

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, NOVEMBER 18, 2020, AT 5:00 PM, VIA TELECONFERENCE

Vice President Sannella called the Regular meeting to order at the hour of 5:00 p.m.

Present: Director Elitharp
Director Hernandez
Director Martin
Director Sannella
Director Evans

Staff Present: General Manager Pruim
Legal Counsel Gilpin
Administrative Services Manager Emmanuel
District Engineer Gumpel
Finance Manager Owen
Operations & Maintenance Manager Pedrazzi
Asset Management Supervisor Bowman
Wastewater Treatment Plant Supervisor McDougle
Executive Secretary Posvar

Others Present: Jennifer Farr, Partner, Davis Farr LLP

ADOPT AGENDA FOR THE REGULAR MEETING OF NOVEMBER 18, 2020

20-11-09 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to adopt the agenda for the Regular Board Meeting of November 18, 2020.

PUBLIC COMMENT

None.

PRESENTATION

General Manager Pruim presented a video honoring employees who achieved milestone service anniversaries. General Manager Pruim also recognized Eileen Koonce, Robert Salazar, Jeanna Kirby, and Eric Garcia who are retiring from the District.

CONSENT CALENDAR

20-11-10 MOTION WAS MADE by Director Martin, seconded by Director Evans, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

A. Closed Session Board Meeting – November 4, 2020

- B. Regular Board Meeting – November 4, 2020
- 1.2 Warrant List through November 18, 2020 - \$1,070,765.89
- 1.3 Financial Reports
 - A. Water Meter Count – October 31, 2020
 - B. Water Production/Sales Report – 2020/2021
 - C. Per Capita Water Consumption – October 31, 2020
 - D. Water Revenue and Expense Report – October 31, 2020
 - E. Sewer Revenue and Expense Report – October 31, 2020
 - F. Reserve Funds Activity – October 31, 2020
 - G. Investment Report – October 31, 2020
 - H. Legal Fees Summary – October 31, 2020
- 1.4 Resolution Adopting the Annual Pay Schedule with Adjustments for Rounding Revisions

ACTION ITEM(S)

FISCAL YEAR 2020 AUDIT RESULTS AND COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFER)

Finance Manager Owen stated he completed the audit in September and have been working on the CAFER since then. Jennifer Farr, with DavisFarr, will present the audit results.

The audit has been completed for the FY June 30, 2020 and includes the CAFR. Also included is the report and the unmodified audited opinion dated November 12, 2020. The unmodified opinion means the financial statements and footnotes are presented fairly in accordance with accounting standards. Also issued two additional letters, one to those in governance that summarizes the audit results and the other is the government auditing standards opinion which includes compliance issues and internal control recommendations.

Finance staff were prepared for the audit; had no material adjustments detected during the audit; did identify a few immaterial errors in the accounting numbers; reported to correct those amounts; reviewed the internal controls; and no significant deficiencies or material weaknesses and internal controls as well. Had one best practice recommendation related to accounting for construction in progress, however, the issues noted were very minor. Are required to test for compliance with certain laws and regulations. Included a few of the compliance areas that they test.

Standard audit approach changes every year and is required to test for compliance with laws and regulations. It included a few of those compliance areas that they test:

investment compliance, debt compliance, and compliance with the purchasing policy. Their standard approach is to test all material asset and liability.

Jennifer Farr provided a presentation as follows:

Audit Reports

- Comprehensive Annual Financial Report
 - Unmodified opinion dated November 12, 2020
 - The Financial statements and footnotes are presented fairly, in all material respects, in accordance with generally accepted accounting principles
- Communication to Those in Governance
- Government Auditing Standards Opinion

Audit Results

- Finance staff was prepared for the audit
- No material audit adjustments detected during the audit
- No significant deficiencies or material weaknesses in internal controls

Compliance

- No instances of noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that have a material effect on the determination of financial statement amounts
- Tested investment compliance with District's policy and CA Government Code
- Tested debt compliance
- Tested compliance with Procurement Policy

Areas of Audit Focus

- Construction in Progress
- Other Post Employment Benefit Obligations
- Disbursement Testing

Upcoming GASBs

- GASB 84 – Fiduciary Activities
- GASB 87 – Fiduciary Activities

Wes Owen provided a presentation as follows:

The financial statements are the responsibility of management. Staff works hard during the year to make sure they record all the transactions and prepare the financials to insure they are accurate, complete and fairly presented so there are no errors or discrepancies or material weaknesses found during the audit.

