

# VALLEY CENTER MUNICIPAL WATER DISTRICT



## COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDING JUNE 30, 2017

VALLEY CENTER, CALIFORNIA



# **Comprehensive Annual Financial Report**

## **For The Fiscal Year Ended June 30, 2017**

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## **Valley Center Municipal Water District**



Prepared by:

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

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

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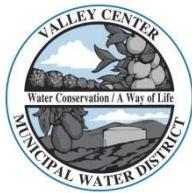
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# Introductory Section







# VALLEY CENTER MUNICIPAL WATER DISTRICT

A Public Agency Organized July 12, 1954

Board of Directors  
Robert A. Polito  
President  
Randy D. Haskell  
Vice President  
Gary A. Broomell  
Director  
Enrico P. Ferro  
Director  
Vacant  
Director

January 26, 2018

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Valley Center Municipal Water District (hereinafter referred to as “the District”) for the fiscal year ended June 30, 2017. 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 CAFR was prepared by the District's Finance Department in accordance with Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District's management. 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 goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2017, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Leaf & Cole, LLP have issued an unqualified (or clean) opinion on the District's financial statements for the fiscal year ended June 30, 2017. 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.

James V. Pugh  
Director of Finance & Administration

## 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. The District encompasses a 101 square mile service area and serves a population of approximately 25,600. 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. The Board 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 Departments. At June 30, 2017, there were 61 regular full-time employees working for the District.

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

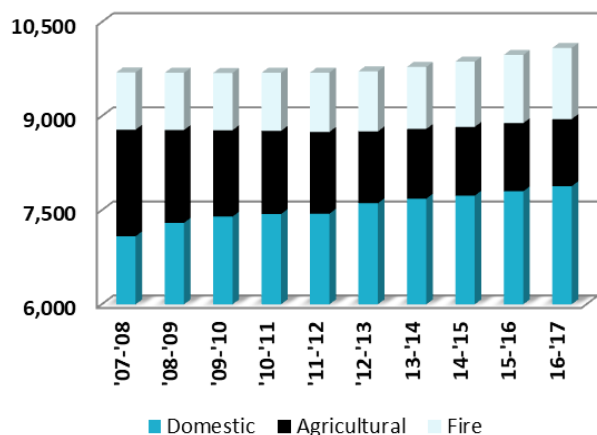
Activity not included as a part of this report is limited to Assessment District No. 96-1, which is described in note 6 of the Notes to the Basic Financial Statements.



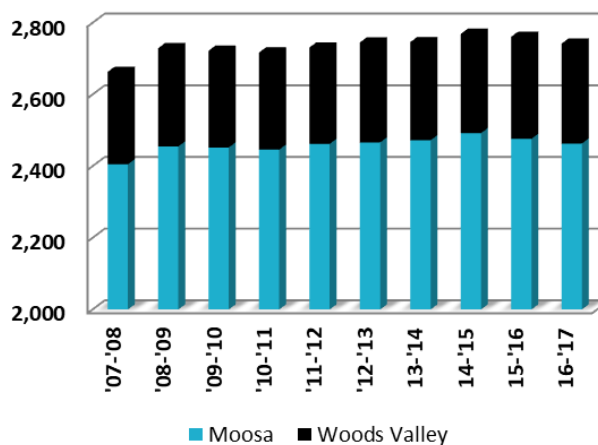
### System Overview

- Active Aqueduct Connections: 7
- Miles of water main: 301
- Enclosed Reservoirs: 43
- Open Reservoirs: 1
- Pump Stations: 29
- Wastewater Treatment Facilities: 2
- Wastewater Connections: 2,742
- Miles of wastewater lines: 57
- 2016-17 Revenue: \$46.8 Million
- 2016-17 Expenses: \$43.9 Million

**Active Water Meters**



**Wastewater Connections**

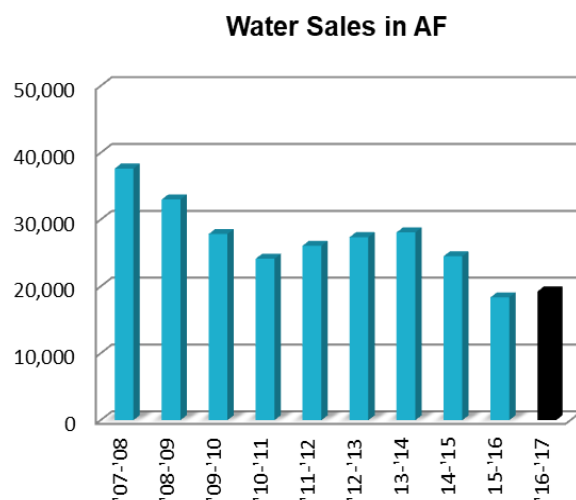




## LOCAL ECONOMY AND OUTLOOK

Valley Center is in transition from being predominately agricultural to a more rural-suburban setting. This is happening to Valley Center and other surrounding areas, such as Rainbow and Fallbrook, because of negative economic pressures on agriculture. This includes regulatory restrictions, labor costs and shortages, market competition, and a rapid rise in the cost of water over the last eight years. Many growers have been forced to abandon their permanent tree crops (citrus and avocado) farming operations, or shift to higher value, lower water use crops such as ornamental flowers, nurseries, and wine grapes. As a result, the District has seen a significant decrease in the volume of water deliveries to its customers.

In the current year, the District sold 19,239 acre feet of water as compared to fiscal year 2007-2008 when the District sold 37,636 acre feet, representing a 51% decline in sales volume.



As of January 1, 2017, the estimated population of the area serviced by the District was 25,630. The median age of the residents was 44.1 years, occupied housing units in the community totaled 8,227, and the median household income, not adjusted for inflation is estimated at \$98,168<sup>1</sup>. At June 30, 2017, unemployment in California was 4.7%, San Diego County was 3.3%, and the local rate in the Valley Center Census Designated Place (CDP) was 2.3%.

Valley Center Municipal Water District relies on the San Diego County Water Authority (SDCWA or “Authority”) as its sole source provider for the treated water. The Authority imports water through the Metropolitan Water District of Southern California (MWD) system. MWD obtains its water from two sources: the Colorado River Aqueduct and the State Water Project. This water has become increasingly unreliable in recent years as deteriorating ecological conditions have led to regulatory restrictions on pumping water supplies from the Bay-Delta. The Bay-Delta is a 1,100 mile inland river delta and estuary formed at the confluence of the Sacramento and San Joaquin Rivers east of San Francisco. It is a key water supply source for California including the millions of residents in San Diego County. In addition, the Authority’s water supply portfolio also includes relatively new supplies from the Carlsbad Desalination Plant and the Colorado River. The supplies from the Colorado River 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.

The years ahead will be challenging times for the California water community. Uncertainties concerning the Bay-Delta conveyance, new surface storage, the effects of climate change, court decisions affecting both supply and cost, and public environmental issues 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, are a possibility. These factors have the potential to adversely impact the finances of the District, and staff is working diligently to continue improving operating efficiencies and to cut costs in order to minimize the associated financial impacts.

<sup>1</sup> San Diego Association of Governments (SANDAG) as of January 1, 2016, (data not yet available for 2017) in the Valley Center Statistical Reference Area, which encompasses part but not all of the District.

## 2017 Facts and Figures



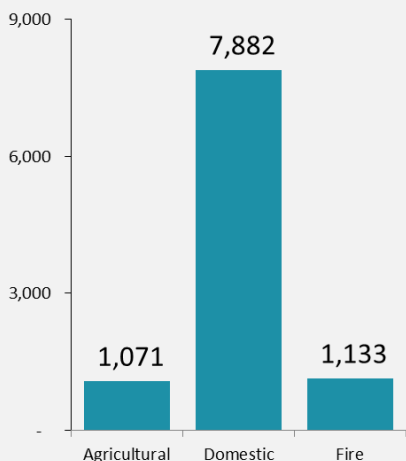
### Population

- 25,630 Valley Center Residents
- 10,086 Active Water Meters

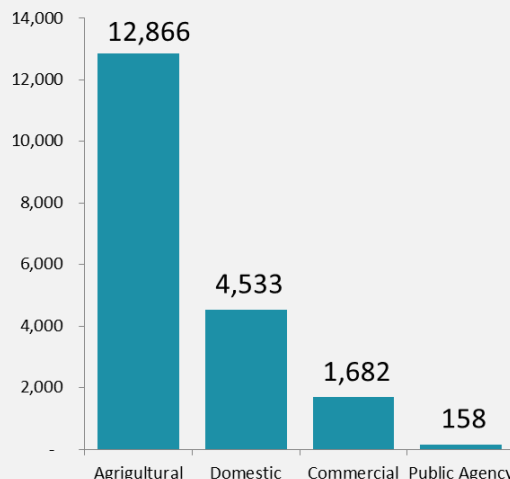
### Rates and Charges

- Total Domestic/Commercial Rate: \$2,047.93 per acre foot
- Total Agricultural Rate: \$1,497.94 per acre foot
- ¾" Water Service Charge: \$39.93 per month

**Active Water Meters**



**Acre Feet Sold**

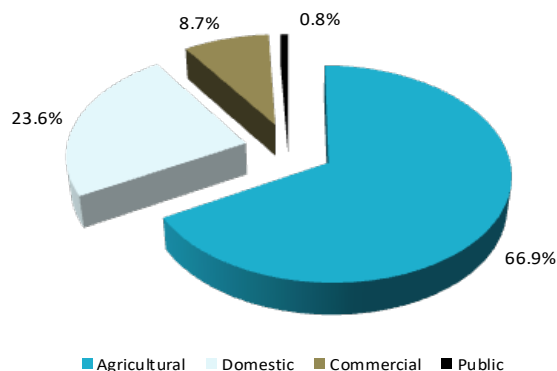


**Financial and Economic Trends** – Customer meter categories have stayed consistent with only seventy-one new meter accounts having been established during 2016-17. This raised the total number of meter connections within the District to 10,907, of which 1,268 are fire meter accounts. Of the total meter accounts, 686 water service accounts and 135 fire service accounts are inactive, resulting in 10,086 revenue generating water meters at the close of the fiscal year. This is an increase of 110 active service accounts (46 fire and 64 water service) compared to the close of 2015-16.

Though there was little actual private development construction completed in fiscal year 2016-17, the District continued to process 24 private development projects containing a total of 712 units in various stages of completion, from concept approval to warranty period. Additionally, there are ten projects with 3,757 units that are in the active planning stage and one inactive project with 7 units.

For the fiscal year ended June 30, 2017, water sales were 19,239 acre feet, up 870 acre feet or 4.7% from sales of 18,369 acre feet in 2015-16. With nearly twice as much rainfall, 21 inches versus 12.0 inches in 2015-16, this increase is primarily due to mandatory reductions being lifted. Water deliveries are broken down as follows: 66.9% was for agricultural purposes, 23.6% for domestic, 8.7% for commercial, and 0.8% was for public use. The total cost of water purchased for the fiscal year was \$26.9 million, or 66.7% of the District's total operating expenses.

**Sales Mix**



Variation in weather conditions and a sustained reduction in water demand from conservation due to the recent cutbacks have a stronger influence on the District's revenue volatility than current economic conditions. This demonstrates the large influence that the agricultural community has on the total water demand within the District.

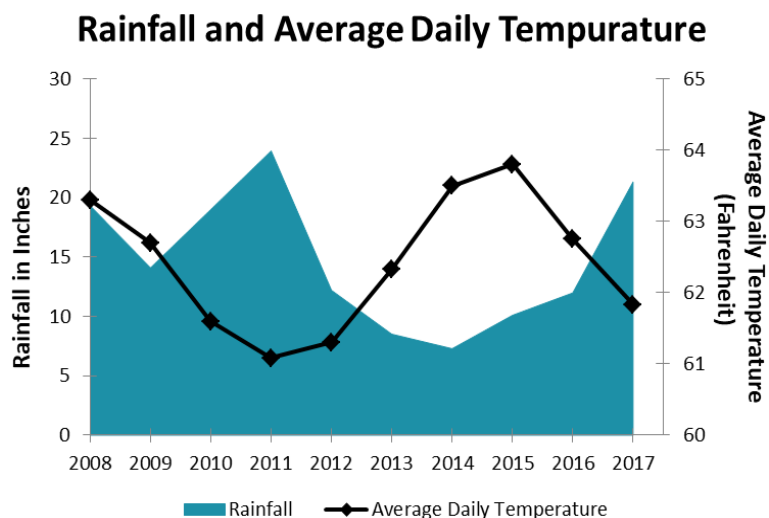
**SDCWA Transitional Special Agricultural Water Rate** – The San Diego County Water Authority (SDCWA) continued to offer the Transitional Special Agricultural Water Rate (TSAWR) which provides a rebate for qualifying agricultural water users. Agricultural agencies, in concert with representatives of the San Diego Agricultural Community, were able to secure an extension of TSAWR through December 31, 2020. TSAWR 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 TSAWR customers also do not pay. In exchange for reduced rates, TSAWR customers agree to have their water supply reduced first and at a greater degree during droughts and other emergency situations. For calendar year 2017 the discount that certified agricultural customers received totaled \$550 per acre foot, based on water rates effective February 1, 2017. With the extension of the full TSAWR pricing differential, VCMWD participating agricultural customers will pay \$1,552.22 per acre foot, compared to the \$2,115.84 per acre foot that domestic/commercial customers will pay, a 26.6% reduction or savings of \$563 per acre foot in calendar 2018.

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, 2017.

## DROUGHT RESPONSE

In response to the effects of an unprecedented drought and following the driest four-year period on record, the Governor of California issued a proclamation in January 2014 declaring a State of Emergency. In April 2015 Governor Brown followed with an Executive Order directing the State Water Resources Control Board (SWRCB) to implement mandatory water reductions in urban areas to reduce potable urban water usage by 25% statewide between June 2015 and February 2016. The local impact was a 36% mandatory cutback to the District's domestic and commercial customers for the majority of that fiscal year.

In May 2016, the SWRCB adopted a modified emergency water conservation regulation that replaced broad state-mandated, specific conservation standards with a locally driven, self-certification approach based on actual local water supply conditions. State mandated water use restrictions imposed beyond that point depend on rainfall, snow pack and how well the state continued to do with conservation. Under the modified regulation, the District conducted an assessment or "stress test" to analyze water supply reliability based on three additional years of drought. As a result of the stress test, all mandatory restrictions were lifted.



Since the drought of 1987-92, the SDCWA has expanded the San Diego region's water supply mix to include drought resilient water resources such as the Carlsbad Seawater Desalination Plant that produces approximately 50 million gallons per day of locally controlled water and allowed the SDCWA to pass the state's stringent water reliability stress test. As a result, the District certified a 0% required reduction standard.

In April 2017, Governor Brown issued an Executive Order lifting the drought emergency in most California counties, including San Diego County. The action rescinded the two emergency proclamations from January 2014 and April 2015. While broad mandates were eliminated, urban water use reporting requirements and prohibitions on wasteful practices such as watering during or after rainfall and hosing off sidewalks were maintained. Locally the District is still in a Level 1, Water "Watch" Condition that asks customers to follow some mandatory water conservation provisions as well as voluntary conservation practices.

**Long-Term Financial Planning** – New or expanded facilities are partially funded by capacity fees collected by the District when new meter services are purchased and from interest earned on existing reserves. Capacity fees are based on a buy-in approach to the District's current asset and replacement reserve account value. Replacement facilities are currently financed from standby fees and capital reserves on a pay as you go cash basis. This reserve is funded annually by a combination of capacity fees, water availability charges, and excess operating and non-operating revenues.

Facilities which are identified and budgeted annually for replacement are not determined solely by the depreciation schedule, but are identified through a process which assesses a combination of factors, including age, condition, and the critical nature of the facility. Also, existing facilities are replaced when the County of San Diego road improvements force relocation or private development projects provide the opportunity to replace an existing facility.



*Cool Valley Reservoir Cover/Liner Replacement*

The District entered into a final funding agreement from the state of California for a State Revolving Fund Loan (SRF). The loan is for \$30,735,000 and will fund the expansion of the Woods Valley Ranch Water Reclamation Facility located in the southern portion of the District. The loan is repayable over a twenty-year term with interest at 2.2%. There has been a significant increase in the participation of the expansion project. The original project was for an expansion to accommodate 350 equivalent dwelling units (EDUs). The number of EDUs currently is 1,095. The construction consists of four project components. The District entered into three of the final funding agreements for Woods Valley Ranch Phase 2 Expansion, Charlan Road Seasonal Storage and South Village Collection System Project components. Staff has submitted the Final Budget Approval application for the fourth agreement, the North Village Collection System. Approval is anticipated in Fiscal Year 2017-18.

The District obtained a State Revolving Fund loan for the Cool Valley Cover Liner Replacement project in the amount of \$4,195,000 at 1.6% interest for a 20-year repayment term. Project completion is also expected in Fiscal Year 2017-18.



In addition, the San Diego County Water Authority has agreed to fund an estimated \$4-5 million in improvements to the District's San Gabriel and Lilac-Pala Pump Stations, extend the 16-inch waterline in Lilac Road, and construct a flow control facility to provide for an alternative source of water to the District's VC3 Area and Yuima Water District during a North County Emergency Storage Event.

## MAJOR INITIATIVES EFFORTS AND ACCOMPLISHMENTS

Water planning has always been an essential function of the District, but has become even more critical for all water agencies as California contends with ongoing droughts as well as the effects of long-term climate changes. To ensure that local water agencies devote an adequate effort to water planning, the California legislature adopted the Urban Water Management Planning (UWMP) Act. The District prepared the Urban Water Management Plan 2015 Update (adopted June 2016) to satisfy the year 2015 requirements of the UWMP. The 2015 Plan describes the availability of water and discusses water use, reclamation, and water conservation activities. The Plan concludes that the water supplies available to the District's customers are adequate over the next 20-year planning period. Additionally, in response to the SWRCB Emergency Drought Regulations, the District along with 13 other water agencies and the San Diego Farm Bureau developed the 2016 San Diego Regional Agricultural Water Management Plan Update.

### Water System Operations

#### **Transmission, Distribution, and Storage Facilities Improvements**

– Capital improvement work completed during the fiscal year included the following: Country Club Reservoir Upgrade, Aerie Road Intertie Improvement, Hell Hole Emergency Repair, and the Country Club Reservoir Upgrade. No substantial private development work was in progress or completed during the fiscal year. Planning efforts continued on six major developments; Meadowood, Orchard Run, Butterfield Trails, Park Circle, Weston Towne Center and North Village Station. Other small development activities



*Hell Creek Emergency Repair*

included the renewal of one developer project plan approval, starting construction of a water line extension for a 7 lot subdivision, and completion of seven special projects.

**Pumps, Motors, and Energy Efficiency** – System's Operations continued the pump and motor replacement program and developed energy management strategies and practices to reduce operational pumping costs during semi-peak and peak pumping demand periods. This resulted in continued energy savings and provided funds for additional pump station replacements and/or the construction of future solar projects. All of the newly rebuilt pumps are now constructed with mechanical seals to eliminate the packing leaks caused by wear and tear in the older pump designs.

The District continued to analyze and change pumping schedules assigned to pump stations to take advantage of the most cost effective rate schedule that applies to the District's pumping demands and needs. San Diego Gas and Electric will be implementing changes to the Time-of-Use time periods next fiscal year. The District has been developing pumping strategies in anticipation of these changes to minimize the financial impact of the new Time-of-Use periods. The District is also evaluating increasing the use of its Natural Gas Engines and purchasing Natural Gas on the open market.

