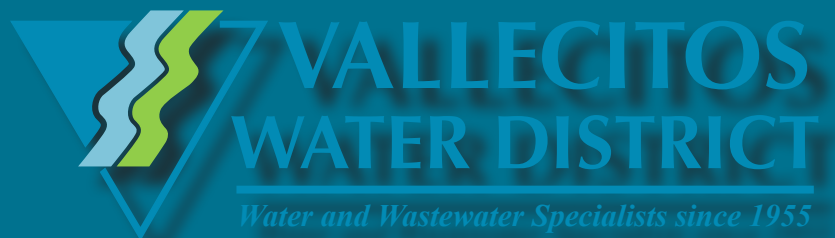


# COMPREHENSIVE ANNUAL FINANCIAL REPORT

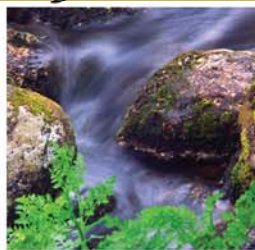
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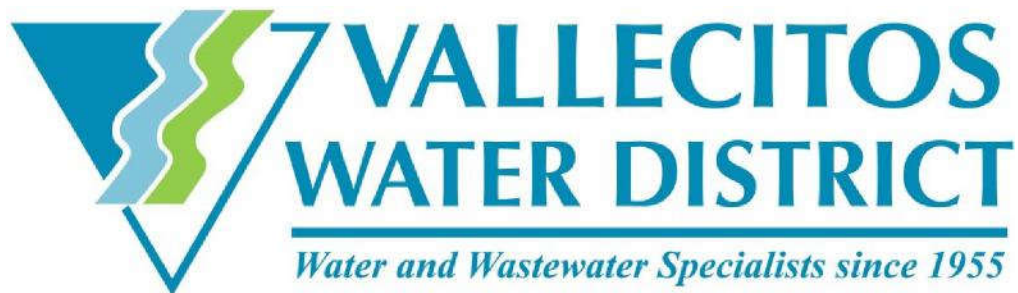


For fiscal year ended June 30, 2021  
San Marcos, California  
[www.vwd.org](http://www.vwd.org)



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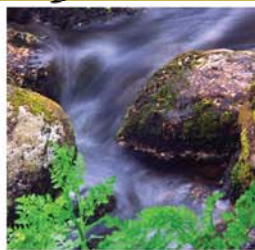
**Comprehensive Annual Financial Report**

**FOR THE YEAR ENDED JUNE 30, 2021**

**Prepared by the Finance Department**

**VALLECITOS WATER DISTRICT  
201 Vallecitos De Oro  
San Marcos, CA 92069**

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**VALLECITOS WATER DISTRICT  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2021  
 TABLE OF CONTENTS**

Introductory Section

Letter of Transmittal.....	3
Government Finance Officers Association Award.....	9
List of Principal Officials.....	10
Organization Chart.....	11
Service Area Map.....	12

Financial Section

<b>Independent Auditor’s Report.....</b>	<b>15</b>
--	-----------

<b>Management’s Discussion &amp; Analysis.....</b>	<b>19</b>
--	-----------

**Basic Financial Statements:**

Statement of Net Position.....	28
Statement of Revenues, Expenses, and Changes in Net Position.....	29
Statement of Cash Flows.....	30
Notes to the Basic Financial Statements.....	32

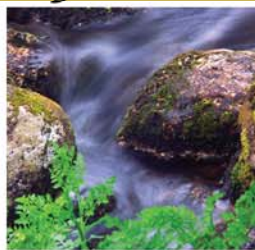
**Required Supplementary Information:**

Schedule of Plan’s Proportionate Share of the Net Pension Liability.....	60
Schedule of Contributions – Defined Benefit Pension Plan.....	62
Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios.....	64
Schedule of OPEB Contributions.....	65

Statistical Section

Net Position by Component.....	68
Changes in Net Position.....	69
Revenues by Source.....	70
Expenses by Function.....	71
Active Water Meters by Size.....	72
Water Purchases and Sales.....	73
Variable Water Rates.....	74
Fixed Water and Sewer Rates.....	74
Principal Water Customers.....	75
Net Outstanding Long-Term Debt.....	76
Pledged Revenue Coverage.....	77
Assessed Valuation .....	78
Demographic and Economic Statistics.....	79
Largest Employers in San Diego County.....	80
Total Employees by Function.....	81
Capital Assets.....	82

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# INTRODUCTORY SECTION



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201 Vallecitos de Oro · San Marcos, California · 92069-1453 · (760) 744-0460

Date: December 1, 2021  
To: Honorable Board of Directors  
Regarding: Fiscal Year 2020/21 CAFR

I am pleased to present the Vallecitos Water District's (the "District") Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2021.

This report was prepared by the District's Finance Department following guidelines set forth by the Government Accounting Standards Board (GASB) and generally accepted accounting principles (GAAP). Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District's management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner that provides a fair representation of the financial position and results of the District's operations. Included are all disclosures we believe necessary to enhance your understanding of the financial condition of the District. GAAP requires that management provide a narrative introduction, overview, and analysis, to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A), which should be read in conjunction with this report. The District's MD&A can be found immediately following the Independent Auditor's Report.

The District's financial statements have been audited by Davis Farr LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2021, are free of material misstatement. 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; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2021, are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component of the financial section of this report.

### REPORTING ENTITY

The District is a publicly-owned water and sewer agency, originally founded on March 12, 1955 as the San Marcos County Water District and authorized as a California special district by the State Legislature, with an entitlement to import water under the provisions of the Municipal Water District Act of 1911. Its ordinances, policies, taxes, and rates for service are set by five Directors, elected by voters in their respective divisions, to serve staggered four-year terms on its Governing Board. The District is a "revenue neutral" public agency, meaning that each end-user pays only their fair share of the District's costs of water acquisitions, construction, operation, maintenance, renewal, and replacement of the public water and sewer facilities.

The General Manager reports directly to the Board of Directors and through District management, oversees day-to-day operations. There are four Managers overseeing the departments of Operations and Maintenance, Administrative Services, Finance, and Engineering. These and other lines of reporting are shown on the organization chart on page 11.

Over the last 66 years, the District has grown from a handful of customers and two employees to become an organization operating a network with more than 634 miles of pipelines, 19 operational reservoirs, a reclaimed water facility, and two of the largest prestressed concrete tanks in the world. The character of the service area has also changed from predominantly dry-land farming and cattle ranching, to businesses, colleges, high-tech industries, and large master-planned communities.

Today the District provides water service to over 22,000 potable water accounts within approximately 45.37 square miles of north San Diego county. Most of the potable water sold to customers is purchased through the San Diego County Water Authority (SDCWA). Much of this water is purchased from the region's water importer, the Metropolitan Water District of Southern California (MWD).

The Vallecitos Water District receives high-quality desalinated water directly from the Claude "Bud" Lewis Desalination Plant in Carlsbad, California. The direct connection pipe, located at the corner of Pawnee and Cherokee Streets in San Marcos, delivers as much as 4,083-acre feet of desalinated water annually to Vallecitos' distribution system. This equates to approximately 27 percent of the District's annual supply and is enough water to meet the needs of more than 8,100 families for one year. The District also entered into an agreement with the neighboring Olivenhain Municipal Water District to treat imported raw water, on behalf of the Vallecitos Water District. These two actions have brought regional water treatment closer to our customers and helped reduce dependence on water treatment facilities located outside San Diego County. These new water sources diversify the District's water supply and improves reliability.

The District also owns and operates a wastewater collection and recycling system providing public sewer service to more than 20,000 customer accounts within portions of the cities of San Marcos, Escondido, Carlsbad, Vista and the communities of Lake San Marcos, Twin Oaks Valley and other unincorporated areas. A large portion of the wastewater collected is conveyed to the District's Meadowlark Water Reclamation Facility (MRF), which can recycle up to 74 percent of the wastewater generated in the District's service area. Recycled water is used to irrigate golf courses, schools, public parks, roadway landscapes, and various other approved uses along the north San Diego county coast. The use of recycled water reduces dependency on imported supplies and provides a local supply, thereby diversifying regional water resources.

## BUDGETING CONTROLS

The District views the budget as an essential tool for proper financial management. The budget is developed with input from the various departments of the organization and is adopted prior to the start of each fiscal year. It is designed and presented for the general needs of the District, its staff, and customers. It is a comprehensive and balanced financial plan that features District services, resources and their allocation, financial policies, and other useful information to allow the users to gain a general understanding of the District's financial status and future. Monthly comparison reports of budget to actual are distributed and reviewed by all department heads, with top level information provided to the Board at the monthly board meetings.

## BUDGET SUMMARY

The District's Fiscal Year 2022 budget is \$93.4 million, with operating expenditures of \$59.4 million, capital expenditures of \$25.4 million, vehicles and equipment of \$0.7 million, debt service of \$5.4 million, and CalPERS Unfunded Accrued Liability (UAL) funding of \$2.6 million. The District's goal is to provide the most effective and efficient service possible while maintaining affordability of the water supply for the community.

The Vallecitos Water District's operating expenditures consist of two major sectors: potable water, and sewer, totaling \$59.4 million for Fiscal Year 2022. Revenues from potable water are projected to be \$45.5 million, about \$4.2 million (10.3%) more than the Fiscal Year 2021 budget. Water purchases are expected to increase as a result of budgeted impacts due to the COVID-19 pandemic being adjusted to



actual results. Sewer revenues are projected to be \$17.8 million, about \$0.4 million more than the Fiscal Year 2021 budget, because of estimated growth and demand increases. The remaining revenue of \$4.3 million comes from reclaimed water sales, pumping charges, interest and other miscellaneous income.

The 2021-22 Capital Improvement Program (CIP) budget consists of 74 projects and a budget of \$25.5 million. The budget emphasizes long-term planning for on-going programs while functioning within

fiscal constraints and population growth. This year's CIP budget increased by \$1.1 million compared to last year's projection, which is due to increases in the sizes of carryforward projects to be worked on in 2022. Carryforward projects budgeted for Fiscal Year 2022 were \$19.3 million as compared to \$16.9 million in Fiscal Year 2021.

