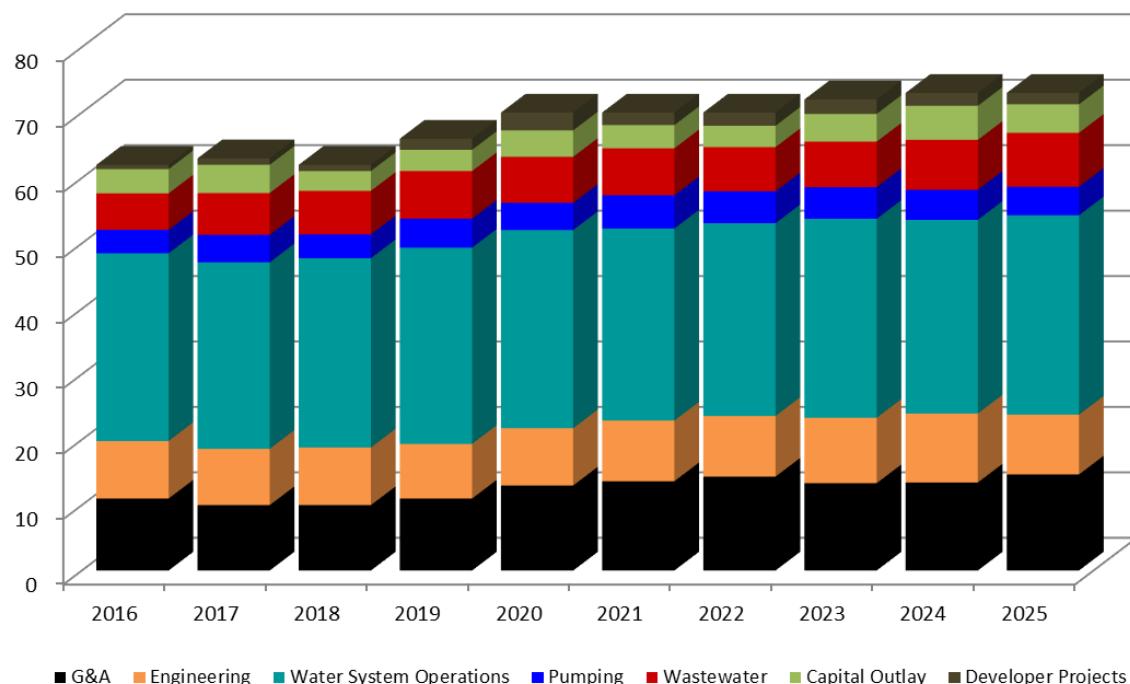
|                                     | Full-Time-Equivalent Employees Authorized as of June 30, |       |       |       |       |       |       |       |       |       |
|-------------------------------------|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                     | 2025   | 2024  | 2023  | 2022  | 2021  | 2020  | 2019  | 2018  | 2017  | 2016  |
| Pumping                             | 4.36   | 4.60  | 4.85  | 4.88  | 5.07  | 4.15  | 4.43  | 3.63  | 4.20  | 3.58  |
| Water Systems Operations            | 30.48  | 29.60 | 30.40 | 29.46 | 29.36 | 30.30 | 29.99 | 28.94 | 28.51 | 28.69 |
| Wastewater Collection and Treatment | 8.24   | 7.62  | 6.95  | 6.75  | 7.18  | 7.03  | 7.28  | 6.66  | 6.39  | 5.57  |
| Engineering                         | 9.14   | 10.55 | 10.00 | 9.27  | 9.27  | 8.75  | 8.35  | 8.80  | 8.60  | 8.80  |
| General and Administrative          | 14.68  | 13.45 | 13.35 | 14.35 | 13.65 | 13.00 | 11.00 | 10.00 | 10.00 | 11.00 |
| Capital Outlay <sup>(1)</sup>       | 4.36   | 5.21  | 4.24  | 3.27  | 3.55  | 4.05  | 3.24  | 3.03  | 4.32  | 3.71  |
| Developer Projects <sup>(2)</sup>   | 1.74   | 1.97  | 2.21  | 2.02  | 1.92  | 2.72  | 1.71  | 0.94  | 0.98  | 0.65  |
| Total Employees                     | 73.00  | 73.00 | 72.00 | 70.00 | 70.00 | 70.00 | 66.00 | 62.00 | 63.00 | 62.00 |
| Average Years of Service            | 11.89  | 11.40 | 11.61 | 11.97 | 13.34 | 13.87 | 15.00 | 15.44 | 15.30 | 15.90 |

