

VALLEY CENTER MUNICIPAL WATER DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

Valley Center, California

valleycenterwater.org

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2019

Valley Center Municipal Water District



Prepared by:

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

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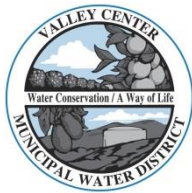
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Introductory Section







VALLEY CENTER MUNICIPAL WATER DISTRICT

A Public Agency Organized July 12, 1954

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

December 13, 2019

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, 2019. 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). Management assumes full responsibility for the completeness and reliability of the information contained in this report, which is based upon a comprehensive framework of internal controls that were established for this purpose. Because the costs of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to set forth fairly the financial position and results of operations of the District, and that all disclosures necessary to enable readers to gain maximum understanding of the District's financial activity have been included.

The District's policy requires that an independent certified public accounting firm, selected by the Board, audit the basic financial statements on an annual basis. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Leaf & Cole, LLP have issued an unmodified (or clean) opinion on the District's financial statements for the fiscal year ended June 30, 2019. The independent auditor's report is presented as the first component of the Financial Section of this report.

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

REPORTING ENTITY AND SERVICES

Valley Center Municipal Water District (the “District”) was founded on July 12, 1954 and was formed under the provisions of the California Municipal Water District Law of 1911 (California Water Code sections 71000 et seq.). It is located in northern San Diego County and provides water and wastewater reclamation services to its domestic, agricultural, and commercial customers. The District encompasses a 101 square mile service area and serves a population of approximately 25,800. 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, 2019, there were 66 regular full-time employees working for the District.

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

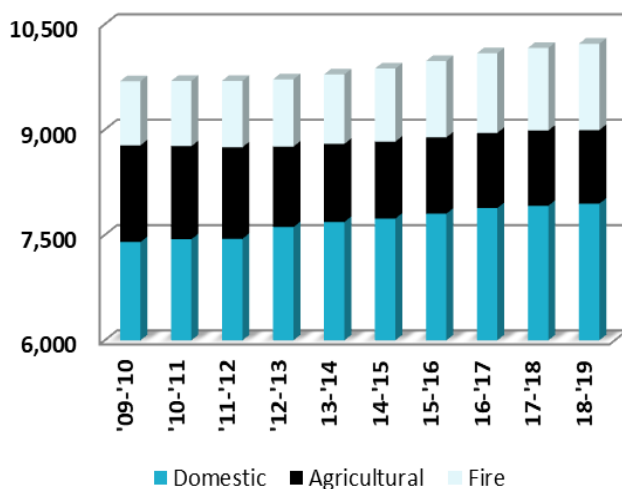
Activity not included as a part of this report is limited to Assessment District No. 2012-1, which is described in note 6 of the Notes to the Basic Financial Statements.



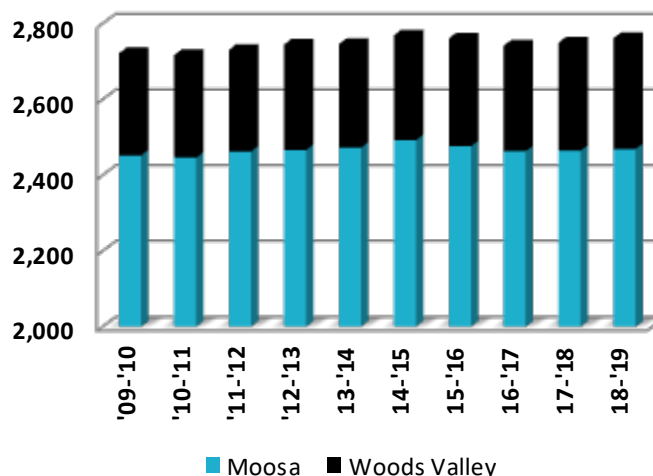
System Overview

- Active Aqueduct Connections: 7
- Miles of water main: 302
- Enclosed Reservoirs: 41
- Open Reservoirs: 1
- Pump Stations: 29
- Wastewater Treatment Facilities: 2
- Wastewater Connections: 2,762
- Miles of wastewater lines: 57
- 2018-19 Revenue: \$49.2 Million
- 2018-19 Expenses: \$46.0 Million

Active Water Meters



Wastewater Connections



FINANCIAL POLICIES

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

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

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

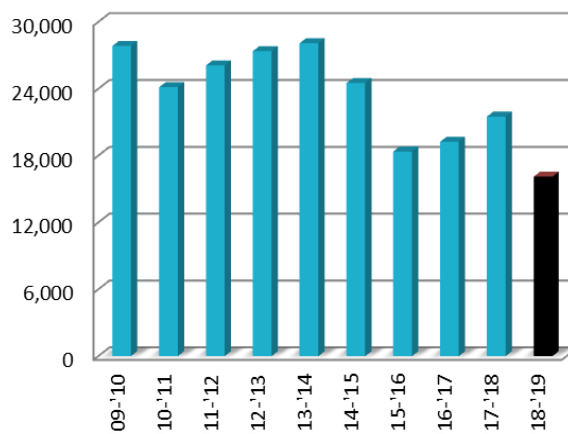
Notes to the Financial Statements for detailed investment information.

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

LOCAL ECONOMY AND OUTLOOK

For the last decade, Valley Center has been in transition from being predominately agricultural to a more balanced rural-suburban and agricultural setting. When once over 90% of the water delivered by the District went to commercial agricultural users, the mix is now 64% agricultural 36% domestic-commercial. This is happening to Valley Center and other surrounding areas, such as Rainbow and Fallbrook, because of the decline in agriculture and the need for additional land dedicated to residential use. The decline in agricultural use is due in part to regulatory restrictions, labor costs and shortages, market competition, and the rapid rise in the cost of water over the last nine years. Many growers have abandoned their permanent tree crops (citrus and avocado) farming operations and have shifted to higher value, lower water use crops such as ornamental flowers, nurseries, and wine grapes.

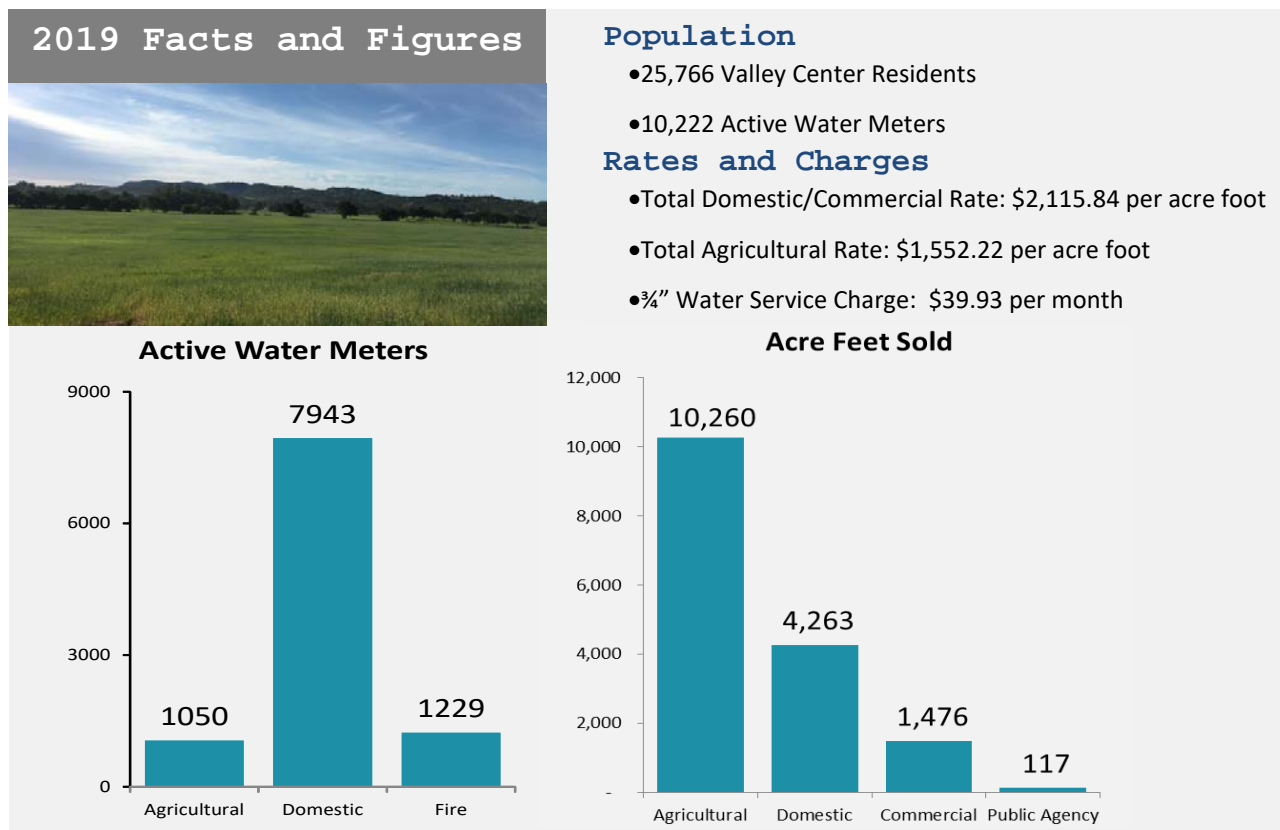
Water Sales in AF



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 16,116 acre feet of water as compared to fiscal year 2008-2009 when the District sold 33,014 acre feet, representing a 51% decline in sales volume. However, Fiscal Year 2018-2019 was a very wet year which depressed imported water demand and an increase in demand is anticipated next fiscal year and beyond.

As of January 1, 2019, the estimated population of the area serviced by the District was 25,766. The median age of the residents was 41.1 years, occupied housing units in the community totaled 8,188, and the median household income, not adjusted for inflation is estimated at \$93,647¹. At June 30, 2019, unemployment in California was 4.2%, San Diego County was 3.3%, and the local rate in the Valley Center Census Designated Place (CDP) was 3.5%.

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.



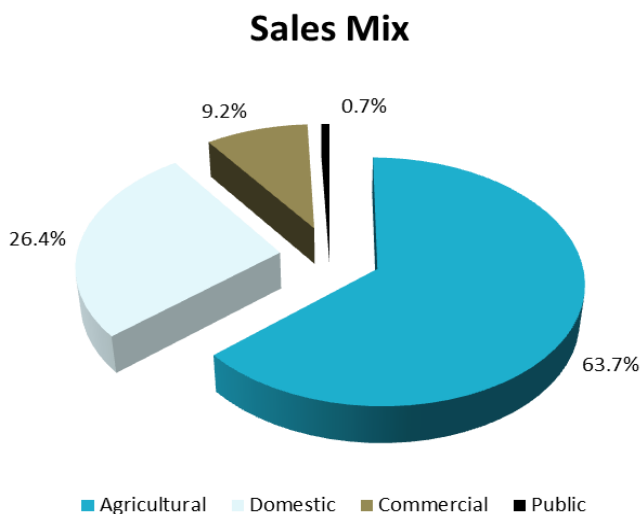
¹ San Diego Association of Governments (SANDAG) as of January 1, 2018, (data not yet available for 2019) in the Valley Center Statistical Reference Area, which encompasses part but not all of the District.

The years ahead will be challenging times for VCMWD and the entire California water community. Uncertainties concerning the Bay-Delta conveyance, construction of statewide new surface storage, the effects of climate change, court decisions affecting both supply and cost, public environmental issues and an un-remitting onslaught of state regulations increasing operating costs and depressing revenues all contribute to a difficult planning environment in which the cost of imported water is all but certain to continue to increase. Water shortages, both natural and man-made, are always a possibility. These factors have the potential to adversely impact the finances of the District.

Financial and Economic Trends – Customer meter categories have stayed consistent with fifty four new meter accounts having been established during 2018-19. This raised the total number of meter connections within the District to 11,081, of which 1,342 are fire meter accounts. Of the total meter accounts, 746 water service accounts and 113 fire service accounts are inactive, resulting in 10,222 revenue generating water meters at the close of the fiscal year. This is an increase of 59 active service accounts (53 fire and 6 water service) compared to the close of 2017-18.

Though there was little actual private development construction completed in fiscal year 2018-19, the District continued to process 17 private development projects containing a total of 1,016 units in various stages of completion, from concept approval to warranty period. Additionally, there are five projects with 3,437 units that are in the active planning stage and ten inactive projects with 73 units.

For the fiscal year ended June 30, 2019, water sales were 16,116 acre feet, down 5,382 acre feet or 25.0% from sales of 21,498 acre feet in 2017-18. This decrease is due in part to a 224% increase in total rainfall for the year, 20.4 inches versus 6.3 inches in 2017-18. Water deliveries are broken down as follows: 63.7% was for agricultural purposes, 26.4% for domestic, 9.2% for commercial, and 0.7% was for public use. The total cost of water purchased for the fiscal year was \$25.0 million, or 59.4% of the District's total water operating expenses.



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 2018 the discount that certified agricultural customers received totaled \$564 per acre foot, based on water rates

effective February 1, 2018. 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 \$564 per acre foot in calendar 2019.

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, 2019.

Long-Term Financial Planning – New capital improvement facilities are categorized as either, Replacement, System Upgrade or Expansion facilities. Replacement and System Upgrade facilities are currently funded from replacement and capital reserves, primarily on a pay as you go cash basis. These reserves are funded annually by a combination of capacity fees, water availability charges, property taxes, and excess operating and non-operating revenues. The District had previously obtained SRF financing for a reservoir cover and liner replacement project and is pursuing additional SRF financing to leverage reserve funds for other waterline replacement projects. Expansion facilities are typically funded by project proponents and dedicated to the District for ownership, operation and maintenance. Capacity fees are based on a buy-in approach to the District's current asset and replacement reserve account values and are used primarily for replacement and system upgrade projects. However, an incremental component to the capacity charge is included when the district invests in expansion facilities for specific benefit areas.

Facilities which are identified and budgeted annually for replacement are selected from a facility replacement priority list included in the district's master plan. The District's Water Master Plan update was completed in January, 2019, and categorized replacement project 0-5, 5-10, 10-20 and 20+ year priority groups. Facilities for replacement and their priority are identified through a process which assesses a combination of factors, including age, condition, and the critical nature of the facility. In addition, the replacement of existing facilities can be triggered by County of San Diego road improvement projects that require the relocation of facilities. Private development projects can also provide an opportunity to participate in the replacement of an existing facility or system upgrade when there is a benefit to the overall district system.

The District had previously applied and received a funding commitment from the State of California for a CWSRF (Clean Water State Revolving Fund Loan) to finance the Woods Valley Ranch Wastewater Expansion Project located in the central valley area of the District.

The project provided wastewater collection, treatment and disposal capacity for an additional 1,095 EDUs (Equivalent Dwelling Units) of capacity. The original loan authorization was for \$30,735,000 and anticipated construction of four separate project components. Annual assessments from the assessment district that was formed over the properties participating in the project will be utilized for repayment of the loan. The loan is repayable over a twenty-year term, fiscal years 2018 through 2038, at an annual interest rate of 2.2%. The District had recently completed three of the project components, including the Woods Valley Ranch Water Reclamation Facility Phase 2 Expansion, the Charlan Road Seasonal Storage and the South Village Collection System Project components at a total cost of approximately \$27.6M, \$24.6M of which was funded from the CWSRF Loan. A Limited Obligation Improvement Bond in the amount of \$4.035M was issued to fund the fourth project component, the North Village Collection System and the design of the Orchard Run and North Village Lift Stations. The Bond was established and is repayable over a twenty-year term at an annual interest rate of 2.2%, to match the CWSRF financing terms.

Staff prepared a \$6.5M CWSRF application for financing for the final two project components, construction of the Orchard Run Lift Station and the North Village Lift Station. However, approval was denied and the projects will be funded by the developer with the potential for reimbursement from future assessment district indebtedness.

Earlier the District had obtained a DWSRF (Drinking Water State Revolving Fund) loan for the Cool Valley Cover and Liner Replacement project in the amount of \$3,368,992 at 1.6% interest for a 20-year repayment term. The project was completed in fiscal year 2018-19 with DWSRF loan repayments continuing through fiscal year 2037.



Cool Valley Reservoir Floating Cover.

The San Diego County Water Authority (CWA) had previously agreed to fund an estimated \$6 million for improvements to the District's San Gabriel and Lilac-Pala Pump Stations, extension of the 16- inch waterline in Lilac Road, and construction of a flow control facility to provide for an alternative source of water to the District's VC3 Area and the Yuima Municipal Water District during a North County Emergency Storage Event. The district entered into a \$580,000 funding agreement with CWA in November 2018 for the design phase of the project and the design consultant procurement process is in progress.

MAJOR INITIATIVES EFFORTS AND ACCOMPLISHMENTS

Water System Operations

Transmission, Distribution, and Storage Facilities Improvements – Capital improvement work completed during the fiscal year included the following projects: Cover/Liner Replacement for the Cool Valley Reservoir, painting and recoating of the Red Mountain and Betsworth Forebay No. 1 Reservoirs were completed, painting and recoating of the Via Cantamar and Reidy Canyon Reservoirs were designed, bid and awarded, construction was 60% complete by the end of the fiscal year, and the Old Castle Waterline replacement project was designed, bid and awarded, with construction scheduled to start in July, 2019. Upgrades were completed on two of the 24" double-disk gate valves on the 30" pipeline along Betsworth Road in preparation for performing a sensor evaluation of the critical transmission main.