## ACCOUNTING SYSTEM

The Finance Department is responsible for providing financial services to the District, including financial accounting, reporting, payroll, accounts payable, investment of funds, billing and collection of water and wastewater charges, taxes, and other revenues. The District's books and records are maintained on an enterprise basis, matching revenues against the costs of providing services. Revenues and expenses are recorded on the accrual basis in the period in which revenue is earned and expenses are incurred.

## INTERNAL CONTROLS

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

Management believes the District's internal controls, procedures, and policies adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. In addition, the District maintains controls to provide for compliance with all finance related legal and contractual

provisions. Management believes the activities reported within the presented Comprehensive Annual Financial Report comply with these finance related legal and contractual provisions, including bond covenants and fiduciary responsibilities.

### MISSION, CURRENT ECONOMIC CONDITIONS, AND OUTLOOK

The mission of the District is to provide exceptional and sustainable water and wastewater services to the customers of the Vallecitos Water District.

The primary issue affecting the District is the COVID-19 pandemic. Vallecitos' tap water is available, plentiful and safe. Vallecitos is committed to providing safe, reliable drinking water for our customers at all times. Despite widespread fears about COVID-19, there is no evidence that the coronavirus is transmitted through water. According to the Center for Disease Control and the World Health Organization, COVID-19, like the flu, is spread from person-to-person contact, breathing or contacting respiratory droplets from an infected person, and contacting surfaces contaminated with a virus. There is still no evidence to support that COVID-19 is transmitted through drinking water. COVID-19 can be



disinfected through the use of ozone, chlorine and other treatment processes used in processing tap water. Drinking water provided by Vallecitos' wholesalers is treated by a combination of technologies – including sedimentation, filtration and disinfection – that chemically deactivate and physically remove bacteria, contaminants and viruses, including the COVID-19.

The current pandemic has impacted the District in various ways, including:

- closing the lobby to the public
- developing and implementing new ways for customers to pay bills
- implementing teleconferencing for board and staff meetings
- executing telecommuting plans as warranted
- working with customers impacted by the economic fallout of the pandemic
- postponing water shutoffs due to late payments

Throughout the pandemic, the District has found ways to adapt to the ever-changing conditions. The economic impacts of the pandemic are still being studied, but the District made quick steps to reduce expenditures once the impacts of the pandemic were identified.

expenditures once the impacts of the pandemic were identified.

While the outlook for San Diego County has slowed over the last three years, population within the District's service area continues to increase albeit at a reduced rate. As of June 2021, it is estimated that the District served 109,300 residents. The San Diego Association of Governments (SANDAG), the regional planning agency, has estimated the District's growth will continue for a decade or more. The District projects an ultimate customer population of 124,000 residents.

## THE FUTURE

The coming years will continue to pose challenges for those in California's water community. Assembly Bill 1668, Senate Bill 606 and Executive Order B-37-16 establish an indoor residential per person water use goal of 55 gallons per day through 2025, 52.5 gallons from 2025 to 2030 and 50 gallons beginning in 2030.

Separate from legislation, but just as important, is California's weather and water supplies. Shortages on the Colorado River and a dry year in California has impacted State water supplies. U.S. Bureau of Reclamation officials warn that water cuts may be necessary.

Further, finding compromise or addressing the environmental issues of California's Bay Delta are difficult. These factors along with the ever-increasing costs of energy are driving up the price of water statewide. However, through foresight, investments in drought-proof desalinated water, solar energy, conservation, and a water rate structure that incentivizes conservation, the Vallecitos Water District has maintained ample supplies for the public we serve.

As one would expect, unpredictable patterns in water usage from the pandemic can impact projected revenues and will continue to affect the District's finances. With that in mind, our success as an organization is vastly enhanced by the practices and policies put in place by the Board of Directors to ensure the strength and stability of the District, even as we move forward through uncertain times. We are fully confident that with these policies and practices, supported by dedicated and talented staff, the District will achieve continued success as an organization and thus assure the well-being of the people we serve.

## AWARDS AND ACKNOWLEDGMENTS

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Vallecitos Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2020. In order to be awarded a Certificate of Achievement, a government 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. We believe that our current comprehensive annual financial 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.

In addition to the Certificate of Achievement for Excellence in Financial Reporting, the District has received the following awards:

The *Special District Leadership Foundation* has certified Vallecitos with both the “District of Distinction” and the “District Transparency Certificate of Excellence” for outstanding efforts to promote a transparent, well-governed public agency. These certifications were made annually starting in 2016 through 2021.

I would like to thank all of the staff involved for their efforts in preparing this Comprehensive Annual Financial Report and for their hard work to ensure a successful outcome. I would also like to thank the firm of Davis Farr LLP, for their professional work and opinion. To the Board of Directors, staff and I acknowledge and appreciate their continued support and direction in achieving excellence in financial management.



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Glenn Pruim, General Manager



---

D. Westley Owen, Finance Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Vallecitos Water District  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morrill*

Executive Director/CEO

# LIST OF PRINCIPAL OFFICIALS

## Our Mission

The mission of Vallecitos Water District is to operate as water and wastewater specialists providing exceptional and sustainable services. This mission is reflected in this Comprehensive Annual Financial Report and in the attitudes and commitment of the Vallecitos Water District staff and Board Members.



Clockwise: Jim Pennock, Mike Sannella (center), Tiffany Boyd-Hodgson, Craig Elitharp and James Hernandez

### Board of Directors

Mike Sannella, President  
Craig Elitharp, Vice President  
Tiffany Boyd-Hodgson, Ph.D.  
James Hernandez  
Jim Pennock