**Water Loss and Meter Replacement** – The District continued its efforts to survey, verify, and change out the top users' water meters throughout the service area. Continued meter maintenance programs provide further field observation of District meters. The District was more aggressive in identifying remote blow-off appurtenances and installing security caps to reduce water theft. Crews continue to evaluate and survey cross country water mains and their associated appurtenances, through its leak detection program, for potential cross-connections. Field personnel continue to aggressively monitor and inspect the distribution system through these various strategies which have steadily reduced unknown water loss acre feet totals. For Fiscal Year 2016-17, unaccounted water loss was 6.2% of total water sold.



*District staff performing a pipe repair.*

With their assistance, the District was able to detect leaks in some very remote and cross-country mainlines and appurtenances. Some of the cleared areas have not been surveyed or cleared in years. The CAL Fire agreement has provided a significant cost savings measure and has provided a more thorough inspection and survey assessment of the District's service area.

### **Wastewater System Operations**

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

In February 2010, through investments by two large property owners in the South Village area, the District and other interested property owners, the District completed a master plan for providing wastewater service to the area, prepared and certified an environmental impact report for the proposed project, and submitted a financial assistance application for an initial \$13,497,000 Clean Water State Revolving Fund (SRF) loan for the South Village Wastewater Expansion Project. In May 2012, the State Water Resources Control Board (SWRCB) approved a preliminary funding commitment for the project.

As the planning for the South Village Expansion proceeded, two major property owners in the North Village area, located along Valley Center Road between Miller and Cole Grade Roads had solidified their planning efforts for a residential and commercial development of 800 equivalent dwelling units (EDU's). The North Village developers expressed interest and requested to participate in the South Village Wastewater Expansion Project for half of their ultimate wastewater demand.



*Charlan Road Seasonal Storage Reservoir*

Following this request, the District processed additional property owner wastewater capacity reservation requests, coming from both the South Village and the North Village areas, bringing the total expansion project participation to 1,095 EDUs. While the increase in participation will require additional collection facilities and larger treatment and seasonal storage facilities, the project cost per EDU was reduced. Prior to the end of the fiscal year, the District submitted a request to the SWRCB to increase the project SRF Loan amount to \$30,735,000, divided among the four proposed construction project components; the South Village Collection System,

Woods Valley Ranch Wastewater Reclamation Facility Phase 2 Expansion, Charlan Road Seasonal Storage Facility, and the North Village Collection System. The District received SWRCB staff approval of the increased loan amount and was instructed to submit the project funding increase with the Final Budget Approval process for each of four project components once a construction contract was awarded. Construction of the Woods Valley Ranch Water Reclamation Facility Phase 2 Expansion Project began in June 2015 and was completed in July 2017. Construction of the Charlan Road Seasonal Storage Facility and the South Village Collection system were initiated last fiscal year and were completed in December 2016 and April 2017, respectively. The remaining project, the North Village Collection system, is in design and scheduled for completion in late 2018.

### **Planning and Construction Projects**

Development activity was minimal during the fiscal year due to regional economic factors. Primarily developers continued their pursuit of land use entitlements from the County with minimal interactions required of the District. As previously indicated, several projects renewed their plan approvals to maintain their entitlements and ability to start construction at a later date.

**Meadowood Development** – Pardee Homes' Meadowood Development consists of a 267-acre, 850 unit residential, commercial, and institutional development project in the north east quadrant of I-15 and Highway 76. In March 2012, Pardee Homes and the District entered into an agreement for the District to process the annexation of the property into the Valley Center Municipal Water District, the San Diego County Water Authority (SDCWA), and the Metropolitan Water District. In November 2014, the annexation was complete and certified by the San Diego Local Agency Formation Commission (LAFCO).



In the latter part of fiscal year 2012-13, VCMWD staff began discussion with Rainbow Municipal Water District (RMWD) staff on how best to jointly serve the project. Water Service connection with RMWD is proposed in two locations in order to have a redundant source from both the First and Second SDCWA Aqueducts. Wastewater service options of an on-site treatment facility of wastewater service from the City of Oceanside are being evaluated. Oceanside has indicated that service is available in their San Luis Rey Wastewater Reclamation Facility. Capacity in RMWD's wastewater trunk line along State HWY 76 would be required to transport Meadowood's wastewater flows to the Oceanside facility. VCMWD continued discussions with RMWD and the City of Oceanside to determine projected costs for the various service options. During Fiscal Year 2016-17, the provision of water service from VCMWD's VC3 Area was explored as well as obtaining wastewater service from the VCMWD's Lower Moosa Canyon Water Reclamation Facility. Preliminary cost estimates indicate that these alternative sources of water and wastewater service are feasible and the environmental impacts will be evaluated in early 2018.

**Lilac Hills Amendment Application** – Accretive Investments, Inc., had previously secured from the County a Plan Amendment Authorization (PAA) for their Lilac Hills Ranch project, a 608 acre, 1,750 unit multi-use master planned community development located in the vicinity of West Lilac Road, Rodriguez Road, and Nelson Way. After securing approval of the PAA, the developer submitted an application to amend the County's General Plan for the proposed project. The project Environmental Impact Report (EIR) had been sent out for public review by the end of fiscal year 2012-13. The District entered into a pre-development agreement with Accretive and issued preliminary concept approval of the facility planning for the project. During this time the District continued to work with the developer's engineer in further developing the planning documents for the project, which included opportunities for development of a recycled water service area for treated effluent from the Lower Moosa Canyon Water Reclamation Facility. In early 2016, the developers petitioned the Board of Supervisors to place the General Plan Amendment initiative on the November 2016 General Ballot Election. While the ballot measure failed to pass, the Developer's indicated that they plan to continue their efforts to obtain the General Plan Amendment in 2018.

**Village Areas** – With completion of the Woods Valley Ranch Wastewater Expansion Project, several developments in the District North and South Village Areas are planned to move forward in the upcoming fiscal year. Touchstone Communities has 3 projects in the South Village Area; Orchard Run, Park Circle and Shady Oak. Orchard Run is a 300 unit residential subdivision that has completed its development entitlements for the project. Park Circle is a mixed use development of 332 residential units, 4.2 acres of commercial area and 5 acres of parks and recreational facilities. Shady Oak is a 47 unit residential subdivision. Valley C LLC has obtained the Weston Towne Center project and intends to move forward with its 600 unit mixed use development in the North Village area as will Valley Center View properties with its 200 unit mixed use residential, office/professional development.

### **Information Technology**

**Supervisory Control and Data Acquisition (SCADA) System** – The District connected 7 sites to the wireless communications system, including Hauck Mesa Pump Station, McNally Pump Station, Oak Glen reservoir, Miller and Cool Valley solar generating stations, Turner Lake Dam and Upper Weir monitoring station. A Human Machine Interface (HMI) based control system was integrated with field devices, such as PLCs and sensors. A new SCADA system was developed and deployed for the Woods Valley Wastewater Reclamation Facility as part of the expansion project. In addition to the new upgraded pump and reservoir sites, multiple improvements to security cameras and communication radios were performed at various sites throughout the District's service area.



**Advanced Metering Infrastructure (AMI)** – The District is continuing to evaluate a new AMI system at one of the District’s remote facilities to test the feasibility of automatic, continuous water meter reading. The system connects to the meter via wireless technology, and the meter data is then transmitted to the remote data collection system via the District’s SCADA communications network. The system provides the means to continuously measure, collect, and analyze real-time data from customers’ water meters, eliminating the need to drive by the meters each month to read them.

**Enterprise Resource Planning (ERP) Software** – The District completed a significant upgrade to the ERP software system that the District has used for more than 20 years. In addition to upgrading the accounting software, utility billing, and payroll modules, the District also deployed additional service order, inventory, purchase order, and human resources management modules. Better data integration across different software modules will result in many operating efficiencies by eliminating the need for multiple separate systems, simplifying payment processing activities and providing enhanced financial reporting capabilities.

**Backflow Management Database** – A new database application was developed that allows staff to manage all backflow devices and track annual tests. The system connects to customer and meter databases in the new ERP system and provides test certificates for completed tests.

## 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 comprehensive annual financial report for the fiscal year ended June 30, 2016. 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 comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

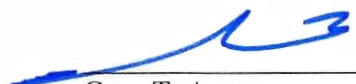
A Certificate of Achievement is valid for a period of one year only. Valley Center Municipal Water District has received a Certificate of Achievement each year since 1992. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to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

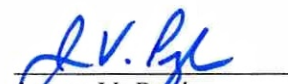


## ACKNOWLEDGMENTS

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

Respectfully Submitted:

  
\_\_\_\_\_  
Gary T. Arant  
General Manager

  
\_\_\_\_\_  
James V. Pugh  
Director of Finance  
& Administration

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

## STRATEGIC PLAN PERFORMANCE MEASUREMENT STANDARDS RESULTS FOR CALENDAR YEAR ENDED DECEMBER 31, 2016

**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 expectations 99% of the time.

**2. UNKNOWN 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 2016 amounted to 1,000.4 acre feet, 4.7% of total water sold, representing \$1.0 million dollars.

**3. DISCRETIONARY RESERVES** – *Unrestricted or uncommitted reserves not anticipated to be used in the current fiscal year shall endeavor to maintain a minimum three and maximum six months operating and maintenance expenses (excluding wholesale water and power purchases).*

At fiscal year-end, June 30, 2017, our Discretionary Reserves, Operating, Rate, and Pump Rate Stabilization, represent 6 months operating and maintenance expenses.

**4. DISTRICT SHARE OF TOTAL WATER COMMODITY 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 13% of total water commodity cost for Municipal and Industrial and 16% for Certified Agricultural.*

The District’s component of the water rate for operating costs was 10.5% of the Municipal and Industrial and 14.5% of Certified Agricultural total commodity costs.

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

Our pump efficiency was 102.6% of the design criteria.

**6. PROJECT ACTUAL COST** - *± 10% of Engineer’s estimate.*

One project was completed in calendar year 2016 at 7.4% over the Engineer’s estimate.

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

Reliability was 99.999%.

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

100%.

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

The District had no lost time accidents in calendar year 2016.

**10. 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 was 1.001%, while the 12-month rolling average for U.S. Treasury Bonds was 0.615%.

## DISTRICT OFFICIALS

### **Board of Directors:**

<u>Title</u>	<u>Name</u>	<u>Service</u>	<u>Term Expires</u>
President	Gary A. Broomell	48 years	January 2019
Vice-President	Robert A. Polito	29 years	January 2021
Director	Merle J. Aleshire	21 years	January 2019
Director	Randy D. Haskell	17 years	January 2019
Director	Enrico P. Ferro	2 year	January 2021

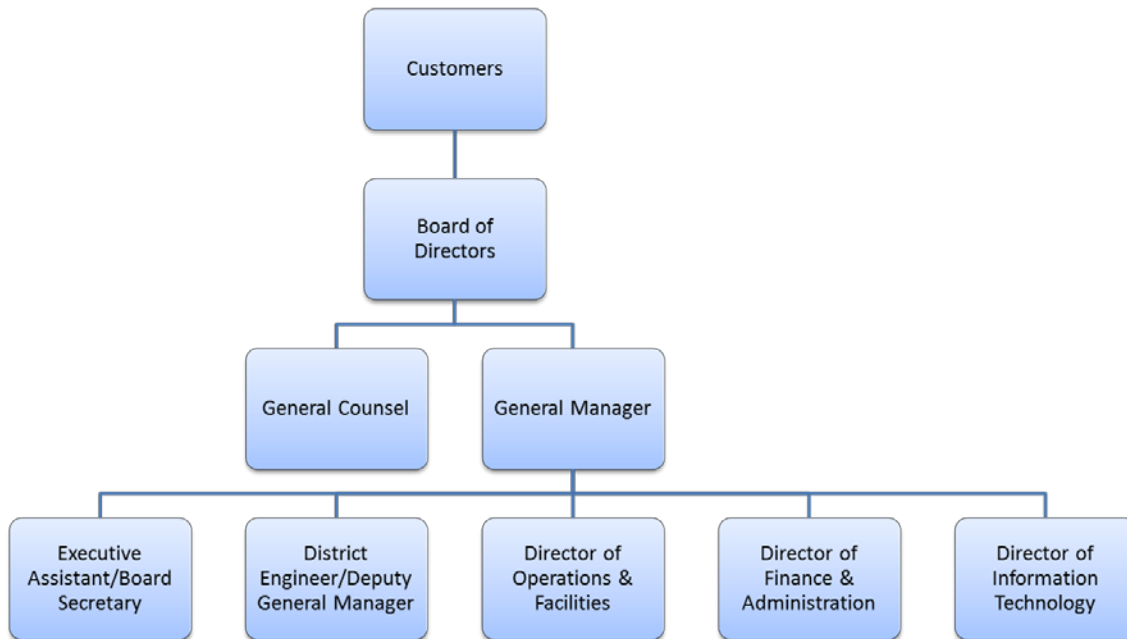
### **Executive Management:**

<u>Title</u>	<u>Name</u>	<u>Service</u>
General Manager	Gary T. Arant	28 years
District Engineer/Deputy GM	Wally T. Grabbe	25 years
Director of Operations/Facilities	Albert G. Hoyle	26 years
Director of Finance & Administration	James V. Pugh	14 years
Director of Information Technology	Ando Pilve	9 years
Executive Assistant/Board Secretary	Christine M. Johnson	27 years

### **General Counsel:**

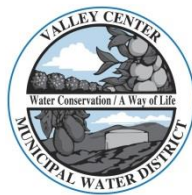
Best, Best & Krieger, LLP	Paula De Sousa	7 years
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## DISTRICT ORGANIZATION CHART



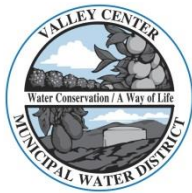
## DISTRICT SERVICE AREA





# Financial Section









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

## **Independent Auditor's Report**

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of Valley Center Municipal Water District, which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Center Municipal Water District, as of June 30, 2017, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of Plan's proportionate share of the net pension liability, and the schedules of Plan contributions as identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted on inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements of Valley Center Municipal Water District. The introductory section, the combining schedule of net position 2017, the combining schedule of revenues, expenses, and changes in net position 2017, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining schedule of net position 2017, and the combining schedule of revenues, expenses, and changes in net position 2017 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of net position 2017, and the combining schedule of revenues, expenses, and changes in net position 2017 are fairly stated, in all material respects, in relation to the financial statements as a whole.

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

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the District's financial statements for the year ended June 30, 2016, which are not presented with the accompanying financial statements and we expressed an unmodified opinion on the District's financial statements. That audit was conducted for the purpose of forming an opinion on the financial statements that comprise the District's financial statements as a whole. The combining schedule of net position 2016, and the combining schedule of revenues, expenses, and changes in net position 2016 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of net position 2016, and the combining schedule of revenues, expenses, and changes in net position 2016 are fairly stated in all material respects in relation to the financial statements from which they have been derived.

*Leaf & Cole LLP*

San Diego, California  
January 25, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The intent of the Management's Discussion and Analysis (MD&A), is to provide highlights of the financial activities for the fiscal year ended June 30, 2017, of the Valley Center Municipal Water District (the "District"). Readers are encouraged to read this section in conjunction with the Letter of Transmittal located in the front of this report and the accompanying basic financial statements.

### DISTRICT OPERATIONS – AN OVERVIEW

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

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

### REQUIRED FINANCIAL STATEMENTS

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

The **Statement of Revenues, Expenses and Changes in Net Position** identifies the District's revenues and expenses for the fiscal year ended June 30, 2017. 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 comparative 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** provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

## FINANCIAL HIGHLIGHTS

The District's financial operations remained sound during Fiscal Year 2016-17. Sources of revenues were sufficient to cover combined operating and non-operating costs. The Statement of Net Position remains strong.

### Water System Operations

The District added a total of 71 new water services this year, which represents a 0.7% increase in the number of accounts it serves, compared to the prior year's increase of 75 accounts, also representing a 0.7% increase. Total water services now equal 10,907 accounts, of which 10,086 are active and 821 inactive. During the fiscal year ended June 30, 2017, water sales totaled 19,239 acre feet (AF) increasing 4.7%, or 870 AF from the previous year.

During Fiscal Year 2016-17, California transitioned from a five year record breaking drought to record breaking rainfall. Aside from drought restrictions, the District's demand is largely influenced by temperature and rainfall. The annual rainfall during the fiscal year was 21.3 inches compared to the prior year of 12 inches, a 78% increase.

The Cost of Water Sold is the District's highest single water operating expense. In January 2017, wholesale treated water rates from the San Diego County Water Authority increased 6.6% for domestic customers and 8.0% for our agricultural customers. The total Cost of Water Sold during Fiscal Year 2016-17 was \$26,930,842, or 6.2% higher than the previous year. The total amount of water purchased during the year was 20,220 AF compared to 19,657 AF in the previous year.

### Wastewater System Operations

Construction of the Woods Valley Ranch Water Reclamation Facility Phase 2 Expansion Project began in June 2015 and was completed in July 2017. Construction of the Charlan Road Seasonal Storage Facility and the South Village Collection system were initiated last fiscal year and were completed in December 2016 and April 2017, respectively. The remaining project, the North Village Collection system, is in design and scheduled for completion in late 2018.

### Sources of Revenue

Combined revenues (excluding capital contributions) for the fiscal year totaled \$46,631,995, an increase of \$4,376,242 or 10.4% from the previous year. Details of this increase in revenues are as follows:

- Water sales and pumping revenue increased by 6.5% or \$1,960,390, from the prior year. Effective January 1, 2016, water rate increases were 10.0% for domestic and 3.7% for the San Diego County Water Authority Transitional Special Agricultural Water Rate (TSAWR). In addition, rates went up again on January 1, 2017 by 6.9% for domestic and 8.3% for TSAWR. These increases are due to increases in wholesale costs from the District's supplier, the San Diego County Water Authority. Pumping charges were up 8.1%, or \$160,737, due to the increase in the volume of water sold and an increase in pumping rates on January 1, 2017, of 10%.
- Meter service charges were \$505,588 or 9.4% higher at \$5,874,611 in 2016-17 compared to \$5,369,023 in 2015-16. Monthly meter service charges increased 10.0% on January 1, 2017. In addition, the number of active meters at year end increased by 110 bringing the 2016-17 count to 10,086 as compared to 9,976 in the prior year.

- Meter installation fees for the year were down 9.2% or \$19,841 from the prior year due to a decrease in the amount of water meters and backflow devices purchased and installed.
- Property taxes and assessments increased slightly by 4.2%, or \$112,249, from 2015-16 to 2016-17. The District has adopted San Diego County's alternative method of distribution of tax levies and collections under which the County advances 100% of the secured tax levies due to the District each year without consideration for delinquencies.
- Investment income was down 15.9%, or \$32,068, from the prior year. Yields on investments were higher than the prior fiscal year but unrealized losses compared to unrealized gains at the end 2015-16 are the reason for the decrease.
- Wastewater charges are up 68.1% or \$1,717,572 due to the fees associated with Assessment District 2012-1.