Upgrades to the fire hydrants along Betsworth Road were completed to include the new automatic shutoff check valve which is located below the hydrant. No substantial private development construction was completed or in progress during the fiscal year, with the exception of a line extension for the Tractor Supply development. Planning efforts continued on seven major developments; Bear Peak (47 units), Butterfield Trails (71 units), Orchard Run (300 units), Meadowood (850 units), Park Circle (344 units), Weston Towne Center (200 units) and North Village Station (200 units). Plan approvals were processed for Bear Peak, Orchard Run, and Park Circle with utility construction expected to start in early fiscal year 2019-20.



24-inch double-disk gate valve upgrade.

Other small development activities included the renewal of several developer project plan approvals, and completion of three fire hydrant installations, completion of the Meadows Market commercial site and extensive site planning for the proposed Rite Aid and Miller Road Plaza on Valley Center Road. These two small commercial projects are scheduled to be constructed in fiscal year 2019-20.

Pumps, Motors, and Energy Efficiency – Pumps and Motors Division continued the pump and motor replacement program and developed energy management strategies and practices to reduce operational pumping costs during Time-of-Use pumping periods. 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. As recommended by the Comprehensive Energy Program Analysis Report and the Strategic Plan, April 2019, the District implemented pumping strategy changes to minimize the financial impact of San Diego Gas and Electric Time-of-Use rate changes. 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. For Fiscal Year 2018-19, unaccounted water loss was 5.9% of total water sold.

The District's agreement with the CAL Fire Puerta La Cruz Conservation Camp for weed and brush removal continued to provide beneficial evaluations of the remote and challenging areas of the distribution system. 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

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

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.



Base of sewer manhole in the Park Circle Development.

Following this request, the District processed additional property owner wastewater capacity reservation requests, coming from both the North Village and South Village areas, bringing the total expansion project participation to 1,095 EDUs. While the increase in participation required additional collection facilities and larger treatment and seasonal storage facilities, the project cost per EDU was reduced.

The project was divided among 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. An assessment district was formed over the participating properties to fund the project and the District received a SWRCB Clean Water State Revolving Fund (SRF) loan for the first three project components and completed the Woods Valley Ranch Water Reclamation Facility Phase 2 Expansion Project, Charlan Road Seasonal Storage Facility and the South Village Collection system in fiscal year 2016-17. The remaining project, the North Village Collection system, was further split into three projects, the North Village Low Pressure Sewer (LPS) Collection System, the Orchard Run Lift Station and the North Village Lift Station. SRF funding was not available for the North Village LPS Collection System component and a Limited Obligation Improvement Bond was issued to fund the project. Design of the North Village LPS Collection System was completed in fiscal year 2017-18 and construction began in fiscal year 2018-19 and was 90% complete by the close of the fiscal year. SRF funding for the lift station projects was pursued in fiscal year 2018-19, but was not approved. Construction of the lift stations will be developer funded with the potential to be reimbursed from future assessment district indebtedness.

Planning for a Phase 3 expansion for an additional 320 units of capacity for the Park Circle Development has begun. Funding for the treatment plant expansion is planned to be secured through formation of a Community Facilities District. Phase 3 Expansion Planning is scheduled to be completed in fiscal year 2019-20. Construction of the expansion facilities will depend on the level of build out within the Woods Valley Ranch Sewer Service Area.

Lower Moosa Canyon Water Reclamation Facility – The District had previously received a Bureau of Reclamation (BOR) Grant to prepare a feasibility study to evaluate reclamation options for the effluent generated Moosa Facility, including a regional brine line. Approved feasible options would be eligible for application of a BOR 25% construction grant funding. The final draft of the Feasibility Study was submitted to the BOR for review in October, 2019, and will be finalized by the end of fiscal year 2019-20.

Other capital improvement work completed during the fiscal year included the Rimrock Low Pressure Sewer (LPS) Improvements. The project was designed, bid, and awarded during the fiscal year and construction was 50% complete by the close of the fiscal year.

Development Planning and Construction Projects

Development activity was minimal during the fiscal year due to regional economic factors, with the exception of the South Village Area of the district served by the Woods Valley Ranch Water Reclamation Facility. Primarily developers in other parts of the district continued their pursuit of land use entitlements from the County with minimal interactions required of the District. As previously indicated, several projects renewed their plan approvals to maintain their entitlements and ability to start construction at a later date. In the South Village area, developers for the Bear Peak, Orchard Run, and Park Circle projects completed plan approvals and prepared for construction of utilities, streets, and drainage improvements in fiscal year 2019-20.

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 continued to be evaluated through fiscal year 2018-19. Final determination for the provision of service is scheduled to be completed in fiscal year 2019-20.

Lilac Hills Ranch – 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 fiscal year 2018-19. While the General Plan amendment for Lilac Hills Ranch was not presented to the Board of Supervisors in fiscal year 2018-19, the developer has indicated that they will continue to pursue the amendment at a later date.

North and South 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 Bear Peak (formerly 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.

Bear Peak is a 47 unit residential subdivision on a 5 acre parcel. The Bear Peak project was sold to KB Homes in fiscal year 2018-19 and KB has completed their plan approvals and is scheduled to start construction of the underground utilities, streets, and drainage improvements in early fiscal year 2019-20, with model home completion in September, 2019.

The Weston Towne Center project has changed ownership in fiscal year 2018-19 and the new owners are evaluating development options. The project consists of a 600 unit mixed use development in the North Village area. The North Village Station project is a proposed 200 unit mixed use residential, office/professional development owned by Valley Center View Properties, LLC.

Information Technology

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

The SCADA System for the Woods Valley Treatment Plant is operational. Work has started on Moosa Water Treatment Plant to upgrade its software system to new software as well.

Advanced Metering Infrastructure (AMI) – The system is now integrated with the Springbrook database. The AMI system automatically reads meters every 15 minutes via a wireless system and maintains a database of all meter readings. Our customer records have been integrated with the AMI system, which prepares the automated meter readings that are then imported back into our system. Volume deployment has started for the AMI system in select portions of the District's service area.

Virtualization and Storage – Installation of 3 new host servers, including one in the SCADA network, and two in the business network was completed. These host servers contain virtual servers that serve SCADA and most of our business systems, which includes hosting an upgraded GIS and future asset management systems. A new backup storage system was installed, and services are being migrated to the new host servers.

Asset Management System (CMMS) – This year the District started to evaluate a new asset management system and selected Cityworks as the solution. The system allows computerized maintenance of District assets. It also improves and modernizes field tracking and scheduling of maintenance, inspections, and repairs of all field activities. The system allows better worker mobility by making it possible to access District data, such as maps and maintenance records, while in the field.

ACCOUNTING SYSTEMS

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

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

INTERNAL CONTROLS

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

BUDGETARY CONTROLS

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Valley Center Municipal Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2018. 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.



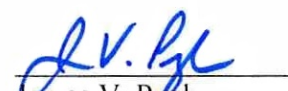
ACKNOWLEDGMENTS

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, 2018

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

Survey responses show the District met or exceeded the standard 99.0% of the time.

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

Unaccounted water loss for 2018 totaled 1,080 acre feet, 5.3% of total water sold, representing \$1.27 million dollars.

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

Our Discretionary Reserves as of December 31, 2018 represents 7.7 months operating and maintenance expenses.

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

Our weighted average return on all investments for calendar year 2018 was 2.201% as compared to the 12-month rolling average U.S. Treasury Bonds of 2.338%.

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

The District’s component of the water rate for operating costs is currently 11.0% of Municipal & Industrial and 15.0% of Certified Agricultural.

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

Our pump efficiency was 106.0% of design criteria.

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

Not measured in 2018 - New Performance Measure. Performance will be reported in 2020 after full year of measurement in 2019.

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

Five projects were completed in calendar 2018 at 3.4% under the Engineer’s estimate.

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

Not measured in 2018 – New performance measure. Performance will be reported in 2020 after full year of measurement in 2019.

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

Reliability was 99.999%.

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

The District had 1 lost time accident in calendar 2018 representing 0.06% of the total hours worked

12. COMPLIANCE WITH ALL STATE & FEDERAL REGULATIONS.

100%.

DISTRICT OFFICIALS

Board of Directors:

<u>Title</u>	<u>Name</u>	<u>Service</u>	<u>Term Expires</u>
President	Robert A. Polito	31 years	January 2021
Vice-President	Randy D. Haskell	19 years	January 2023
Director	Enrico P. Ferro	3 year	January 2021
Director	Daniel E. Holtz	2 year	January 2023
Director	Oliver J. Smith	< 1 year	January 2023

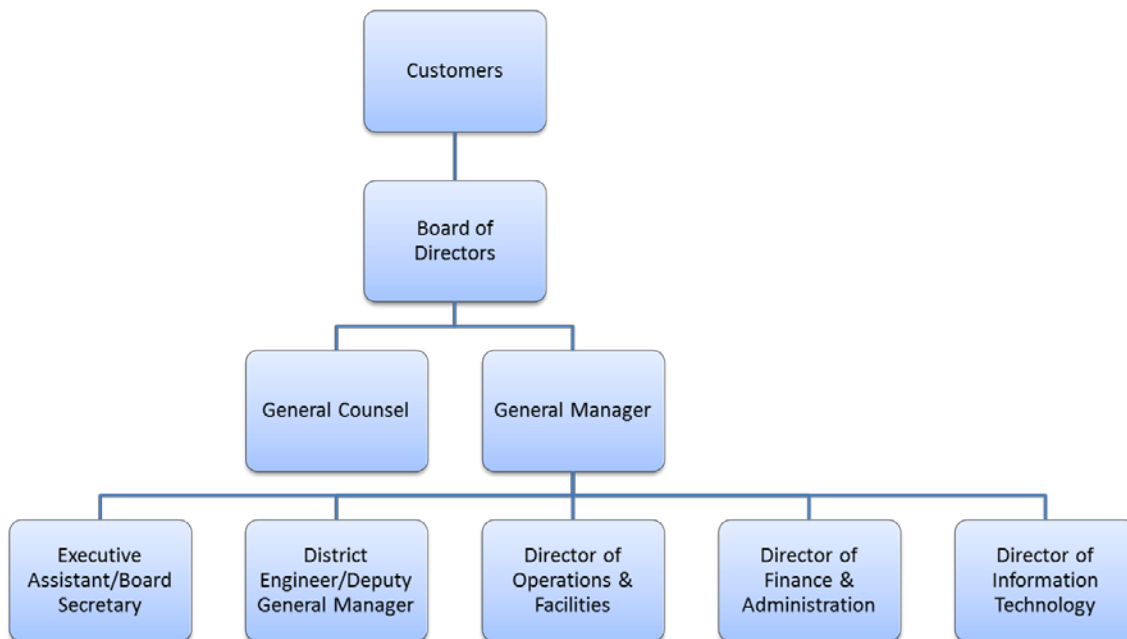
Executive Management:

<u>Title</u>	<u>Name</u>	<u>Service</u>
General Manager	Gary T. Arant	30 years
District Engineer/Deputy GM	Wally T. Grabbe	27 years
Director of Operations/Facilities	Albert G. Hoyle	28 years
Director of Finance & Administration	James V. Pugh	16 years
Director of Information Technology	Ando Pilve	11 years
Executive Assistant/Board Secretary	Christine M. Johnson	29 years

General Counsel:

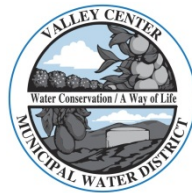
Best, Best & Krieger, LLP	Paula C. P. de Sousa	9 years
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DISTRICT ORGANIZATION CHART



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, 2019, 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, 2019, 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 and the required supplementary information on pages 43 to 46 as identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Valley Center Municipal Water District. The introductory section, the combining schedule of net position, the combining schedule of revenues, expenses, and changes in net position, 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 and the combining schedule of revenues, expenses, and changes in net position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 and the combining schedule of revenues, expenses, and changes in net position 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.

Leaf & Cole LLP

San Diego, California
December 13, 2019

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, 2019, 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 Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial statements conform to accounting principles, which are generally accepted in the United States of America and consist of three interrelated statements designed to provide the reader with relevant, understandable data on the District's financial condition and operating results. They are the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

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

The **Statement of Revenues, Expenses and Changes in Net Position** identifies the District's revenues and expenses for the fiscal year ended June 30, 2019. 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 2018-19. 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 54 new water services this year, which represents a 0.5% increase in the number of accounts it serves, compared to the prior year's increase of 120 accounts, representing a 1.1% increase. Total water services now equal 11,081 accounts, of which 10,222 are active and 859 inactive. During the fiscal year ended June 30, 2019, water sales totaled 16,116 acre feet (AF) decreasing 25.0%, or 5,382 AF from the previous year.

The District's demand is largely influenced by temperature and rainfall. The annual rainfall during the subject Fiscal Year was 20.4 inches compared to the prior year of 6.3 inches, a 224% increase. Additionally, the average temperature was 61.8 degrees compared to 63.3 degrees during Fiscal Year 2017-18.

The Cost of Water Sold is the District's highest single water operating expense. In January 2019, there were no net increases to the wholesale treated water rates from the San Diego County Water Authority for domestic customers nor for our agricultural customers. The total Cost of Water Sold during Fiscal Year 2018-19 was \$25,048,234, or 18.5% lower than the previous year due to lower demand and sales. The total amount of water purchased during the year was 17,166 AF compared to 22,526 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 comprised of several components; the Charlan Road Seasonal Storage Facility, the South Village Collection System, and the Treatment Plant that were completed in fiscal year 2016-17. The remaining project, the North Village Collection system, is scheduled for completion in fiscal year 2019-20.

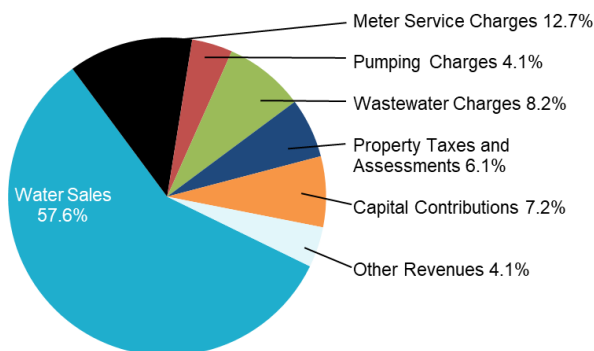
Planning for a Phase 3 expansion for an additional 320 units of capacity for the Park Circle Development has begun. Funding for the treatment plant expansion is planned to be secured through formation of a Community Facilities District. Phase 3 Expansion Planning is scheduled to be completed in fiscal year 2019-20. Construction of the expansion facilities will depend on the level of build out within the Woods Valley Ranch Sewer Service Area.

Sources of Revenue

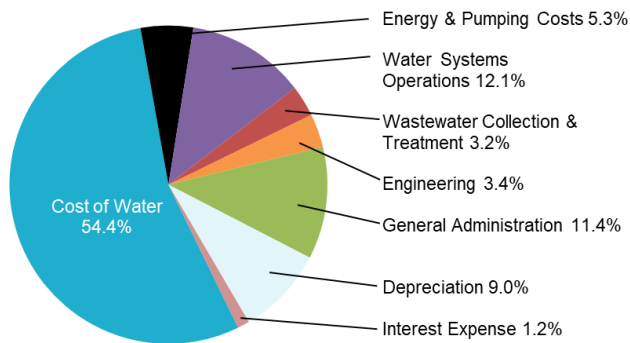
Combined revenues (excluding capital contributions) for the fiscal year totaled \$45,648,035, a decrease of \$8,134,303 or 15.1% from the previous year. Details of this decrease in revenues are as follows:

- Water sales and pumping revenue decreased by 22.1% or \$8,628,315, from the prior year. The decrease is due to the significant increase in rainfall compared to the prior year that affected agricultural sales throughout the year. Sales to Certified Agricultural customers dropped to 10,260 acre feet representing a 30% decrease from the prior year and marks a historic low. Effective January 1, 2018, water rate increases were 3.3% for domestic and 3.6% for the San Diego County Water Authority Transitional Special Agricultural Water Rate (TSAWR). These increases are due to increases in wholesale costs from the District's supplier, the San Diego County Water Authority. All water rates remained the same for calendar year 2019 as there were no increases to the pass through charges from the Districts supplier. Pumping charges were down 26.5%, or \$734,229, due to the decrease in the volume of water sold.
- Meter service charges were \$28,416 or 0.5% higher at \$6,236,719 than the prior fiscal year. Monthly meter service charges have remained unchanged since January 1, 2017. However the number of active meters increased by 59 bringing the 2018-19 count to 10,222 as compared to 10,163 in the prior year.
- Meter installation fees for the year were up 0.9% or \$2,079 from the prior year due to an increase in the amount of new water meters and backflow devices purchased and installed.
- Property taxes and assessments increased slightly by 3.7%, or \$106,927, from 2017-18 to 2018-19. 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 up 149.1%, or \$515,432, from the prior year. Yields on investments were higher than the prior fiscal year along with higher cash balances.
- Wastewater charges are down 1.0% or \$40,076 due to the fees associated with Assessment District 2012-1. This is a result of a reclassification of fees attributable to offset long-term receivables associated with the buy in to Phase 1 of the Woods Valley Ranch Treatment Plant.