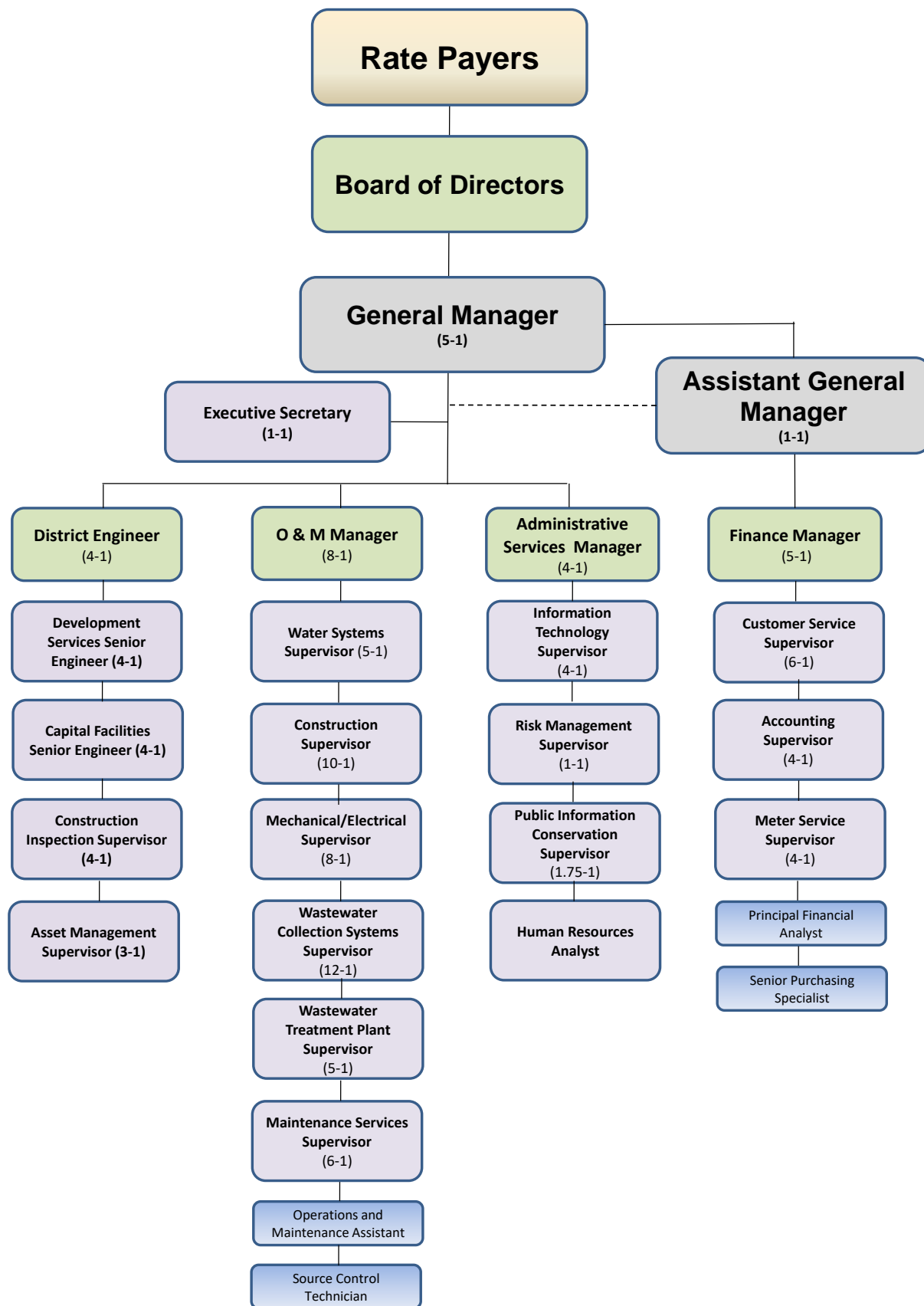
### District Financial Management

Glenn Pruum, General Manager  
D. Westley Owen, Finance Manager

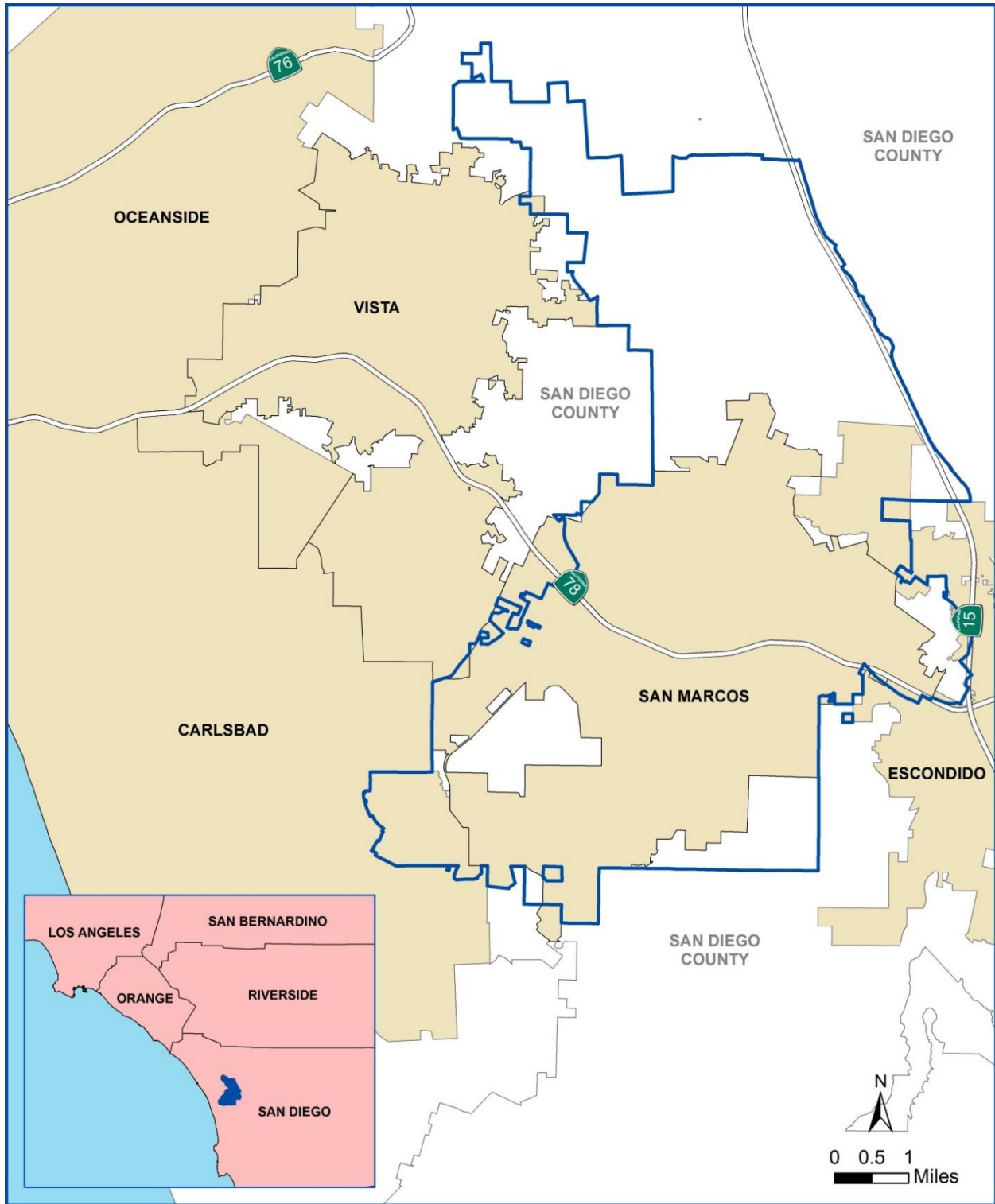
Vallecitos Water District is a public agency organized in 1955, proudly serving the City of San Marcos, portions of Escondido, Carlsbad, Vista, and the surrounding unincorporated areas.



# VALLECITOS WATER DISTRICT ORGANIZATION CHART



# VALLECITOS WATER DISTRICT SERVICE AREA MAP



# FINANCIAL SECTION



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## **Independent Auditor's Report**

Board of Directors  
Vallecitos Water District  
San Marcos, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Vallecitos Water District ("District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 District'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 District'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 respective financial position of Vallecitos Water District, as of June 30, 2021, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Vallecitos Water District's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Vallecitos Water District's basic financial statements. The *introductory section and statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021 on our consideration of the Vallecitos Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vallecitos Water District's internal control over financial reporting and compliance.

DavisFarrLLP

Irvine, California  
November 12, 2021

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fiscal Year Ended June 30, 2021

Our discussion and analysis of the Vallecitos Water District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. Management's Discussion and Analysis (MD&A) presents financial highlights; an overview of the accompanying financial statements; an analysis of financial position and results of operations; current-to-prior year analysis; discussion on restrictions, commitments and limitations; and discussion on significant activity involving capital assets and long-term debt.

#### FINANCIAL HIGHLIGHTS

During the fiscal year ended June 30, 2021 (2020/21), the following highlights impacted, or have the potential to impact, the finances of the District.

- The District experienced an increase in overall demand for water from customers in fiscal year 2021 due to higher than average temperatures in the summer months and increased residential usage due to COVID-19. As a result, water sales increased by \$4.3 million or 15.2% from fiscal year 2019/20 to 2020/21.
- As a member of the San Diego County Water Authority, the District received a \$1,590,624 rebate related to litigation with the Metropolitan Water District of Southern California. The District's Board of Directors directed staff to refund this money to the District's customers.
- In fiscal year 2021 the District made a one-time additional discretionary payment of \$4,027,000 to the California Public Employee Retirement System (CalPERS) to reduce the unfunded accrued liability. The District anticipates paying off the full unfunded accrued liability over the following fiscal year. This will result in significant interest savings to the District.
- In 2020/21, the District received \$7.7 million in capital facility fees from development, compared to \$6.8 million received the prior year. This increase was higher than expected due to a notable pickup in development as economic activity increased post the COVID-19 slowdown of prior year.
- The District expended \$14.9 million in capital asset acquisition and construction compared to \$12.2 million the prior year.
- The District paid down \$3.6 million in long-term debt without incurring any additional debt.
- The District realized a net loss before capital contributions of \$1.8 million but after capital contributions of \$8.0 million, the District's net position increased by \$6.2 million.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements present the financial position, results of operations, and changes in cash flow from the economic resources measurement focus using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the following: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Statement of Net Position

This statement presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or weakening.

Statement of Revenues, Expenses, and Changes in Net Position

This statement presents information showing how the District's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Statement of Cash Flows

Reports cash receipts, cash payments, and net changes in cash resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities for the fiscal year. This statement differs from the Statement of Revenues, Expenses, and Changes in Net Position because the Statement of Cash Flows only accounts for transactions that result in cash receipts or disbursements.

Notes to the Basic Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data supplied in each of the specific financial statements listed above including a description of the accounting policies used and material disclosures required by generally accepted accounting principles that are not otherwise presented in the financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

During fiscal year 2021 the increase in net position of \$6,240,392 resulted from the increase in total assets combined with the decrease in total liabilities. The increase in total assets was largely attributable to the significant increase in development and construction activity compared to the relatively slow prior fiscal year due to COVID-19 restraints.

Analysis of Net Position

The increase in net position of \$6.2 million is attributable to contributed capital, renewed construction, and water sales.

- Cash and investments increased by \$5.7 million during fiscal year 20/21 inclusive of the market value adjustment on investments.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS (continued)

Vallecitos Water District's Net Position				
	2020/21	2019/20	Change	
			Amount	%
Cash and investments	\$ 85,323,279	\$ 79,616,510	\$ 5,706,769	7.2%
Capital assets	237,847,502	236,602,338	1,245,164	0.5%
Other assets	47,103,807	43,807,766	3,296,041	7.5%
Total Assets	370,274,588	360,026,614	10,247,974	2.8%
Deferred Outflows of Resources	10,010,051	16,054,368	(6,044,317)	-37.6%
Current liabilities	20,044,915	16,319,931	3,724,984	22.8%
Noncurrent liabilities	57,439,716	67,727,034	(10,287,318)	-15.2%
Total Liabilities	77,484,631	84,046,965	(6,562,334)	-7.8%
Deferred Inflows of Resources	6,370,844	1,845,245	4,525,599	245.3%
Net Position				
Net investment in capital assets	194,396,649	189,626,103	4,770,546	2.5%
Restricted	105,486	78,979	26,507	33.6%
Unrestricted	101,927,029	100,483,690	1,443,339	1.4%
Total Net Position	\$ 296,429,164	\$ 290,188,772	\$ 6,240,392	2.2%

Analysis of Net Position (continued)

- Capital assets increased by \$1.2 million primarily as a result of renewed construction.
- Other assets increased as a result of investments in the Encina Wastewater Authority (EWA).
- Deferred Outflows of Resources decreased \$6.0 million due to a \$4.0 million additional discretionary payment to CalPERS compared to \$8.1 million in the prior year.
- Net pension liability decreased by \$6.6 million as a result of the one-time additional discretionary payment of \$8.1 million in the prior fiscal year to CalPERS which reduced the unfunded accrued liability in the current year. This was the main reason the decrease in noncurrent liabilities.
- Deferred Inflows of Resources increased \$4.5 million due to a significant increase in the anticipated employer’s portion of the net pension liability.