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

### Combined Revenues by Category

	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)	% Change
<b><u>Revenues by Category:</u></b>				
Water sales and pumping charges	\$32,355,313	\$30,394,923	\$1,960,390	6.5%
Meter service charges	\$5,874,611	\$5,369,023	505,588	9.4%
Meter installation fees	196,154	215,995	(19,841)	-9.2%
Other water operating revenues	645,435	545,347	100,088	18.4%
Wastewater charges	4,239,359	2,521,787	1,717,572	68.1%
Property taxes and assessments	\$2,777,382	\$2,665,133	\$112,249	4.2%
Investment income	169,070	201,138	(32,068)	-15.9%
Other nonoperating revenues	350,924	328,923	22,001	6.7%
Gain (Loss) on disposal of capital assets	23,747	13,484	10,263	76.1%
Total Revenues	\$46,631,995	\$42,255,753	\$4,376,242	10.4%
Capital contributions	205,285	1,643,312	(1,438,027)	-87.5%
Total Revenues & Capital Contributions	<u>\$46,837,280</u>	<u>\$43,899,065</u>	<u>\$2,938,215</u>	<u>6.7%</u>

### Functional Expenses

- Cost of water sold increased 6.2% over the prior year. Water purchases were up slightly, 563 acre feet, or 2.9%, from the prior year, along with higher wholesale water prices. In 2015-16, the District purchased 19,657 acre feet of water at an average price of \$1,290 per acre foot. In the current year, the District purchased 20,220 acre feet of water at an average price of \$1,332 per acre foot, an increase of 3.3% or \$42 per acre foot. The average price per acre foot is impacted by the fixed components of the Metropolitan Water District of Southern California (MWD) and the San Diego County Water Authority (SDCWA) rate that the District must pay regardless of water sales. These fixed components include a capacity reservation charge by MWD and customer service, emergency storage program, and supply reliability charges by the SDCWA.

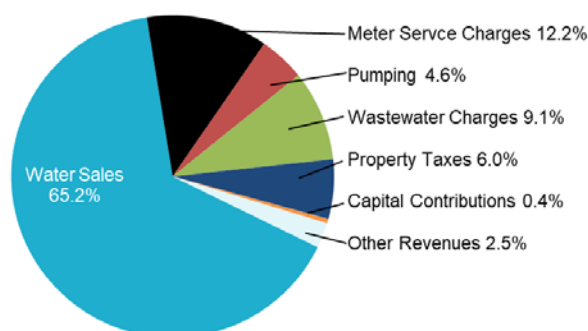
- Agricultural discounts passed through from the SDCWA on their melded water rate during the year were \$2,393,513. This cost reduction for agricultural water is passed through to the District's qualified agricultural customers and is included in the Cost of water sold.
- Engineering expenses for 2016-17 were 17.0%, or \$245,840, higher than 2015-16. This is a result of expenses associated with the waste discharge report that were written off and increased labor and legal expenses offset by a reduction in special department expenses.
- General and administrative expenses increased 30.1% or \$583,312 due to a combination of factors, the largest being a pension expense credit of \$1,070,660 compared to a credit of \$1,303,456 last year. This is associated with Government Accounting Standards Board Statement 68 (GASB 68) "Accounting and Financial Reporting for Pensions". In addition there were increases in labor expenses, the write-off of uncollectible customer accounts, maintenance and insurance costs. These increases were offset by reduced legal and outside service expenses.
- Depreciation expense in 2016-17 decreased by 6.2%, or \$218,817 from the prior year.
- Combined Wastewater collection and treatment costs for Moosa and Woods Valley Ranch were \$161,682 or 14.4% more than the prior year. The increase is a result of increased labor and chemical costs, increased general administrative costs due to higher overhead, and increased regulatory permits and fees, which were offset by lower outside professional services.
- Interest expense was \$191,663 higher than the previous year. This is due to higher interest expense of \$190,820 associated with the state revolving fund loans.

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

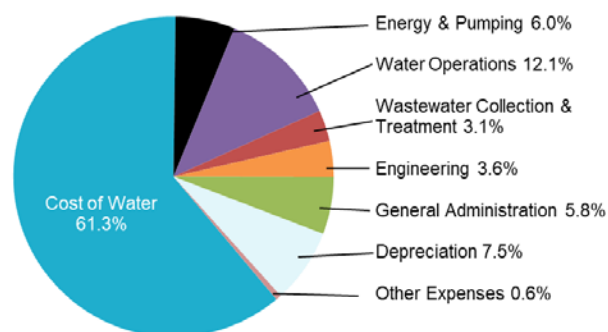
### Combined Expenses by Category

	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)	% Change
<b><u>Expenses by Category:</u></b>				
Cost of water sold	\$26,930,842	\$25,358,738	\$1,572,104	6.2%
Energy and pumping costs	2,631,927	2,733,376	(101,449)	-3.7%
Water systems operations	5,304,895	5,267,718	37,177	0.7%
Wastewater collection and treatment	1,283,283	1,121,601	161,682	14.4%
Engineering	1,695,911	1,450,071	245,840	17.0%
General and administrative	2,527,800	1,944,488	583,312	30.0%
Depreciation	3,306,838	3,525,655	(218,817)	-6.2%
Interest expense	238,935	47,272	191,663	405.4%
Total expenses	<u>\$43,920,431</u>	<u>\$41,448,919</u>	<u>\$2,471,512</u>	<u>6.0%</u>

Source Of Revenues Fiscal Year Ended June 30, 2017



Source Of Expenses Fiscal Year Ended June 30, 2017



### Net Position

The District's Net Position has consistently shown an increasing trend. The current year results reported an increase in Net Position of \$2,916,849 or 3.4% compared to the previous year. Total assets increased \$14,799,141, or 12.1% over the previous year, due to increased cash and investments as well as capital increases due to the Woods Valley Ranch Expansion Project. Total Liabilities are up \$15,020,252, or 38.2%. The increase in liabilities is due to the increase in long-term debt associated with the State Revolving Fund Loans for Woods Valley Ranch Expansion and the Cool Valley Ranch Cover/Liner Replacement projects. More detailed information concerning the Deferred Outflows and Inflows of Resources can be found in Note 8 of the Notes to the Financial Statements.

### Condensed Statement of Net Position

	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)	% Change
Current Assets	\$32,770,670	\$28,436,526	\$4,334,144	15.2%
Restricted Assets	1,177,622	1,075,636	101,986	9.5%
Capital Assets	102,725,595	92,362,584	10,363,011	11.2%
<b>Total Assets</b>	<b>\$136,673,887</b>	<b>\$121,874,746</b>	<b>\$14,799,141</b>	<b>12.1%</b>
Deferred Outflows of Resources	\$7,064,542	\$4,886,603	\$2,177,939	44.6%
Current Liabilities	\$9,552,689	\$11,033,945	(\$1,481,256)	-13.4%
Noncurrent Liabilities	44,806,052	28,304,544	16,501,508	58.3%
<b>Total Liabilities</b>	<b>\$54,358,741</b>	<b>\$39,338,489</b>	<b>\$15,020,252</b>	<b>38.2%</b>
Deferred Inflows of Resources	\$615,476	\$1,575,498	(\$960,022)	-60.9%
Net Position:				
Net investment in capital assets	\$79,597,730	\$84,494,979	(\$4,897,249)	-5.8%
Restricted for facility expansion	1,177,622	1,075,636	101,986	9.5%
Unrestricted	7,988,859	276,747	7,712,112	2786.7%
<b>Total Net Position</b>	<b>\$88,764,211</b>	<b>\$85,847,362</b>	<b>\$2,916,849</b>	<b>3.4%</b>



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

	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)	% Change
<b><u>Operating Revenues:</u></b>				
Water sales and pumping charges	\$32,355,313	\$30,394,923	\$1,960,390	6.5%
Meter service charges	\$5,874,611	\$5,369,023	505,588	9.4%
Wastewater charges	4,239,359	2,521,787	1,717,572	68.1%
Meter installation fees	196,154	215,995	(19,841)	-9.2%
Other water operating revenues	645,435	545,347	100,088	18.4%
Total operating revenues	<u>\$43,310,872</u>	<u>\$39,047,075</u>	<u>\$4,263,797</u>	<u>10.9%</u>
<b><u>Operating Expenses:</u></b>				
Cost of water sold	\$26,930,842	\$25,358,738	\$1,572,104	6.2%
Energy and pumping costs	2,631,927	2,733,376	(101,449)	-3.7%
Water systems operations	5,304,895	5,267,718	37,177	0.7%
Wastewater collection and treatment	1,283,283	1,121,601	161,682	14.4%
Engineering	1,695,911	1,450,071	245,840	17.0%
General and administrative	2,527,800	1,944,488	583,312	30.0%
Depreciation	3,306,838	3,525,655	(218,817)	-6.2%
Total operating expenses	<u>\$43,681,496</u>	<u>\$41,401,647</u>	<u>\$2,279,849</u>	<u>5.5%</u>
Operating (Loss)	<u>(\$370,624)</u>	<u>(\$2,354,572)</u>	<u>\$1,983,948</u>	<u>-84.3%</u>
<b><u>Nonoperating Revenues and (Expenses):</u></b>				
Property taxes and assessments	\$2,777,382	\$2,665,133	\$112,249	4.2%
Investment income	169,070	201,138	(32,068)	-15.9%
Other nonoperating revenues	350,924	328,923	22,001	6.7%
Interest expense	(238,935)	(47,272)	(191,663)	405.4%
Gain (Loss) on disposal of capital assets	23,747	13,484	10,263	76.1%
Total Nonoperating Revenues and (Expenses)	<u>\$3,082,188</u>	<u>\$3,161,406</u>	<u>(\$79,218)</u>	<u>-2.5%</u>
Income Before Contributions	2,711,564	806,834	1,904,730	236.1%
Capital contributions	<u>205,285</u>	<u>1,643,312</u>	<u>(1,438,027)</u>	<u>-87.5%</u>
Change in Net Position	<u>\$2,916,849</u>	<u>\$2,450,146</u>	<u>\$466,703</u>	<u>19.0%</u>
Net Position at Beginning of Year	<u>\$85,847,362</u>	<u>\$83,397,216</u>	<u>\$2,450,146</u>	<u>2.9%</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$88,764,211</u></u>	<u><u>\$85,847,362</u></u>	<u><u>\$2,916,849</u></u>	<u><u>3.4%</u></u>

## CAPITAL ASSETS

Capital assets include land, transmission and distribution system, general plant, and construction-in-progress. At June 30, 2017, the District had \$187,955,657 in capital assets with \$85,230,061 of accumulated depreciation. This represents a net increase (additions less deductions) of \$10,363,012 or 11.2% over the prior year. Annual depreciation usually approximates the amount transferred to reserves and in turn is reinvested in the capital plant.

Significant additions to general plant and transmission and distribution include the Country Club Reservoir Improvement, Cool Valley and Miller Pump Station Solar Arrays, the Urban Water Management Plan 2015 Update, and the Rincon Pump Station Relocation and Replacement. Significant additions to construction in progress include Wilkes Road Pipeline Replacement, Rincon Reservoir Recoating, Cool Valley Reservoir Cover-Liner Replacement, Administrative Facility Improvements, and the Woods Valley Ranch Water Reclamation Facility Expansion.

### Capital Assets

	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)	% Change
Land	\$5,304,282	\$5,304,282	\$0	0.0%
Construction in progress	33,339,315	21,483,892	11,855,423	55.2%
Transmission and distribution system	133,086,340	131,582,277	1,504,063	1.1%
General plant	16,225,721	15,984,202	241,519	1.5%
Total assets	<u>\$187,955,657</u>	<u>\$174,354,653</u>	<u>\$13,601,004</u>	<u>7.8%</u>

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

### LONG TERM DEBT

The District entered into a final funding agreement from the state of California for a State Revolving Fund Loan (SRF). The loan is for \$30,735,000 and will fund the expansion of the Woods Valley Ranch Water Reclamation Facility located in the southern portion of the District. The loan is repayable over a twenty-year term with interest at 2.2%. There has been a significant increase in the participation of the expansion project. The original project was for an expansion to accommodate 350 equivalent dwelling units (EDUs). The number of EDUs currently is 1,095. The construction consists of four project components. The District entered into three of the final funding agreements for Woods Valley Ranch Phase 2 Expansion, Charlan Road Seasonal Storage, and South Village Collection System Project components. The fourth agreement for the North Village Collection System is scheduled for Fiscal Year 2017-18.

The District also secured an additional SRF Loan for the Cool Valley Reservoir Cover-Liner replacement. This loan for \$2,915,212 is repayable over a twenty-year term with interest at 1.6%.

The District had no general obligation bonded debt at June 30, 2017. As the District has issued no bonded debt for public placement since 1968, it is not rated by any investment rating service.

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

**Assessment District No. 96-1** issued bonds in February 1997 under the Improvement Act of 1915 to fund part of the expansion of the Moosa facility to serve the Treasures Development. These bonds are not a general obligation of the District and not presented in this report. More detailed information about Assessment District 96-1 is presented in Note 6 to the financial statements.

## **ECONOMIC FACTORS**

The District sets its rates annually based upon anticipated consumption. A significant reduction in consumption could have an adverse effect on the District's financial position. Additionally, the District purchases all of its water from the San Diego County Water Authority. Interruption of this service would have a significant negative effect on the District's financial position. At June 30, 2017, the District had designated \$5,873,318 of its unrestricted net assets as a water operating reserve to mitigate the potential of these effects. This represents approximately six months operating and maintenance expenses. Wastewater fund reserves are excluded from this figure.

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

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

**ASSETS**

**Current Assets:** (Notes 1, 2 and 9)

Cash and cash equivalents	\$ 19,385,544
Investments	5,553,741
Accounts receivable - water and wastewater, net	6,251,634
Interest receivable	72,578
Taxes receivable	7,687
Other receivables	8,305
Inventory	537,204
Prepaid expenses and deposits	222,755
Work in progress for others	731,221
Total Current Assets	<u>32,770,669</u>

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

**Restricted Assets:**

Cash and cash equivalents	448,648
Investments	728,974
Total Restricted Assets	<u>1,177,622</u>

**Capital Assets:**

Nondepreciable capital assets	38,643,596
Depreciable capital assets, net	64,081,999
Total Capital Assets	<u>102,725,595</u>

Total Noncurrent Assets	<u>103,903,217</u>
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<b>TOTAL ASSETS</b>	<u><b>136,673,886</b></u>
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**DEFERRED OUTFLOWS OF RESOURCES:** (Notes 1 and 8)

Deferred outflows related to pensions	5,118,812
Deferred outflows related to contributions	1,945,730
Total Deferred Outflows of Resources	<u>7,064,542</u>

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**JUNE 30, 2017**

**LIABILITIES**

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

Accounts payable	\$ 6,469,050
Accrued payroll	115,220
Accrued compensated absences	747,600
Customer deposits	1,111,839
Current portion of loans payable	1,108,980
Total Current Liabilities	<u>9,552,689</u>

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

**Long-Term Debt:**

Loans payable, net of current portion	22,018,885
Interest payable	238,245
Total Long-Term Debt	<u>22,257,130</u>

**Other Noncurrent Liabilities:**

Net pension liability	20,928,033
Accrued compensated absences, net of current portion	1,620,889
Total Other Noncurrent Liabilities	<u>22,548,922</u>

Total Noncurrent Liabilities	<u>44,806,052</u>
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Total Liabilities	<u>54,358,741</u>
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**DEFERRED INFLOWS OF RESOURCES:** (Notes 1 and 8)

Deferred inflows related to pensions	<u>615,476</u>
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**Commitments and Contingencies** (Notes 8, 9, 10 and 12)

**NET POSITION:** (Note 7)

Net investment in capital assets	\$ 79,597,730
Restricted for facility expansion	1,177,622
Unrestricted	7,988,859
Total Net Position	<u>\$ 88,764,211</u>

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017**

**Operating Revenues:**

Water sales and pumping charges	\$ 32,355,313
Meter service charges	5,874,611
Wastewater charges	4,239,359
Meter installation fees	196,154
Other water operating revenues	645,435
Total Operating Revenues	<u>43,310,872</u>

**Operating Expenses:**

Cost of water sold	26,930,842
Energy and pumping costs	2,631,927
Water systems operations	5,304,895
Wastewater collection and treatment	1,283,283
Engineering	1,695,911
General and administrative	2,527,800
Depreciation	3,306,838
Total Operating Expenses	<u>43,681,496</u>

Operating Loss	<u>(370,624)</u>
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**Nonoperating Revenues (Expenses):**

Property taxes and assessments	2,777,382
Investment income	169,070
Other nonoperating revenues	350,924
Interest expense	(238,935)
Gain on disposal of capital assets	23,747
Total Nonoperating Revenues (Expenses)	<u>3,082,188</u>

Income Before Contributions	2,711,564
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Capital Contributions	<u>205,285</u>
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Change in Net Position	2,916,849
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Net Position at Beginning of Year	<u>85,847,362</u>
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<b>NET POSITION AT END OF YEAR</b>	<b><u><u>\$ 88,764,211</u></u></b>
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The accompanying notes are an integral part of the financial statements.



**VALLEY CENTER MUNICIPAL WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Cash Flow From Operating Activities:**

Receipts from customers	\$ 43,735,808
Payments to suppliers for goods and services	(32,308,626)
Payments to employees for services	(11,827,064)
Change in work in progress for others	(45,353)
Customer deposits	(60,982)
Other nonoperating revenue	350,924
Net Cash Used in Operating Activities	<u>(155,293)</u>

**Cash Flow From Noncapital Financing Activities:**

Property taxes and assessments received	2,778,845
Net Cash Provided by Noncapital Financing Activities	<u>2,778,845</u>

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

Acquisition and construction of capital assets	(13,276,212)
Proceeds from sale of capital assets	23,747
Proceeds from loans payable	15,349,905
Principal paid on loans payable	(19,594)
Interest paid on installment notes payable	(70,741)
Capital contributions	93,378
Net Cash Provided by Capital and Related Financing Activities	<u>2,100,483</u>

**Cash Flows From Investing Activities:**

Proceeds from investments, net	278,585
Investment income received	204,989
Net Cash Provided by Investing Activities	<u>483,574</u>

Net Increase in Cash and Cash Equivalents	5,207,609
Cash and Cash Equivalents at Beginning of Year	<u>14,626,583</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 19,834,192</u></b>

(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, 2017**

**Reconciliation of Operating Loss to Net**

**Cash Used in Operating Activities:**

Operating loss	\$ (370,624)
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>	
Depreciation	3,306,838
Other nonoperating revenues	350,924
<b>Change in assets and liabilities:</b>	
Accounts receivable - water and wastewater, net	414,922
Other receivables	10,014
Inventory	31,143
Prepaid expenses and deposits	44,787
Work in progress for others	(45,353)
Deferred outflows related to pensions	(2,038,631)
Deferred outflows related to contributions	(139,308)
Accounts payable	(2,770,546)
Accrued payroll	(43,445)
Accrued compensated absences	47,689
Customer deposits	(60,982)
Net pension liability	2,067,301
Deferred inflows related to pensions	(960,022)
Net Cash Used in Operating Activities	<u>\$ (155,293)</u>

**Cash and Cash Equivalents:**

**Financial Statement Classification**

Cash and cash equivalents	\$ 19,385,544
Restricted cash and cash equivalents	448,648
Total Cash and Cash Equivalents	<u>\$ 19,834,192</u>

**Noncash Investing, Capital and Financing Activities**

Net unrealized loss on investments	\$ 65,687
Capital assets included in increase in accounts payable	<u>\$ (281,730)</u>
Capital assets contributed	<u>\$ (111,907)</u>

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**(a) Description of Reporting Entity**

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

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

In addition, the District has established the Assessment District No. 96-1 Lower Moosa Canyon (AD 96-1) to account for the special assessment bonds described in Note 6. The financial position and results of operations of AD 96-1 are excluded from these financial statements.