Source Of Revenues Fiscal Year Ended June 30, 2019



Source Of Expenses Fiscal Year Ended June 30, 2019



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

Combined Revenues by Category

	Fiscal Year 2019	Fiscal Year 2018	Increase/ (Decrease)	% Change
<u>Revenues by Category:</u>				
Water sales and pumping charges	\$30,382,036	\$39,010,351	(\$8,628,315)	-22.1%
Meter service charges	6,236,719	6,208,303	28,416	0.5%
Meter installation fees	224,666	222,587	2,079	0.9%
Other water operating revenues	588,436	610,544	(22,108)	-3.6%
Wastewater charges	4,016,703	4,056,779	(40,076)	-1.0%
Property taxes and assessments	2,985,886	2,878,959	106,927	3.7%
Investment income	861,130	345,698	515,432	149.1%
Other nonoperating revenues	336,181	325,571	10,610	3.3%
Gain (Loss) on disposal of capital assets	16,278	123,546	(107,268)	-86.8%
Total Revenues	45,648,035	53,782,338	(8,134,303)	-15.1%
Capital contributions	3,539,329	396,898	3,142,431	791.7%
Total Revenues & Capital Contributions	<u>\$49,187,364</u>	<u>\$54,179,236</u>	<u>(\$4,991,872)</u>	<u>-9.2%</u>

Functional Expenses

- Cost of water sold decreased 18.5% over the prior year. Water purchases were down 5,360 acre feet, or 23.8%, from the prior year offset by higher wholesale water prices that affected the first half of the fiscal year. In 2017-18, the District purchased 22,526 acre feet of water at an average price of \$1,365 per acre foot. In the current year, the District purchased 17,166 acre feet of water at an average price of \$1,459 per acre foot, an increase of 6.9% or \$94 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 \$1,992,784. 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.
- Energy and pumping costs during 2018-19 were 14.9%, or \$430,553 lower than 2017-18. This is a result of lower utility costs attributable to the decrease in water sales that were partially offset by higher labor, outside professional services, and maintenance expenses.
- Water systems operations decreased \$319,444, or 5.4%, over 2017-18. The decrease is due to lower labor and benefits along with decreases in maintenance expenses.
- Engineering expenses for 2018-19 were 8.0%, or \$116,212, higher than 2017-18. This is a result of increases in labor and benefits as a result of the new Senior Engineer position being filled.

- General and administrative expenses decreased 7.6% or \$431,402 due to a combination of factors, the largest being a pension expense charge of \$1,495,387 compared to a charge of \$2,443,785 last year. This is associated with Government Accounting Standards Board Statement 68 (GASB 68) "Accounting and Financial Reporting for Pensions". This decrease was offset by higher labor and benefits, write-off of uncollectible customer accounts, maintenance and insurance costs.
- Combined water and wastewater depreciation expense in 2018-19 increased by 21.5%, or \$732,510 from the prior year due to the first full year of depreciation for the Expansion of the Woods Valley Ranch Wastewater Reclamation Facility that was capitalized in 2017-18.
- Combined wastewater collection and treatment costs for Moosa and Woods Valley Ranch were \$124,749 or 9.4% 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 electricity costs.
- Interest expense was \$17,946 higher than the previous year. This is due to higher interest expenses 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 2019	Fiscal Year 2018	Increase/ (Decrease)	% Change
<u>Expenses by Category:</u>				
Cost of water sold	\$25,048,234	\$30,744,890	(\$5,696,656)	-18.5%
Energy and pumping costs	2,457,485	2,888,038	(430,553)	-14.9%
Water systems operations	5,571,209	5,890,653	(319,444)	-5.4%
Wastewater collection and treatment	1,458,174	1,333,425	124,749	9.4%
Engineering	1,571,413	1,455,201	116,212	8.0%
General and administrative	5,246,189	5,677,591	(431,402)	-7.6%
Depreciation	4,135,118	3,402,608	732,510	21.5%
Interest expense	557,983	540,037	17,946	3.3%
Total expenses	<u>\$46,045,805</u>	<u>\$51,932,443</u>	<u>(\$5,886,638)</u>	<u>-11.3%</u>

Net Position

The District's Net Position increased \$3,141,559 or 3.8% compared to the previous year. Total assets increased \$3,128,381, or 2.2% over the previous year, mainly due to an increase in other assets for the investment in AD 2012-1 Limited Obligation and capital assets due to the Cool Valley Cover/Liner Replacement Project that were offset by a reduction in accounts receivable due to lower sales volume. Total Liabilities are down \$1,914,337, or 2.8%. The decrease in liabilities is due to decreases 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 and increases in the Net Pension Liability. More detailed information concerning the Deferred Outflows and Inflows of Resources can be found in Note 8 of the Notes to the Financial Statements.

Statement of Revenues, Expenses and Changes In Net Position

	Fiscal Year 2019	Fiscal Year 2018	Increase/ (Decrease)	% Change
<u>Operating Revenues:</u>				
Water sales and pumping charges	\$30,382,036	\$39,010,351	(\$8,628,315)	-22.1%
Meter service charges	6,236,719	6,208,303	28,416	0.5%
Wastewater charges	4,016,703	4,056,779	(40,076)	-1.0%
Meter installation fees	224,666	222,587	2,079	0.9%
Other water operating revenues	588,436	610,544	(22,108)	-3.6%
Total operating revenues	<u>41,448,560</u>	<u>50,108,564</u>	<u>(8,660,004)</u>	<u>-17.3%</u>
<u>Operating Expenses:</u>				
Cost of water sold	25,048,234	30,744,890	(5,696,656)	-18.5%
Energy and pumping costs	2,457,485	2,888,038	(430,553)	-14.9%
Water systems operations	5,571,209	5,890,653	(319,444)	-5.4%
Wastewater collection and treatment	1,458,174	1,333,425	124,749	9.4%
Engineering	1,571,413	1,455,201	116,212	8.0%
General and administrative	5,246,189	5,677,591	(431,402)	-7.6%
Depreciation	4,135,118	3,402,608	732,510	21.5%
Total operating expenses	<u>45,487,822</u>	<u>51,392,406</u>	<u>(5,904,584)</u>	<u>-11.5%</u>
Operating (Loss)	<u>(4,039,262)</u>	<u>(1,283,842)</u>	<u>(2,755,420)</u>	<u>214.6%</u>
<u>Nonoperating Revenues and (Expenses):</u>				
Property taxes and assessments	2,985,886	2,878,959	106,927	3.7%
Investment income	861,130	345,698	515,432	149.1%
Other nonoperating revenues	336,181	325,571	10,610	3.3%
Interest expense	(557,983)	(540,037)	17,946	3.3%
Gain on disposal of capital assets	16,278	123,546	(107,268)	-86.8%
Total Nonoperating Revenues and (Expenses)	<u>3,641,492</u>	<u>3,133,737</u>	<u>507,755</u>	<u>16.2%</u>
Income Before Contributions	(397,770)	1,849,895	(2,247,665)	-121.5%
Capital contributions	<u>3,539,329</u>	<u>396,898</u>	<u>3,142,431</u>	<u>791.7%</u>
Change in Net Position	<u>3,141,559</u>	<u>2,246,793</u>	<u>894,766</u>	<u>39.8%</u>
Net Position at Beginning of Year, as Restated	<u>83,761,717</u>	<u>81,634,174</u>	<u>2,127,543</u>	<u>2.6%</u>
Restatement ⁽¹⁾	<u>0</u>	<u>(119,250)</u>	<u>119,250</u>	<u>100.0%</u>
NET POSITION AT END OF YEAR, as Restated	<u><u>\$86,903,276</u></u>	<u><u>\$83,761,717</u></u>	<u><u>\$3,141,559</u></u>	<u><u>3.8%</u></u>

(1) Restatement of 2018 Net Position at End of Year due to a reclassification of contributed capital previously recorded as revenue in the Lower Moosa Wastewater Fund, see footnote 14 to the financial statements.

Condensed Statement of Net Position

	Fiscal Year 2019	Fiscal Year 2018	Increase/ (Decrease)	% Change
Current Assets	\$39,598,266	\$41,910,310	(\$2,312,044)	-5.5%
Restricted Assets	1,550,544	1,359,327	191,217	14.1%
Long-term Receivables	7,026,135	3,148,892	3,877,243	123.1%
Capital Assets	99,888,247	98,516,282	1,371,965	1.4%
Total Assets	148,063,192	144,934,811	3,128,381	2.2%
Deferred Outflows of Resources	6,487,133	7,190,490	(703,357)	-9.8%
Current Liabilities	13,521,477	13,692,454	(170,977)	-1.2%
Long-term Debt	24,656,996	25,649,394	(992,398)	-3.9%
Other Noncurrent Liabilities	27,817,099	28,568,061	(750,962)	-2.6%
Total Liabilities	65,995,572	67,909,909	(1,914,337)	-2.8%
Deferred Inflows of Resources	1,651,477	334,425	1,317,052	393.8%
Net Position:				
Net investment in capital assets	74,019,639	71,684,014	2,335,625	3.3%
Restricted for facility expansion	1,550,544	1,359,327	191,217	14.1%
Unrestricted	11,333,093	10,718,376	614,717	5.7%
Total Net Position, as Restated	\$86,903,276	\$83,761,717	\$3,141,559	3.8%

CAPITAL ASSETS

Capital assets include land, transmission and distribution system, general plant, and construction-in-progress. At June 30, 2019, the District had \$190,232,076 in capital assets with \$99,888,247 of accumulated depreciation. This represents a net decrease (additions less deductions) of \$6,762,908 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 Cool Valley Cover/Liner Replacement, Wilkes Road Pipeline Extension, the Integrated Water Resources Management Plan and the Energy Analysis. Significant additions to construction in progress include the Via Cantamar & Reidy Canyon #1 Reservoir Painting and Recoating, the Betsworth Painting and Recoating, Old Castle Waterline Replacement, Rimrock LPS System Improvements, and the North Village Collection System.

Capital Assets

	Fiscal Year 2019	Fiscal Year 2018	Increase/ (Decrease)	% Change
Land	\$7,928,708	\$7,928,708	\$0	0.0%
Construction in progress	8,134,872	8,217,377	(82,505)	-1.0%
Transmission and distribution system	156,781,843	153,814,650	2,967,193	1.9%
General plant	17,386,653	16,943,839	442,814	2.6%
Total assets	\$190,232,076	\$186,904,574	\$3,327,502	1.8%

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

LONG TERM DEBT

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

The District also has an SRF Loan used for the Cool Valley Reservoir Cover-Liner replacement. This loan for \$3,368,992 is payable over a twenty-year term with interest at 1.6%.

The District had no general obligation bonded debt at June 30, 2019. As the District has issued no bonded debt for public placement since 1968, it is not rated by any investment rating service.

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

Assessment District No. 2012-1 issued Limited Obligation Improvement Bonds in July 2018 under the Improvement Act of 1915 to fund the fourth project component, the North Village Collection System, of the Woods Valley Ranch Water Reclamation Facility Phase 2 Expansion. The Bond was established and is repayable over a twenty-year term at an annual interest rate of 2.2%, to match the CWSRF financing terms. These bonds are not a general obligation of the District and not presented in this report. More detailed information about Assessment District 2012-1 is presented in Note 6 to the financial statements.

ECONOMIC FACTORS

The District sets its rates annually based upon anticipated consumption. A significant reduction in consumption could have an adverse effect on the District's financial position. Additionally, the District purchases all of its water from the San Diego County Water Authority. Interruption of this service would have a significant negative effect on the District's financial position. At June 30, 2019, the District had designated \$6,525,841 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, 2019

ASSETS

Current Assets: (Notes 1 and, 2)

Cash and cash equivalents	\$ 23,569,979
Investments	8,539,508
Accounts receivable - Water and wastewater, net	4,895,620
WVR Phase 1 Buy-In receivable	154,492
Interest receivable	335,229
Taxes receivable	21,206
Other receivables	3,313
Inventory	832,126
Prepaid expenses and deposits	250,669
Work in progress for others	996,124
Total Current Assets	<u>39,598,266</u>

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

Restricted Assets:

Cash and cash equivalents	519,016
Investments	1,031,528
Total Restricted Assets	<u>1,550,544</u>

Other Assets:

WVR Phase 1 Buy-In receivable, net of current portion	2,991,135
Investment in VCMWD AD 2012-1 limited obligation	4,035,000
Total Other Assets	<u>7,026,135</u>

Capital Assets:

Nondepreciable capital assets	16,063,579
Depreciable capital assets, net	83,824,668
Total Capital Assets	<u>99,888,247</u>

Total Noncurrent Assets	<u>108,464,926</u>
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TOTAL ASSETS	<u>148,063,192</u>
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DEFERRED OUTFLOWS OF RESOURCES: (Notes 1, 8 and 9)

Deferred outflows related to pensions	3,588,665
Deferred outflows related to pension contributions	2,250,183
Deferred outflows related to OPEB contributions	648,285
Total Deferred Outflows of Resources	<u>6,487,133</u>

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

VALLEY CENTER MUNICIPAL WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2019

LIABILITIES

Current Liabilities: (Notes 1 and 5)

Accounts payable	\$ 5,436,079
Accrued payroll	149,058
Current portion of accrued compensated absences	840,000
Interest payable	303,469
Customer deposits	5,581,259
Current portion of loans payable	1,211,612
Total Current Liabilities	<u>13,521,477</u>

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

Long-Term Debt:

Long term debt, net of current portion	24,656,996
Total Long-Term Debt	<u>24,656,996</u>

Other Noncurrent Liabilities:

Net pension liability	22,685,118
Net OPEB liability	3,543,025
Accrued compensated absences, net of current portion	1,588,956
Total Other Noncurrent Liabilities	<u>27,817,099</u>

Total Noncurrent Liabilities	<u>52,474,095</u>
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Total Liabilities	<u>65,995,572</u>
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DEFERRED INFLOWS OF RESOURCES: (Notes 1, 8 and 9)

Deferred inflows related to pensions	1,571,869
Deferred inflows related to OPEB	79,608
Total Deferred Inflows of Resources	<u>1,651,477</u>

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

NET POSITION: (Notes 7 and 14)

Net investment in capital assets	\$ 74,019,639
Restricted for facility expansion	1,550,544
Unrestricted	11,333,093
Total Net Position	<u>\$ 86,903,276</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, 2019

Operating Revenues:

Water sales and pumping charges	\$ 30,382,036
Meter service charges	6,236,719
Wastewater charges	4,016,703
Meter installation fees	224,666
Other water operating revenues	588,436
Total Operating Revenues	<u>41,448,560</u>

Operating Expenses:

Cost of water sold	25,048,234
Energy and pumping costs	2,457,485
Water systems operations	5,571,209
Wastewater collection and treatment	1,458,174
Engineering	1,571,413
General and administrative	5,246,189
Depreciation	4,135,118
Total Operating Expenses	<u>45,487,822</u>

Operating Loss	<u>(4,039,262)</u>
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Nonoperating Revenues (Expenses):

Property taxes and assessments	2,985,886
Investment income	861,130
Other nonoperating revenues	336,181
Interest expense	(557,983)
Gain on disposal of capital assets	16,278
Total Nonoperating Revenues (Expenses)	<u>3,641,492</u>

Loss Before Contributions	(397,770)
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Capital Contributions	<u>3,539,329</u>
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Change in Net Position	3,141,559
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Net Position at Beginning of Year, as Restated (Note 14)	<u>83,761,717</u>
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NET POSITION AT END OF YEAR	<u>\$ 86,903,276</u>
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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, 2019**

Cash Flow From Operating Activities:

Receipts from customers	\$ 43,302,489
Payments to suppliers for goods and services	(30,820,265)
Payments to employees for services	(11,057,588)
Change in work in progress for others	(208,630)
Customer deposits	702,213
Other nonoperating revenue	336,181
Net Cash Provided by Operating Activities	<u>2,254,400</u>

Cash Flow From Noncapital Financing Activities:

Proceeds from property taxes, general levy	<u>2,975,586</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,975,586</u>

Cash Flows From Capital and Related Financing Activities:

Proceeds from sale of capital assets	19,442
Acquisition and construction of capital assets	(1,607,081)
Proceeds from loans payable	230,572
Principal paid on loans payable	(1,194,232)
Interest paid on installment notes payable	(564,374)
Capital contributions	171,000
Net Cash Used in Capital and Related Financing Activities	<u>(2,944,673)</u>

Cash Flows From Investing Activities:

Payments for investments, net	176,657
Payment for investment in VCMWD AD 2012-1 limited obligation	(4,035,000)
Investment income received	526,275
Net Cash Used in Investing Activities	<u>(3,332,068)</u>

Net Decrease in Cash and Cash Equivalents	(1,046,755)
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Cash and Cash Equivalents at Beginning of Year	<u>25,135,750</u>
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CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>24,088,995</u>
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(Continued)

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Reconciliation of Operating Loss to Net

Cash Provided by Operating Activities:

Operating loss	\$ (4,039,262)
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**Adjustments to reconcile operating loss
to net cash provided by operating activities:**

Depreciation	4,135,118
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Other nonoperating revenues	336,181
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Change in assets and liabilities:

WVR Phase 1 Buy-In receivable	151,265
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Accounts receivable - Water and wastewater, net	1,699,764
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Other receivables	2,900
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Inventory	(245,641)
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Prepaid expenses and deposits	669
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Work in progress for others	(208,630)
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Deferred outflows related to pensions	818,617
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Deferred outflows related to pension contributions	(189,096)
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Deferred outflows related to OPEB contributions	73,836
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Accounts payable	(1,628,483)
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Accrued payroll	22,959
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Accrued compensated absences	64,303
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Customer deposits	702,213
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Net pension liability	(451,224)
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Net OPEB liability	(308,141)
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Deferred inflows related to pensions	1,317,090
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Deferred inflows related to OPEB	(38)
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Net Cash Provided by Operating Activities	\$ <u><u>2,254,400</u></u>
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Cash and Cash Equivalents:

Financial Statement Classification

Cash and cash equivalents	\$ 23,569,979
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Restricted cash and cash equivalents	519,016
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Total Cash and Cash Equivalents	\$ <u><u>24,088,995</u></u>
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Noncash Investing, Capital and Financing Activities

Net unrealized gain on investments	\$ (142,803)
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Capital assets included in decrease in accounts payable	\$ 534,837
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Capital assets contributed	\$ <u><u>3,368,329</u></u>
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The accompanying notes are an integral part of the financial statements.