(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>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Water:</b>  |             |             |             |             |             |             |             |             |             |             |
| Service area (acres)                                     | 64,293      | 64,293      | 64,293      | 64,293      | 64,293      | 64,559      | 64,557      | 64,540      | 64,540      | 64,540      |
| Miles of water main (8 inches and larger) <sup>(1)</sup> | 341         | 341         | 341         | 339         | 335         | 333         | 333         | 332         | 332         | 301         |
| Number of enclosed reservoirs                            | 40          | 40          | 40          | 40          | 40          | 41          | 41          | 42          | 43          | 43          |
| Capacity of enclosed reservoirs (AF)                     | 431         | 431         | 431         | 431         | 431         | 428         | 433         | 433         | 433         | 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          | 29          | 29          |
| Number of pumps  | 105         | 105         | 105         | 105         | 105         | 105         | 105         | 105         | 105         | 106         |
| Total pump capacity (horsepower)                         | 19,960      | 19,960      | 19,960      | 19,960      | 19,960      | 19,960      | 19,960      | 19,960      | 19,960      | 20,310      |
| Number of service connections                            | 12,792      | 12,720      | 12,555      | 12,002      | 11,401      | 11,212      | 11,081      | 11,027      | 10,907      | 10,836      |
| Number of meters in service                              | 11,854      | 11,813      | 11,656      | 11,116      | 10,503      | 10,309      | 10,222      | 10,163      | 10,086      | 9,976       |
| Production peak (m.g.d.)                                 | 36.13       | 28.90       | 35.20       | 44.50       | 34.74       | 37.73       | 42.58       | 41.48       | 39.90       | 42.00       |
| Average production (m.g.d.)                              | 13.27       | 11.08       | 12.20       | 14.46       | 17.10       | 14.13       | 15.32       | 20.11       | 18.06       | 17.57       |
| Total rainfall (inches)                                  | 8.24        | 20.84       | 25.15       | 10.35       | 7.67        | 22.25       | 20.39       | 6.29        | 21.32       | 11.98       |
| Average daily temperature (F.)                           | 63.23       | 62.00       | 62.67       | 63.50       | 62.75       | 62.25       | 61.80       | 63.25       | 61.83       | 62.75       |
| Electricity purchased (1,000 kWh)                        | 5,558       | 6,872       | 7,518       | 7,147       | 6,416       | 5,636       | 6,414       | 9,608       | 6,997       | 7,344       |
| Natural gas purchased (1,000 therms)                     | 491         | 351         | 398         | 523         | 760         | 637         | 660         | 729         | 786         | 591         |
| Mainline repairs   | 18          | 25          | 20          | 15          | 21          | 23          | 21          | 23          | 21          | 22          |
| <b>Wastewater:</b>                                       |             |             |             |             |             |             |             |             |             |             |
| Miles of sewer lines <sup>(1)</sup>                      | 49          | 49          | 48          | 47          | 42          | 41          | 38          | 38          | 37          | 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        | 0.77        | 0.77        | 0.77        | 0.57        | 0.57        |
| Average dry weather flow (m.g.d.)                        | 0.45        | 0.48        | 0.42        | 0.40        | 0.37        | 0.37        | 0.39        | 0.37        | 0.36        | 0.33        |
| Number of sewer connections                              | 3,458       | 3,449       | 3,414       | 3,165       | 2,888       | 2,799       | 2,762       | 2,750       | 2,742       | 2,761       |

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**  
**2024-25**

|                              |                        |                     |
|------------------------------|------------------------|---------------------|
| PAUL ADRIAN                  | MATTHEW GOSWICK        | THANG PHAM          |
| JULIAN ALVAREZ               | WALLY GRABBE           | ANDO PILVE          |
| JAMES AMADOR MENDIVIL        | MICHELLE HEIDEMANN     | MICHAEL POWERS      |
| GARY ARANT                   | CLARENCE LEE HICKS     | JAMES PUGH          |
| ALEJANDRA BARRETO VALENZUELA | ANDREW HUERTA          | CLIFFORD REEH       |
| RICHARD BEATH                | RYAN HUGHES            | RYAN REEH           |
| GARRETT BRANDENBURG          | CORAL HUTCHINS         | ROY RUTHERFORD      |
| LEONARD BROWN                | TONY JACQUEZ           | PAYTON RUTHERFORD   |
| RONALD BURKE                 | CHRISTOPHER KRATZ      | AURORA SANCHEZ      |
| FERNANDO CARRILLO            | STEPHANIE LACKERDAS    | BRENNAN SCOTT       |
| DANIELLE CATTANEO            | BENJAMIN LAWSON        | JULEE SCOTT         |
| JOSIAH CRESPO                | FERNANDO LEON MARTINEZ | JAMES SEDILLO       |
| RON DARLAND                  | BRIAN LOVELADY         | DANIEL SHUBIN       |
| CORT DAY                     | JESSICA LOVELADY       | MOSES SHUBIN        |
| EDUARDO DE ALBA              | NIKOLAY LYUBER         | BRAYDEN STANSEL     |
| MARIO DE ALBA                | RYAN MADSON            | PAUL STEHLY         |
| GABRIEL DE LA CRUZ           | JAMIE MARTINEZ         | JARED THOMAS        |
| ROMAN DE MANRIQUEZ           | MARLENE MARTINEZ       | BLAKE TOTH          |
| BRANDON DENDY                | WILLIAM MORRIS         | ASHLYN VAN HOUTEN   |
| KARL DAVID FRANK GUNNARSON   | ISMAEL NAVARRO         | VANESSA VELASQUEZ   |
| ENRIQUE GARCIA               | ALISA NICHOLS          | ANNELISE VILLALOBOS |
| RODOLFO GARCIA               | JAMES NICHOLS          | JACOB VILLALOBOS    |
| BEATRIZ GARNICA              | MICHAEL NICHOLS        | DUSTIN WINGROVE     |
| MARIO CORTES GARRATACHEA     | JESON NIKRASCH         | GRETCHEN YOUNG      |
| DOMINGO GONZALEZ             | GABRIELA OLSON         | MICHAEL YOUNG       |
| ERIK GONZALEZ                | KIRSTEN PERAINO        |                     |

For additional copies contact:

Valley Center Municipal Water District  
Post Office Box 67  
Valley Center, California  
Telephone (760) 735-4500  
Facsimile (760) 749-6478

Visit us on the Internet at:

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

THIS PAGE INTENTIONALLY LEFT BLANK



# Valley Center Municipal Water District

29300 Valley Center Road · P.O. Box 67 · Valley Center, California 92082

(760) 735-4500 · [www.valleycenterwater.org](http://www.valleycenterwater.org) · e-mail [vcwater@valleycenterwater.org](mailto:vcwater@valleycenterwater.org)