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

**(b) Method of Accounting**

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

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

**(c) Estimates**

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**(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. The District first utilizes restricted resources to finance qualifying activities.

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

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

**(e) Property Taxes and Assessments**

Property taxes and assessments are billed by the County of San Diego to property owners. The District's property tax calendar for the fiscal year ended June 30, 2017, was as follows:

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

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.

**(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.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**(g) Investments**

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

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

Bad debts are recognized on the allowance method based on historical experience, and management's evaluation of outstanding receivables. Water and wastewater accounts receivable of \$6,251,634 have been reduced by an allowance for estimated uncollectible accounts in the amount of \$93,509 at June 30, 2017.

**(i) Inventory**

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

At June 30, 2017, inventory consists of the following:

Water inventory	\$ 73,694
Materials inventory	<u>463,510</u>
	<u><u>\$ 537,204</u></u>

**(j) Capital Assets**

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

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

Depreciation totaled \$3,306,838 for the year ended June 30, 2017.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**(k) Compensated Absences**

Accumulated unpaid vacation and sick leave totaling \$2,368,489 is accrued when incurred and included in noncurrent liabilities at June 30, 2017.

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

Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net assets by the government that is applicable to a future period and an acquisition of net assets by the government that is applicable to a future reporting period respectively. Deferred outflows of resources include a deferred amount on refunding. Deferred outflows of resources and deferred inflows of resources related to pensions are more fully described in Note 8.

**(m) Interest**

Interest costs, less interest earned on related tax-exempt borrowings, are capitalized during the period of major capital asset additions. The capitalized interest is recorded as part of the asset to which it is related and is depreciated over the estimated useful life of the related asset. Interest capitalized totaled to \$110,648 at June 30, 2017.

**(n) Classification of Liabilities**

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

**(o) 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 CalPERS. 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 timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	June 30, 2015 to June 30, 2016



**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**(p) Fair Value Measurements**

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

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

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

- Investments in the California Local Agency Investment Fund (LAIF) are considered Level 2 assets and are reported at the fair value of the underlying assets as provided by LAIF.
- Investments in the San Diego County Treasurer's Pooled Money Fund are considered Level 2 assets and are reported at the fair value of the underlying assets as provided by San Diego County.
- United States Government Sponsored Enterprises and Certificates of Deposit are considered Level 2 assets and are reported at the fair value reported by the counter-party.

**(q) Unrestricted Net Position**

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

**(r) Subsequent Events**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 25, 2018, the date the financial statements were available to be issued.

**(s) Reclassification**

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 2 - Cash and Investments:**

**(a) Authorized Investments**

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

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

Cash and investments held by the District were comprised of the following at June 30, 2017:

		<u>Investment Maturities (In Years)</u>	
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 5</u>
Cash on hand	\$ 1,400	\$ 1,400	\$ -
California Local Agency Investment Fund (LAIF)	322,361	322,361	-
San Diego County Treasurer's Pooled Money Fund	15,791,612	15,791,612	-
Demand deposits	3,718,831	3,718,831	-
Investments:			
United States Government Sponsored Enterprises	1,725,500	-	1,725,500
Certificates of Deposit	4,557,203	-	4,557,203
Total Cash and Investments	<u>\$ 26,116,907</u>	<u>\$ 19,834,204</u>	<u>\$ 6,282,703</u>
Financial Statement Classification:			
Cash and Cash Equivalents	\$ 19,385,544		
Investments	5,553,741		
Cash and cash equivalents - Restricted	448,648		
Investments - Restricted	728,974		
Total	<u>\$ 26,116,907</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 percent of its portfolio. State law limits investment in money market funds by 20% of the total portfolio, and investments in any one fund to 10%. At June 30, 2017, no investments represented more than 5% of the District's investment portfolio.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

	<u>Standard &amp; Poor's</u>	<u>Moody's</u>
California Local Agency Investment Fund	Not rated	Not rated
San Diego County Treasurer's Pooled Money Fund	AAAf	Not rated
United States Government Sponsored Enterprises:		
Federal Home Loan Bank	AA+	Aaa
Federal National Mortgage Association	AA+	Aaa
Federal Home Loan Mortgage Corporation	AA+	Aaa
Federal Farm Credit Bank	AA+	Aaa

**(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, 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.

**(f) Foreign Currency Risk**

The District is not exposed to foreign currency risk.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**Note 3 - Restricted Assets:**

Restricted assets were provided by, and are to be used for, the following at June 30, 2017:

<u>Funding Source</u>	<u>Use</u>	
Capacity fees	Facility expansion	\$ <u><u>1,177,622</u></u>

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

**Note 4 - Capital Assets:**

Capital assets consist of the following at June 30:

	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 5,304,282	\$ -	\$ -	\$ 5,304,282
Construction in progress	<u>21,483,892</u>	<u>13,532,239</u>	<u>(1,676,817)</u>	<u>33,339,314</u>
	<u>26,788,174</u>	<u>13,532,239</u>	<u>(1,676,817)</u>	<u>38,643,596</u>
<b>Capital Assets Being Depreciated:</b>				
Transmission and distribution system	131,582,277	1,504,062	-	133,086,339
General plant	<u>15,984,202</u>	<u>310,365</u>	<u>(68,846)</u>	<u>16,225,721</u>
	<u>147,566,479</u>	<u>1,814,427</u>	<u>(68,846)</u>	<u>149,312,060</u>
<b>Less Accumulated Depreciation:</b>				
Transmission and distribution system	(68,551,447)	(2,840,327)	-	(71,391,774)
General Plant	<u>(13,440,622)</u>	<u>(466,511)</u>	<u>68,846</u>	<u>(13,838,287)</u>
	<u>(81,992,069)</u>	<u>(3,306,838)</u>	<u>68,846</u>	<u>(85,230,061)</u>
<b>Net Capital Assets Being Depreciated</b>	<u>65,574,410</u>	<u>(1,492,411)</u>	<u>-</u>	<u>64,081,999</u>
<b>Net Capital Assets</b>	<u>\$ 92,362,584</u>	<u>\$ 12,039,828</u>	<u>\$ (1,676,817)</u>	<u>\$ 102,725,595</u>

Depreciation totaled \$3,306,838 for the year ended June 30, 2017.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 5 - Noncurrent Liabilities:**

Noncurrent liabilities consist of the following at June 30, 2017:

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017	Current Portion
<b><u>Long-Term Debt:</u></b>					
Installment sales agreements	\$ 7,679,830	\$ 15,349,905	\$ -	\$ 23,029,735	\$ 1,089,387
Financing loan agreement	117,724	-	(19,594)	98,130	19,593
Interest payable	70,051	349,583	(181,389)	238,245	-
Total Long-Term Debt	<u>7,867,605</u>	<u>15,699,488</u>	<u>(200,983)</u>	<u>23,366,110</u>	<u>1,108,980</u>
<b><u>Other Noncurrent Liabilities:</u></b>					
Net pension liability	18,860,732	2,067,301	-	20,928,033	-
Accrued compensated absences	2,320,800	763,638	(715,949)	2,368,489	747,600
Total Other Noncurrent Liabilities	<u>21,181,532</u>	<u>2,830,939</u>	<u>(715,949)</u>	<u>23,296,522</u>	<u>747,600</u>
<b>Total Noncurrent Liabilities</b>	<b><u>\$ 29,049,137</u></b>	<b><u>\$ 18,530,427</u></b>	<b><u>\$ (916,932)</u></b>	<b><u>\$ 46,662,632</u></b>	<b><u>\$ 1,856,580</u></b>

**(a) Long-Term Debt**

**Installment Sales Agreements**

State of California, Water Resources Control Board - The District entered into a contract with the State of California, Water Resources Control Board, for a loan in an amount up to \$17,240,000 for the expansion of the Woods Valley Ranch Reclamation Facility of which \$14,340,260 has been expended. The loan accrues interest at 2.2% with annual payments of principal and interest in the amount of \$1,015,283 beginning in December 2017. 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 \$160,909 at June 30, 2017.

\$ 14,340,260

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 \$4,733,550 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 December 31, 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 \$48,230 at June 30, 2017.

3,763,147

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

**Installment Sales Agreements (Continued)**

State of California, Water Resources Control Board - The District entered into a contract with the State of California, Water Resources Control Board, for a loan in an amount up to \$2,915,212 for the Cool Valley Reservoir Cover/Liner Replacement. The loan accrues interest at 1.6% with annual payments of principal and interest in the amount of \$85,456 beginning in January 2018. 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. Interest payable totaled \$829 at June 30, 2017.

\$ 2,915,212

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 \$2,850,000 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 \$144,644 beginning in August 2017. 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 \$28,277 at June 30, 2017.

2,011,116

Total Installment Sales Agreements

\$ 23,029,735

**Financing Loan Agreement**

San Diego Gas & Electric (SDG&E), On Bill Financing Loan Agreement - The District entered into unsecured and non-interest bearing loan agreements with SDG&E totaling \$147,670 to retrofit the West Pump Station and Cool Valley Circulation Pumps. Principal payments of \$1,633 are included in the monthly invoice from SDG&E. The loan matures in September 2023.

\$ 98,130

Total Financing Loan Agreement

\$ 98,130



**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

Years Ended June 30	Installment Sales Agreements		Financing Loan Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,089,387	\$ 452,144	\$ 19,593	\$ -	\$ 1,108,980	\$ 452,144
2019	1,087,769	537,750	19,593	-	1,107,362	537,750
2020	1,110,953	514,566	19,593	-	1,130,546	514,566
2021	1,134,636	490,883	17,916	-	1,152,552	490,883
2022	1,158,827	466,692	9,527	-	1,168,354	466,692
2023 - 2027	6,175,596	1,951,998	11,908	-	6,187,504	1,951,998
2028 - 2032	6,785,652	1,264,278	-	-	6,785,652	1,264,278
2033 - 2037	4,486,915	370,491	-	-	4,486,915	370,491
	<u>\$ 23,029,735</u>	<u>\$ 6,048,802</u>	<u>\$ 98,130</u>	<u>\$ -</u>	<u>\$ 23,127,865</u>	<u>\$ 6,048,802</u>

**Note 6 - Special Assessment Bonds:**

On February 5, 1997, Valley Center Water District Assessment District No. 96-1 (AD 96-1) issued \$1,743,654 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 96-1 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, refund to certain AD 96-1 property owners previous costs advanced, and expand the Lower Moosa Canyon water reclamation facility. AD 96-1 bonds payable at June 30, 2017 totaled \$140,000.

The bonds and interest are paid from annual special assessments on property within AD 96-1. The annual assessments are billed to and collected from the AD 96-1 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 AD 96-1 trustee (a commercial trust company) for eventual payment to the bondholders.

**Note 7 - Unrestricted Net Position:**

Unrestricted net position has been designated by the board of directors for the following purposes at June 30, 2017:

Capital improvements	\$ 10,894,902
Operating reserve	9,613,547
Wastewater capital replacement reserves	1,788,464
Debt service	170,913
Net pension liability	(14,478,967)
Unrestricted Net Position	<u>\$ 7,988,859</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Plan of the Valley Center Municipal Water District, (All Plans) a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
	<u>Prior to January 1, 2013</u>	<u>On or After 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
Retirement age	50	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.50%
Required employer contribution rates	11.973%	6.647%

**Contribution Description** - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial process. The Plans actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (measurement date), the active employee contribution rate for employees hired prior to January 1, 2013 is 8.0% of annual payroll and the employer's contribution rate is 11.973% of annual payroll. The active employee contribution rate for those employees hired on or after January 1, 2013 is 6.50% of annual pay, and the employer contribution rate is 6.647% of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any employer paid member contributions or situations where members are paying a portion of the employer contribution.

The District's contribution to the Plan for the year ended June 30, 2017 were as follows:

Contributions - Employer	\$ 1,945,730
Contributions - Employee (Paid by Employer)	\$ -

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**(b) Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial valuation. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**(c) Change of Assumptions**

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50% (net of administrative expense in 2014) to 7.65% as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

**(d) Discount Rate**

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed that the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**(d) Discount Rate (Continued)**

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns on all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 - 60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was the set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class.

<u>Asset Class</u>	<u>Current Strategic Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11 +</u>
Growth	61.0%	5.4%	7.2%
Income	20.0	7.1	7.2
Real assets	12.0	(0.1)	7.3
Liquidity	1.0	1.7	3.0
Inflation	6.0	N/A	N/A
	<u>100.0%</u>		

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**(e) Allocation of Net Pension Liability and Pension Expense to Individual Employers**

The following table shows the District's proportionate share of the net pension liability over the measurement period.

		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2015	\$ 48,342,900	\$ 29,482,168	\$ 18,860,732
Balance at June 20, 2016	50,821,218	29,893,185	20,928,033
Net Changes During 2015 - 2016	<u>\$ 2,478,318</u>	<u>\$ 411,017</u>	<u>\$ 2,067,301</u>

The net pension liability of the plan is measured as of June 30, 2016, and the total pension liability for the plan used to calculate the net pension liabilities was determined by an actuarial valuation of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the plan as of June 30, 2015 and 2016 was as follows:

	Miscellaneous
Proportion - June 30, 2015	.354433%
Proportion - June 30, 2016	.352990%
Change - Increase (Decrease)	<u>(.001443%)</u>

**(f) Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Plan's Net Pension Liability	<u>\$ 27,770,152</u>	<u>\$ 20,928,033</u>	<u>\$ 15,273,361</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

Under GASB 68, actuarial 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 inflows and deferred outflows 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 earnings on pension plan investment	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected remaining service lifetime (EARS�) of all members that are provided with pensions (active, inactive, and retired) as of the beginning of the measurement period

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARS� of members provided with pensions through the Plan. The EARS� for the Plan for the June 30, 2016 measurement date is 3.7 years, which was obtained by dividing the total service years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.



**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**(h) Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2017, the District recognized a pension expense of \$875,070 for the Plan. As of June 30, 2017, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 1,945,730	\$ -
Differences between actual contributions made and proportionate share of contributions	1,058,874	-
Differences between expected and actual experience	50,149	-
Changes of assumptions	-	615,476
Net difference between projected and actual earnings on pension plan investments	3,203,346	-
Adjustment due to difference in proportions	806,443	-
Total	<u>\$ 7,064,542</u>	<u>\$ 615,476</u>

The \$1,945,730 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources in the previous chart will be recognized in future pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2018	\$ 1,265,119
2019	1,265,119
2020	1,172,262
2021	800,836
Total	<u>\$ 4,503,336</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 9 - Post Employment Benefits:**

The District's employees participate in one of two retiree health benefit plans depending on their date of hire. Employees hired before July 1, 2008, participate in a defined benefit plan, while those hired after June 30, 2008, participate in a defined contribution plan.

**(a) Defined Benefits 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.

In May 2009, the District established an irrevocable trust fund through the California Employers' Retiree Benefits Trust (CERBT), an agent multiple-employer postemployment healthcare trust administered by CalPERS.

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.

CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for CERBT. That report may be obtained from CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 9 - Post Employment Benefits: (Continued)**

**(a) Defined Benefits Plan: (Continued)**

**Funding Policy and Annual OPEB Costs**

The contribution requirements of the District are established and may be amended annually by the Board of Directors. The District's annual other post employment benefit (OPEB) cost (expense) for the Plan is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's Board of Directors has established a policy of fully funding the ARC. The current ARC rate is 11.9% of annual covered payroll. The following table shows the components of the District's annual OPEB cost for the current year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation for the year ended June 30, 2017.

Annual required contribution	\$ 618,467
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>618,467</u>
Contributions (including benefits paid)	<u>(616,528)</u>
Increase in net OPEB obligation	1,939
Net OPEB obligation (Asset) - beginning of year	<u>(2,047)</u>
Net OPEB obligation (Asset) - end of year	<u><u>\$ (108)</u></u>

The OPEB asset is included in prepaid expenses and deposits.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016 and the five preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 446,180	98.9%	\$ (3,709)
June 30, 2012	459,521	99.2%	(200)
June 30, 2013	443,119	100%	(1,624)
June 30, 2014	457,228	100%	-
June 30, 2015	410,824	100%	(210)
June 30, 2016	424,201	100%	(2,047)
June 30, 2017	618,467	100%	(108)

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 9 - Post Employment Benefits: (Continued)**

**(a) Defined Benefits Plan: (Continued)**

**Funding Policy and Annual OPEB Costs (Continued)**

The District's actuarial accrued liability for benefits at June 30, 2015, was \$6,552,310 and the covered payroll (annual payroll of active employees covered by the Plan) was \$5,063,000, with a ratio of the Unfunded Accrued Actuarial Liability (UAAL) to the covered payroll of 69.98%.

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability Project Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
June 30, 2010	\$ 815,238	\$ 3,913,916	\$ 3,098,678	20.8%	\$ 5,301,000	58.45%
June 30, 2011	1,328,611	4,008,303	2,679,692	33.1%	5,394,000	49.68%
June 30, 2013	2,119,846	4,496,388	2,376,542	47.0%	5,041,000	47.14%
June 30, 2015	3,009,135	6,552,310	3,543,175	45.9%	5,063,000	69.98%

**Funding Status and Funding Progress**

In June 2017, the District sent \$428,569 to the CERBT trust account and made benefit payments of \$187,959 for a total contribution of \$616,528.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Through CERBT, the District is required to perform an actuarial valuation every two years.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the formal Plan document and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits and costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 9 - Post Employment Benefits: (Continued)**

**(a) Defined Benefits Plan: (Continued)**

**Actuarial Methods and Assumptions (Continued)**

The actuarial cost method used for determining the benefits obligations is the Projected Unit Credit with Service Prorate Method. The actuarial assumptions included a 7.5% investment rate of return, which is the assumed rate of the expected long-term investment returns on Plan assets calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements of .5% per year to an ultimate rate of 5% after the eleventh year. Both rates include a 2.75% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over a closed amortization period of 24 years. It is assumed the District's payroll will increase 3.0% per year.

**(b) 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 ICMA-RC.

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

During the year ended June 30, 2017, employee contributions were \$18,285 and District contributions were \$8,617 for a total of \$26,902.

**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.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 10 - Risk Management: (Continued)**

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, 2017 was \$172,109. There were no instances in the past three years where a settlement exceeded the District's coverage.

**Note 11 - Economic Dependency:**

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

**Note 12 - Commitments and Contingencies:**

**(a) Contracts**

The District has entered into various contracts for the purchase of material, and construction of the capital assets. The amounts contracted for are based on the contractors' estimated cost of construction. At June 30, 2017, the total unpaid amount on these contracts is approximately \$202,691 for water operations and \$1,078,252 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.