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 - Organization and Summary of Significant Accounting Policies:

(a) Description of Reporting Entity

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

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

In addition, the District has established Assessment District 2012-1 (AD2012-1) to account for special assessment bonds described in Note 6. The financial position and results of operations of AD 2012-1 are excluded from these financial statements.

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

(b) Method of Accounting

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

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

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, 2019

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.

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, 2019, 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, 2019

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 \$4,895,620 have been reduced by an allowance for estimated uncollectible accounts in the amount of \$28,230 at June 30, 2019.

(i) WVR Phase 1 Buy-In Receivable

The Woods Valley Ranch Water Reclamation Facility - Phase 1 project was funded, constructed and dedicated to the District by the developer. Pursuant to the Reimbursement Agreement for Construction of Water Reclamation Facilities (Agreement) the developer was required to oversize certain facilities to serve other areas in addition to the developers property. The District agreed to reimburse the developer for the cost of benefiting future development facilities with funds collected from participants in future expansion phases and submit payment to the Developer. In May 2016, the District refunded to the developer the \$3,589,720 pursuant to the Agreement. The refund was funded with proceeds from the Installment Sales agreement from the State of California Water Resources Control board obtained for the Phase 2 expansion project and will be repaid from annual assessments from the Phase 2 participants over a 20 year period through June 30, 2036. The WVR Phase I Buy-In receivable totaled \$3,145,627 at June 30, 2019

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

On July 31, 2018 the Valley Center Municipal Water District Assessment District 2012-1 (AD2012-1) issued \$4,035,000 of limited obligation improvement bonds. The bonds and interest are paid from general special assessments on property within AD 2012-1. On July 31, 2018 the District purchased this bond in its entirety and is the sole bondholder. The VCMWD AD-2012-1 limited obligation bonds totaled \$4,035,000 at June 30, 2019.

(k) Inventory

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

At June 30, 2019, inventory consists of the following:

Materials inventory	\$ 668,623
Water inventory	<u>163,503</u>
	<u>\$ 832,126</u>

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

(l) Capital Assets

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

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

Depreciation totaled \$4,135,118 for the year ended June 30, 2019.

(m) Compensated Absences

Accumulated unpaid vacation and sick leave totaling \$2,428,956 is accrued when incurred and included in current and noncurrent liabilities at June 30, 2019.

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

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

(o) 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 \$1,679 for the year ended June 30, 2019.

(p) Classification of Liabilities

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

(q) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by 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.

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

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018

(r) Postemployment Benefits (OPEB)

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

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

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

(s) 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.
- Investment in VCMWD AD 2012-1 limited obligation are considered Level 2 assets and are reported at fair value based upon the principal value of the underlying debt.

(t) 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.

(u) Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 16, 2019, the date the financial statements were available to be issued.

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019:

	Fair Value	Investment Maturities (In Years)	
		Less Than 1 Year	1 - 5
Cash on hand	\$ 1,400	\$ 1,400	\$ -
California Local Agency Investment Fund (LAIF)	334,494	334,494	-
San Diego County Treasurer's Pooled Money Fund	23,206,075	23,206,075	-
Demand deposits	547,026	547,026	-
Investments:			
United States Government Sponsored Enterprises	4,215,557	3,077,424	1,138,133
Certificates of Deposit	5,355,479	917,899	4,437,580
Investment in VCMWD AD 2012-1 Limited Obligation	4,035,000	155,000	3,880,000
Total Cash and Investments	<u>\$ 37,695,031</u>	<u>\$ 28,239,318</u>	<u>\$ 9,455,713</u>
Financial Statement Classification:			
Cash and Cash Equivalents	\$ 23,569,979		
Investments	8,539,508		
Cash and cash equivalents - Restricted	519,016		
Investments - Restricted	1,031,528		
Investment in VCMWD AD 2012-1 Limited Obligation	4,035,000		
Total	<u>\$ 37,695,031</u>		

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 2 - Cash and Investments: (Continued)

(b) Concentration of Credit Risk

The District's policy is that investments should be diversified through limited investment to avoid over-concentration in securities from a specific issuer (excluding U.S. Treasury securities), by varying maturities, and by investing a portion of the portfolio in external investment pools or money market funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations. The District further limits certificates of deposit to 30% of its portfolio. State law limits investment in money market funds to 20% of the total portfolio, and investments in any one fund to 10%. At June 30, 2019, the following investments represented more than 5% of the District's investment portfolio.

Investment in VCMWD AD 2012-1 Limited Obligation	\$ <u>4,035,000</u>
--	---------------------

(c) Credit Risk

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

	<u>Standard & Poor's</u>	<u>Moody's</u>
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 National Mortgage Association	AA+	AAA
Federal Home Loan Mortgage Corporation	AA+	AAA
U.S. Treasury Note and Bonds	Not rated	AAA
Federal Home Loan Banks	AA+	AAA
Investment in VCMWD AD 2012-1 Limited Obligation	Not rated	Not rated

(d) Custodial Credit Risk

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

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 2 - Cash and Investments: (Continued)

(e) Interest Rate Risk

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

(f) Foreign Currency Risk

The District is not exposed to foreign currency risk.

(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, 2019:

<u>Funding Source</u>	<u>Use</u>	
Capacity fees	Facility expansion	\$ <u>1,550,544</u>

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

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 4 - Capital Assets:

Capital assets consist of the following at June 30, 2019:

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019
Capital Assets Not Being Depreciated:				
Land	\$ 7,928,708	\$ -	\$ -	\$ 7,928,708
Construction in progress	8,217,377	5,188,098	(5,270,604)	8,134,871
	<u>16,146,085</u>	<u>5,188,098</u>	<u>(5,270,604)</u>	<u>16,063,579</u>
Capital Assets Being Depreciated:				
Transmission and distribution system	153,814,650	5,059,407	(2,092,215)	156,781,842
General plant	16,943,839	533,346	(90,530)	17,386,655
	<u>170,758,489</u>	<u>5,592,753</u>	<u>(2,182,745)</u>	<u>174,168,497</u>
Less Accumulated Depreciation:				
Transmission and distribution system	(74,251,210)	(3,680,579)	2,089,051	(75,842,738)
General Plant	(14,137,082)	(454,539)	90,530	(14,501,091)
	<u>(88,388,292)</u>	<u>(4,135,118)</u>	<u>2,179,581</u>	<u>(90,343,829)</u>
Net Capital Assets Being Depreciated	<u>82,370,197</u>	<u>1,457,635</u>	<u>(3,164)</u>	<u>83,824,668</u>
Net Capital Assets	<u>\$ 98,516,282</u>	<u>\$ 6,645,733</u>	<u>\$ (5,273,768)</u>	<u>\$ 99,888,247</u>

Depreciation totaled \$4,135,118 for the year ended June 30, 2019.

Note 5 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30, 2019:

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019	Current Portion
<u>Long-Term Debt:</u>					
Installment sales agreements	\$ 26,753,731	\$ 230,572	\$ (1,174,638)	\$ 25,809,665	\$ 1,192,018
Financing loan agreements	78,537	-	(19,594)	58,943	19,594
Total Long-Term Debt	<u>26,832,268</u>	<u>230,572</u>	<u>(1,194,232)</u>	<u>25,868,608</u>	<u>1,211,612</u>
<u>Other Noncurrent Liabilities:</u>					
Net pension liability	23,136,342	1,609,863	(2,061,087)	22,685,118	-
Net OPEB liability	3,851,166	414,245	(722,386)	3,543,025	-
Accrued compensated absences	2,364,653	919,873	(855,570)	2,428,956	840,000
Total Other Noncurrent Liabilities	<u>29,352,161</u>	<u>2,943,981</u>	<u>(3,639,043)</u>	<u>28,657,099</u>	<u>840,000</u>
Total Noncurrent Liabilities	<u>\$ 56,184,429</u>	<u>\$ 3,174,553</u>	<u>\$ (4,833,275)</u>	<u>\$ 54,525,707</u>	<u>\$ 2,051,612</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 5 - Noncurrent Liabilities: (Continued)

(a) Long-Term Debt

Installment Sales Agreements

State of California, Water Resources Control Board - The District entered into a contract with the State of California, Water Resources Control Board, for a loan in an amount up to \$17,393,705 for the expansion of the Woods Valley Ranch Reclamation Facility. The loan accrues interest at 2.2% with annual payments of principal and interest in the amount of \$1,084,260 beginning in December 2018. The loan matures December 15, 2036. The loan is secured by a lien and pledge of the assessments, assessment fund, enterprise funds, net revenues, and any reserve fund specified in the installment sale agreement. Interest payable totaled \$190,626 at June 30, 2019.

\$ 15,973,010

State of California, Water Resources Control Board - The District entered into a contract with the State of California, Water Resources Control Board, for a loan in an amount up to \$4,752,616 for the expansion of the Woods Valley Ranch Reclamation Facility. The loan accrues interest at 2.2% with annual payments of principal and interest in the amount of \$294,679 beginning in October 2017. The loan matures October 20, 2036. The loan is secured by a lien and pledge of the assessments, assessment fund, enterprise funds, net revenues, and any reserve fund specified in the installment sale agreement. Interest payable totaled \$66,461 at June 30, 2019.

4,341,130

State of California, Water Resources Control Board - The District entered into a contract with the State of California, Water Resources Control Board, for a loan in an amount up to \$3,368,992 for the Cool Valley Reservoir Cover/Liner Replacement. The loan accrues interest at 1.6% with semi-annual payments of principal and interest in the amount of \$99,151 beginning in January 2019. The loan matures July 1, 2037. The loan is secured by a lien and pledge of the assessments, assessment fund, enterprise funds, net revenues, and any reserve fund specified in the installment sale agreement.

3,090,765

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 \$2,626,653 for the expansion of the Woods Valley Ranch Reclamation Facility. The loan accrues interest at 2.2% with annual payments of principal and interest in the amount of \$163,449 beginning in August 2018. The loan matures August 15, 2036. The loan is secured by a lien and pledge of the assessments, assessment fund, enterprise funds, net revenues, and any reserve fund specified in the installment sale agreement. Interest payable totaled \$46,382 at June 30, 2019.

Total Installment Sales Agreements

\$ 2,404,760
\$ 25,809,665

Financing Loan Agreements

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 \$153,196 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.

Total Financing Loan Agreement

\$ 58,943
\$ 58,943

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
2020	\$ 1,192,017	\$ 548,673	\$ 19,593	\$ -	\$ 1,211,610	\$ 548,673
2021	1,217,355	523,335	17,916	-	1,235,271	523,335
2022	1,243,235	497,455	9,527	-	1,252,762	497,455
2023	1,269,670	471,020	9,527	-	1,279,197	471,020
2024	1,296,673	444,017	2,380	-	1,299,053	444,017
2025 - 2029	6,909,108	1,794,342	-	-	6,909,108	1,794,342
2030 - 2034	7,676,550	1,026,901	-	-	7,676,550	1,026,901
2035 - 2038	5,005,057	212,385	-	-	5,005,057	212,385
	<u>\$ 25,809,665</u>	<u>\$ 5,518,128</u>	<u>\$ 58,943</u>	<u>\$ -</u>	<u>\$ 25,868,608</u>	<u>\$ 5,518,128</u>

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 6 - Special Assessment Bonds:

On July 31, 2018, Valley Center Water District Assessment District No. 2012-1 (AD 2012-1) issued \$4,035,000 of limited obligation improvement bonds pursuant to the provisions of the Municipal Improvement Act of 1913 and the Improvement Bond Act of 1915. Under the Acts, the District is not obligated to repay the AD 2012-1 bonds and the District does not intend in any manner to assume responsibility for the repayment of such debt. The bond proceeds were used to establish reserve funds, pay bond issuance costs, and fund public improvements consisting of the North Village Collection System within and for AD 2012-1. AD 2012-1 bonds payable totaled \$4,035,000 at June 30, 2019.

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

Note 7 - Unrestricted Net Position:

Unrestricted net position has been designated by the board of directors for the following purposes at June 30, 2019:

Capital improvements	\$ 20,779,121
Operating reserve	8,801,015
Debt service	1,740,690
Wastewater capital replacement reserves	1,700,711
Net pension liability	(18,418,139)
Net OPEB liability	(3,270,305)
Unrestricted Net Position	<u>\$ 11,333,093</u>

Note 8 - Defined Benefit Pension Plan:

(a) General Information About the Pension Plans

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 8 - Defined Benefit Pension Plan: (Continued)

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

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Miscellaneous Plan members with five years of service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members with five years of service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability retirement benefits after five years of service. The death benefit is the basic death benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees Retirement law per contract. The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.5%
Required employer contribution rates	12.556%	6.939%

In addition to the contribution rates above, the District was also required to make payments of \$1,513,270 toward its unfunded actuarial liability during the year ended June 30, 2019.

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

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial process. The Plans actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 8 - Defined Benefit Pension Plan: (Continued)

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

The District reported the following net pension liability for its proportionate share of net position liability of the risk pool at June 30, 2019:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous Risk Pool	\$ <u>22,685,118</u>

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

The District's proportionate share of the net pension liability as of June 30, 2017, the valuation date, was calculated as follows:

- In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to the miscellaneous. Estimates of the total pension liability and the fiduciary net position were first determined as of the valuation date, June 30, 2017.
- Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The District's proportionate share percentage at the valuation date was calculated by dividing the District's net pension liability for each of its employer rate plans by the net pension liability as of the valuation date.

The District's proportionate share of the net pension liability as of June 30, 2018, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2018, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2018, was computed by subtracting the respective risk pool's fiduciary net pension from its total pension liability.

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 8 - Defined Benefit Pension Plan: (Continued)

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

- The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2018, was calculated by applying the District's proportionate share percentage as of the valuation date (described above) to the total pension liability and fiduciary net position as of June 30, 2018, to obtain the total pension liability and fiduciary net position as of June 30, 2018. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

The District's proportionate share percentage of the net pension liability as of June 30, 2017 and June 30, 2018, was as follows:

	<u>Miscellaneous Risk Pool</u>
Proportion at measurement date - June 30, 2017	0.586912%
Proportion at measurement date - June 30, 2018	0.601933%
Change - Increase (Decrease)	<u>0.015021%</u>

For the year ended June 30, 2019, the District recognized pension expense of \$3,745,570. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2019:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 574,200	\$ -
Changes of assumptions	1,952,350	-
Net difference between projected and actual earnings on pension plan investments	112,149	-
Adjustment due to difference in proportions	-	(1,571,869)
Differences between actual and required contributions	949,966	-
Contributions after measurement date	2,250,183	-
Total	<u>\$ 5,838,848</u>	<u>\$ (1,571,869)</u>

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 8 - Defined Benefit Pension Plan: (Continued)

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

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date June 30	Deferred Outflows/(Inflows) Of Resources
2020	\$ 2,127,201
2021	1,117,352
2022	(1,023,717)
2023	(204,040)
Total	<u>\$ 2,016,796</u>

(c) Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.00%
Mortality Rate Table	Derived using CalPERS' membership data for all funds

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 8 - Defined Benefit Pension Plan: (Continued)

(d) Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for 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 none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2018 based on June 30, 2017 Valuations*, that can be obtained from the CalPERS website.

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

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

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

<u>Asset Class</u>	<u>New Strategy Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11 +</u>
Global Equity	50.0%	4.8%	5.98%
Fixed Income	28.0	1.0	2.62
Inflation Assets	0.0	0.77	1.81
Private Equity	8.0	6.3	7.23
Real Estate	13.0	3.75	4.93
Liquidity	1.0	0.0	(0.92)
	<u>100.0%</u>		

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 8 - Defined Benefit Pension Plan: (Continued)

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

The following presents the District's proportionate share of the net pension liability of the risk pool as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Valley Center Municipal Water District's proportionate share of the Miscellaneous Risk Pool's net pension liability	\$ 30,657,085	\$ 22,685,118	\$ 16,104,389

Note 9 - Other Postemployment Benefits:

(a) General Information About the OPEB Plan

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

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

Employees Covered - As of the June 30, 2018 measurement date, the following current and former employees were covered by the benefit terms under the OPEB Plan.:

Active employees	\$ 51
Inactive employees or beneficiaries currently receiving benefit payments	36
Inactive employees entitled to but not yet receiving benefit payments	6
	<u>\$ 93</u>

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9 - Other Postemployment Benefits: (Continued)

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

Contributions - The District has established an irrevocable trust fund through the California Employers' Retiree Benefits Trust (CERBT), an agent multiple-employer postemployment healthcare trust administered by CalPERS. For the period from July 1, 2018 to June 30, 2019, the District's cash contributions were \$722,386. The employer contributions include retiree benefits payments inclusive of subsidy not reimbursed from the trust.

Net OPEB Liability - The District's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2017.

Actuarial Assumptions - The total OPEB liability in the June 2017 actuarial valuation was determined using the following assumptions applied to all periods included in the measurement, unless otherwise specified.