Analysis of Revenues and Expenses

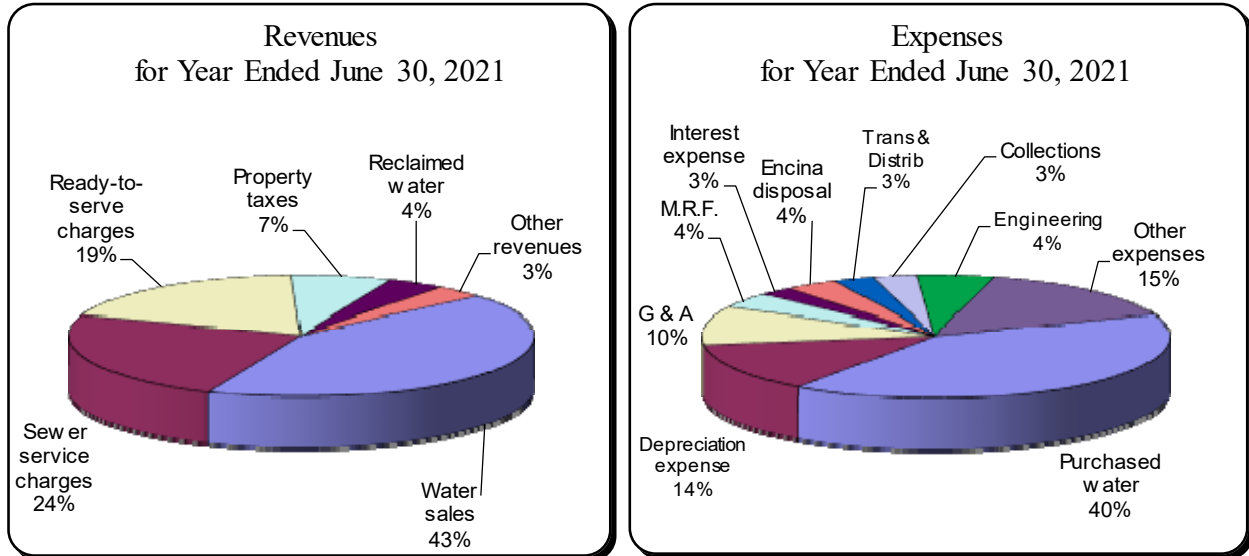
The composition of revenues and expenses for the 2020/21 fiscal year is illustrated in the following graphs. Water sales, ready-to-serve charges, and wastewater service charges continue to be the main sources of revenue funding District operations. Water sales are commodity charges assessed to cover the variable costs of purchasing and delivering water to customers. Ready-to-serve charges are intended to cover fixed costs in the wholesale water rate, and costs related to being able to provide water to customers.

Deductions from revenue to arrive at the operating loss of \$4,240,280 include non-cash depreciation and amortization expense of \$10,033,327. Depreciation is the systematic allocation of a capital asset’s cost to expense over a specified period of time. The District has established reserve floors and ceilings for the replacement of aging infrastructure.

**VALLECITOS WATER DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

**ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS (continued)**



A comparative analysis of revenues, expenses and discussion of variances between fiscal years are presented below.

Vallecitos Water District's Revenues and Expenses				
	For Fiscal Year:		Change	
	2020/21	2019/20	Amount	%
Water sales	\$ 32,717,315	\$ 28,407,203	\$ 4,310,112	15.2%
Wastewater service charges	18,151,779	18,012,258	139,521	0.8%
Ready-to-serve charges	14,640,396	14,275,830	364,566	2.6%
Property taxes	5,396,663	5,257,751	138,912	2.6%
Reclaimed water sales	3,007,732	2,663,436	344,296	12.9%
Other revenues	2,706,119	4,348,279	(1,642,160)	-37.8%
<b>Total Revenues</b>	<b>76,620,004</b>	<b>72,964,757</b>	<b>3,655,247</b>	<b>5.0%</b>
Purchased water	31,750,694	28,874,402	2,876,292	10.0%
Depreciation expense	10,033,327	10,022,954	10,373	0.1%
General and administrative	7,869,776	6,964,466	905,310	13.0%
Meadowlark Reclamation Facility (M.R.F.)	3,207,524	2,981,824	225,700	7.6%
Interest expense	1,828,258	2,003,074	(174,816)	-8.7%
Encina disposal	2,946,474	2,994,404	(47,930)	-1.6%
Engineering	4,164,526	2,878,442	1,286,084	44.7%
Collections	2,440,911	2,440,911	-	0.0%
Transmission & Distribution	2,144,258	1,870,778	273,480	14.6%
Other expenses	12,030,193	9,350,178	2,680,015	28.7%
<b>Total Expenses</b>	<b>78,415,940</b>	<b>70,381,433</b>	<b>8,034,507</b>	<b>11.4%</b>
Net Income/(Loss) before contributions	(1,795,936)	2,583,324	(4,379,260)	-169.5%
Capital contributions	8,036,328	8,425,853	(389,525)	-4.6%
<b>Change in Net Position</b>	<b>6,240,392</b>	<b>11,009,177</b>	<b>(4,768,785)</b>	<b>-43.3%</b>
Total Net Position, Beginning of Year	290,188,772	279,179,595	11,009,177	3.9%
<b>Total Net Position, End of Year</b>	<b>\$ 296,429,164</b>	<b>\$ 290,188,772</b>	<b>\$ 6,240,392</b>	<b>2.2%</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS (continued)

- The increases in water purchases and water sales reflect increases in water costs from San Diego County Water Authority (SDCWA) and increased residential demand for water.
- Property tax receipts continue to increase primarily from discontinued Redevelopment Agencies in fiscal year 20/21.
- Reclaimed water sales increased in fiscal year 20/21 because a greater amount of capital costs were recovered through reclaimed water sales.
- Other revenues decreased by \$1.6 million in fiscal year 20/21. Other revenues are a mixture of new annexations; investment income received and market valuation; pumping cost recovery; recovery of damaged property and delinquency fee receipts. The driving factor for the decrease from prior year was the decrease in investment earnings and fair market value adjustments.
- The \$0.9 million increase in General and administrative expenses was due primarily to increases in pension expense as a result of GASB 68 adjustments.
- Meadowlark Reclamation Facility (MRF) expenses increased as a result of increased operating costs at MRF in fiscal year 20/21.
- Engineering increased by \$1.3 million as a result of the recognition of pension expense related to the prior year additional discretionary payment.
- Transmission & distribution increased by \$0.3 million as a result of the recognition of pension expense related to the prior year additional discretionary payment.
- Other expenses increased by \$2.7 million due, in large part, to recognizing a loss on investment in EWA. The District recognizes the change in EWA's assets, liabilities, and changes in net position based on the District's ownership percentage of EWA.
- Capital contributions decreased from fiscal year 2020 to fiscal year 2021 due to fluctuations in contributed cash and assets received from developers.

RESTRICTIONS, COMMITMENTS, AND LIMITATIONS

The District's net revenue requirement is 1.15 times the total debt service of the District. The District's 2020/21 net revenue was 3.78 times debt service as calculated per the official statement for the bonds. Debt per capita within the District is \$445 exclusive of other debt such as San Diego County Water Authority and Metropolitan Water District.

Capital Projects

The District has two capital projects that have been contracted for at least the design phase before 2020/21 totaling \$7,922,507. More information about these projects can be found in Note 11 of the Notes to the Basic Financial Statements.

**VALLECITOS WATER DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

**CAPITAL ASSETS AND LONG-TERM DEBT**

Capital Assets

The District’s capital assets (net of accumulated depreciation) as of June 30, 2021, totaled \$237.8 million, which represents a 0.5% increase from the prior fiscal year.

	2020/21	2019/20
Land	\$ 4,981,505	\$ 4,981,505
Construction in Progress	14,467,764	5,928,082
Total Capital Assets, Not Depreciated	<u>19,449,269</u>	<u>10,909,587</u>
Water Transmission and Distribution System	208,503,739	207,170,931
Wastewater System	147,551,888	147,311,505
Buildings	17,377,612	17,287,789
Transportation Equipment	5,634,362	5,297,564
Field and Shop Equipment	11,250,463	11,152,818
Office Equipment	2,635,772	2,815,443
Accumulated Depreciation	<u>(174,555,603)</u>	<u>(165,343,299)</u>
Total Capital Assets, Being Depreciated, Net	<u>218,398,233</u>	<u>225,692,751</u>
Total Capital Assets, Net	<u>\$ 237,847,502</u>	<u>\$ 236,602,338</u>

As indicated by the figures in the table above, the majority of capital assets added during the fiscal year were related to the Water Transmission and Distribution System and the Wastewater System. Additional information on the District’s capital assets can be found in Note 4 of the Notes to the Basic Financial Statements.

Long-Term Debt

At June 30, 2021, the District had \$48.9 million in outstanding long-term debt, a decrease of \$3.6 million, or 6.91%, from the prior year. The outstanding debt, including amortized bond issuance costs, consisted of the following obligations:

	2020/21	2019/20
Revenue Refunding Bonds	\$ 44,374,573	\$ 46,864,542
Certificates of Participation (COP)	1,527,000	2,266,000
Bank Loan	<u>3,000,000</u>	<u>3,400,000</u>
Total Long-Term Debt	<u>\$ 48,901,573</u>	<u>\$ 52,530,542</u>

Additional information on the District’s long-term debt can be found in Note 6 of the Notes to the Basic Financial Statements.

**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES**

The District considered the following economic factors in establishing 2021/22 budget amounts:

- Increases in residential water usage and decreases in commercial water usage due to the realized impacts of COVID-19 in the prior year
- Slow but steady increase in construction and development as we recover from the COVID-19 pandemic
- Increasing regulatory compliance

As a result of these factors, the 2021/22 budget includes:

- Water sales and purchases reflective of the District’s improved understanding of financial impacts due to COVID-19
- Increases in delinquency fees and bad debt expense
- Staffing levels remaining steady as the District continues to scrutinize the need for all positions and only fill positions if absolutely necessary

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to give ratepayers, customers, investors, and creditors a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives and the stewardship of the facilities it maintains. If you have questions about this report or need additional information, contact the Vallecitos Water District’s Finance Department, 201 Vallecitos de Oro, San Marcos, CA 92069, call (760) 744-0460, or visit our website at [www.vwd.org](http://www.vwd.org).