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

**GASB No. 73**

In June 2015, The Governmental Accounting Standards Board issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." The requirements of this statement addressing accounting and financial reporting for employers that are not within the scope of GASB 68 are effective for financial statements for fiscal years beginning after June 15, 2016. All other provisions are effective for periods beginning after June 15, 2015. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**GASB No. 74**

In June 2015, the Governmental Accounting Standards Board issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans." This pronouncement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

**GASB No. 75**

In June 2015, the Government Accounting Standards Board issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension". This Statement is effective for financial statements for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**GASB No. 77**

In August 2015, the Governmental Accounting Standards Board issued Statement No. 77, "Tax Abatement Disclosures". The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

**GASB No. 78**

In December 2015, the Governmental Accounting Standards Board issued Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plan". The requirements of this Pronouncement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

**GASB No. 80**

In January 2016, the Government Accounting Standards Board issued Statement No. 80, "Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14". The requirements of this pronouncement are effective for reporting period beginning after June 15, 2016. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**GASB No. 81**

In March 2016, the Governmental Accounting Standards Board issued Statement No. 81, “Irrevocable Split-Interest Agreements”. The requirements of this Pronouncement are effective for financial statements for period beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**GASB No. 82**

In March 2016, the Governmental Accounting Standards Board issued Statement No. 82, “Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73”. The requirements of this Pronouncement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**GASB No. 83**

In November 2016, the Governmental Accounting Standards Board issued Statement No. 83 “Certain Asset Retirement Obligations”. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**GASB No. 84**

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84 “Fiduciary Activities”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**GASB No. 85**

In March 2017, the Governmental Accounting Standards Board issued Statement No. 85 “Omnibus 2017”. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.



**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**GASB No. 86**

In May 2017, the Governmental Accounting Standards Board issued Statement No. 86 “Certain Debt Extinguishment Issues”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2017. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

**GASB No. 87**

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87 “Leases”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.



# Required Supplementary Information



**VALLEY CENTER MUNICIPAL WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

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

	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
Proportion of the Collective Net Pension Liability	.352990%	.687478%	0.697343%
Proportionate Share of the Collective Net Pension Liability	20,928.033	18,860,732	17,234,744
Covered-Employee Payroll	5,916,822	5,465,453	5,410,242
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	353.70%	345.09%	318.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.82%	60.99%	61.73%

**Notes to Schedule:**

**Benefit Changes** - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (aka Golden Handshakes).

**Changes in Assumptions** - The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

**SCHEDULES OF PLAN CONTRIBUTIONS  
LAST TEN YEARS \***

	Fiscal Year <u>2016 - 2017</u>	Fiscal Year <u>2015 - 2016</u>	Fiscal Year <u>2014 - 2015</u>
Actuarial Determined Contribution	\$ 1,945,730	\$ 1,806,422	\$ 1,764,663
Contributions in Relation to the Actuarially Determined Contribution	1,945,730	1,806,422	1,764,663
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	<u>\$ 5,940,494</u>	<u>\$ 5,916,822</u>	<u>\$ 5,465,453</u>
Contributions as a Percentage of Covered-Employee Payroll	32.75%	30.53%	32.29%

**Notes to Schedule:**

Fiscal Year End	June 30, 2017	June 30, 2016	June 30, 2015
Valuation Date	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Asset Valuation Method	Market Value	Market Value	Market Value
Discount Rate	7.65%	7.50%	7.50%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%	2.75%	2.75%
Payroll Growth	3.00%	3.00%	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%

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



# Combining Schedules



**VALLEY CENTER MUNICIPAL WATER DISTRICT  
COMBINING SCHEDULE OF NET POSITION  
JUNE 30, 2017**

**ASSETS**

			Lower Moosa	Woods Valley
	<u>Total</u>	<u>General</u>	<u>Wastewater</u>	<u>Ranch</u> <u>Wastewater</u>
<b><u>Current Assets:</u></b>				
Cash and cash equivalents	\$ 19,385,544	\$ 16,091,781	\$ 2,315,529	\$ 978,234
Investments	5,553,741	5,553,741	-	-
Accounts receivable - water and wastewater, net	6,251,634	6,251,634	-	-
Interest receivable	72,578	72,578	-	-
Taxes receivable	7,687	7,687	-	-
Other receivables	8,305	8,305	-	-
Inventory	537,204	537,204	-	-
Prepaid expenses and deposits	222,755	222,755	-	-
Work in progress for others	731,221	731,221	-	-
Due (to)/from other funds	-	(2,727,726)	-	2,727,726
Total Current Assets	<u>32,770,669</u>	<u>26,749,180</u>	<u>2,315,529</u>	<u>3,705,960</u>
<b><u>Noncurrent Assets:</u></b>				
<b>Restricted Assets:</b>				
Cash and cash equivalents	448,648	-	448,648	-
Investments	<u>728,974</u>	<u>728,974</u>	<u>-</u>	<u>-</u>
Total Restricted Assets	<u>1,177,622</u>	<u>728,974</u>	<u>448,648</u>	<u>-</u>
<b>Capital Assets:</b>				
Nondepreciable capital assets	38,643,596	11,235,289	304,249	27,104,058
Depreciable capital assets, net	<u>64,081,999</u>	<u>49,588,777</u>	<u>6,497,975</u>	<u>7,995,247</u>
Total Capital Assets	<u>102,725,595</u>	<u>60,824,066</u>	<u>6,802,224</u>	<u>35,099,305</u>
Total Noncurrent Assets	<u>103,903,217</u>	<u>61,553,040</u>	<u>7,250,872</u>	<u>35,099,305</u>
<b>TOTAL ASSETS</b>	<u>\$ 136,673,886</u>	<u>\$ 88,302,220</u>	<u>\$ 9,566,401</u>	<u>\$ 38,805,265</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>				
Deferred outflows related to pensions	\$ 5,118,812	\$ 5,118,812	\$ -	\$ -
Deferred outflows related to contributions	<u>1,945,730</u>	<u>1,945,730</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>7,064,542</u>	<u>7,064,542</u>	<u>-</u>	<u>-</u>



**VALLEY CENTER MUNICIPAL WATER DISTRICT  
COMBINING SCHEDULE OF NET POSITION (CONTINUED)  
JUNE 30, 2017**

**LIABILITIES**

	<u>Total</u>	<u>General</u>	Lower Moosa <u>Wastewater</u>	Woods Valley Ranch <u>Wastewater</u>
<b><u>Current Liabilities:</u></b>				
Accounts payable	\$ 6,469,050	\$ 6,033,202	\$ 25,515	\$ 410,333
Accrued payroll	115,220	115,220	-	-
Accrued compensated absences	747,600	747,600	-	-
Customer deposits	1,111,839	1,059,589	23,000	29,250
Current portion of loans payable	1,108,980	81,536	-	1,027,444
Total Current Liabilities	<u>9,552,689</u>	<u>8,037,147</u>	<u>48,515</u>	<u>1,467,027</u>
<b><u>Noncurrent Liabilities:</u></b>				
<b>Long-term debt:</b>				
Loans payable, net of current portion	22,018,885	2,931,806	-	19,087,079
Interest payable	238,245	829	-	237,416
Total Long-Term Debt	<u>22,257,130</u>	<u>2,932,635</u>	<u>-</u>	<u>19,324,495</u>
<b>Other Noncurrent Liabilities:</b>				
Net pension liability	20,928,033	20,928,033	-	-
Compensated absences, net of current portion	1,620,889	1,620,889	-	-
Total Other Noncurrent Liabilities	<u>22,548,922</u>	<u>22,548,922</u>	<u>-</u>	<u>-</u>
Total Noncurrent Liabilities	<u>44,806,052</u>	<u>25,481,557</u>	<u>-</u>	<u>19,324,495</u>
Total Liabilities	<u>54,358,741</u>	<u>33,518,704</u>	<u>48,515</u>	<u>20,791,522</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>				
Deferred inflows related to pensions	<u>615,476</u>	<u>615,476</u>	<u>-</u>	<u>-</u>
<b><u>NET POSITION:</u></b>				
Net investment in capital assets	79,597,730	57,810,724	6,802,224	14,984,782
Restricted for facility expansion	1,177,622	728,974	448,648	-
Unrestricted	7,988,859	2,692,884	2,267,014	3,028,961
Total Net Position	<u>88,764,211</u>	<u>61,232,582</u>	<u>9,517,886</u>	<u>18,013,743</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
COMBINING SCHEDULE OF NET POSITION  
JUNE 30, 2016**

**ASSETS**

			Lower Moosa	Woods Valley
	<u>Total</u>	<u>General</u>	<u>Wastewater</u>	<u>Ranch</u> <u>Wastewater</u>
<b><u>Current Assets:</u></b>				
Cash and cash equivalents	\$ 14,204,749	\$ 10,741,106	\$ 2,167,706	\$ 1,295,937
Investments	5,973,185	5,973,185	-	-
Accounts receivable - water and wastewater, net	6,666,556	6,666,556	-	-
Interest receivable	42,810	42,810	-	-
Taxes receivable	9,150	9,150	-	-
Other receivables	18,319	18,319	-	-
Inventory	568,347	568,347	-	-
Prepaid expenses and deposits	267,542	267,542	-	-
Work in progress for others	685,868	685,868	-	-
Due (to)/from other funds	-	3,559,885	-	(3,559,885)
Total Current Assets	<u>28,436,526</u>	<u>28,532,768</u>	<u>2,167,706</u>	<u>(2,263,948)</u>
<b><u>Noncurrent Assets:</u></b>				
<b><u>Restricted Assets:</u></b>				
Cash and cash equivalents	421,834	-	421,834	-
Investments	653,802	653,802	-	-
Total Restricted Assets	<u>1,075,636</u>	<u>653,802</u>	<u>421,834</u>	<u>-</u>
<b><u>Capital Assets:</u></b>				
Nondepreciable capital assets	26,788,174	8,392,637	274,932	18,120,605
Depreciable capital assets, net	65,574,410	50,554,690	6,760,416	8,259,304
Total Capital Assets	<u>92,362,584</u>	<u>58,947,327</u>	<u>7,035,348</u>	<u>26,379,909</u>
Total Noncurrent Assets	<u>93,438,220</u>	<u>59,601,129</u>	<u>7,457,182</u>	<u>26,379,909</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>121,874,746</u></b>	<b>\$ <u>88,133,897</u></b>	<b>\$ <u>9,624,888</u></b>	<b>\$ <u>24,115,961</u></b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>				
Deferred outflows related to pensions	\$ 3,080,181	\$ 3,080,181	\$ -	\$ -
Deferred outflows related to contributions	1,806,422	1,806,422	-	-
Total Deferred Outflows of Resources	<u>4,886,603</u>	<u>4,886,603</u>	<u>-</u>	<u>-</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
COMBINING SCHEDULE OF NET POSITION (CONTINUED)  
JUNE 30, 2016**

**LIABILITIES**

	<u>Total</u>	<u>General</u>	Lower Moosa <u>Wastewater</u>	Woods Valley Ranch <u>Wastewater</u>
<b><u>Current Liabilities:</u></b>				
Accounts payable	\$ 8,957,866	\$ 8,957,866	\$ -	\$ -
Accrued payroll	158,665	158,665	-	-
Accrued compensated absences	725,000	725,000	-	-
Customer deposits	1,172,821	1,114,625	28,946	29,250
Current portion of loans payable	19,593	19,593	-	-
Total Current Liabilities	<u>11,033,945</u>	<u>10,975,749</u>	<u>28,946</u>	<u>29,250</u>
<b><u>Noncurrent Liabilities:</u></b>				
<b>Long-term debt:</b>				
Loans payable, net of current portion	7,777,961	98,131	-	7,679,830
Interest payable	70,051	-	-	70,051
Total Long-Term Debt	<u>7,848,012</u>	<u>98,131</u>	<u>-</u>	<u>7,749,881</u>
<b>Other Noncurrent Liabilities:</b>				
Net pension liability	18,860,732	18,860,732	-	-
Compensated absences, net of current portion	1,595,800	1,595,800	-	-
Total Other Noncurrent Liabilities	<u>20,456,532</u>	<u>20,456,532</u>	<u>-</u>	<u>-</u>
Total Noncurrent Liabilities	<u>28,304,544</u>	<u>20,554,663</u>	<u>-</u>	<u>7,749,881</u>
Total Liabilities	<u>39,338,489</u>	<u>31,530,412</u>	<u>28,946</u>	<u>7,779,131</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>				
Deferred inflows related to pensions	<u>1,575,498</u>	<u>1,575,498</u>	<u>-</u>	<u>-</u>
<b><u>NET POSITION:</u></b>				
Net investment in capital assets	84,494,979	58,829,603	7,035,348	18,630,028
Restricted for facility expansion	1,075,636	653,802	421,834	-
Unrestricted	276,747	431,185	2,138,760	(2,293,198)
Total Net Position	<u>85,847,362</u>	<u>59,914,590</u>	<u>9,595,942</u>	<u>16,336,830</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Total</u>	<u>General</u>	<u>Lower Moosa Wastewater</u>	<u>Woods Valley Ranch Wastewater</u>
<b><u>Operating Revenues:</u></b>				
Water sales and pumping charges	\$ 32,355,313	\$ 32,355,313	\$ -	\$ -
Meter service charges	5,874,611	5,874,611	-	-
Wastewater charges	4,239,359	-	1,571,091	2,668,268
Meter installation fees	196,154	196,154	-	-
Other water operating revenues	645,435	645,435	-	-
Total Operating Revenues	<u>43,310,872</u>	<u>39,071,513</u>	<u>1,571,091</u>	<u>2,668,268</u>
<b><u>Operating Expenses:</u></b>				
Cost of water sold	26,930,842	26,930,842	-	-
Energy and pumping costs	2,631,927	2,494,592	92,773	44,562
Water systems operations	5,304,895	5,304,895	-	-
Wastewater collection and treatment	1,283,283	-	950,276	333,007
Engineering	1,695,911	1,601,922	93,989	-
General and administrative	2,527,800	2,191,199	242,485	94,116
Depreciation	3,306,838	2,673,853	336,876	296,109
Total Operating Expenses	<u>43,681,496</u>	<u>41,197,303</u>	<u>1,716,399</u>	<u>767,794</u>
Operating Income (Loss)	<u>(370,624)</u>	<u>(2,125,790)</u>	<u>(145,308)</u>	<u>1,900,474</u>
<b><u>Nonoperating Revenues (Expenses):</u></b>				
Property taxes and assessments	2,777,382	2,777,382	-	-
Investment income	169,070	122,122	32,403	14,545
Other nonoperating revenues	350,924	350,924	-	-
Interest expense	(238,935)	(829)	-	(238,106)
Gain on disposal of capital assets	23,747	23,747	-	-
Total Nonoperating Revenues (Expenses)	<u>3,082,188</u>	<u>3,273,346</u>	<u>32,403</u>	<u>(223,561)</u>
Income Before Contributions	2,711,564	1,147,556	(112,905)	1,676,913
Capital Contributions	<u>205,285</u>	<u>170,436</u>	<u>34,849</u>	<u>-</u>
Change in Net Position	2,916,849	1,317,992	(78,056)	1,676,913
Net Position at Beginning of Year	<u>85,847,362</u>	<u>59,914,590</u>	<u>\$ 9,595,942</u>	<u>16,336,830</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 88,764,211</u></u>	<u><u>\$ 61,232,582</u></u>	<u><u>\$ 9,517,886</u></u>	<u><u>\$ 18,013,743</u></u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Total</u>	<u>General</u>	<u>Lower Moosa Wastewater</u>	<u>Woods Valley Ranch Wastewater</u>
<b><u>Operating Revenues:</u></b>				
Water sales and pumping charges	\$ 30,394,923	\$ 30,394,923	\$ -	\$ -
Meter service charges	5,369,023	5,369,023	-	-
Wastewater charges	2,521,787	-	1,567,026	954,761
Meter installation fees	215,995	215,995	-	-
Other water operating revenues	545,347	545,347	-	-
Total Operating Revenues	<u>39,047,075</u>	<u>36,525,288</u>	<u>1,567,026</u>	<u>954,761</u>
<b><u>Operating Expenses:</u></b>				
Cost of water sold	25,358,738	25,358,738	-	-
Energy and pumping costs	2,733,376	2,613,787	72,999	46,590
Water systems operations	5,267,718	5,267,718	-	-
Wastewater collection and treatment	1,121,601	-	876,850	244,751
Engineering	1,450,071	1,450,071	-	-
General and administrative	1,944,488	1,646,223	217,494	80,771
Depreciation	3,525,655	2,892,067	345,746	287,842
Total Operating Expenses	<u>41,401,647</u>	<u>39,228,604</u>	<u>1,513,089</u>	<u>659,954</u>
Operating Income (Loss)	<u>(2,354,572)</u>	<u>(2,703,316)</u>	<u>53,937</u>	<u>294,807</u>
<b><u>Nonoperating Revenues (Expenses):</u></b>				
Property taxes and assessments	2,665,133	2,665,133	-	-
Investment income	201,138	164,386	21,058	15,694
Other nonoperating revenues	328,923	328,923	-	-
Interest expense	(47,272)	-	-	(47,272)
Gain on disposal of capital assets	13,484	13,484	-	-
Total Nonoperating Revenues (Expenses)	<u>3,161,406</u>	<u>3,171,926</u>	<u>21,058</u>	<u>(31,578)</u>
Income Before Contributions	806,834	468,610	74,995	263,229
Capital Contributions	<u>1,643,312</u>	<u>149,604</u>	<u>25,305</u>	<u>1,468,403</u>
Change in Net Position	2,450,146	618,214	100,300	1,731,632
Net Position at Beginning of Year	<u>83,397,216</u>	<u>59,296,376</u>	<u>9,495,642</u>	<u>14,605,198</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 85,847,362</u></u>	<u><u>\$ 59,914,590</u></u>	<u><u>\$ 9,595,942</u></u>	<u><u>\$ 16,336,830</u></u>



# Statistical Section



## STATISTICAL SECTION

This part of the Valley Center Municipal Water District's (the "District") comprehensive annual 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	56
<i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	
Revenue Capacity	59
<i>These schedules contain information to help the reader access the District's two most significant local revenue sources, water sales and property levies.</i>	
Debt Capacity	67
<i>These schedules present information to help the reader access the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	69
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</i>	
Operating Information	71
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.</i>	

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



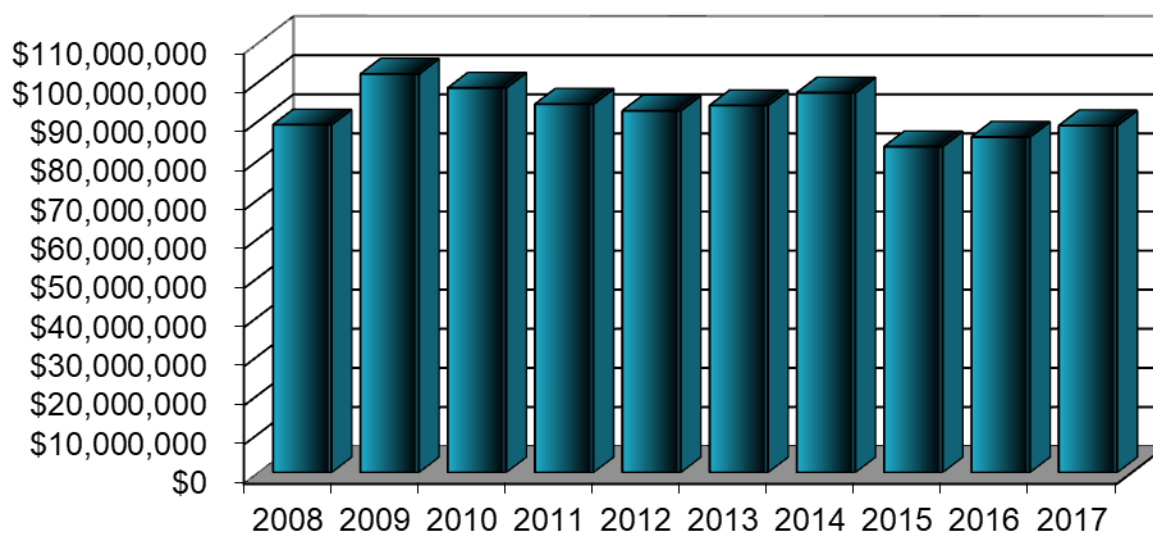
**Table I**  
**Net Position by Component** (Last Ten Fiscal Years)

	Fiscal year ended				
	<u>2017</u>	<u>2016</u>	<u>2015 (1)</u>	<u>2014</u>	<u>2013</u>
Primary government					
Net investment in capital assets	\$ 75,597,730	\$ 84,494,979	\$ 79,423,330	\$ 76,462,875	\$ 76,276,487
Restricted for facility expansion	1,177,622	1,075,636	947,142	1,047,564	628,018
Unrestricted	<u>7,988,859</u>	<u>276,747</u>	<u>3,026,744</u>	<u>20,655,672</u>	<u>17,022,399</u>
Total primary government net position	<u>\$ 88,764,211</u>	<u>\$ 85,847,362</u>	<u>\$ 83,397,216</u>	<u>\$ 97,166,111</u>	<u>\$ 93,926,904</u>
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009 (1)</u>	<u>2008</u>
Primary government					
Net investment in capital assets	\$ 77,829,804	\$ 81,249,809	\$ 83,824,468	\$ 85,622,542	\$ 72,376,226
Restricted for facility expansion	302,877	276,993	268,225	503,862	652,253
Unrestricted	<u>14,415,835</u>	<u>12,745,389</u>	<u>14,300,005</u>	<u>15,843,119</u>	<u>15,976,619</u>
Total primary government net position	<u>\$ 92,548,516</u>	<u>\$ 94,272,191</u>	<u>\$ 98,392,698</u>	<u>\$101,969,523</u>	<u>\$ 89,005,098</u>

(1) As restated (See Table II, Note 3).