Actuarial Cost Method	Entry Age Normal Cost, Level Percent of Pay
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	7.00%
Mortality Rate	Derived using CalPERS' Membership Data for all funds
Pre-Retirement Turnover	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	6.5% HMO/7.0% PPO decreasing to 5.0% HMO/5.0% PPO

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

The assumed gross return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9 - Other Postemployment Benefits: (Continued)

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

Actuarial Assumptions (Continued) -

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Assumed Gross Return</u>
U.S. Large Cap	43.0000	7.7950
U.S. Small Cap	23.0000	7.7950
Long-Term Corporate Bonds	12.0000	5.2950
Long-Term Government Bonds	6.0000	4.5000
Treasury Inflation Protected Securities (TIPS)	5.0000	7.7950
U.S. Real Estate	8.0000	7.7950
All Commodities	3.0000	7.7950
Total	<u>100.0000</u>	

(b) Discount Rate

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

(c) Changes in the OPEB Liability

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

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (c) = (a) - (b)</u>
Balance at June 30, 2018	\$ 7,901,782	\$ 4,050,616	\$ 3,851,166
Changes recognized for the measurement period:			
Service cost	174,771	-	174,771
Interest	555,262	-	555,262
Contributions - employer	-	722,386	(722,386)
Net investment income	-	323,308	(323,308)
Benefit payments	(288,490)	(288,490)	-
Administrative expense	-	(7,520)	(7,520)
Net Changes	<u>441,543</u>	<u>749,684</u>	<u>(308,141)</u>
Balance at June 30, 2019	<u>\$ 8,343,325</u>	<u>\$ 4,800,300</u>	<u>\$ 3,543,025</u>

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9 - Other Postemployment Benefits: (Continued)

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability (asset)	\$ 4,651,634	\$ 3,543,025	\$ 2,622,080

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

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

	1% Decrease (5.50% HMO/6.00% PPO Decreasing to 4.00% HMO/4.00% PPO)	Current Healthcare Cost Trend Rates (6.50% HMO/7.00% PPO Decreasing to 5.00% HMO/5.00% PPO)	1% Increase (7.50% HMO/8.00% PPO Decreasing to 6.00% HMO/6.00% PPO)
Net OPEB liability (asset)	\$ 2,464,306	\$ 3,543,025	\$ 4,866,678

(f) OPEB Plan Fiduciary Net Position

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

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$260,703. The District reported deferred outflows and inflows of resources related to OPEB from the following sources at June 30, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 648,285	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	79,608
Total	\$ 648,285	\$ 79,608

**VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 9 - Other Postemployment Benefits: (Continued)

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

The \$648,285 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during year ended June 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<u>Measurement Date June 30</u>	<u>Deferred Outflows/(Inflows) Of Resources</u>
2020	\$ (24,880)
2021	(24,880)
2022	(24,878)
2023	(4,970)
Total	<u>\$ (79,608)</u>

(h) Defined Contribution Plan

Employees hired on or after July 1, 2008, participate in a defined contribution plan, Retiree Welfare Benefits Plan. The District administers the plan through an agreement with 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 3% of their annual covered payroll to the plan, and any sick leave accrued at termination. The District contribution is 1.15% of annual covered payroll plus \$30 per participant. The District has no payment obligation once the employee separates from the District.

During the year ended June 30, 2019, employee contributions were \$42,628 and District contributions were \$14,505 for a total of \$57,133.

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 10 - Risk Management:

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

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

The District pays annual premiums for its liability (auto, general, and public officials), property loss, workers' compensation, and fidelity bond coverage. They are subject to retrospective adjustments based on claims experience. The nature and amounts of these adjustments cannot be estimated and are charged or credited to expense as invoiced. The District's insurance expense for the year ended June 30, 2019 was \$204,836. 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, 2019, the total unpaid amount on these contracts is approximately \$800,820 for water operations and \$607,511 for wastewater operations.

(b) Litigation

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

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 13 - New Governmental Accounting Standards:

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. This pronouncement did not have a material effect 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. 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. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 87

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87 “Leases”. The requirements of this Statement 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.

GASB No. 88

In April 2018, the Governmental Accounting Standards Board issued Statement No. 88 “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. 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. 89

In June 2018, the Governmental Accounting Standards Board issued Statement No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period”. The requirements of this Statement are effective for reporting periods beginning after December 14, 2019. 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.

VALLEY CENTER MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 13 - New Governmental Accounting Standards: (Continued)

GASB No. 90

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90 "Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61". The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. 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. 91

In May 2019, the Governmental Accounting Standards Board issued Statement No. 91 "Conduit Debt Obligations". The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

Note 14 - Net Position:

During the year ended June 30, 2019, the District refunded certain prior revenues related to sewer availability as a result of the property, to which the sewer capacity was specifically attached being sold to a nature conservancy and the sewer services agreement from 2003 being terminated, resulting in a reduction in the net position reported at June 30, 2018. The following is a detail:

Net Position at June 30, 2018, as Originally Stated	\$ 83,880,967
Refund of previously recorded sewer availability revenues	<u>(119,250)</u>
Net Position at June 30, 2018, as Restated	<u>\$ 83,761,717</u>



Required Supplementary Information



**VALLEY CENTER MUNICIPAL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

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

	Measurement Date <u>June 30, 2018</u>	Measurement Date <u>June 30, 2017</u>	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>	Measurement Date <u>June 30, 2014</u>
Proportion of the Net Pension Liability	0.601933%	0.586912%	0.602440%	0.687478%	0.697343%
Proportionate Share of the Net Pension Liability	\$ 22,685,118	\$ 23,136,342	\$ 20,928,033	\$ 18,860,732	\$ 17,234,744
Covered Payroll - Measurement Period	\$ 5,894,187	\$ 5,940,494	\$ 5,916,822	\$ 5,465,453	\$ 5,410,242
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	384.87%	389.47%	353.70%	345.09%	318.55%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	61.51%	59.30%	58.82%	60.99%	61.73%

Notes to Schedules:

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

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

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

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

	Fiscal Year 2018 - 2019	Fiscal Year 2017 - 2018	Fiscal Year 2016 - 2017	Fiscal Year 2015 - 2016	Fiscal Year 2014 - 2015
Actuarially Determined Contribution	\$ 2,250,183	\$ 2,061,087	\$ 1,945,730	\$ 1,806,422	\$ 1,764,663
Contributions in Relation to the Actuarially Determined Contributions	<u>2,250,183</u>	<u>2,061,087</u>	<u>1,945,730</u>	<u>1,806,422</u>	<u>1,764,663</u>
Contributions Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered Payroll - Fiscal Year	<u>\$ 6,180,656</u>	<u>\$ 5,894,187</u>	<u>\$ 5,940,494</u>	<u>\$ 5,916,822</u>	<u>\$ 5,465,453</u>
Contributions as a Percentage of Covered Payroll	36.41%	34.97%	32.75%	30.53%	32.29%

Notes to Schedules:

Valuation Date	June 30, 2017	June 30, 2016	June 30, 2014	June 30, 2013	June 30, 2012
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Methods and assumptions used to determine contribution rates:

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

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

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

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 174,771	\$ 163,337
Interest	555,262	525,499
Change of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments	(288,490)	(261,691)
Net Change in Total OPEB Liability	<u>441,543</u>	<u>427,145</u>
Total OPEB Liability - Beginning	<u>7,901,782</u>	<u>7,474,637</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 8,343,325</u></u>	<u><u>\$ 7,901,782</u></u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 722,386	\$ 690,259
Net investment income	323,308	344,077
Benefit payments	(288,490)	(261,691)
Administrative expense	(7,520)	(1,759)
Net Change in Plan Fiduciary Net Position	<u>749,684</u>	<u>770,886</u>
Plan Fiduciary Net Position - Beginning	<u>4,050,616</u>	<u>3,279,730</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 4,800,300</u></u>	<u><u>\$ 4,050,616</u></u>
 District's Net OPEB Liability - Ending (a) - (b)	<u><u>\$ 3,543,025</u></u>	<u><u>\$ 3,851,166</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 57.5%	 51.3%

Notes to Schedules:

Valuation Date	June 30, 2017	June 30, 2017
Measurement Period - Fiscal Year Ended	June 30, 2018	June 30, 2017

Benefit Changes - None

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

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

**VALLEY CENTER MUNICIPAL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

**SCHEDULES OF OPEB CONTRIBUTIONS
LAST TEN YEARS**

	<u>2019</u>	<u>2018</u>
Actuarial Determined Contribution (ADC)	\$ 550,794	\$ 637,891
Contributions in Relation to the Actuarially Determined Contribution	<u>722,386</u>	<u>690,259</u>
Contribution Deficiency (Excess)	<u>\$ (171,592)</u>	<u>\$ (52,368)</u>
Covered-Employee Payroll	<u>\$ 5,018,000</u>	<u>\$ 5,018,000</u>
Contributions as a Percentage of Covered- Employee Payroll	14.40%	13.76%

Notes to Schedules:

Valuation Date	June 30, 2017	June 30, 2017
Measurement Period - Fiscal Year Ended	June 30, 2018	June 30, 2017

The ADC developed for the District's fiscal year ending June 30, 2018 was determined and presented in the July 2017 Actuarial Valuation report. Expected contributions, relative to ADC, for the fiscal year ending June 30, 2018 are shown above.

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



Combining Schedules



**VALLEY CENTER MUNICIPAL WATER DISTRICT
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2019**

ASSETS

			Lower Moosa	Woods Valley
	<u>Total</u>	<u>General</u>	<u>Wastewater</u>	<u>Ranch</u> <u>Wastewater</u>
<u>Current Assets:</u>				
Cash and cash equivalents	\$ 23,569,979	\$ 12,399,580	\$ 2,012,423	\$ 9,157,976
Investments	8,539,508	8,539,508	-	-
Accounts receivable - Water and wastewater, net	4,895,620	4,895,620	-	-
WVR Phase 1 Buy-In receivable	154,492	-	-	154,492
Interest receivable	335,229	335,229	-	-
Taxes receivable	21,206	21,206	-	-
Other receivables	3,313	3,313	-	-
Inventory	832,126	832,126	-	-
Prepaid expenses and deposits	250,669	250,669	-	-
Work in progress for others	996,124	992,086	4,038	-
Due (to)/from other funds	-	195,832	-	(195,832)
Total Current Assets	<u>39,598,266</u>	<u>28,465,169</u>	<u>2,016,461</u>	<u>9,116,636</u>
<u>Noncurrent Assets:</u>				
Restricted Assets:				
Cash and cash equivalents	519,016	-	519,016	-
Investments	<u>1,031,528</u>	<u>1,031,528</u>	<u>-</u>	<u>-</u>
Total Restricted Assets	<u>1,550,544</u>	<u>1,031,528</u>	<u>519,016</u>	<u>-</u>
Other Assets:				
WVR Phase 1 Buy-In receivable	2,991,135	-	-	2,991,135
Investment in VCMWD AD 2012-1 limited obligation	<u>4,035,000</u>	<u>4,035,000</u>	<u>-</u>	<u>-</u>
Total Other Assets	<u>7,026,135</u>	<u>4,035,000</u>	<u>-</u>	<u>2,991,135</u>
Capital Assets:				
Nondepreciable capital assets	16,063,579	7,697,329	1,360,259	7,005,991
Depreciable capital assets, net	<u>83,824,668</u>	<u>51,114,078</u>	<u>5,945,572</u>	<u>26,765,018</u>
Total Capital Assets	<u>99,888,247</u>	<u>58,811,407</u>	<u>7,305,831</u>	<u>33,771,009</u>
Total Noncurrent Assets	<u>108,464,926</u>	<u>63,877,935</u>	<u>7,824,847</u>	<u>36,762,144</u>
TOTAL ASSETS	<u>\$ 148,063,192</u>	<u>\$ 92,343,104</u>	<u>\$ 9,841,308</u>	<u>\$ 45,878,780</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>				
Deferred outflows related to pensions	\$ 3,588,665	\$ 3,588,665	\$ -	\$ -
Deferred outflows related to pension contributions	2,250,183	2,250,183	-	-
Deferred outflows related to OPEB contributions	<u>648,285</u>	<u>648,285</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>6,487,133</u>	<u>6,487,133</u>	<u>-</u>	<u>-</u>

**VALLEY CENTER MUNICIPAL WATER DISTRICT
COMBINING SCHEDULE OF NET POSITION (CONTINUED)
JUNE 30, 2019**

LIABILITIES

			Lower Moosa	Woods Valley
	<u>Total</u>	<u>General</u>	<u>Wastewater</u>	<u>Ranch</u> <u>Wastewater</u>
<u>Current Liabilities:</u>				
Accounts payable	\$ 5,436,079	\$ 4,977,642	\$ 180,691	\$ 277,746
Accrued payroll	149,058	149,058	-	-
Current portion of accrued compensated absences	840,000	840,000	-	-
Interest payable	303,469	-	-	303,469
Customer deposits	5,581,259	1,996,593	30,201	3,554,465
Current portion of loans payable	1,211,612	169,039	-	1,042,573
Total Current Liabilities	<u>13,521,477</u>	<u>8,132,332</u>	<u>210,892</u>	<u>5,178,253</u>
<u>Noncurrent Liabilities:</u>				
Long-term debt:				
Long-term debt, net of current portion	<u>24,656,996</u>	<u>2,980,670</u>	<u>-</u>	<u>21,676,326</u>
Total Long-Term Debt	<u>24,656,996</u>	<u>2,980,670</u>	<u>-</u>	<u>21,676,326</u>
Other Noncurrent Liabilities:				
Net pension liability	22,685,118	22,685,118	-	-
Net OPEB Liability	3,543,025	3,543,025	-	-
Compensated absences, net of current portion	<u>1,588,956</u>	<u>1,588,956</u>	<u>-</u>	<u>-</u>
Total Other Noncurrent Liabilities	<u>27,817,099</u>	<u>27,817,099</u>	<u>-</u>	<u>-</u>
Total Noncurrent Liabilities	<u>52,474,095</u>	<u>30,797,769</u>	<u>-</u>	<u>21,676,326</u>
Total Liabilities	<u>65,995,572</u>	<u>38,930,101</u>	<u>210,892</u>	<u>26,854,579</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
Deferred inflows related to pensions	1,571,869	1,571,869	-	-
Deferred inflows related to OPEB	<u>79,608</u>	<u>79,608</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>1,651,477</u>	<u>1,651,477</u>	<u>-</u>	<u>-</u>
<u>NET POSITION:</u>				
Net investment in capital assets	74,019,639	55,661,698	7,305,831	11,052,110
Restricted for facility expansion	1,550,544	1,031,528	519,016	-
Unrestricted	<u>11,333,093</u>	<u>1,555,433</u>	<u>1,805,569</u>	<u>7,972,091</u>
Total Net Position	<u>\$ 86,903,276</u>	<u>\$ 58,248,659</u>	<u>\$ 9,630,416</u>	<u>\$ 19,024,201</u>

VALLEY CENTER MUNICIPAL WATER DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Total</u>	<u>General</u>	<u>Lower Moosa Wastewater</u>	<u>Woods Valley Ranch Wastewater</u>
<u>Operating Revenues:</u>				
Water sales and pumping charges	\$ 30,382,036	\$ 30,382,036	\$ -	\$ -
Meter service charges	6,236,719	6,236,719	-	-
Wastewater charges	4,016,703	-	1,730,834	2,285,869
Meter installation fees	224,666	224,666	-	-
Other water operating revenues	588,436	588,436	-	-
Total Operating Revenues	<u>41,448,560</u>	<u>37,431,857</u>	<u>1,730,834</u>	<u>2,285,869</u>
<u>Operating Expenses:</u>				
Cost of water sold	25,048,234	25,048,234	-	-
Energy and pumping costs	2,457,485	2,325,148	83,090	49,247
Water systems operations	5,571,209	5,571,209	-	-
Wastewater collection and treatment	1,458,174	-	1,061,297	396,877
Engineering	1,571,413	1,565,489	5,924	-
General and administrative	5,246,189	4,739,704	268,868	237,617
Depreciation	4,135,118	2,864,646	321,614	948,858
Total Operating Expenses	<u>45,487,822</u>	<u>42,114,430</u>	<u>1,740,793</u>	<u>1,632,599</u>
Operating Income (Loss)	<u>(4,039,262)</u>	<u>(4,682,573)</u>	<u>(9,959)</u>	<u>653,270</u>
<u>Nonoperating Revenues (Expenses):</u>				
Property taxes and assessments	2,985,886	2,985,886	-	-
Investment income	861,130	647,113	63,060	150,957
Other nonoperating revenues	336,181	336,181	-	-
Interest expense	(557,983)	(48,615)	-	(509,368)
Gain on disposal of capital assets	16,278	19,442	-	(3,164)
Total Nonoperating Revenues (Expenses)	<u>3,641,492</u>	<u>3,940,007</u>	<u>63,060</u>	<u>(361,575)</u>
Income (Loss) Before Contributions	(397,770)	(742,566)	53,101	291,695
Capital Contributions	<u>3,539,329</u>	<u>342,256</u>	<u>17,870</u>	<u>3,179,203</u>
Change in Net Position	3,141,559	(400,310)	70,971	3,470,898
Net Position at Beginning of Year, as Restated	<u>83,761,717</u>	<u>58,648,969</u>	<u>9,559,445</u>	<u>15,553,303</u>
NET POSITION AT END OF YEAR	<u><u>\$ 86,903,276</u></u>	<u><u>\$ 58,248,659</u></u>	<u><u>\$ 9,630,416</u></u>	<u><u>\$ 19,024,201</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	55
<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	57
<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>2019</u>	<u>2018</u> ⁽¹⁾	<u>2017</u> ⁽¹⁾	<u>2016</u>	<u>2015</u> ⁽¹⁾
Primary government					
Net investment in capital assets	\$ 74,019,639	\$ 71,684,014	\$ 72,382,729	\$ 84,494,979	\$ 79,423,330
Restricted for facility expansion	1,550,544	1,359,327	1,177,622	1,075,636	947,142
Unrestricted	11,333,093	10,718,376	8,073,823	276,747	3,026,744
Total primary government net position	<u>\$ 86,903,276</u>	<u>\$ 83,761,717</u>	<u>\$ 81,634,174</u>	<u>\$ 85,847,362</u>	<u>\$ 83,397,216</u>