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## **BASIC FINANCIAL STATEMENTS**

**VALLECITOS WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**  
**(with prior year summarized comparative totals)**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents (note 2)	\$ 29,494,846	\$ 24,646,964
Restricted cash and cash equivalents (note 2)	3,216,625	3,159,750
Investments (note 2)	52,611,808	51,809,796
Accounts receivable, net:		
Water and wastewater sales and services, net (note 3)	7,376,668	7,784,056
Taxes and assessments (note 3)	136,207	140,940
Other governmental entities	410,626	678,799
Other	348,583	509,954
Accrued interest receivable	218,822	302,408
Inventories	968,247	902,192
Prepaid items	171,747	376,040
Total Current Assets	94,954,179	90,310,899
Noncurrent Assets:		
Restricted capital facility fees	105,486	78,979
Net OPEB asset (note 9)	322,772	85,884
Investment in Encina Wastewater Authority (note 5)	37,044,649	32,948,514
Capital assets not being depreciated (note 4)	19,449,269	10,909,587
Capital assets being depreciated, net (note 4)	218,398,233	225,692,751
Total Noncurrent Assets	275,320,409	269,715,715
Total Assets	370,274,588	360,026,614
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related (note 8)	7,200,732	12,771,685
OPEB related (note 9)	575,224	888,125
Deferred charges from debt retirement	2,234,095	2,394,558
Total Deferred Outflows of Resources	10,010,051	16,054,368
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	12,669,633	9,609,849
Accrued compensation	280,137	199,506
Construction and service deposits	1,336,228	796,358
Interest payable	989,060	1,045,784
Current portion of long term debt (note 6)	3,754,969	3,628,969
Current portion of compensated absences (note 6)	1,014,888	1,039,465
Total Current Liabilities	20,044,915	16,319,931
Noncurrent Liabilities:		
Loan payable (note 6)	2,600,000	3,000,000
Long term debt (note 6)	42,546,604	45,901,574
Compensated absences (note 6)	670,381	599,776
Net pension liability (note 8)	11,622,731	18,225,684
Total Noncurrent Liabilities	57,439,716	67,727,034
Total Liabilities	77,484,631	84,046,965
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related (note 8)	6,213,788	1,641,664
OPEB related (note 9)	157,056	203,581
Total Deferred Inflows	6,370,844	1,845,245
<b>NET POSITION</b>		
Net investment in capital assets (note 7)	194,396,649	189,626,103
Restricted for future capital projects	105,486	78,979
Unrestricted	101,927,029	100,483,690
Total Net Position	\$ 296,429,164	\$ 290,188,772

See accompanying notes to the basic financial statements.

**VALLECITOS WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**(with prior year summarized comparative totals)**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 32,717,315	\$ 28,407,203
Wastewater service charges	18,151,779	18,012,258
Ready-to-serve charges	14,640,396	14,275,830
Reclaimed water sales	3,007,732	2,663,436
Pumping charges	445,178	394,029
Other services and abatements	<u>971,567</u>	<u>1,132,786</u>
Total Operating Revenues	<u>69,933,967</u>	<u>64,885,542</u>
<b>OPERATING EXPENSES</b>		
Purchased water	31,750,694	28,874,402
General and administrative	7,869,762	6,964,466
Meadowlark wastewater treatment plant	3,207,529	2,981,824
Encina disposal	2,946,474	2,994,404
Collection and conveyance	3,400,346	2,440,911
Engineering	4,164,526	2,878,442
Transmission and distribution	2,144,259	1,870,778
Customer accounts	1,651,127	1,262,706
Information technology	2,127,695	1,826,485
Meter reading and repairs	1,188,349	826,259
Buildings and grounds	930,470	609,951
Equipment and vehicles	590,661	503,306
Other water operating expenses	581,828	454,717
Other wastewater operating expenses	867,908	673,873
Water quality and treatment	750,997	714,930
Tanks and reservoirs	361,292	375,385
Pumping	<u>885,055</u>	<u>808,239</u>
Total Operating Expenses	<u>65,418,972</u>	<u>57,061,078</u>
Operating income before overhead absorption	4,514,995	7,824,464
Overhead absorption	<u>1,278,052</u>	<u>1,233,511</u>
Operating income before depreciation and amortization	5,793,047	9,057,975
Depreciation and amortization	<u>(10,033,327)</u>	<u>(10,022,954)</u>
Operating Income	<u>(4,240,280)</u>	<u>(964,979)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Property taxes	5,396,663	5,257,751
Interest income	1,117,199	1,663,564
Unrealized gain (loss) of investments	(945,437)	1,060,739
Change in Encina Joint Venture assets	(2,413,434)	(2,527,838)
Interest expense	(1,828,259)	(2,003,074)
Other non-operating revenues/(expenses), net	<u>1,117,612</u>	<u>97,161</u>
Total Non-Operating Revenues (Expenses), Net	<u>2,444,344</u>	<u>3,548,303</u>
Net income (loss) before capital contributions	(1,795,936)	2,583,324
<b>CAPITAL CONTRIBUTIONS</b>	<u>8,036,328</u>	<u>8,425,853</u>
Change in net position	6,240,392	11,009,177
Total Net Position, Beginning of Year	<u>290,188,772</u>	<u>279,179,595</u>
Total Net Position, End of Year	<u>\$ 296,429,164</u>	<u>\$ 290,188,772</u>

See accompanying notes to the basic financial statements.

**VALLECITOS WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021  
(with prior year summarized comparative totals)**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from water and wastewater customers	\$ 70,770,899	\$ 64,557,422
Payments for water	(31,078,965)	(28,606,417)
Payments for services and supplies	(8,916,884)	(7,960,853)
Payments for employee wages, benefits, and related costs	(19,342,315)	(24,026,319)
Net Cash Provided by Operating Activities	11,432,735	3,963,833
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Receipts from taxes and assessments	5,401,396	5,246,748
Net Cash Provided by Noncapital Financing Activities	5,401,396	5,246,748
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Receipts relating to annexation fees and cell tower rentals	1,120,217	61,603
Acquisition and construction of capital assets	(14,270,876)	(12,182,380)
Principal paid on long-term debt	(3,264,001)	(3,145,000)
Interest payments on long-term debt	(2,092,094)	(2,264,498)
Capacity fees received	7,718,635	6,757,875
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,788,119)	(10,772,400)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(19,320,308)	(24,243,907)
Proceeds from calls and maturities of investments	17,527,849	24,160,309
Investment earnings received	1,245,795	1,674,201
Net Cash Provided (Used) by Investing Activities	(546,664)	1,590,603
Net Increase (Decrease) in Cash and Cash Equivalents	5,499,348	28,784
Cash and Cash Equivalents, Beginning of Year	27,806,714	27,777,930
Cash and Cash Equivalents, End of Year	\$ 33,306,062	\$ 27,806,714
<b>Reconciliation of cash and cash equivalents to statement of net assets:</b>		
Cash and cash equivalents	29,494,846	24,646,964
Restricted cash and cash equivalents	3,216,625	3,159,750
<b>Total cash and cash equivalents</b>	<b>\$ 32,711,471</b>	<b>\$ 27,806,714</b>

See accompanying notes to the basic financial statements.

**VALLECITOS WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021  
(with prior year summarized comparative totals)  
(Continued)**

<b>Reconciliation of Operating Income (Loss) to net Cash Provided by Operating Activities:</b>	<u><b>2021</b></u>	<u><b>2020</b></u>
Operating income (loss)	\$ (4,240,280)	\$ (964,979)
<b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>		
Depreciation and amortization	10,033,327	10,022,954
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable from water and wastewater sales and services	407,388	(665,797)
Accounts receivable from other governmental entities	268,173	337,833
Accounts receivable from taxes and assessments	161,371	(156)
Inventories	(66,055)	134,421
Prepaid items	204,293	22,722
Net OPEB asset	(236,888)	(77,312)
Accounts payable	968,247	858,948
Accrued compensation	80,631	(275,922)
Compensated absences	46,028	246,267
Deferred outflows - pension related	5,570,953	(6,655,971)
Deferred inflows - pension related	4,572,124	288,650
Deferred outflows - OPEB related	312,901	(366,015)
Deferred inflows - OPEB related	(46,525)	203,581
Net pension liability	<u>(6,602,953)</u>	<u>854,609</u>
Total Adjustments	<u>15,673,015</u>	<u>4,928,812</u>
Net Cash Provided by Operating Activities	<u>\$ 11,432,735</u>	<u>\$ 3,963,833</u>
<b>Noncash Investing, Capital and Financing Activities:</b>		
Contribution of assets by developers	237,144	1,358,896
Change in fair value of investments	(945,437)	1,060,739

See accompanying notes to the basic financial statements.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Vallecitos Water District ("District") was organized in March of 1955 under the provisions of the California Water Code. By Board action in 1989, the District's name was changed from San Marcos County Water District to Vallecitos Water District. The District was organized to finance, construct, operate, and maintain a water and wastewater system serving portions of northern San Diego County. Currently, the District services approximately 29,000 acres and provides water and wastewater service to the City of San Marcos, portions of the cities of Escondido and Carlsbad, and portions of surrounding unincorporated areas. The District has approximately 21,927 active water meters and 20,708 active sewer accounts as of June 30, 2021.

The District is the primary governmental unit based on the foundation of a separately elected governing board elected by geographic division of the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The Vallecitos Water District Financing Corporation ("Corporation") was incorporated in March 1998. The Corporation is a California nonprofit public benefit corporation formed to assist the District by acquiring, constructing, operating, and maintaining facilities, equipment, or other property needed by the District and leasing or selling such property to the District. The Corporation has no employees or other operations. Although the Corporation is legally separate, it is included as a blended component unit of the District, as it is in substance part of the District's operations. No separate financial statements are prepared for the Corporation.

**B. Basis of Presentation**

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

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. "Basis of accounting" refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus," and the "accrual basis of accounting." Under the economic measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**D. Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows, the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**E. Restricted Assets**

Certain assets of the District are restricted in use by law or debt covenant, and accordingly, are shown as restricted assets on the accompanying Statement of Net Position. Certificates of Participation construction funds set aside from Certificates of Participation proceeds are restricted for construction projects. The District uses restricted resources, prior to using unrestricted resources, to pay expenses meeting the criteria imposed on the use of restricted resources by a third party.