Source: Valley Center Municipal Water District

## Net Position



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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b><u>Operating Revenues:</u></b>										
Water sales <sup>(1)</sup>	\$36,090,543	\$33,785,302	\$ 39,792,544	\$44,114,111	\$40,703,792	\$35,457,375	\$29,258,333	\$ 29,772,214	\$ 28,987,435	\$29,326,068
Pumping charges	2,139,381	1,978,644	2,702,605	3,124,770	3,039,474	2,940,227	2,726,802	3,187,965	3,838,476	4,489,845
Wastewater charges	4,239,359	2,521,787	2,090,109	2,088,881	1,870,259	1,811,397	1,761,685	1,675,877	1,576,437	1,561,495
Meter installation fees	196,154	215,995	233,939	139,563	101,930	88,834	57,748	87,065	155,358	128,342
Other water operating revenues	645,435	545,347	565,452	622,128	532,841	510,083	554,997	798,548	797,534	974,774
Total operating revenues	\$43,310,872	\$39,047,075	\$ 45,384,649	\$50,089,453	\$46,248,296	\$40,807,916	\$34,359,565	\$ 35,521,669	\$ 35,355,240	\$36,480,524
<b><u>Operating Expenses:</u></b>										
Cost of water sold	\$26,930,842	\$25,358,738	\$ 30,583,409	\$33,822,193	\$31,113,969	\$27,385,538	\$23,522,162	\$ 23,884,810	\$ 21,820,598	\$21,146,786
Energy and pumping costs	2,631,927	2,733,376	3,019,017	2,766,632	2,482,530	2,522,694	2,525,600	2,944,042	4,082,268	4,214,599
Water systems operations	5,304,895	5,267,718	5,047,286	5,123,092	4,810,835	5,008,872	5,091,000	5,133,041	4,821,920	4,695,861
Wastewater collection and treatment	1,283,283	1,121,601	1,104,544	1,086,185	1,058,507	1,019,208	907,388	841,443	866,812	748,447
Engineering	1,695,911	1,450,071	1,313,336	1,548,003	1,642,298	1,661,797	1,716,551	1,591,578	1,580,009	1,368,868
General and administrative	2,527,800	1,944,488	3,048,293	2,861,803	2,892,713	3,116,844	3,187,920	3,072,738	3,207,975	3,138,119
Depreciation	3,306,838	3,525,655	3,465,543	3,757,012	4,451,395	4,753,297	4,908,607	5,003,462	4,137,915	3,748,039
Total operating expenses	\$43,681,496	\$41,401,647	\$ 47,581,428	\$50,964,920	\$48,452,247	\$45,468,250	\$41,859,228	\$ 42,471,114	\$ 40,517,497	\$39,060,719
Operating (Loss)	\$ (370,624)	\$ (2,354,572)	\$ (2,196,779)	\$ (875,467)	\$ (2,203,951)	\$ (4,660,334)	\$ (7,499,663)	\$ (6,949,445)	\$ (5,162,257)	\$ (2,580,195)
<b><u>Nonoperating Revenues and (Expenses):</u></b>										
Property taxes and assessments	\$ 2,777,382	\$ 2,665,133	\$ 2,558,443	\$ 2,486,977	\$ 2,543,153	\$ 2,499,875	\$ 2,513,255	\$ 2,595,610	\$ 2,764,166	\$ 2,810,946
Investment income	169,070	201,138	157,024	130,887	82,496	127,900	132,978	220,489	476,566	898,899
Other nonoperating revenues	350,924	328,923	341,794	323,813	291,832	289,382	315,542	208,413	192,882	256,550
Interest expense	(238,935)	(47,272)	(15,030)	(7,749)	(15)	(1,709)	(3,883)	(5,929)	(9,470)	(20,289)
Gain on disposal of capital assets <sup>(2)</sup>	23,747	13,484	(163,605)	(2,448)	(37,238)	(8,399)	(22,217)	(51,146)	(31,275)	(66,492)
Total Nonoperating Revenues and (Expenses)	\$ 3,082,188	\$ 3,161,406	\$ 2,878,626	\$ 2,931,480	\$ 2,880,228	\$ 2,907,049	\$ 2,935,675	\$ 2,967,437	\$ 3,392,869	\$ 3,879,614
Income (Loss) Before Contributions	\$ 2,711,564	\$ 806,834	\$ 681,847	\$ 2,056,013	\$ 676,277	\$ (1,753,285)	\$ (4,563,988)	\$ (3,982,008)	\$ (1,769,388)	\$ 1,299,419
Capital contributions	205,285	1,643,312	2,510,558	1,183,194	702,111	29,610	443,481	405,183	12,296,892	1,433,726
Change in Net Assets	\$ 2,916,849	\$ 2,450,146	\$ 3,192,405	\$ 3,239,207	\$ 1,378,388	\$ (1,723,675)	\$ (4,120,507)	\$ (3,576,825)	\$ 10,527,504	\$ 2,733,145
Net Position at Beginning of Year	\$85,847,362	\$83,397,216	\$ 97,166,111	\$93,926,904	\$92,548,516	\$94,272,191	\$98,392,698	\$101,969,523	\$ 89,005,098	\$86,271,953
Restatement <sup>(3)</sup>	\$ -	\$ -	\$ (16,961,300)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,436,921	\$ -
Restated Net Position at Beginning of Year	\$85,847,362	\$83,397,216	\$ 80,204,811	\$93,926,904	\$92,548,516	\$94,272,191	\$98,392,698	\$101,969,523	\$ 91,442,019	\$86,271,953
<b>NET POSITION AT END OF YEAR <sup>(4)</sup></b>	<b>\$88,764,211</b>	<b>\$85,847,362</b>	<b>\$ 83,397,216</b>	<b>\$97,166,111</b>	<b>\$93,926,904</b>	<b>\$92,548,516</b>	<b>\$94,272,191</b>	<b>\$ 98,392,698</b>	<b>\$101,969,523</b>	<b>\$89,005,098</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) Restatement of prior balance of \$2,491,415 in 2009 per GASB 45 for Retirement Health Plan Liability recorded as expense in prior years and \$(54,494) per GASB 51 for Feasibility Study recorded as capital asset in prior year. Restatement of \$16,961,300 in 2015 per GASB 68 for Pension Liability.

(4) The decrease in Net Position at End of Year between Fiscal Years 2014 and 2015 is due to the requirement per GASB 68 to record the Pension Liability of \$16,961,300.

Source: Valley Center Municipal Water District

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

Fiscal Year Ended	Domestic		Commercial		Certified Agricultural <sup>(2)</sup>		Total		Average Direct Rate <sup>(3)</sup>
	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet	
2017	\$13,002,142	4,691.3	\$4,010,125	1,682.1	\$19,078,276	12,865.7	\$36,090,543	19,239.1	\$1,876
2016	\$12,000,426	4,173.4	\$3,362,113	1,517.2	\$18,422,763	12,678.8	\$33,785,302	18,369.4	\$1,839
2015	\$12,153,672	5,293.7	\$3,720,867	1,999.8	\$23,918,005	17,217.9	\$39,792,544	24,511.4	\$1,623
2014	\$13,709,488	6,221.0	\$3,893,594	2,210.7	\$26,511,029	19,650.4	\$44,114,111	28,082.1	\$1,571
2013	\$12,508,073	6,038.3	\$4,083,843	2,545.8	\$24,111,876	18,786.3	\$40,703,792	27,370.4	\$1,487
2012	\$10,529,179	5,486.0	\$3,891,893	2,661.7	\$21,036,302	17,942.8	\$35,457,375	26,090.5	\$1,359
2011	\$9,180,184	5,388.9	\$3,204,462	2,506.4	\$16,873,687	16,247.9	\$29,258,333	24,143.2	\$1,212
2010	\$8,744,895	5,917.6	\$2,655,302	2,254.0	\$18,372,017	19,665.7	\$29,772,214	27,837.3	\$1,070
2009	\$8,840,040	7,187.3	\$2,196,162	2,104.7	\$17,951,233	23,722.1	\$28,987,435	33,014.1	\$878
2008	\$8,667,234	7,725.8	\$1,570,149	1,653.5	\$19,088,685	28,256.7	\$29,326,068	37,636.0	\$779

(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

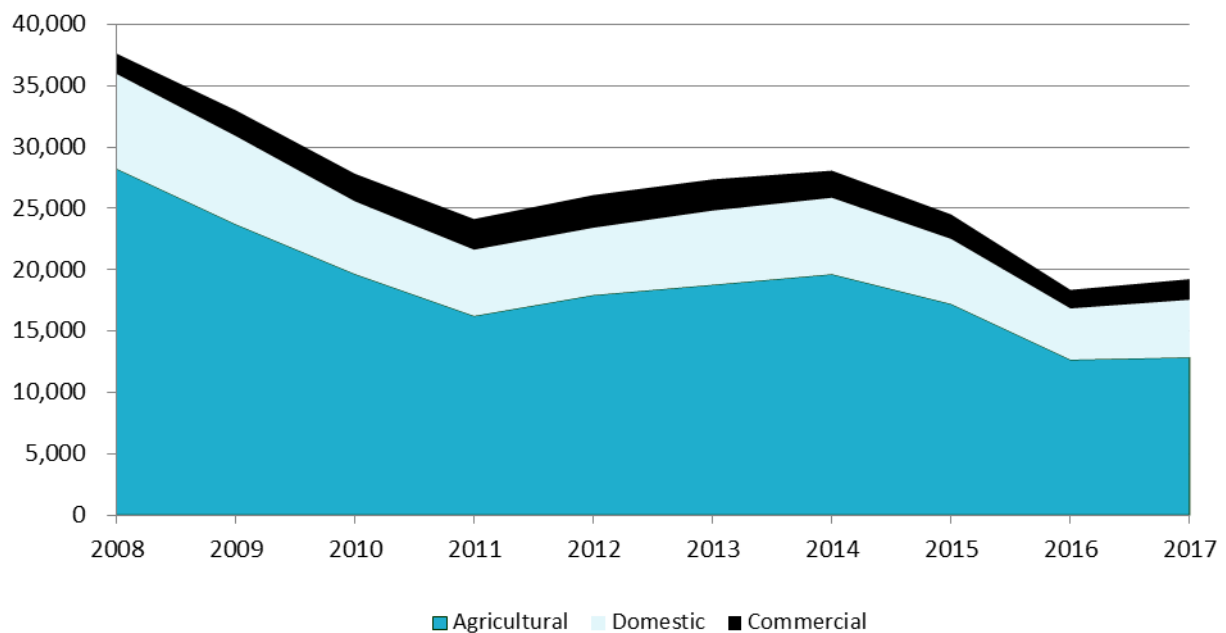


Table IV  
Active Water Meters and Wastewater Services (Last Ten Fiscal Years)

Fiscal Year Ended	Domestic	Commercial	Certified Agricultural <sup>(1)</sup>	Total Active	All Inactive Meters	Total	Wastewater EDUs
2017	8,556	459	1,071	10,086	821	10,907	2,742
2016	8,433	456	1,087	9,976	860	10,836	2,761
2015	8,368	405	1,096	9,869	892	10,761	2,769
2014	8,242	432	1,111	9,785	890	10,675	2,746
2013	8,157	412	1,146	9,715	901	10,616	2,745
2012	7,904	486	1,304	9,694	903	10,597	2,731
2011	7,880	486	1,326	9,692	884	10,576	2,717
2010	7,844	466	1,378	9,688	868	10,556	2,722
2009	7,749	461	1,480	9,690	803	10,493	2,729
2008	7,699	297	1,700	9,696	712	10,408	2,663

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

Source: Valley Center Municipal Water District

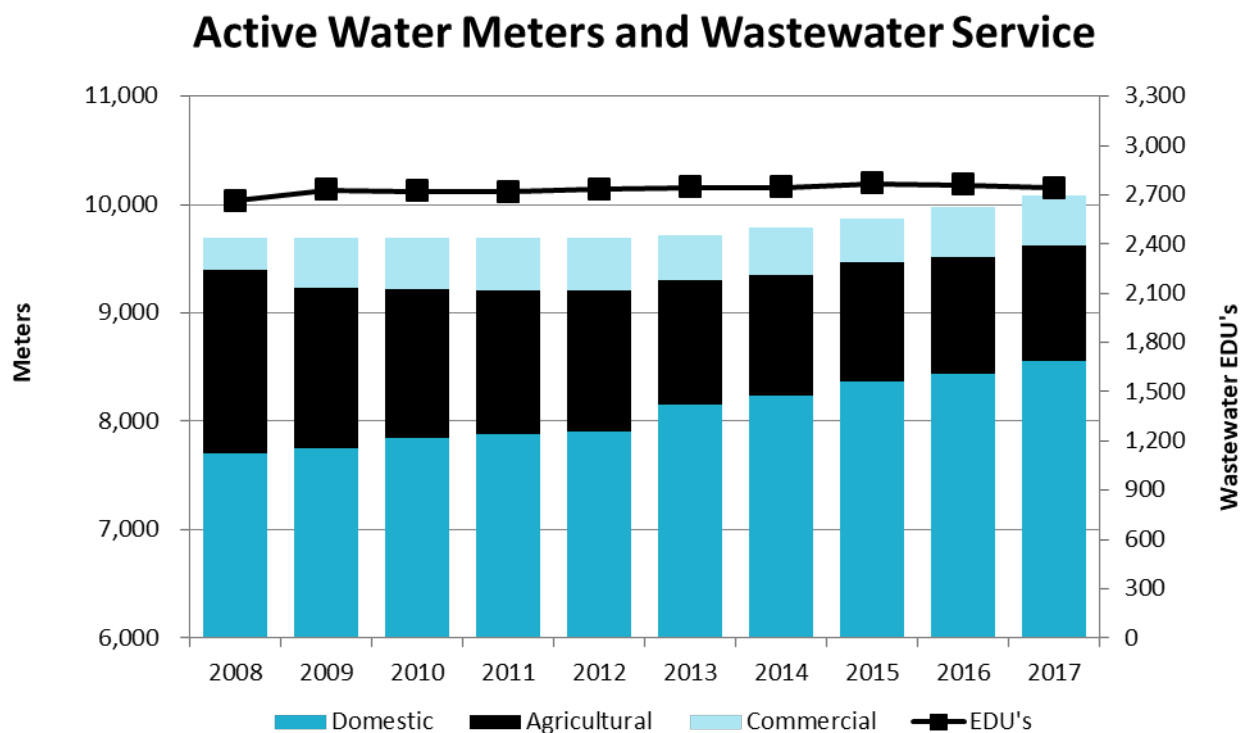


Table V  
Assessed Value of Taxable Property (Last Ten Fiscal Years)

Fiscal Year Ended	Secured				Assessed Unsecured Value	Total Assessed Value	Tax Rate
	Real Property	Personal Property	Exemptions	Net Assessed Value			
2017	\$4,244,393,695	\$651,184	\$33,823,178	\$4,211,221,701	\$23,668,704	\$4,234,890,405	0
2016	\$4,036,249,358	\$733,024	\$31,225,271	\$4,005,757,111	\$23,401,366	\$4,029,158,477	0
2015	\$3,852,112,900	\$1,215,597	\$29,635,128	\$3,823,693,369	\$20,367,813	\$3,844,061,182	0
2014	\$3,706,577,321	\$1,376,872	\$28,443,008	\$3,679,511,185	\$20,755,618	\$3,700,266,803	0
2013	\$3,740,016,370	\$1,265,751	\$27,317,686	\$3,713,964,435	\$20,078,143	\$3,734,042,578	0
2012	\$3,831,030,133	\$325,570	\$25,754,739	\$3,805,600,964	\$24,459,608	\$3,830,060,572	0
2011	\$3,878,894,450	\$176,496	\$24,763,190	\$3,854,307,756	\$25,180,931	\$3,879,488,687	0
2010	\$4,008,313,358	\$297,477	\$25,760,391	\$3,982,850,444	\$27,925,200	\$4,010,775,644	0
2009	\$4,226,310,595	\$375,035	\$19,968,104	\$4,206,717,526	\$30,378,264	\$4,237,095,790	0
2008	\$4,226,755,026	\$283,045	\$24,891,870	\$4,202,146,201	\$26,580,918	\$4,228,727,119	0

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

## Assessed Value of Taxable Property

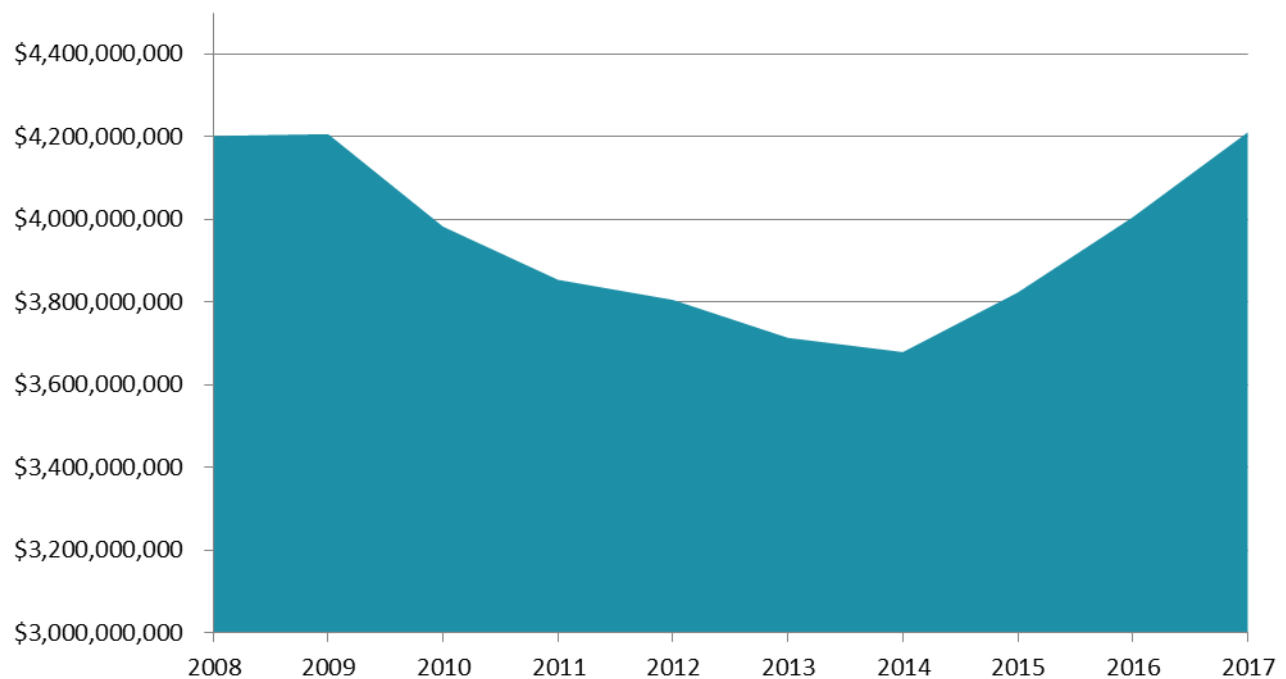


Table VI  
Property Taxes and Assessment Levies and Collections <sup>(1)</sup> (Last Ten Fiscal Years)

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			
2017	\$2,267,255	\$3,210,182	\$5,477,437	\$5,448,333	\$29,104	0%
2016	\$2,153,564	\$1,659,911	\$3,813,476	\$3,787,091	\$26,384	0%
2015	\$2,050,185	\$1,254,306	\$3,304,491	\$3,278,508	\$25,982	0%
2014	\$1,979,568	\$1,253,812	\$3,233,380	\$3,204,819	\$28,561	0%
2013	\$1,983,638	\$1,068,855	\$3,052,493	\$3,025,479	\$27,014	0%
2012	\$2,003,970	\$1,074,342	\$3,078,312	\$3,051,951	\$26,361	0%
2011	\$2,031,695	\$1,231,558	\$3,263,253	\$3,235,076	\$28,177	0%
2010	\$2,098,464	\$1,210,270	\$3,308,734	\$3,276,702	\$32,032	0%
2009	\$2,240,385	\$1,139,600	\$3,379,985	\$3,353,350	\$26,635	0%
2008	\$2,293,346	\$1,091,130	\$3,384,476	\$3,344,856	\$39,620	0%

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

(2) Includes special assessments for limited obligation bonds. Increase in 2017 is due to new assesment for the Woods Valley Ranch Water Reclamation Facility Expansion AD 2012-1 totaling \$1,713,781.