	Fiscal year ended				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Primary government					
Net investment in capital assets	\$ 75,462,875	\$ 76,276,487	\$ 77,829,804	\$ 81,249,809	\$ 83,824,468
Restricted for facility expansion	1,047,564	628,018	302,877	276,993	268,225
Unrestricted	20,655,672	17,022,399	14,415,835	12,745,389	14,300,005
Total primary government net position	<u>\$ 97,166,111</u>	<u>\$ 93,926,904</u>	<u>\$ 92,548,516</u>	<u>\$ 94,272,191</u>	<u>\$ 98,392,698</u>

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

Source: Valley Center Municipal Water District

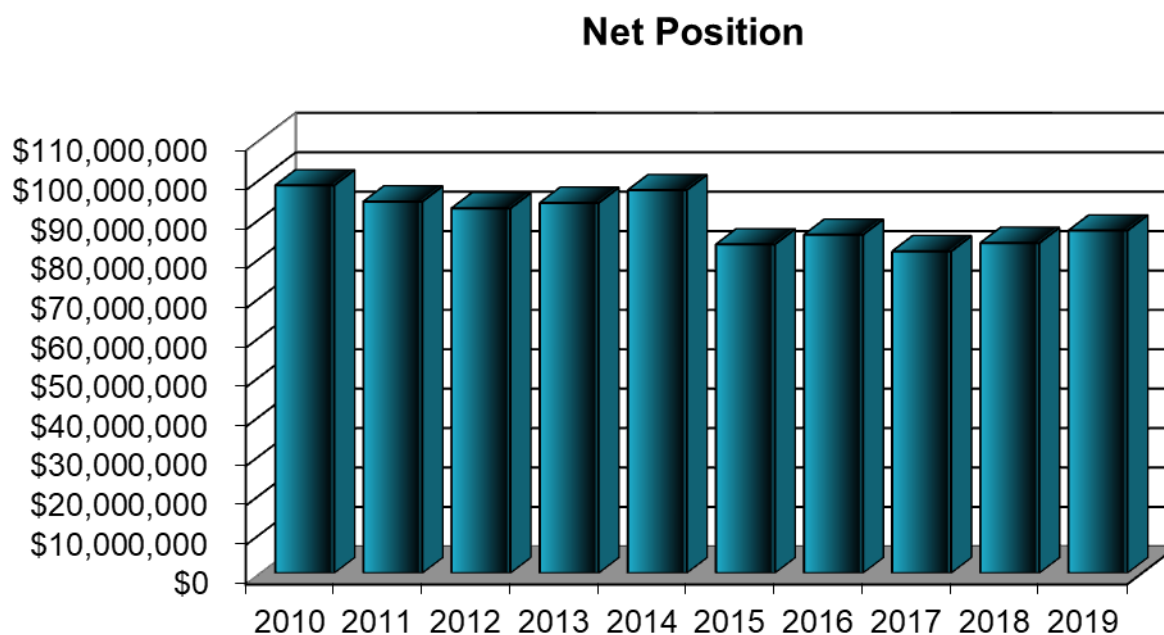


Table II
Changes in Net Position (Last Ten Fiscal Years)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating Revenues:										
Water sales ⁽¹⁾	\$34,579,905	\$42,445,575	\$ 36,090,543	\$ 33,785,302	\$ 39,792,544	\$44,114,111	\$40,703,792	\$ 35,457,375	\$ 29,258,333	\$ 29,772,214
Pumping charges	2,038,850	2,773,079	2,139,381	1,978,644	2,702,605	3,124,770	3,039,474	2,940,227	2,726,802	3,187,965
Wastewater charges	4,016,703	4,056,779	4,239,359	2,521,787	2,090,109	2,088,881	1,870,259	1,811,397	1,761,685	1,675,877
Meter installation fees	224,666	222,587	196,154	215,995	233,939	139,563	101,930	88,834	57,748	87,065
Other water operating revenues	588,436	610,544	645,435	545,347	565,452	622,128	532,841	510,083	554,997	798,548
Total operating revenues	\$41,448,560	\$50,108,564	\$ 43,310,872	\$ 39,047,075	\$ 45,384,649	\$50,089,453	\$46,248,296	\$ 40,807,916	\$ 34,359,565	\$ 35,521,669
Operating Expenses:										
Cost of water sold	\$25,048,234	\$30,744,890	\$ 26,930,842	\$ 25,358,738	\$ 30,583,409	\$33,822,193	\$31,113,969	\$ 27,385,538	\$ 23,522,162	\$ 23,884,810
Energy and pumping costs	2,457,485	2,888,038	2,631,927	2,733,376	3,019,017	2,766,632	2,482,530	2,522,694	2,525,600	2,944,042
Water systems operations	5,571,209	5,890,653	5,304,895	5,267,718	5,047,286	5,123,092	4,810,835	5,008,872	5,091,000	5,133,041
Wastewater collection and treatment	1,458,174	1,333,425	1,283,283	1,121,601	1,104,544	1,086,185	1,058,507	1,019,208	907,388	841,443
Engineering	1,571,413	1,455,201	1,695,911	1,450,071	1,313,336	1,548,003	1,642,298	1,661,797	1,716,551	1,591,578
General and administrative	5,246,189	5,677,591	2,527,800	1,944,488	3,048,293	2,861,803	2,892,713	3,116,844	3,187,920	3,072,738
Depreciation	4,135,118	3,402,608	3,306,838	3,525,655	3,465,543	3,757,012	4,451,395	4,753,297	4,908,607	5,003,462
Total operating expenses	\$45,487,822	\$51,392,406	\$ 43,681,496	\$ 41,401,647	\$ 47,581,428	\$50,964,920	\$48,452,247	\$ 45,468,250	\$ 41,859,228	\$ 42,471,114
Operating (Loss)	\$ (4,039,262)	\$ (1,283,842)	\$ (370,624)	\$ (2,354,572)	\$ (2,196,779)	\$ (875,467)	\$ (2,203,951)	\$ (4,660,334)	\$ (7,499,663)	\$ (6,949,445)
Nonoperating Revenues and (Expenses):										
Property taxes and assessments	\$ 2,985,886	\$ 2,878,959	\$ 2,777,382	\$ 2,665,133	\$ 2,558,443	\$ 2,486,977	\$ 2,543,153	\$ 2,499,875	\$ 2,513,255	\$ 2,595,610
Investment income	861,130	345,698	169,070	201,138	157,024	130,887	82,496	127,900	132,978	220,489
Other nonoperating revenues	336,181	325,571	350,924	328,923	341,794	323,813	291,832	289,382	315,542	208,413
Interest expense	(557,983)	(540,037)	(238,935)	(47,272)	(15,030)	(7,749)	(15)	(1,709)	(3,883)	(5,929)
Gain on disposal of capital assets ⁽²⁾	16,278	123,546	23,747	13,484	(163,605)	(2,448)	(37,238)	(8,399)	(22,217)	(51,146)
Total Nonoperating Revenues and (Expenses)	\$ 3,641,492	\$ 3,133,737	\$ 3,082,188	\$ 3,161,406	\$ 2,878,626	\$ 2,931,480	\$ 2,880,228	\$ 2,907,049	\$ 2,935,675	\$ 2,967,437
Income (Loss) Before Contributions	\$ (397,770)	\$ 1,849,895	\$ 2,711,564	\$ 806,834	\$ 681,847	\$ 2,056,013	\$ 676,277	\$ (1,753,285)	\$ (4,563,988)	\$ (3,982,008)
Capital contributions	3,539,329	396,898	205,285	1,643,312	2,510,558	1,183,194	702,111	29,610	443,481	405,183
Change in Net Assets	\$ 3,141,559	\$ 2,246,793	\$ 2,916,849	\$ 2,450,146	\$ 3,192,405	\$ 3,239,207	\$ 1,378,388	\$ (1,723,675)	\$ (4,120,507)	\$ (3,576,825)
Net Position at Beginning of Year	\$83,761,717	\$81,634,174	\$ 85,847,362	\$ 83,397,216	\$ 97,166,111	\$93,926,904	\$92,548,516	\$ 94,272,191	\$ 98,392,698	\$ 101,969,523
Restatement ⁽³⁾⁽⁴⁾⁽⁵⁾	\$ -	\$ (119,250)	\$ (7,130,037)	\$ -	\$ (16,961,300)	\$ -	\$ -	\$ -	\$ -	\$ -
Restated Net Position at Beginning of Year	\$83,761,717	\$81,514,924	\$ 78,717,325	\$ 83,397,216	\$ 80,204,811	\$93,926,904	\$92,548,516	\$ 94,272,191	\$ 98,392,698	\$ 101,969,523
NET POSITION AT END OF YEAR ⁽⁴⁾	\$86,903,276	\$83,761,717	\$ 81,634,174	\$ 85,847,362	\$ 83,397,216	\$97,166,111	\$93,926,904	\$ 92,548,516	\$ 94,272,191	\$ 98,392,698

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

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

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

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

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

Source: Valley Center Municipal Water District

Table III
Water Sales by User Type ⁽¹⁾ (Last Ten Fiscal Years)

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

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

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

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

Source: Valley Center Municipal Water District

Water Sales in Acre Feet

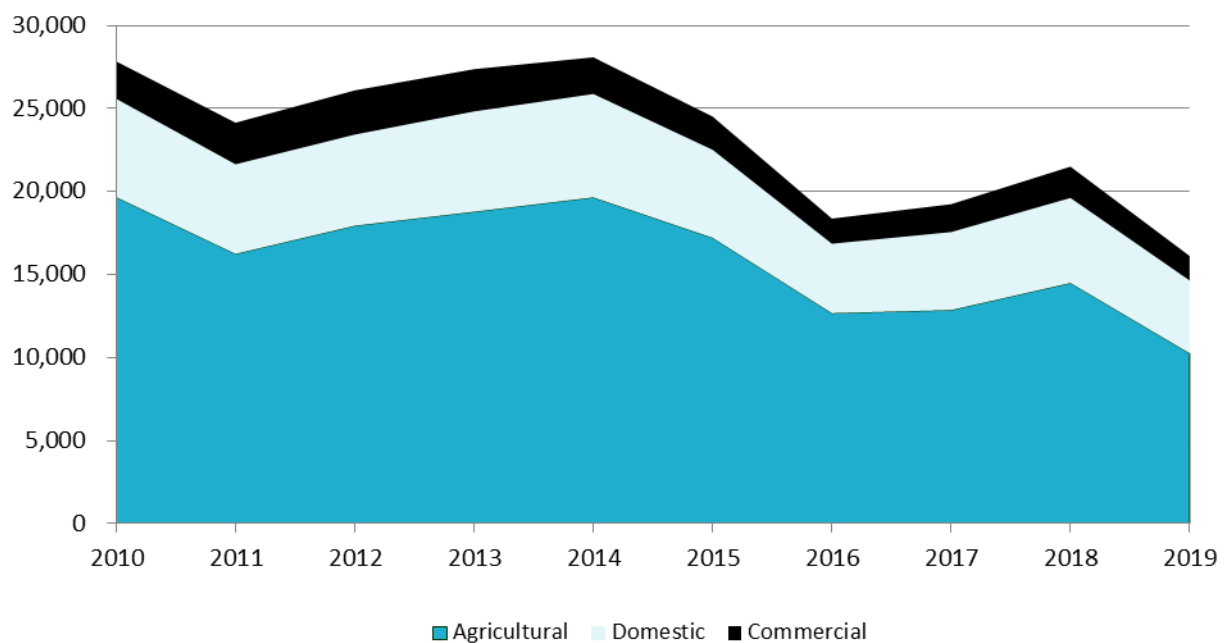


Table IV
Active Water Meters (Last Ten Fiscal Years)

Fiscal Year Ended	Domestic	Commercial	Certified Agricultural ⁽¹⁾	Total Active	All Inactive Meters	Total
2019	8,709	463	1,050	10,222	859	11,081
2018	8,633	459	1,071	10,163	864	11,027
2017	8,556	459	1,071	10,086	821	10,907
2016	8,433	456	1,087	9,976	860	10,836
2015	8,368	405	1,096	9,869	892	10,761
2014	8,242	432	1,111	9,785	890	10,675
2013	8,157	412	1,146	9,715	901	10,616
2012	7,904	486	1,304	9,694	903	10,597
2011	7,880	486	1,326	9,692	884	10,576
2010	7,844	466	1,378	9,688	868	10,556

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

Source: Valley Center Municipal Water District

Active Water Meters

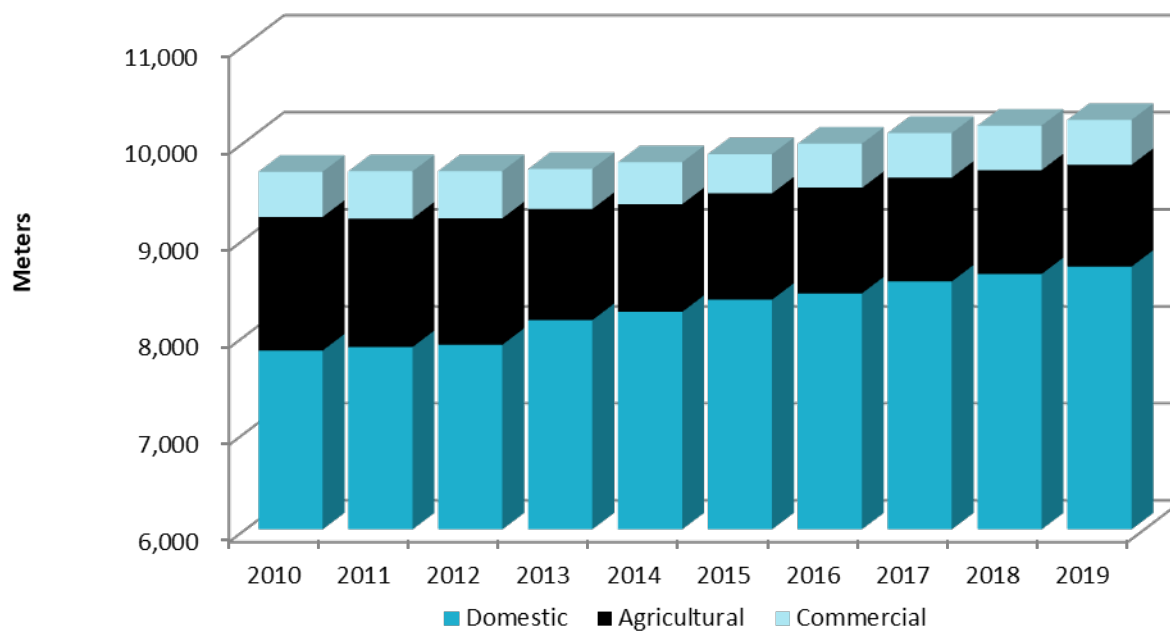


Table V
Assessed Value of Taxable Property (Last Ten Fiscal Years)

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

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

Assessed Value of Taxable Property

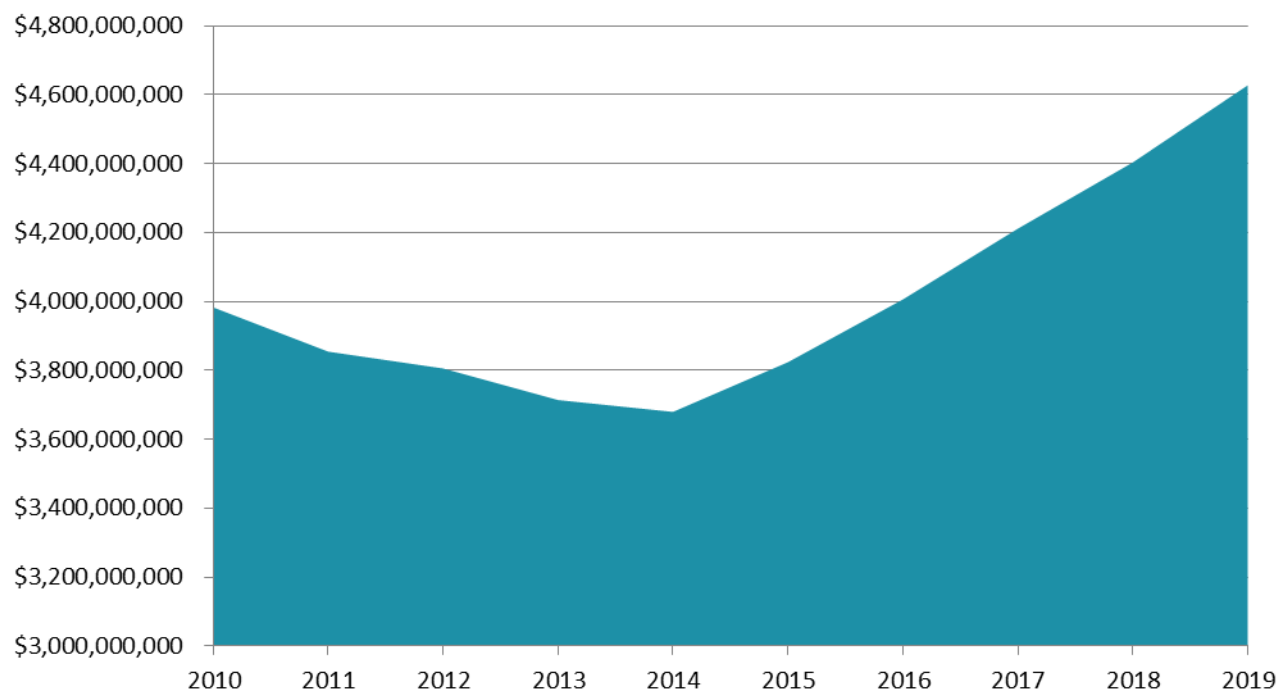


Table VI
Property Taxes and Assessment Levies and Collections⁽¹⁾ (Last Ten Fiscal Years)

Fiscal Year Ended	Levy			Total Collections ⁽³⁾	Net Delinquent ⁽⁴⁾	Percent Delinquent ⁽⁵⁾
	Property Taxes	Special Assessments ⁽²⁾	Total Levy			
2019	\$2,486,393	\$3,213,240	\$5,699,633	\$5,667,517	\$32,116	0%
2018	\$2,366,917	\$3,224,152	\$5,591,068	\$5,564,397	\$26,671	0%
2017	\$2,267,255	\$3,210,182	\$5,477,437	\$5,448,333	\$29,104	0%
2016	\$2,153,564	\$1,659,911	\$3,813,476	\$3,787,091	\$26,384	0%
2015	\$2,050,185	\$1,254,306	\$3,304,491	\$3,278,508	\$25,982	0%
2014	\$1,979,568	\$1,253,812	\$3,233,380	\$3,204,819	\$28,561	0%
2013	\$1,983,638	\$1,068,855	\$3,052,493	\$3,025,479	\$27,014	0%
2012	\$2,003,970	\$1,074,342	\$3,263,253	\$3,051,951	\$211,302	0%
2011	\$2,031,695	\$1,231,558	\$3,308,734	\$3,235,076	\$73,658	0%
2010	\$2,098,464	\$1,210,270	\$3,379,985	\$3,276,702	\$103,283	0%

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

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

(3) Collections do not include miscellaneous adjustments.