**F. Investments and Investment Policy**

The District has adopted an investment policy directing the District's Treasurer to deposit funds in financial institutions. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**G. Fair Value Measurements**

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

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

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

Level 2: Inputs to the valuation methodology include:

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

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

**H. Accounts Receivable and Allowance for Uncollectible Accounts**

The District extends credit to customers in the normal course of operations. When management deems customer accounts to be uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

**I. Water and Wastewater Sales and Services**

Water and wastewater sales and services are billed on a monthly cyclical basis. Estimated unbilled water and wastewater revenue through June 30, 2021 has been accrued as of year-end.

**J. 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 is as follows:

Lien Date:	January 1, 2021
Levy Date:	July 1, 2021
Due Date:	First Installment - November 1, 2020 Second Installment - February 1, 2021
Delinquent Date:	First Installment - December 10, 2020 Second Installment - April 10, 2021

Property taxes and assessments are collected by the County of San Diego, and are remitted to the District periodically according to the following estimated schedule:



**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

December 10, 2020	30% Advance - First Installment
January 24, 2021	Balance on First Installment (to 55%)
April 8, 2021	10% Advance - Second Installment
May 13, 2021	Balance of Second Installment (to 95%)
August 1, 2021	Third Installment (to 100%)

**K. Water-In-Storage Inventory**

The District owns the water within its transmission and distribution system. This water has been recorded on the District’s books at the cost at which the water was purchased using the first-in-first-out (FIFO) method.

**L. Materials and Supplies Inventory**

Materials and supplies inventory consist primarily of water meters, pipe and pipefittings for construction and repair to the District’s water transmission and distribution system and wastewater system. Inventory is valued at cost using a weighted average cost method. Inventory items are charged to expense or work-in-process at the time that individual items are withdrawn from inventory or consumed.

**M. Prepaid Items**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

**N. Encina Wastewater Authority**

The District’s participation in the Encina Wastewater Authority (“EWA”) is included in the accompanying financial statements. The District’s investment in EWA is capitalized as a percentage of ownership of capital expenditures incurred by EWA. Ownership percentages are determined by joint agreements at the time the assets are acquired.

**O. Capital Assets and Depreciation**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets expected to have a useful life of more than two years at \$10,000. Donated assets are recorded at acquisition value at the date of acquisition. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Useful Life</u>
Transmission and distribution	10 - 75 years
Wastewater system	5 - 50 years
Buildings	50 years
Transportation equipment	7 - 15 years
Field and shop equipment	5 - 20 years
Office equipment	3 - 10 years

**VALLECITOS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**(Continued)**  
**YEAR ENDED JUNE 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net positions that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District has three items that qualify for reporting in this category. Two are related to pension and OPEB contributions subsequent to the measurement date of the net pension and OPEB liabilities and other amounts, which are amortized over an actuarially determined period. The third is related to the deferred charges related to debt refunding.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow (revenue) until that time. The District has two items that qualify for reporting in this category. These items are related to pension and OPEB. These amounts are amortized over an actuarially determined period.

**Q. Construction Deposits**

Construction deposits represent deposits received in aid of construction, which are refundable if the applicable construction does not take place. Construction deposits are transferred to contributed capital when the District is no longer liable for the applicable construction project.

**R. Compensated Absences**

The District has a policy whereby an employee can accumulate unused paid time off including vacation and sick time. An employee can accrue up to a maximum of two times (2x) the employee's annual accrual rate or 240 vacation hours, whichever is greater. When an employee has accumulated the maximum hours, no further hours are accrued. In addition, an employee can accrue up to the sick leave balance cap of 1040 hours. An employee who separates from the District is entitled to receive 100 percent of their accumulated unused vacation hours. An employee who separates from the District with less than five years of service is entitled to receive 25 percent of their unused sick leave hours, whereas an employee with more than five years of service is entitled to receive 50 percent of their unused sick leave hours.

The District provided for these future costs by accruing 100 percent of all earned and unused vacation hours, 25 percent of all earned and unused sick leave hours for employees with less than five years of service, and 50 percent of all earned and unused sick leave hours for employees with more than five years of service.

**S. Pension Plan**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the Plans' 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 currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Generally Accepted Accounting Principles requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

**T. Other Post-Employment Benefits**

For purposes of measuring the net OPEB (asset) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (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, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

**U. Capital Contributions**

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

**V. Use of Estimates**

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments. Actual results could differ from these estimates.

**W. Prior Year Data**

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

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**2. CASH AND INVESTMENTS**

Cash and investments are classified in the accompanying financial statements as of June 30, 2021:

Cash and cash equivalents	\$ 29,494,846
Restricted cash and cash equivalents	3,216,625
Investments	<u>52,611,808</u>
Total cash and investments	<u>\$ 85,323,279</u>

Cash and investments consist of the following at June 30, 2021:

Cash on hand	\$ 2,000
Deposits with financial institutions	988,744
Investments	<u>84,332,535</u>
Total cash and investments	<u>\$ 85,323,279</u>

*Investments Authorized by the California Government Code and the District's Investment Policy*

The following table identifies the investment types that are authorized by the District in accordance with the District's investment policy, which is more restrictive than the California Government Code. The table also identifies certain provisions of the District's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds that are governed by the provisions of debt agreements of the District, rather than the general provisions of the District's investment policy.

<u>INVESTMENT TYPE</u>	<u>MAXIMUM MATURITY</u>	<u>MAXIMUM SPECIFIED % OF PORTFOLIO</u>
Asset-Backed Securities	5 years	20%
Bankers' Acceptances	180 days	20%
Collateralized Bank Deposits	None	100%
Commercial Paper	270 days	25%
County Pooled Investment Funds	None	100%
Local Agency Investment Fund (LAIF)	None	100%
Medium-Term Notes	5 years	25%
Mutual Funds and Money Market Mutual Funds	None	20%
Negotiable Certificates of Deposit	5 years	20%
Non-negotiable Certificates of Deposit	5 years	20%
Repurchase Agreements	1 year	25%
State Obligations— CA and Others	5 years	25%
Supranational Obligations	5 years	25%
U.S. Agency and U.S. Treasury Obligations	5 years	100%

**VALLECITOS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**(Continued)**  
**YEAR ENDED JUNE 30, 2021**

**2. CASH AND INVESTMENTS (Continued)**

*Investments Authorized by Debt Agreements*

Investment of debt proceeds are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. Each debt agreement notes the investment types that are authorized for investments and identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

*Custodial Credit Risk*

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The District's investment policy considers aversion to custodial credit risk by requiring all participants in the investment process to invest no more than 25% of the portfolio with one financial institution, with the exception of LAIF, the U.S. Treasury and funds advanced or in trustee accounts for project construction.

The California Government Code requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

*Investment in State Investment Pool*

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

*San Diego County Pooled Investment Fund*

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

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**2. CASH AND INVESTMENTS (Continued)**

The County of San Diego's bank deposits are either Federally insured or collateralized in accordance with the California Government Code. Pool detail is included in the County of San Diego Comprehensive Annual Financial Report (CAFR). Copies of the CAFR may be obtained from the County of San Diego Auditor-Controller's Office - 1600 Pacific Coast Highway - San Diego, CA 92101.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages interest rate risk by limiting terms of investment as noted in the section of this note titled Investments Authorized by the California Government Code and the District's Investment Policy.

The District also manages its exposure to interest rate risk by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date.

Maturities of investments at June 30, 2021 are as follows:

Type of Investment	Total	12 months or less	One to Three Years	Three to Five Years
Treasury Securities	\$ 15,623,400	\$ 761,309	\$ 12,926,726	\$ 1,935,365
Federal Agency Securities	23,363,765	6,364,882	16,998,883	-
Local Agency Investment Fund	22,681,611	22,681,611	-	-
Corporate Medium-Term Notes	9,648,233	3,347,848	4,754,617	1,545,768
Asset Backed Securities	1,806,579	5,987	34,214	1,766,378
Supranational	1,144,858	751,160	393,698	-
Money Market Mutual Funds	278,246	278,246	-	-
Negotiable Certificates of Deposit	1,000,000	1,000,000	-	-
San Diego County Investment Pool	5,569,218	5,569,218	-	-
Held by Fiscal Agent:				
Money Market Funds	3,216,625	3,216,624	-	-
Total	<u>\$ 84,332,535</u>	<u>\$ 43,976,885</u>	<u>\$ 35,108,138</u>	<u>\$ 5,247,511</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the Moody's rating as of year-end for each investment type.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**2. CASH AND INVESTMENTS (Continued)**

Credit ratings of investments as of June 30, 2021 were as follows:

Investment	Total	Minimum Legal Rating	Not Required to be Rated	AAA	AA	A	A-1/A-1+	Unrated
U.S. Treasury Securities	\$ 15,623,400	N/A	\$ 15,623,400		\$ -	\$ -	\$ -	\$ -
U.S. Government Sponsored								
Agency Securities:								
FFCB	7,485,108	N/A	-	7,485,108	-	-	-	-
FHLB	5,554,149	N/A	-	5,554,149	-	-	-	-
FHLMC	6,323,484	N/A	-	6,323,484	-	-	-	-
FNMA	4,001,024	N/A	-	4,001,024	-	-	-	-
Local Agency Investment Fund	22,681,611	N/A	-	-	-	-	-	22,681,611
Corporate Medium-Term Notes	9,648,233	A	-	-	2,169,362	7,478,871	-	-
Asset Backed Securities	1,806,579	AA	-	1,806,579	-	-	-	-
Supranational	1,144,858	AA	-	1,144,858	-	-	-	-
Money Market Mutual Funds	278,246	AAA	-	278,246	-	-	-	-
Negotiable Certificates of Deposit	1,000,000	A	-	-	-	-	1,000,000	-
San Diego County Investment Pool	5,569,218	N/A	-	5,569,218	-	-	-	-
Held by Fiscal Agent:								
Money Market Mutual Funds	3,216,625	AAA	3,216,625	-	-	-	-	-
Total	<u>\$ 84,332,535</u>		<u>\$ 18,840,025</u>	<u>\$ 32,162,666</u>	<u>\$ 2,169,362</u>	<u>\$ 7,478,871</u>	<u>\$ 1,000,000</u>	<u>\$ 22,681,611</u>