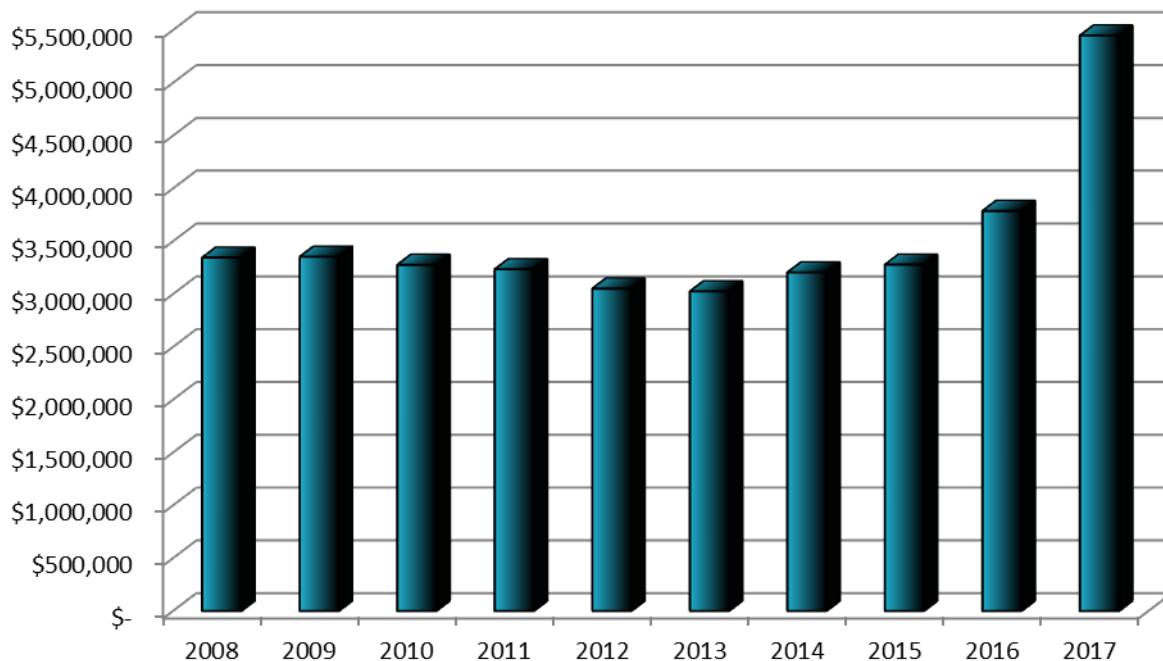
(3) Collections do not include miscellaneous adjustments.

(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, 2017)

2016-17 Assessed Valuation: \$4,234,890,405

	Total Debt		District's Share
	<u>6/30/2017</u>	<u>% Applicable<sup>(1)</sup></u>	<u>of Debt 6/30/17</u>
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Metropolitan Water District	\$74,905,000	0.164%	\$122,844
Palomar Pomerado Hospital District	443,465,867	5.522	24,488,185
Palomar Community College District	639,550,855	3.859	24,680,267
Escondido Union High School District	90,263,772	6.226	5,619,822
Fallbrook Union High School District	3,244,190	1.599	51,875
Escondido Union School District	88,894,622	6.446	5,730,147
Fallbrook Union School District	21,634,476	0.069	14,928
Bonsall Unified School District	14,034,498	4.000	561,380
Valley Center-Pauma Unified School District	304,382	96.756	294,508
Valley Center-Pauma USD Community Facilities District No. 2003-1	7,910,000	100.000	7,910,000
City of Escondido	60,460,000	0.034	20,556
Valley Center Municipal Water District	0	100.000	0
Valley Center Municipal Water District Assessment District No. 96-1	140,000	100.000	140,000
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b><u>\$69,634,512</u></b>
<b><u>OVERLAPPING GENERAL FUND DEBT:</u></b>			
San Diego County General Fund Obligations	\$ 291,180,000	0.906%	\$2,638,091
San Diego County Pension Obligation Bonds	605,520,000	0.906	5,486,011
San Diego County Superintendent of Schools Certificates of Participation	11,460,000	0.906	103,828
Palomar Community College District Certificates of Participation	3,280,000	3.859	126,575
Bonsall Unified School District Certificates of Participation	7,810,000	4.000	312,400
Escondido Union High School District Certificates of Participation	56,645,000	6.226	3,526,718
Escondido Union School District Certificates of Participation	17,485,000	6.446	1,127,083
Escondido Union School District Benefit Obligations	8,245,000	6.446	531,473
City of Escondido Certificates of Participation	3,980,000	0.034	1,353
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>			<b><u>\$13,853,532</u></b>
<b>TOTAL DIRECT DEBT</b>			<b>\$0</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b><u>\$83,488,044</u></b>
<b>COMBINED TOTAL DEBT</b>			<b><u>\$83,488,044</u></b> <sup>(2)</sup>

Ratios to Assessed Valuation:

<b>Direct Debt</b>	<b>0.00%</b>
Total Direct and Overlapping Tax and Assessment Debt	1.64%
Combined Total Debt	1.97%

2016-17 TYPICAL TOTAL TAX RATE (TRA 94-075): 1.10225

(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.

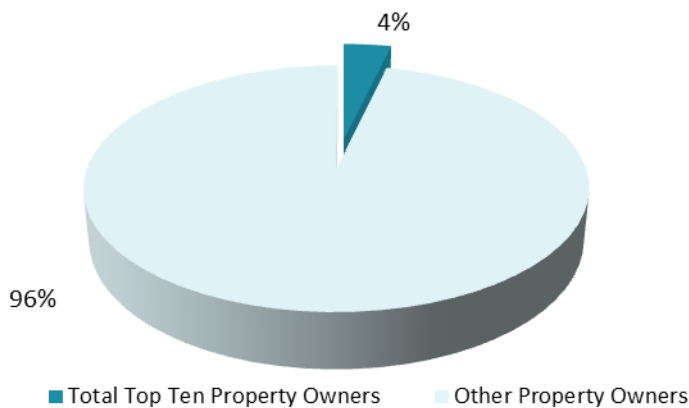
**Table VIII**  
**Property Owners by Highest Cumulative Net Assessed Property Value** (Current Fiscal Year)

Fiscal Year Ended June 30, 2017			Fiscal Year Ended June 30, 2008		
Property Owner	Cummulative Net Assessed Value	Percent of Total Net Assessed Value	Property Owner	Cummulative Net Assessed Value	Percent of Total Net Assessed Value
Welk Resort Platinum Owners Assoc.	\$59,080,103	1.40%	Rimrock 12008 LLC	\$25,816,070	0.61%
McMillan Trust 11-09-05	18,103,927	0.43%	Welk Resort Group Inc	11,341,963	0.27%
Bell Holdings LLC	12,102,392	0.28%	MLSK LLC	10,798,740	0.26%
Wel Resort Properties Inc	12,042,775	0.29%	Welk Resort Properties Inc	9,992,654	0.24%
Welk Resort Group Inc.	10,447,830	0.25%	Trimark Pacific Sherwood LLC	9,567,451	0.23%
Pardee Homes	10,216,544	0.24%	Perricone Sam Survivors Trust	8,748,593	0.21%
Skyline Ranch Country Club LLC	9,065,765	0.21%	Live Oak Ranch Development LLC	8,479,156	0.20%
Welk Mountain Villas Inc	8,508,585	0.20%	Josephine Development LLC	7,640,696	0.18%
San Pasqual Band of Diegueno Missio	7,308,225	0.17%	Lilac Ranch LLC	7,576,179	0.18%
Perricone California Properties	7,648,596	0.18%	Meadow Lake Country Club LLC	7,500,000	0.18%
Total Top Ten Property Owners	\$154,524,742	3.65%	Total Top Ten Property Owners	\$107,461,502	2.56%
Other Property Owners	\$4,080,365,663	96.35%	Other Property Owners	\$4,121,265,617	97.44%
Total Assessed Valuation	\$4,234,890,405	100.00%	Total Assessed Valuation	\$4,228,727,119	100.00%

Data Source: 2016 Master Property Records from San Diego County Used for 2016-17 Property Taxes.

### Principal Property Owners

**2017**



### Principal Property Owners

**2008**

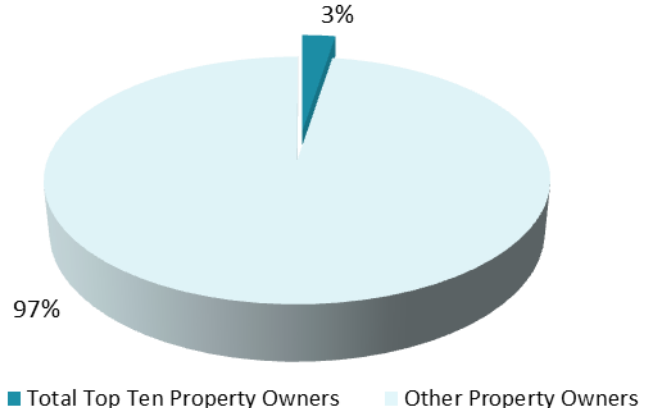




Table IX  
Water Rates (Last Ten Fiscal Years)

Fiscal Year Ended <sup>(1)</sup>	Commodity Charge <sup>(2)</sup>									Monthly Meter Charge <sup>(5)</sup>	
	Domestic			IAWP <sup>(3)</sup>			TSAWR <sup>(4)</sup>				
	MWD/ SDCWA			MWD/ SDCWA			MWD/ SDCWA				
	Wholesale	VCMWD	Total	Wholesale	VCMWD	Total	Wholesale	VCMWD	Total	3/4" Meter	1" Meter <sup>(6)</sup>
2017	\$1,827	\$221	\$2,048	\$0	\$0	\$0	\$1,277	\$221	\$1,498	\$39.93	\$54.55
2016	\$1,714	\$201	\$1,915	\$0	\$0	\$0	\$1,182	\$201	\$1,383	\$36.30	\$49.59
2015	\$1,558	\$183	\$1,741	\$0	\$0	\$0	\$1,151	\$183	\$1,334	\$33.00	\$45.08
2014	\$1,490	\$175	\$1,665	\$0	\$0	\$0	\$1,139	\$175	\$1,314	\$31.55	\$43.10
2013	\$1,419	\$166	\$1,585	\$0	\$0	\$0	\$1,107	\$166	\$1,273	\$31.55	\$43.10
2012	\$1,292	\$152	\$1,444	\$1,018	\$152	\$1,170	\$1,058	\$152	\$1,210	\$28.00	\$38.25
2011	\$1,166	\$137	\$1,303	\$899	\$137	\$1,036	\$968	\$137	\$1,105	\$24.50	\$33.50
2010	\$1,017	\$102	\$1,119	\$778	\$102	\$880	\$883	\$102	\$985	\$20.50	\$28.00
2009	\$872	\$102	\$974	\$621	\$102	\$723	\$752	\$102	\$854	\$20.50	\$28.00
2008	\$806	\$102	\$908	\$562	\$102	\$664	\$0	\$0	\$0	\$20.50	\$28.00

(1) Rate as of January 1.

(2) Excludes pumping charges.

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

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

(5) Excludes SDCWA Infrastructure Access Charge.

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

Source: Valley Center Municipal Water District

## Water Rates

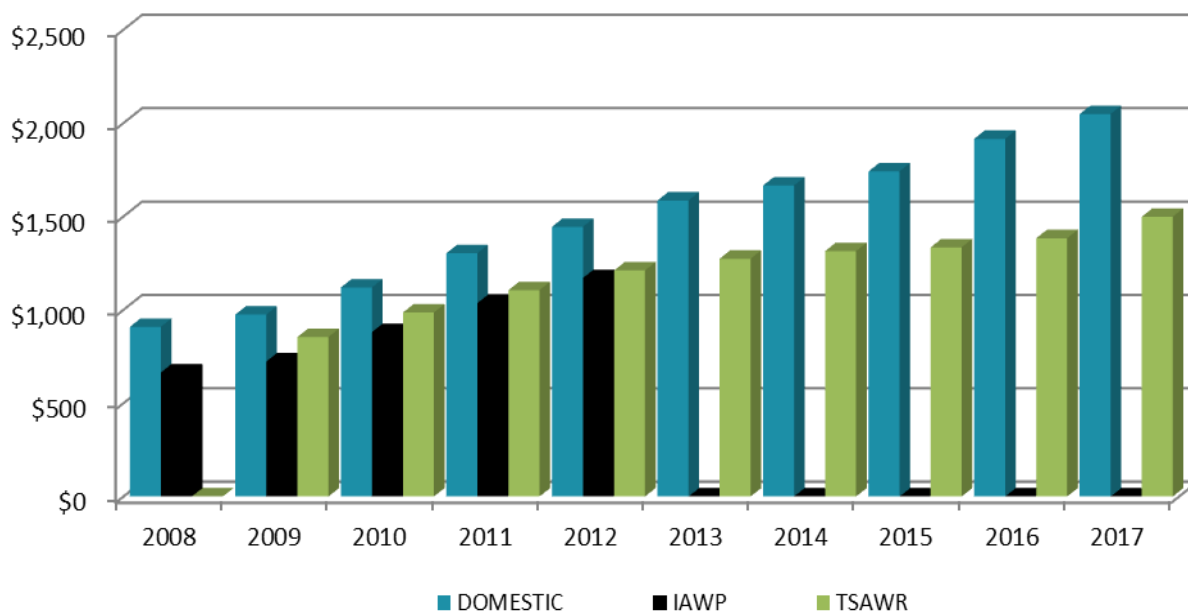


Table X  
Wastewater Rates<sup>(2)</sup> (Last Ten Fiscal Years)

Fiscal Year Ended <sup>(1)</sup>	Moosa Gravity	Moosa Pressure	Woods Valley Ranch
2017	\$53.76	\$98.12	\$98.60
2016	\$51.20	\$93.45	\$98.60
2015	\$51.20	\$93.45	\$98.60
2014	\$51.20	\$93.45	\$98.60
2013	\$51.20	\$93.45	\$98.60
2012	\$48.75	\$89.00	\$98.60
2011	\$46.50	\$84.90	\$98.60
2010	\$44.50	\$81.25	\$98.60
2009	\$40.50	\$74.00	\$98.60
2008	\$40.50	\$74.00	\$98.60

(1) Rate as of January 1.