(4) Net Delinquent includes uncollectible portion.

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

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

Property Tax Collections

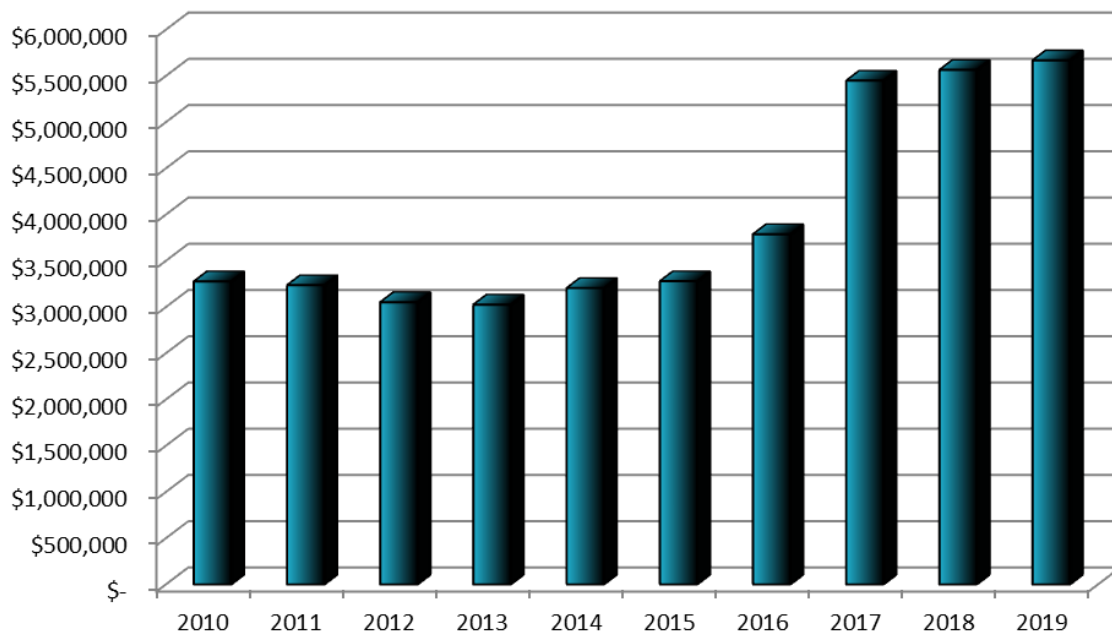


Table VII
Direct and Overlapping Bonded Debt ⁽¹⁾ (June 30, 2019)

2018-19 Assessed Valuation: \$4,653,739,309

	Total Debt 6/30/2019	% Applicable ⁽¹⁾	District's Share of Debt 6/30/19
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	48,050,000	0.159%	76,400
Palomar Pomerado Health District	431,124,259	5.432%	23,418,670
Palomar Community College District	618,718,625	3.798%	23,498,933
Escondido Union High School District	85,428,729	6.049%	5,167,584
Fallbrook Union High School District	10,071,101	1.554%	156,505
Escondido Union School District	136,864,622	6.257%	8,563,619
Fallbrook Union School District	18,474,476	6.000%	11,085
Bonsall Unified School District	10,505,021	3.937%	413,583
Valley Center-Pauma USD Community Facilities District No. 2003-1	7,190,000	100.000%	7,190,000
City of Escondido	56,810,000	3.100%	17,611
Valley Center Municipal Water District	0	100.000%	0
Valley Center Municipal Water District Assessment District No. 2012-1	4,035,000	100.000%	4,035,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$72,548,990</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	255,365,000	0.885%	2,259,980
San Diego County Pension Obligation Bonds	508,765,000	0.885%	4,502,570
San Diego County Superintendent of Schools Certificates of Participation	10,085,000	0.885%	89,252
Palomar Community College District Certificates of Participation	2,140,000	3.798%	81,277
Bonsall Unified School District Certificates of Participation	7,345,000	3.937%	289,173
Escondido Union High School District Certificates of Participation	54,250,000	6.049%	3,281,583
Escondido Union School District Certificates of Participation	15,525,000	6.257%	971,399
Escondido Union School District Benefit Obligations	7,655,000	6.257%	478,973
City of Escondido Certificates of Participation	3,515,000	3.100%	1,090
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>\$11,955,297</u>
TOTAL DIRECT DEBT			<u>\$0</u>
TOTAL OVERLAPPING DEBT			<u>\$84,504,287</u>
COMBINED TOTAL DEBT			<u>\$84,504,287</u> ⁽²⁾

Ratios to Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	1.56%
Combined Total Debt	1.82%

2018-19 TYPICAL TOTAL TAX RATE (TRA 94-075): 1.07865

AB:(\$500)

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

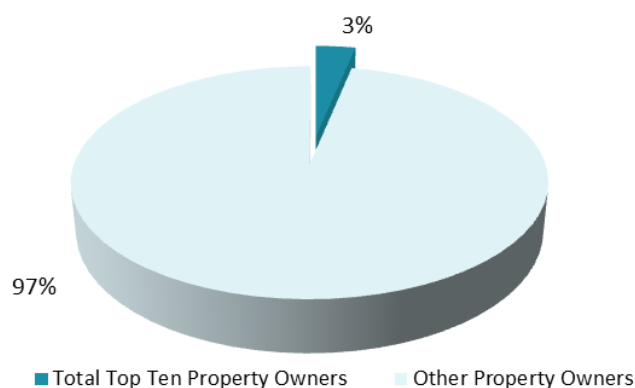
Source: California Municipal Statistics, Inc.

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

Fiscal Year Ended June 30, 2019			Fiscal Year Ended June 30, 2010		
Property Owner	Cumulative Net Assessed Value	Percent of Total Net Assessed Value	Property Owner	Cumulative Net Assessed Value	Percent of Total Net Assessed Value
Welk Resort Platinum Owners Assoc.	\$66,267,548	1.42%	Welk Resort Platinum Owners Association	\$66,700,612	1.66%
Welk Resort Properties Inc.	12,529,278	0.27%	Rimrock Springs LLC	13,939,169	0.35%
Valley C LLC	11,730,000	0.21%	Lilac Ranch LLC	6,848,618	0.17%
Pardee Homes	9,833,531	0.25%	Perricone Sam Survivors Trust	6,182,469	0.15%
Welk Resort Group Inc.	9,803,162	0.21%	Bell Holdings LLC	5,131,374	0.13%
Bell Holdings, LLC	9,438,664	0.20%	Welk Resort Group Inc.	4,480,652	0.11%
Welk Mountain Villas Inc.	8,852,323	0.19%	Richard & Lora L Stevens Revocable Trust	3,984,698	0.10%
Skyline Ranch Country Club LLC	8,779,648	0.19%	California Bank & Trust	3,865,000	0.10%
McMillan Trust 11-09-05	7,151,751	0.15%	Live Oak Ranch Development LLC	3,821,705	0.10%
Federal Boulevard Properties LLC	7,040,707	0.15%	Meadow Lake Country Club LLC	3,803,000	0.09%
Total Top Ten Property Owners	\$151,426,612	3.24%	Total Top Ten Property Owners	\$118,757,297	2.96%
Other Property Owners	\$4,502,312,697	96.76%	Other Property Owners	\$3,892,018,347	97.04%
Total Assessed Valuation	\$4,653,739,309	100.00%	Total Assessed Valuation	\$4,010,775,644	100.00%

Data Source: 2018 Master Property Records from San Diego County Used for 2018-19 Property Taxes.

Principal Property Owners 2019



Principal Property Owners 2010

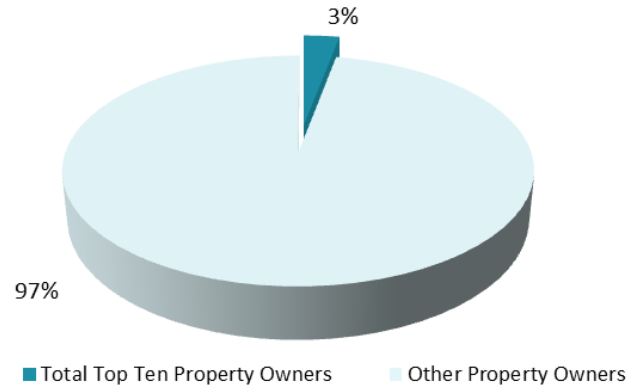


Table IX
Water Rates (Last Ten Fiscal Years)

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

(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

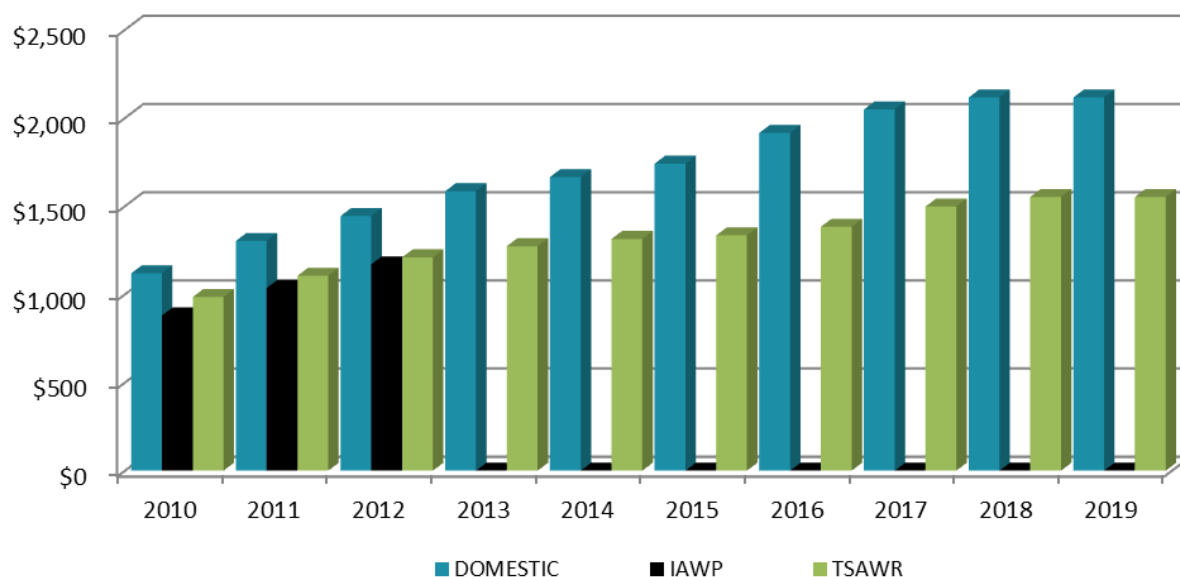


Table X
Wastewater Rates⁽²⁾ (Last Ten Fiscal Years)

Fiscal Year Ended ⁽¹⁾	Moosa Gravity	Moosa Pressure	Woods Valley Ranch
2019	\$56.45	\$103.03	\$98.60
2018	\$56.45	\$103.03	\$98.60
2017	\$53.76	\$98.12	\$98.60
2016	\$51.20	\$93.45	\$98.60
2015	\$51.20	\$93.45	\$98.60
2014	\$51.20	\$93.45	\$98.60
2013	\$51.20	\$93.45	\$98.60
2012	\$48.75	\$89.00	\$98.60
2011	\$46.50	\$84.90	\$98.60
2010	\$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

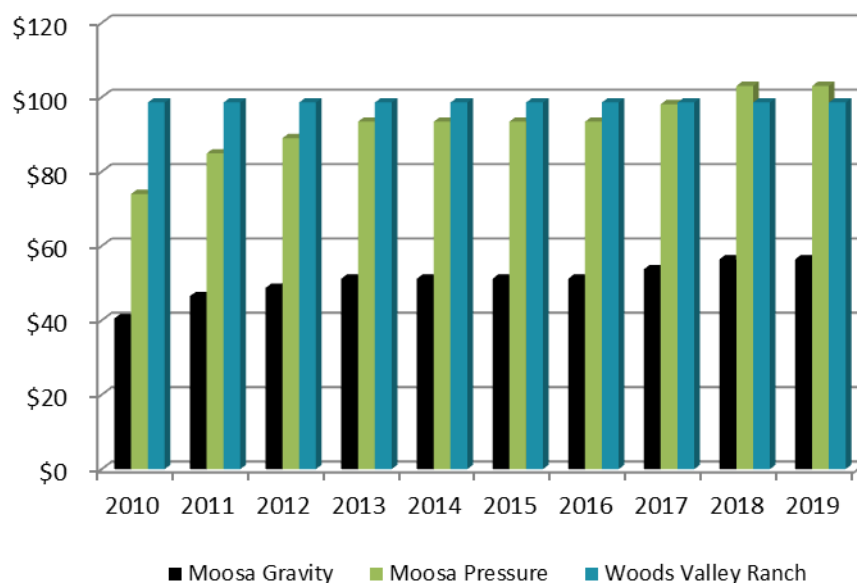


Table XI
Wastewater Services

Fiscal Year Ended ⁽¹⁾	Moosa				Woods Valley Ranch			Grand Total
	Domestic	Commercial	Other	Total	Domestic	Commercial	Total	
2019	2,383	84	2	2,469	274	19	293	2,762
2018	2,384	79	2	2,465	270	15	285	2,750
2017	-	-	-	2,463	-	-	279	2,742
2016	-	-	-	2,476	-	-	271	2,747
2015	-	-	-	2,492	-	-	277	2,769
2014	-	-	-	2,472	-	-	274	2,746
2013	-	-	-	2,466	-	-	279	2,745
2012	-	-	-	2,462	-	-	269	2,731
2011	-	-	-	2,446	-	-	271	2,717
2010	-	-	-	2,452	-	-	270	2,722

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

Source: Valley Center Municipal Water District

Wastewater Service

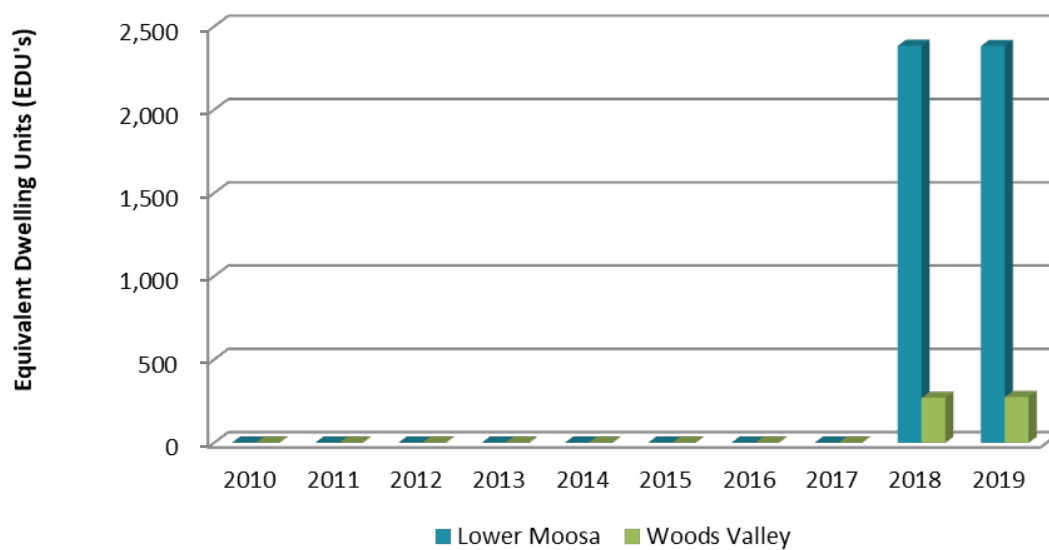


Table XII
Principal Water Customers

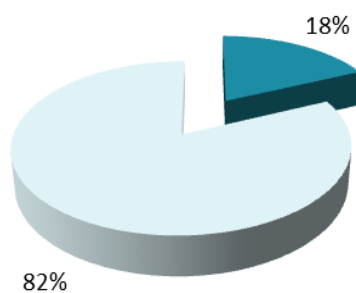
Fiscal year ended June 30, 2019		
Customer	Usage in Acre Feet	Percent of Water Sold
Grandon Ranch Corp	522.5	3.24%
Coykendall, H. C. J.	505.7	3.14%
BSTCO	398.3	2.47%
Stehly, N. J.	281.4	1.75%
Rancho Erico	236.4	1.47%
A-1 Sunshine Farms LLC	236.2	1.47%
Rancho Sereno	223.8	1.39%
Fallbrook Venture One	191.4	1.19%
San Pasqual Band of Mission Indians	172.8	1.07%
Sask Ranch	167.0	1.04%
Total Top Ten Customers	2,935.5	18.23%
Other Customers	13,180.8	81.77%
Total Water Sales	16,116.3	100.00%