The investment policy of the District limits the amount that can be invested in any one issuer to 10% of the portfolio. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the District's total investments at June 30, 2021 are as follows:

Issue	Investment Type	Reported Amount	Percentage of Portfolio
Federal Farm Credit Banks	U.S. Government Sponsored	\$ 7,485,108	8.88%
Federal Home Loan Bank	U.S. Government Sponsored	5,554,149	6.59%
Federal Home Loan Mortgage Association	U.S. Government Sponsored	6,323,484	7.50%

The District has the following recurring fair value measurements as of June 30, 2021:

	Total	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
U.S. Treasury Securities	\$ 15,623,400	\$ -	\$ 15,623,400	\$ -
U.S. Government Sponsored				
Agency Securities:				
FFCB	7,485,108	-	7,485,108	-
FHLB	5,554,149	-	5,554,149	-
FHLMC	6,323,484	-	6,323,484	-
FNMA	4,001,024	-	4,001,024	-
Corporate Medium Term Notes	9,648,233	-	9,648,233	-
Asset Backed Securities	1,806,579	-	1,806,579	-
Supranational	1,144,858	-	1,144,858	-
Negotiable Certificates of Deposit	1,000,000	-	1,000,000	-
Total Investments at Fair Value	<u>52,586,835</u>	<u>\$ -</u>	<u>\$ 52,586,835</u>	<u>\$ -</u>

Investments not subject to categorization:

Money Market Mutual Funds	3,494,871
Local Agency Investment Fund (LAIF)	22,681,611
San Diego County Investment Pool	5,569,218
<u>Total</u>	<u>\$ 84,332,535</u>

**VALLECITOS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**(Continued)**  
**YEAR ENDED JUNE 30, 2021**

**3. ACCOUNTS RECEIVABLE**

Customer Account Receivable

The customer accounts receivable balance at June 30, 2021 consists of the following:

Water and wastewater sales and services	\$ 7,658,157
Allowance for uncollectible accounts	<u>(281,489)</u>
Accounts Receivable - water and wastewater, net	<u>\$ 7,376,668</u>

Property Tax Receivable

Taxes and assessments receivable of \$141,366 have been reduced by an allowance for estimated uncollectible taxes of \$5,159 for a net receivable of \$136,207 at June 30, 2021.

**4. CAPITAL ASSETS**

Changes in capital assets are as follows:

	June 30, 2020	Additions/ Transfers	Deletions/ Transfers	June 30, 2021
Capital Assets, Not Depreciated:				
Land	\$ 4,981,505	\$ -	\$ -	\$ 4,981,505
Construction-in-progress	<u>5,928,082</u>	<u>12,034,828</u>	<u>(3,495,146)</u>	<u>14,467,764</u>
Total Capital Assets, Not Depreciated	<u>10,909,587</u>	<u>12,034,828</u>	<u>(3,495,146)</u>	<u>19,449,269</u>
Capital Assets, Being Depreciated:				
Water transmission and distribution system	207,170,931	1,332,808	-	208,503,739
Wastewater system	147,311,505	240,383	-	147,551,888
Buildings	17,287,789	89,823	-	17,377,612
Transportation equipment	5,297,564	965,268	(628,470)	5,634,362
Field and shop equipment	11,152,818	110,527	(12,882)	11,250,463
Office equipment	<u>2,815,443</u>	<u>-</u>	<u>(179,671)</u>	<u>2,635,772</u>
Total Capital Assets, Being Depreciated	<u>391,036,050</u>	<u>2,738,809</u>	<u>(821,023)</u>	<u>392,953,836</u>
Less: Accumulated Depreciation:				
Water transmission and distribution system	(83,408,359)	(4,802,868)	-	(88,211,227)
Wastewater system	(51,848,111)	(2,750,063)	-	(54,598,174)
Buildings	(16,757,132)	(1,375,123)	-	(18,132,255)
Transportation equipment	(3,505,449)	(455,167)	628,470	(3,332,146)
Field and shop equipment	(7,588,611)	(428,154)	12,882	(8,003,883)
Office equipment	<u>(2,235,637)</u>	<u>(221,952)</u>	<u>179,671</u>	<u>(2,277,918)</u>
Total Accumulated Depreciation	<u>(165,343,299)</u>	<u>(10,033,327)</u>	<u>821,023</u>	<u>(174,555,603)</u>
Total Capital Assets, Being Depreciated, Net	<u>225,692,751</u>	<u>(7,294,518)</u>	<u>-</u>	<u>218,398,233</u>
Total Capital Assets, Net	<u>\$ 236,602,338</u>	<u>\$ 4,740,310</u>	<u>\$ (3,495,146)</u>	<u>\$ 237,847,502</u>

Depreciation expense for the year ended June 30, 2021 is \$10,033,327 and is included in Depreciation and Amortization expense on the Statement of Revenues, Expenses, and Changes in Net Position.



**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**5. ENCINA WASTEWATER AUTHORITY**

The Revised Basic Agreement is a joint exercise of powers agreement by and among the cities of Carlsbad, Vista, and Encinitas, the Buena Sanitation District, the Vallecitos Water District, and the Leucadia Wastewater District for the ownership and operation of a joint sewerage system. The Encina Wastewater Authority (EWA) board is composed of representatives of these Member Agencies. Each Member Agency has an investment in EWA's assets and owns a corresponding proportion of the capacity of the joint system. As of June 30, 2021, the Member Agencies have the following approximate ownership interest:

City of Vista	25.20%
City of Carlsbad	24.24%
Vallecitos Water District	22.42%
Leucadia Wastewater District	16.80%
Buena Sanitation District	7.09%
City of Encinitas	4.25%

The latest available financial statements of EWA, dated June 30, 2020, are available directly from EWA's website (<https://www.encinajpa.com/transparency/fiscal-responsibility>), and depict the following:

Total assets	\$ 160,567,322
Deferred outflows of resources	7,802,458
Total liabilities	18,673,108
Deferred inflows of resources	853,449
Total net position	148,843,223
Increase in net position	12,541,516

**6. LONG TERM DEBT**

The following is a summary of long-term debt transactions for the fiscal year ended June 30, 2021:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due within one year
2008 UBOC Loan	\$ 3,400,000	\$ -	\$ (400,000)	\$ 3,000,000	\$ 400,000
2012 COP	2,266,000	-	(739,000)	1,527,000	755,000
2015 Refunding Revenue Bonds	41,390,000	-	(2,125,000)	39,265,000	2,235,000
Bond Premium	5,474,542	-	(364,969)	5,109,573	364,969
Compensated Absences	<u>1,639,242</u>	<u>882,034</u>	<u>(836,007)</u>	<u>1,685,269</u>	<u>1,014,888</u>
Total	<u>\$ 54,169,784</u>	<u>\$ 882,034</u>	<u>\$ (4,464,976)</u>	<u>\$ 50,586,842</u>	<u>\$ 4,769,857</u>

2008 UBOC Loan Payable

On November 12, 2008, the District entered into a variable rate tax-exempt private placement loan with Union Bank of California (UBOC) in the amount of \$8,000,000 to partially finance the District's share of the expansion costs at the Encina Wastewater Authority's treatment plant. Terms of the agreement call for interest to accrue at an interest rate per annum equal to 64.72% of the LIBOR index (0.20288%) plus 0.79% (0.92130% at June 30, 2021). Principal payments of \$400,000 plus interest are payable semi-annually. The loan matures in 2029.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**6. LONG TERM DEBT (Continued)**

The District's outstanding loan is secured with the pledge of Net Revenues. The outstanding debt contains (1) a provision that in an event of default, the bank may declare all sums of interest and principal and any other amounts owing under the note immediately due and payable, without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor or any other notices or demands and (2) from and after the occurrence of an Event of Default up through and including the maturity date, inclusive, and for so long as any event of default is continuing, interest shall accrue on the unpaid principal owing under the note at a rate per annum equal to the bank's reference rate plus 3%.

The annual requirements to amortize the 2008 Loan Payable outstanding at June 30, 2021 are as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 400,000	\$ 27,919	\$ 427,919
2023	400,000	25,533	425,533
2024	400,000	22,751	422,751
2025	400,000	19,537	419,537
2026	400,000	15,846	415,846
2027-2029	1,000,000	18,484	1,018,484
Total	<u>\$ 3,000,000</u>	<u>\$ 130,070</u>	<u>\$ 3,130,070</u>

2012 Certificates of Participation

On December 5, 2012, the Board of Directors of Vallecitos Water District authorized the issuance of direct placement debt. The District received \$7.1 million of proceeds at a 1.98% fixed interest rate over the ten-year life of the loan. The proceeds will support the San Marcos Sewer Interceptor and Linda Vista Sewer Line projects.

The District's outstanding certificates of participation are secured with the pledge of Net Revenues. The outstanding debt contains (1) a provision that in an event of default, the holder of any outstanding Parity Obligations is entitled to accelerate such Indebtedness, Bank may declare all sums of interest and principal and any other amounts owing under the Note or under any other Loan Document immediately due and payable, without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor or any other notices or demands. Otherwise, an Event of Default hereunder shall not result in an acceleration of Borrower's obligations hereunder or under the Note and (2) a provision that the District may prepay all, but not less than all of the aggregate unpaid amounts after giving the Original Purchaser 30 days' prior written notice and at a price of 101% of the principal amount so paid.

The annual requirements to amortize the 2012 Certificates of Participation outstanding at June 30, 2021 are as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 755,000	\$ 22,760	\$ 777,760
2023	772,000	7,643	779,643
Total	<u>\$ 1,527,000</u>	<u>\$ 30,403</u>	<u>\$ 1,557,403</u>

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**6. LONG TERM DEBT (Continued)**

2015 Refunding Revenue Bonds

On July 9, 2015, the District issued \$45,315,000 of Refunding Revenue Bonds due July 1, 2035. The 2015 Bonds were issued to provide funds to provide a portion of the money to prepay a portion of the 2005A Certificates of Participation, and to pay costs of the issuance of the 2015 Bonds.