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

Source: Valley Center Municipal Water District

## Wastewater Rates

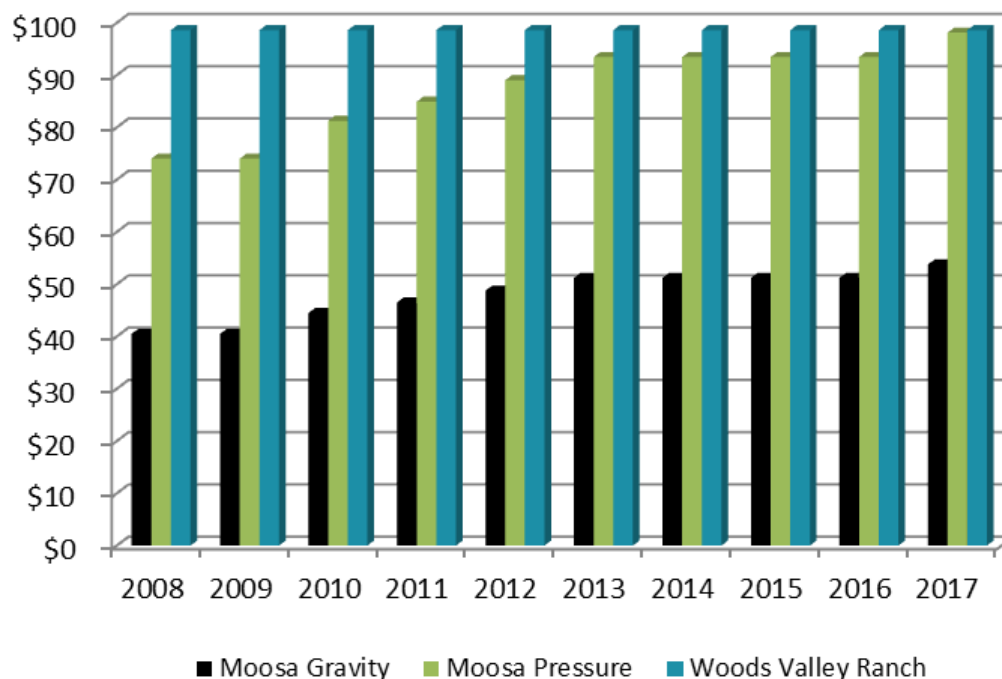
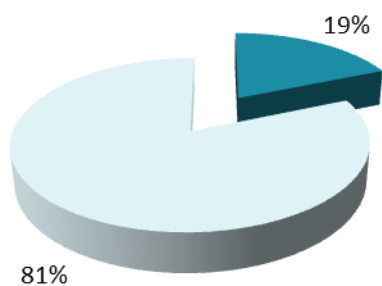


Table XI  
Principal Water Customers

Fiscal year ended June 30, 2017			Fiscal year ended June 30, 2008		
Customer	Usage in Acre Feet	Percent of Water Sold	Customer	Usage in Acre Feet	Percent of Water Sold
Grandon Ranch Corp	633.2	3.29%	Stehly, N. J. C.	985.7	2.62%
Coykendall, H. C. J.	574.6	2.99%	BSTCO	876.0	2.33%
BSTCO	500.1	2.60%	Grandon Ranch Corp.	603.3	1.60%
Harlan Beck & Associates	411.8	2.14%	Harlan Beck & Associates	585.0	1.55%
Stehly, N. J. C.	366.2	1.90%	Sierra Pacific Farms	436.5	1.16%
Rancho Erico	254.1	1.32%	Segal, G.	435.5	1.16%
Rancho Sereno	246.3	1.28%	Coykendall, H. C. J.	428.2	1.14%
A-1 Sunshine Farms LLC	214.2	1.11%	Gray Cor Farms	391.0	1.04%
Golden Park Ranch	203.0	1.05%	Rancho Sereno	368.7	0.98%
Sask Ranch	197.2	1.03%	Wang, B.	357.3	0.95%
Total Top Ten Customers	3,600.6	18.71%	Total Top Ten Customers	5,467.2	14.53%
Other Customers	15,638.5	81.29%	Other Customers	32,168.8	85.47%
Total Water Sales	19,239.1	100.00%	Total Water Sales	37,636.0	100.00%

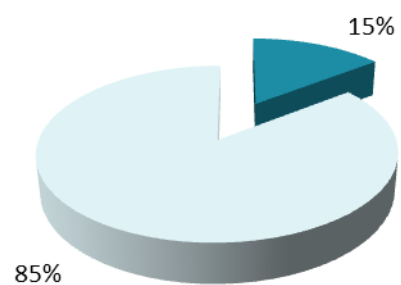
Source: Valley Center Municipal Water District

Principal Water Customers  
2017



■ Total Top Ten Customers    ■ Other Customers

Principal Water Customers  
2008



■ Total Top Ten Customers    ■ Other Customers

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

Fiscal Year Ended	General Obligation Bonds <sup>(1)</sup>	Revenue Bonds <sup>(2)</sup>	Notes Payable SRF Loan <sup>(3)</sup>	Financing Loan Agreement <sup>(4)</sup>	Total	Percentage of Personal Income <sup>(5)</sup>	Per Capita <sup>(5)</sup>
2017	-	-	\$23,029,012	\$98,130	\$23,127,142	2.35%	\$902
2016	-	-	\$7,679,830	\$117,724	\$7,797,554	0.81%	\$304
2015	-	-	\$676,310	\$137,318	\$813,638	0.09%	\$32
2014	-	-	\$676,310	\$88,123	\$764,433	0.08%	\$30
2013	-	-	-	-	-	0.00%	\$0
2012	-	\$55,000	-	-	\$55,000	0.01%	\$2
2011	-	\$165,000	-	-	\$165,000	0.02%	\$6
2010	-	\$265,000	-	-	\$265,000	0.03%	\$10
2009	-	\$360,000	-	-	\$360,000	0.04%	\$14
2008	-	\$450,000	-	-	\$450,000	0.06%	\$18

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

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

(3) In Fiscal Years 2014-2017 the District began receiving funds from the State Revolving Fund Loans for the Cool Valley Reservoir and the Woods Valley Ranch Water Reclamation Facility Expansion.

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

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

Source: Valley Center Municipal Water District

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

Fiscal Year Ended	Operating Revenues <sup>(1)</sup>	Nonoperating Revenues <sup>(1)</sup>	Gross Revenues	Less: Operating Expenses <sup>(1)(2)</sup>	Net Available Revenues	Principal	Debt Service Interest	Total	Coverage Ratio <sup>(3)</sup>
2017	\$43,310,872	\$3,321,123	\$46,631,995	\$40,374,658	\$6,257,337	\$19,594	\$0	\$19,594	319.35
2016	\$39,047,075	\$3,208,678	\$42,255,753	\$37,875,992	\$4,379,761	\$19,594	\$0	\$19,594	223.53
2015	\$45,384,649	\$3,057,261	\$48,441,910	\$44,115,885	\$4,326,025	\$9,527	\$0	\$9,527	454.08
2014	\$50,089,453	\$2,941,677	\$53,031,130	\$47,207,908	\$5,823,222	\$6,351	\$0	\$6,351	916.90
2013	\$46,248,296	\$2,917,481	\$49,165,777	\$44,000,852	\$5,164,925	\$55,000	\$15	\$55,015	93.88
2012	\$40,807,916	\$2,917,157	\$43,725,073	\$40,714,953	\$3,010,120	\$110,000	\$1,709	\$111,709	26.95
2011	\$34,359,565	\$2,961,775	\$37,321,340	\$36,950,621	\$370,719	\$100,000	\$3,883	\$103,883	3.57
2010	\$35,521,669	\$3,024,512	\$38,546,181	\$37,467,652	\$1,078,529	\$95,000	\$5,929	\$100,929	10.69
2009	\$35,355,240	\$3,433,614	\$38,788,854	\$36,379,582	\$2,409,272	\$90,000	\$9,470	\$99,470	24.22
2008	\$36,480,524	\$3,966,395	\$40,446,919	\$35,312,680	\$5,134,239	\$85,000	\$20,289	\$105,289	48.76

(1) See Table II

(2) Operating expenses excluding depreciation.

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

See Table XII, Notes 2 – 4.

Source: Valley Center Municipal Water District

## Coverage Ratio

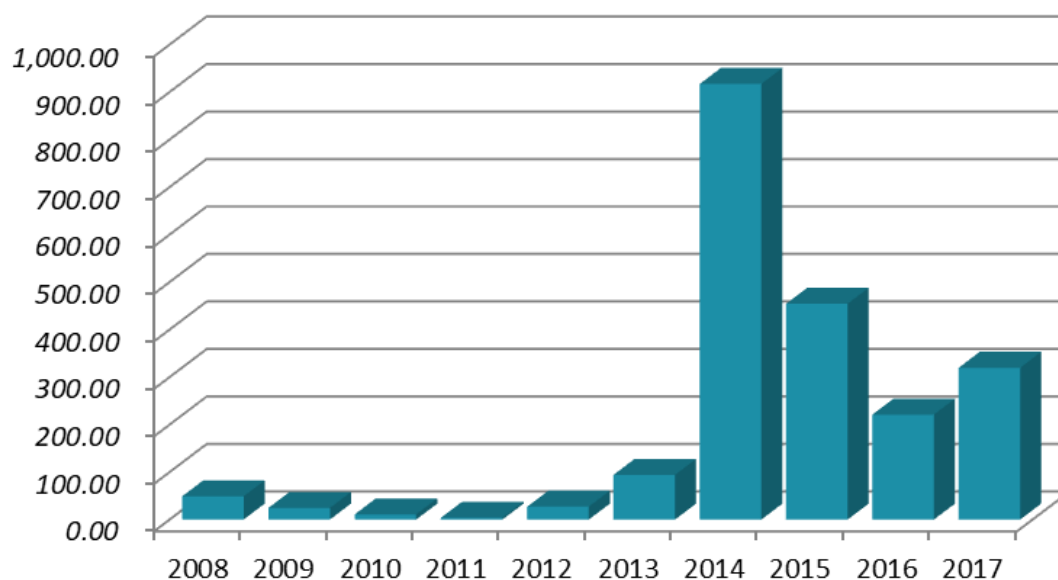


Table XIV  
Demographic and Economic Statistics (Last Ten Fiscal Years)

Fiscal Year Ended	Population (1)	Total Personal Income (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
2017	25,630	\$984,192,000	\$38,400	2.3%
2016	25,608	\$962,861,000	\$37,600	3.6%
2015	25,394	\$937,039,000	\$36,900	3.5%
2014	25,248	\$913,978,000	\$36,200	2.9%
2013	25,286	\$897,653,000	\$35,500	3.6%
2012	25,453	\$885,764,000	\$34,800	4.5%
2011	25,450	\$867,845,000	\$34,100	5.1%
2010	25,378	\$848,488,000	\$33,434	5.2%
2009	25,337	\$838,655,000	\$33,100	4.7%
2008	25,350	\$747,825,000	\$29,500	2.7%

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

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

- (1) Population at the end of fiscal year 2010 from the San Diego Association of Governments (SanDAG). Other years estimated by VCMWD using average household size estimated by SanDAG.
- (2) Calculated using estimated per capita personal income.
- (3) Per capita personal income for base year 2010 by U.S. Census Bureau for the Valley Center Census Designated Place (CDP) which is a close approximation of the VCMWD area. Other years estimated using percentage change for San Diego region.
- (4) Source: State of California Employment Development Department for the Valley Center Census Designated Place (CDP) which is a close approximation of the VCMWD area.
- (5) Source: U.S. Census Bureau, 2010 Census.

Source: Valley Center Municipal Water District except as noted.

### Per Capita Personal Income and Population



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

Fiscal year ended June 30, 2017				Fiscal year ended June 30, 2008			
Employer	Rank	# of Employees	% of Total Employment	Employer	Rank	# of Employees	% of Total Employment
University of California, San Diego	1	26,000	1.79%	United States Navy, San Diego	1	42,000	3.18%
County of San Diego	2	20,500	1.41%	Federal Government	2	39,100	2.96%
United States Navy, San Diego	3	20,000	1.38%	State of California	3	37,100	2.81%
City of San Diego	4	19,500	1.34%	University of California, San Diego	4	24,790	1.88%
San Diego Unified School District	5	15,881	1.09%	San Diego Unified School District	5	21,073	1.59%
Sharp Healthcare	6	14,390	0.99%	City of San Diego	6	20,700	1.57%
Scripps Healthcare	7	12,700	0.87%	County of San Diego	7	18,900	1.43%
Qualcomm	8	9,444	0.65%	Sharp Healthcare	8	13,872	1.05%
Kaiser Foundation Hospital	9	7,608	0.52%	Scripps Health	9	10,313	0.78%
San Diego State University	10	6,939	0.48%	Kaiser Permanente	10	7,386	0.56%
Total Top Ten		<u>152,962</u>	10.52%	Total Top Ten		<u>235,234</u>	17.80%
2017 Total Number employed in San Diego County		<u><u>1,453,600</u></u>		2008 Total Number employed in San Diego County		<u><u>1,321,500</u></u>	

Source: Courtesy of San Diego County Water Authority

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

	Full-Time-Equivalent Employees Authorized as of June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Pumping	4.20	3.58	2.90	3.16	3.42	4.21	4.55	5.44	5.24	5.54
Water Systems Operations	28.51	28.69	30.46	31.40	31.89	32.42	34.04	33.80	36.14	39.14
Wastewater Collection and Treatment	6.39	5.57	5.59	5.75	5.66	5.44	5.45	5.64	6.11	5.91
Engineering	8.60	8.80	9.83	9.40	9.60	10.82	12.46	13.46	11.27	13.52
General and Administrative	10.00	11.00	11.00	10.00	12.00	12.25	12.50	13.00	13.00	15.00
Capital Outlay <sup>(1)</sup>	4.32	3.71	3.54	3.46	3.60	3.06	4.36	2.50	3.31	6.21
Developer Projects <sup>(2)</sup>	0.98	0.65	0.68	0.83	0.83	1.05	1.14	1.16	4.93	4.68
Total Employees <sup>(3)</sup>	63.00	62.00	64.00	64.00	67.00	69.25	74.50	75.00	80.00	90.00
Average Years of Service	15.30	15.90	14.10	14.18	13.20	12.46	11.37	10.37	10.24	9.07

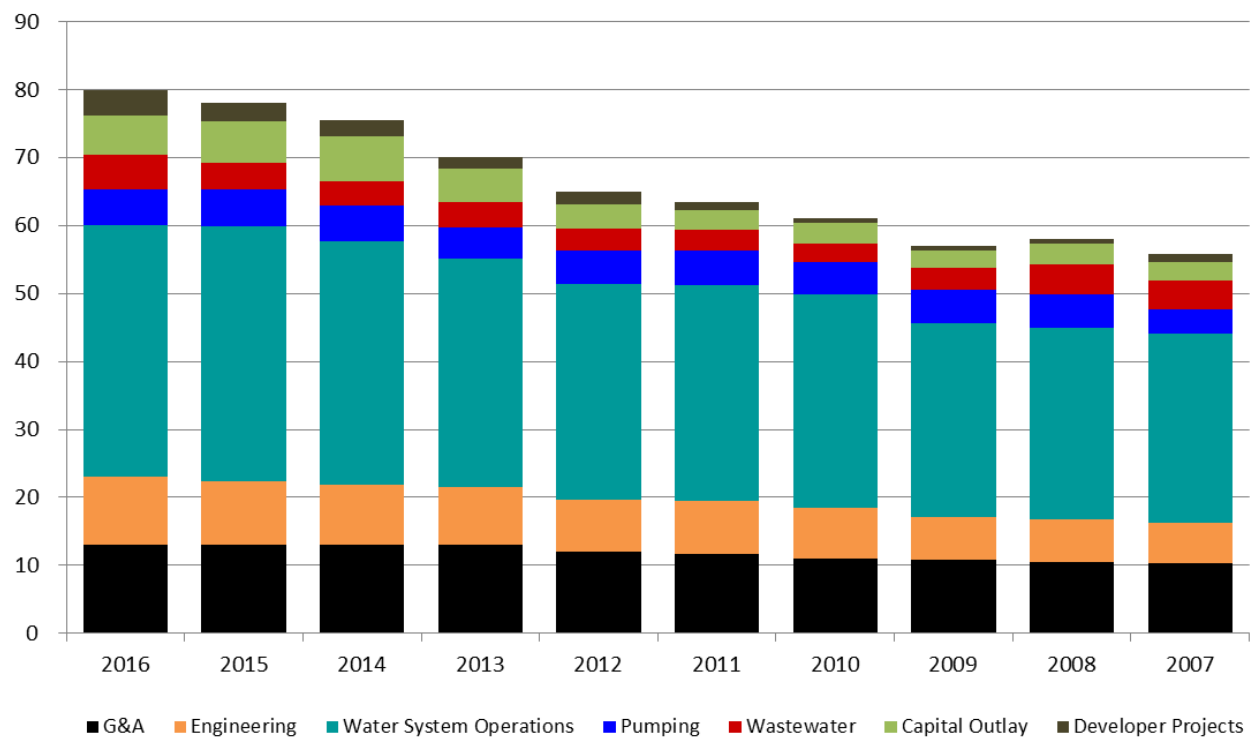
(1) Capitalized into construction in progress.

(2) Charged to work in progress for others.

(3) Authorized number of budgeted employees by year. For Fiscal Year 2008 and 2009, actual number of employees was 78.

Source: Valley Center Municipal Water District

## Employees





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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Water:</b>										
Service area (acres)	64,540	64,540	64,540	64,253	64,253	64,253	64,253	64,253	64,253	64,253
Miles of water main (8 inches and larger)	301	301	301	298	297	297	297	297	297	295
Number of enclosed reservoirs	43	43	43	42	42	42	42	42	42	42
Capacity of enclosed reservoirs (AF)	433	421	421	421	421	421	421	421	421	421
Number of open reservoirs (emergency water only)	1	1	1	1	1	1	1	1	1	1
Capacity of open reservoirs (AF)	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612
Number of pump stations	29	29	29	27	26	26	26	26	26	26
Number of pumps	105	106	106	110	106	100	100	100	96	96
Total pump capacity (horsepower)	19,960	20,310	20,160	20,185	20,185	20,050	19,785	19,785	19,785	19,940
Number of service connections	10,907	10,836	10,761	10,675	10,616	10,597	10,576	10,556	10,493	10,408
Number of meters in service	10,086	9,976	9,869	9,785	9,715	9,694	9,692	9,688	9,690	9,696
Production peak (m.g.d.)	39.90	42.00	50.00	55.84	55.45	49.87	55.30	65.27	53.96	78.90
Average production (m.g.d.)	18.06	17.57	22.83	26.43	26.13	24.77	22.80	26.35	30.33	35.12
Total rainfall (inches)	21.32	11.98	10.10	7.29	8.51	12.21	23.94	19.01	14.10	19.33
Average daily temperature (F.)	61.83	62.75	63.80	63.50	62.33	61.30	61.08	61.60	62.70	63.30
Electricity purchased (1,000 kWh)	6,997	7,344	15,582	16,894	16,276	15,595	16,984	18,480	25,362	29,839
Natural gas purchased (1,000 therms)	786	591	234	365	407	163	99	390	190	209
Mainline repairs	21	22	11	15	18	18	16	11	31	39
<b>Wastewater:</b>										
Miles of sewer lines	57	57	57	57	57	57	57	56	56	56
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Maximum capacity of treatment plants (m.g.d.)	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.55
Average dry weather flow (m.g.d.)	0.36	0.33	0.36	0.37	0.37	0.37	0.39	0.37	0.35	0.37
Number of sewer connections	2,742	2,761	2,769	2,746	2,745	2,731	2,717	2,722	2,729	2,663

AF - Acre feet

m.g.d. - Million gallons per day

Source: Valley Center Municipal Water District

## VALLEY CENTER MUNICIPAL WATER DISTRICT EMPLOYEES 2016-17

PAUL ADRIAN  
GARY ARANT  
GERALD BARNETT  
RICHARD BEATH  
CALVIN BREWER  
LEONARD BROWN  
RONALD BURKE  
JEFFREY BURTON  
FERNANDO CARRILLO  
DANIELLE CATTANEO  
RAMIRO DE ALBA-JIMENEZ  
ROMAN DE MANRIQUEZ  
COREY ELMENDORF  
GREG FEIK  
PATRICIA GARCIA  
DOMINGO GONZALEZ  
TROY GOSWICK  
WALLY GRABBE  
CLARENCE HICKS  
ALBERT HOYLE  
RYAN HUGHES  
TONY JACQUEZ

CHRISTINE JOHNSON  
DOUGLAS JOHNSON  
JOSHUA JONES  
THAD KLIMAS  
CHRISTOPHER KRATZ  
ERIC LAVENTURE  
ANTHONY LOPRESTI  
BRIAN LOVELADY  
JESSICA LOVELADY  
RYAN MADSON  
JOHN MARTINEAU  
MARLENE MARTINEZ  
JAMIE MARTINEZ  
ESTHER MAY  
WILLIAM MORRIS  
ISMAEL NAVARRO  
MICHAEL NICHOLS  
JESON NIKRASCH  
EDWARD OLSON  
GABRIELA OLSON  
ROBERT PANEK  
TAYLOR PETERS

THANG PHAM  
ANDO PILVE  
JAMES PUGH  
CLIFFORD REEH  
ROY RUTHERFORD  
JULEE SCOTT  
YVETTE SERRATO  
DANIEL SHUBIN  
MOSES SHUBIN  
TIMOTHY SJOBRING  
JAMES SULLINS  
JARED THOMAS  
ROBERT TRUESDALE  
GLENDA VALENZUELA  
VANESSA VELASQUEZ  
PAUL VILLALOBOS  
MICHELLE WICK  
CORAL WILLIAMS  
DENNIS WILLIAMS  
JAMES WOOTEN

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