Fiscal year ended June 30, 2010		
Customer	Usage in Acre Feet	Percent of Water Sold
Stehly, N. J. C.	728.9	2.62%
Coykendall, H. C. J.	651.3	2.34%
BSTCO	592.2	2.13%
Harlan Beck & Associates	534.0	1.92%
Grandon Ranch Corp.	475.7	1.71%
Gray Cor Farms	364.8	1.31%
Rancho Sereno	350.9	1.26%
Rancho Trio	301.7	1.08%
Rancho Erico	286.7	1.03%
A-1 Sunshine Farms LLC	282.1	1.01%
Total Top Ten Customers	4,568.3	16.41%
Other Customers	23,269.0	83.59%
Total Water Sales	27,837.3	100.00%

Source: Valley Center Municipal Water District

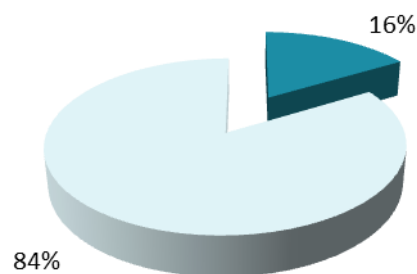
Source: Valley Center Municipal Water District

Principal Water Customers
2019



■ Total Top Ten Customers ■ Other Customers

Principal Water Customers
2010



■ Total Top Ten Customers ■ Other Customers

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

Fiscal Year Ended	General Obligation Bonds ⁽¹⁾	Revenue Bonds ⁽²⁾	Notes Payable SRF Loan ⁽³⁾	Financing Loan Agreement ⁽⁴⁾	Total	Percentage of Personal Income ⁽⁵⁾	Per Capita ⁽⁵⁾
2019	-	-	\$25,809,665	\$58,943	\$25,868,608	2.51%	\$1,004
2018	-	-	\$26,753,731	\$78,537	\$26,832,268	2.66%	\$1,042
2017	-	-	\$23,029,735	\$98,130	\$23,127,865	2.35%	\$902
2016	-	-	\$7,679,830	\$117,724	\$7,797,554	0.81%	\$304
2015	-	-	\$676,310	\$137,318	\$813,638	0.09%	\$32
2014	-	-	\$676,310	\$88,123	\$764,433	0.08%	\$30
2013	-	-	-	-	-	0.00%	\$0
2012	-	\$55,000	-	-	\$55,000	0.01%	\$2
2011	-	\$165,000	-	-	\$165,000	0.02%	\$6
2010	-	\$265,000	-	-	\$265,000	0.03%	\$10

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

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

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

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

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

Source: Valley Center Municipal Water District

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

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

(1) See Table II

(2) Operating expenses excluding depreciation.

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

See Table XII, Notes 2 – 4.

Source: Valley Center Municipal Water District

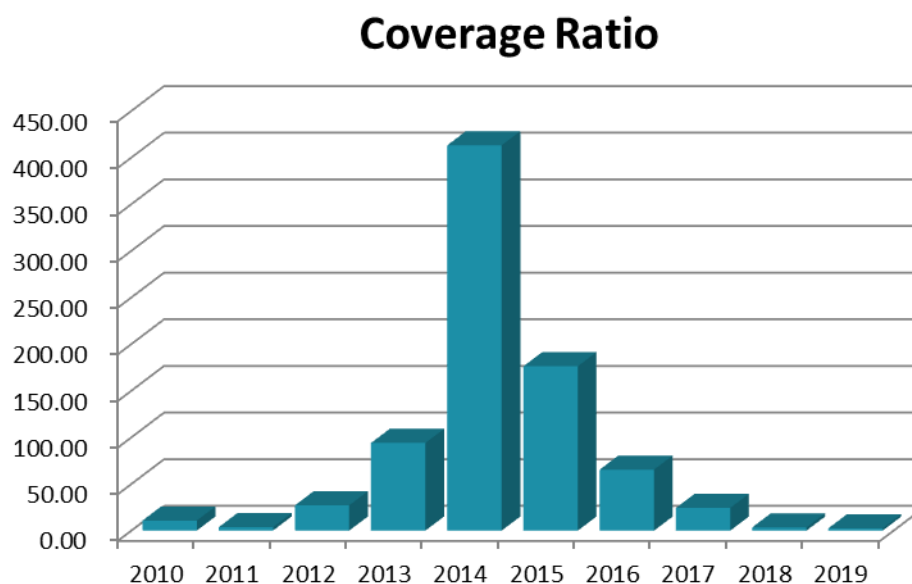


Table XV
Demographic and Economic Statistics (Last Ten Fiscal Years)

Fiscal Year Ended	Population (1)	Total Personal Income (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
2019	25,766	\$1,030,640,000	\$40,000	3.5%
2018	25,760	\$1,009,792,000	\$39,200	3.1%
2017	25,630	\$984,192,000	\$38,400	2.3%
2016	25,608	\$962,861,000	\$37,600	3.6%
2015	25,394	\$937,039,000	\$36,900	3.5%
2014	25,248	\$913,978,000	\$36,200	2.9%
2013	25,286	\$897,653,000	\$35,500	3.6%
2012	25,453	\$885,764,000	\$34,800	4.5%
2011	25,450	\$867,845,000	\$34,100	5.1%
2010	25,378	\$848,488,000	\$33,434	5.2%

Other Statistics: ⁽⁵⁾

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

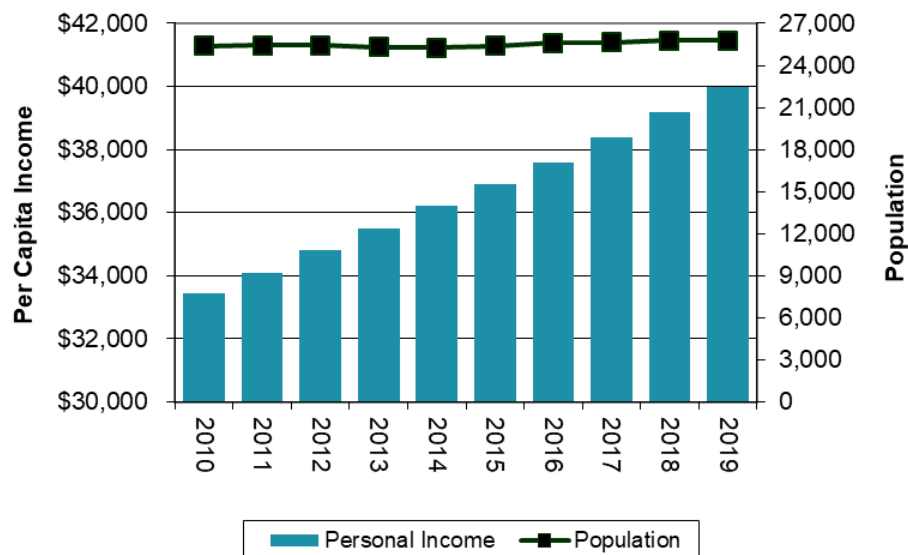


Table XVI
Principal Employers – County of San Diego (Current Fiscal Year and Nine Years Prior)

Fiscal year ended June 30, 2018				Fiscal year ended June 30, 2009			
Employer	Rank	# of Employees	% of Total Employment	Employer	Rank	# of Employees	% of Total Employment
University of California, San Diego	1	34,448	2.32%	Federal Government	1	43,500	3.11%
United States Navy, San Diego	2	34,185	2.30%	United States Navy, San Diego	2	42,000	3.00%
Sharp Healthcare	3	18,364	1.24%	State of California	3	40,900	2.92%
County of San Diego	4	17,413	1.17%	University of California, San Diego	4	26,000	1.86%
Scripps Healthcare	5	14,941	1.01%	County of San Diego	5	20,500	1.46%
San Diego Unified School District	6	13,815	0.93%	City of San Diego	6	19,500	1.39%
Qualcomm	7	11,800	0.79%	San Diego Unified School District	7	15,881	1.13%
City of San Diego	8	11,462	0.77%	Sharp Healthcare	8	14,390	1.03%
Kaiser Foundation Hospital	9	9,606	0.65%	Scripps Health	9	12,700	0.91%
UC San Diego Health	10	8,932	0.60%	Scripps Mercy Hospital	10	11,000	0.79%
Total Top Ten		<u>174,966</u>	11.77%	Total Top Ten		<u>246,371</u>	17.60%
2018 Total Number employed in San Diego County		<u>1,486,300</u>		2009 Total Number employed in San Diego County		<u>1,399,473</u>	

Source: Courtesy of San Diego County Water Authority, FY 2019 information was not available.

Table XVII
Number of Employees (Last Ten Fiscal Years)

	Full-Time-Equivalent Employees Authorized as of June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Pumping	4.43	3.63	4.20	3.58	2.90	3.16	3.42	4.21	4.55	5.44
Water Systems Operations	29.99	28.94	28.51	28.69	30.46	31.40	31.89	32.42	34.04	33.80
Wastewater Collection and Treatment	7.28	6.66	6.39	5.57	5.59	5.75	5.66	5.44	5.45	5.64
Engineering	8.35	8.80	8.60	8.80	9.83	9.40	9.60	10.82	12.46	13.46
General and Administrative	11.00	10.00	10.00	11.00	11.00	10.00	12.00	12.25	12.50	13.00
Capital Outlay ⁽¹⁾	3.24	3.03	4.32	3.71	3.54	3.46	3.60	3.06	4.36	2.50
Developer Projects ⁽²⁾	1.71	0.94	0.98	0.65	0.68	0.83	0.83	1.05	1.14	1.16
Total Employees ⁽³⁾	66.00	62.00	63.00	62.00	64.00	64.00	67.00	69.25	74.50	75.00
Average Years of Service	15.00	15.44	15.30	15.90	14.10	14.18	13.20	12.46	11.37	10.37

(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 2009, actual number of employees was 78.

Source: Valley Center Municipal Water District

Employees

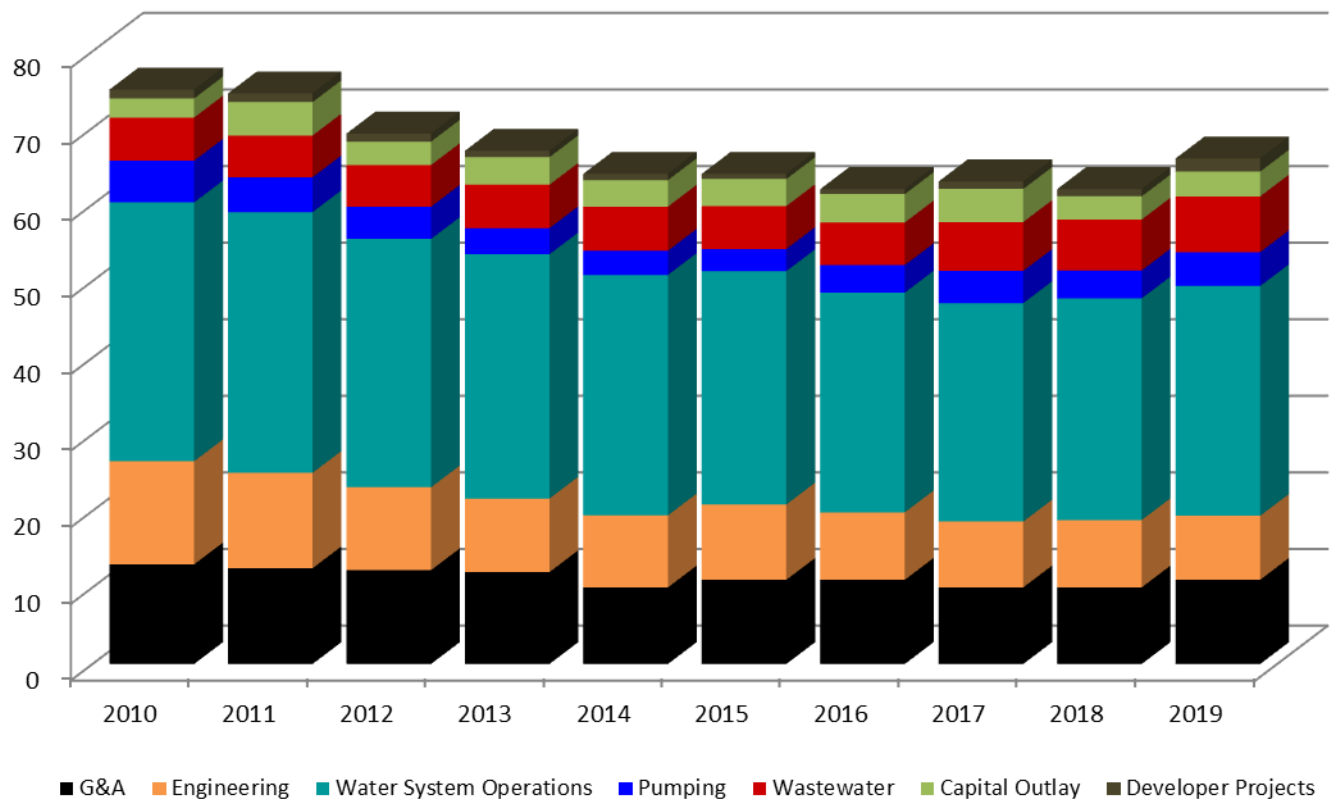


Table XVIII
Operating and Capital Indicators (Last Ten Fiscal Years)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Water:										
Service area (acres)	64,557	64,540	64,540	64,540	64,540	64,253	64,253	64,253	64,253	64,253
Miles of water main (8 inches and larger)	302	301	301	301	301	298	297	297	297	297
Number of enclosed reservoirs	41	42	43	43	43	42	42	42	42	42
Capacity of enclosed reservoirs (AF)	433	433	433	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	29	29	27	26	26	26	26
Number of pumps	105	105	105	106	106	110	106	100	100	100
Total pump capacity (horsepower)	19,960	19,960	19,960	20,310	20,160	20,185	20,185	20,050	19,785	19,785
Number of service connections	11,081	11,027	10,907	10,836	10,761	10,675	10,616	10,597	10,576	10,556
Number of meters in service	10,222	10,163	10,086	9,976	9,869	9,785	9,715	9,694	9,692	9,688
Production peak (m.g.d.)	42.58	41.48	39.90	42.00	50.00	55.84	55.45	49.87	55.30	65.27
Average production (m.g.d.)	15.32	20.11	18.06	17.57	22.83	26.43	26.13	24.77	22.80	26.35
Total rainfall (inches)	20.39	6.29	21.32	11.98	10.10	7.29	8.51	12.21	23.94	19.01
Average daily temperature (F.)	61.80	63.25	61.83	62.75	63.80	63.50	62.33	61.30	61.08	61.60
Electricity purchased (1,000 kWh)	6,414	9,608	6,997	7,344	15,582	16,894	16,276	15,595	16,984	18,480
Natural gas purchased (1,000 therms)	660	729	786	591	234	365	407	163	99	390
Mainline repairs	21	23	21	22	11	15	18	18	16	11
Wastewater:										
Miles of sewer lines	57	57	57	57	57	57	57	57	57	56
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Maximum capacity of treatment plants (m.g.d.)	0.77	0.77	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57
Average dry weather flow (m.g.d.)	0.39	0.37	0.36	0.33	0.36	0.37	0.37	0.37	0.39	0.37
Number of sewer connections	2,762	2,750	2,742	2,761	2,769	2,746	2,745	2,731	2,717	2,722

AF - Acre feet

m.g.d. - Million gallons per day

Source: Valley Center Municipal Water District

VALLEY CENTER MUNICIPAL WATER DISTRICT EMPLOYEES 2018-19

PAUL ADRIAN
GARY ARANT
RICHARD BEATH
CALVIN BREWER
LEONARD BROWN
RONALD BURKE
JEFFREY BURTON
FERNANDO CARRILLO
DANIELLE CATTANEO
ASHLYN CROSTINI
RON DARLAND
EDUARDO DE ALBA
RAMIRO DE ALBA-JIMENEZ
ROMAN DE MANRIQUEZ
GREG FEIK
PATRICIA GARCIA
BEATRIZ GARNICA
DOMINGO GONZALEZ
MATTHEW GOSWICK
TROY GOSWICK
WALLY GRABBE
CLARENCE HICKS

ALBERT HOYLE
RYAN HUGHES
TONY JACQUEZ
CHRISTINE JOHNSON
THAD KLIMAS
CHRISTOPHER KRATZ
ANTHONY LOPRESTI
BRIAN LOVELADY
JESSICA LOVELADY
NIKOLAY LYUBER
RYAN MADSON
JOHN MARTINEAU
MARLENE MARTINEZ
JAMIE MARTINEZ
WILLIAM MORRIS
ISMAEL NAVARRO
JAMES NICHOLS
MICHAEL NICHOLS
JESON NIKRASCH
EDWARD OLSON
GABRIELA OLSON
ROBERT PANEK

TAYLOR PETERS
THANG PHAM
ANDO PILVE
JAMES PUGH
CLIFFORD REEH
ROY RUTHERFORD
JULEE SCOTT
JAMES SEDILLO
YVETTE SERRATO
DANIEL SHUBIN
MOSES SHUBIN
JAMES SULLINS
JARED THOMAS
ROBERT TRUESDALE
VANESSA VELASQUEZ
JACOB VILLALOBOS
MICHELLE WICK
CORAL WILLIAMS
DENNIS WILLIAMS
SHAUN WOODS
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