Contents

- Introductory Section
- Financial Section
- Statistical Section

Financial Section

- Independent Auditor's Report
- Management's Discussion and Analysis (MD&A)
- Financial Statements
 - Statements of Net Position
 - Statements of Revenues, Expenses and Changes in Net Position
 - Statements of Cash Flows
- Notes to the Financial Statements
- Supplementary Information

Financial Highlights

- Water Sales
- Capacity Fees
- Capital Asset Acquisitions
- Net income of \$2.6 million
- Net position increased by \$11 million after capital contributions of \$8.4 million
- The District paid down \$3.5 million in long-term debt
- CalPERS Unfunded Accrued Liability (UAL)
 - Additional Discretionary Payment (ADP) - \$8,054,000
 - Estimated Interest savings of \$10,368,000

Current Year to Prior Year Analysis

- Vallecitos Water Districts Net Position
- Vallecitos Water Districts Revenues
- Vallecitos Water Districts Expenses

Restrictions, Commitments, and Limitations

- \$52.5 million in long-term debt
- Capital projects contracted through design (note 11)

Next Year's Budget and Rates

- Increases in residential water usage and decreases in commercial water usage due to the COVID-19 pandemic
- Decreases in customer's ability to pay bills due to COVID-19
- Decline in construction and development as a result of the COVID-19 pandemic

- Increasing regulatory compliance

Introductory Section

- Letter of Transmittal
- GFOA
- Organization Chart
- List of Principal Officials
- Services Area Map

Statistical Section

- Financial Trends
- Revenue Capacity
- Debt Capacity
- Demographic and Economic Information
- Operating Information

CAFR Process

- 79 Page Checklist detailing Requirements
- Address all GFOA prior year comments

Staff recommends that the Board consider and accept the 2020 Comprehensive Annual Financial Report

20-11-11 MOTION WAS MADE by President Evans, seconded by Director Martin, and carried unanimously, to accept the 2020 Comprehensive Annual Financial Report.

REPORTS

GENERAL MANAGER

General Manager Pruim stated that this Saturday staff will be working along San Marcos Boulevard and will be repairing a variety of patches that were put in place after some valve work or mainline repairs. Will then come back with a contractor for permanent repairs.

The second project is in the area of Pacific St. which will consist of construction on the San Marcos sewer interceptor project. The sewer line needs to go across San Marcos Boulevard between now and January 4th which will have significant impacts along San Marcos Blvd. in both directions, working in the day and night. During the night detours will

be in place. Will be narrowing down to one lane in each direction. Everything being done is in coordination with the City of San Marcos and their traffic department.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin stated under the election code, new directors from the district would take office the afternoon on December 4. Certified election results are expected by December 3rd. If they don't occur by the 3rd then they will not take office until those results are certified. Before taking office, they are required to take the oath and executing the bond required by the Act.

Staff has updated their public integrity pocket guides. Will be sent to General Manager Prum for distribution.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated there is a meeting tomorrow at 9:00 a.m. Will be having a discussion and a vote on possibilities of moving to Phase B on the alternative regional conveyance system.

ENCINA WASTEWATER AUTHORITY

None

STANDING COMMITTEES

None.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Evans, Martin, Hernandez, Elitharp and Sannella attended the COWU meeting on the 17th.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

None.

ADJOURNMENT

There being no further business to discuss, Vice President Sannella adjourned the Regular Meeting of the Board of Directors at the hour of 5:56 p.m.

A Regular Meeting of the Vallecitos Board of Directors has been scheduled for Wednesday, December 2, 2020, at 5:00 p.m. via teleconference.

Michael A. Sannella, Vice President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Prui, Secretary
Board of Directors
Vallecitos Water District