The annual requirements to amortize the 2015 Refunding Revenue Bonds Certificates outstanding at June 30, 2021 are as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 2,235,000	\$ 1,907,375	\$ 4,142,375
2023	2,345,000	1,792,875	4,137,875
2024	2,465,000	1,672,625	4,137,625
2025	2,590,000	1,546,250	4,136,250
2026	2,720,000	1,413,500	4,133,500
2027-2031	15,850,000	4,824,500	20,674,500
2032-2036	11,060,000	1,438,250	12,498,250
Total	<u>\$ 39,265,000</u>	<u>\$ 14,595,375</u>	<u>\$ 53,860,375</u>

**7. NET POSITION**

Net investment in capital assets at June 30, 2021 consists of the following:

Capital assets not being depreciated	\$ 19,449,269
Net capital assets being depreciated	218,398,233
Notes payable	(3,000,000)
Certificates of participation	(1,527,000)
Refunding bonds	(39,265,000)
Bond premium	(5,109,573)
Deferred charges from debt retirement	2,234,095
Add back: cash with fiscal agent	<u>3,216,625</u>
Total net investment in capital assets	<u>\$ 194,396,649</u>

**8. DEFINED BENEFIT PENSION PLAN**

**A. General Information about the Pension Plan**

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan ("Plan") administered by the California Public Employees' Retirement System ("CalPERS"). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District 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, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

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. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law ("PERL"), the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plans' authority to establish and amend the benefit terms are set by the PERL and PEPRA and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan's provisions and benefits in effect at June 30, 2021 are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3.0% at 60	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 60	52 - 62
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.0% to 2.0%
Required employee contribution rates	7.79%	6.75%
Required employer contribution rates	15.45%	7.73%

Contributions

Section 20814(c) of the California 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 CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by Miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability.

**VALLECITOS WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 (Continued)  
 YEAR ENDED JUNE 30, 2021**

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

**B. Net Pension Liability**

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate <sup>(1)</sup>	Derived using CalPERS' Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

<sup>1</sup>The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate

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

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

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

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

<u>Asset Class</u> <sup>(1)</sup>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10</u> <sup>(2)</sup>	<u>Real Return Years 11+</u> <sup>(3)</sup>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

<sup>(1)</sup> In the system's CAFR, Fixed income is included in Global Debt Securities; Liquidity is included in short-term investments; inflation Assets are included in both Global Equity Securities and Global Debt Securities.

<sup>(2)</sup> An expected inflation of 2.00% used for this period.

<sup>(3)</sup> An expected inflation of 2.92% used for this period.

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

**C. Proportionate Share of Net Pension Liability**

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

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (c) = (a) - (b)</b>
Balance at: 6/30/2019	\$ 82,196,733	\$ 63,971,049	\$ 18,225,684
Balance at: 6/30/2020	<u>86,651,820</u>	<u>75,029,089</u>	<u>11,622,731</u>
Net Changes during 2019-20	<u>\$ 4,455,087</u>	<u>\$ 11,058,040</u>	<u>\$ (6,602,953)</u>

The District's proportion of the net pension liability determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website at, [www.calpers.ca.gov](http://www.calpers.ca.gov). The District's proportionate share of the net pension liability for the Plan as of measurement date June 30, 2019 and 2020 was as follows:

Proportionate Share - June 30, 2019	Miscellaneous 0.45513%
Proportionate Share - June 30, 2020	<u>0.27555%</u>
Change - Increase (Decrease)	<u>(0.00093%)</u>

*Sensitivity of the 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 Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	<b>Discount Rate - 1% 6.15%</b>	<b>Current Discount Rate 7.15%</b>	<b>Discount Rate + 1% 8.15%</b>
Plan's Net Pension Liability	\$ 23,153,973	\$ 11,622,731	\$ 2,094,826

*Recognition of Gains and Losses*

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

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

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

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

Difference between projected and actual earnings	5-year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

**D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

For the measurement period ending June 30, 2020 (the measurement date), the District incurred pension expense of \$8,256,455 for the Plan.

As of June 30, 2021, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Made Subsequent to Measurement Date	\$ 6,184,962	\$ -
Changes of Assumptions	-	82,898
Differences between Expected and Actual Experience	598,954	-
Net Difference between Projected and Actual Investment Earnings	345,272	-
Difference in Actual vs. Project Contributions	-	1,142,134
Change in Employer's Proportion	71,546	4,988,756
Total	<u>\$ 7,200,734</u>	<u>\$ 6,213,788</u>

Contributions subsequent to the measurement date of \$6,184,962 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2022	\$ (2,130,149)
2023	(1,870,595)
2024	(1,362,874)
2025	165,602
2026	-
Thereafter	-



**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The District provides post-employment health benefits, in accordance with a resolution approved by the Board of Directors, to all employees who retire from the District under the retirement criteria established by CalPERS up to the age of 65.

Plan Description

The Plan is part of the Public Agency portion of the California Employers’ Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees’ Retirement System (PERS), which acts as a common investment and administrative agent for participating public employers within the State of California. Benefit provisions and all other requirements are established by state statute and the Board. Copies of PERS’ annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

For employees who retired before July 1, 2013, The District’s OPEB provides continued medical coverage for an eligible retired employee, spouse or registered domestic partner, and eligible dependent at no cost to the retired employee. Coverage will continue for the retiree and spouse or registered domestic partner until they become entitled to Medicare Benefits at age 65. Coverage for the retirees’ eligible dependents will continue until they are eligible for coverage under any other health care plan or public health care program or are no longer eligible for coverage under the District’s group health plans according to the terms and conditions of the agreement between the group health plan and the District.

For employees who retire after June 30, 2013, the District’s OPEB provides continued medical coverage for an eligible retired employee and spouse or registered domestic partner until they become entitled to Medicare Benefits at age 65. Medical premiums paid by the District are established per the most current Memorandum of Understanding (MOU). Plan premiums elected by the retiree above those established in the MOU are paid by the retiree.

To become eligible for partial OPEB benefits, non-retired employees hired before July 1, 2013, must be age 50 and have five years of continuous service with the District. OPEB benefits increase with each year of continuous service up to ten years when the employee becomes 100% vested to receive the maximum amount of premium established in the most current MOU at retirement.

The OPEB benefit is not offered to employees hired after July 1, 2013.

Eligible retirees may enroll in any of the plans the District offers through the CalPERS Program.

Employees Covered

As of the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	63
Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to, but not yet receiving benefits	-
Total	91

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

Contributions

The Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2021, the District's cash contributions were \$397,780 of direct payments and the estimated implied subsidy was \$119,743 resulting in total payments of \$517,523.

Net OPEB (Asset) Liability

The District's net OPEB (asset) liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation dated June 30, 2019 that was rolled forward to determine the June 30, 2020 total OPEB liability, based on the following actuarial methods and assumptions:

<b>Actuarial Cost Method:</b>	Entry Age Normal
<b>Actuarial Assumptions:</b>	
Discount Rate	6.00%
Inflation	2.75%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	6.00%, net of expenses, based on assumed long-term return on employer assets
Mortality Rate	2017 CalPERS Mortality for Miscellaneous and Schools Employees
Pre-Retirement Turnover	2017 CalPERS Turnover for Miscellaneous Employees
Healthcare Trend Rate	Based on 7.5% per year for the first 6 years and 4.50% per year thereafter

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Assumed Gross Return</u>
Global Equity	40.00%	7.795%
Global Fixed Income	43.00%	4.500%
TIPS	5.00%	3.250%
REITs	8.00%	7.500%
Commodities	4.00%	7.795%
Total	<u>100.00%</u>	

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. 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 on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB (Asset) Liability

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/ (Asset) (c) = (a) - (b)
Balance at June 30, 2020 (Measurement Date June 30, 2019)	\$ 5,742,258	\$ 5,828,142	\$ (85,884)
Changes recognized for the measurement period:			
Service cost	213,192	-	213,192
Interest	336,702	315,336	21,366
Contributions - employer	-	592,792	(592,792)
Net investment income	118,471	-	118,471
Changes in Assumptions	-	-	-
Benefit payments	(592,792)	(592,792)	-
Administrative expense	-	(2,875)	2,875
Net changes	<u>75,573</u>	<u>312,461</u>	<u>(236,888)</u>
Balance at June 30, 2021 (Measurement Date June 30, 2020)	<u>\$ 5,817,831</u>	<u>\$ 6,140,603</u>	<u>\$ (322,772)</u>

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

The following presents the net OPEB (asset) liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
<b>Net OPEB (Asset) Liability</b>	\$22,405	\$(322,772)	\$(641,863)

**Sensitivity of the Net OPEB (Asset) Liability to Changes in the Health Care Cost Trend Rates**

The following presents the net OPEB (asset) liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

	<b>1% Decrease</b> 6.50% for 6 years decreasing to 3.50% thereafter	<b>Current Healthcare Cost Trend Rates</b> 7.50% for 6 years decreasing to 4.50% thereafter	<b>1% Increase</b> 8.50% for 6 years decreasing to 5.50% thereafter
<b>Net OPEB (Asset) Liability</b>	\$(816,965)	\$(322,772)	\$243,264

OPEB Plan Fiduciary Net Position

The 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, P.O. Box 942703, Sacramento, CA 94429-2703.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

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

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

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$252,425. As of fiscal year, ended June 30, 2021, the District reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
OPEB contributions subsequent to measurement date	\$ 119,743	\$ -
Changes of Assumptions	338,143	-
Differences between expected and actual experience	102,882	157,056
Differences between projected and actual return on assets	14,456	-
<b>Total</b>	<b>\$ 575,224</b>	<b>\$ 157,056</b>

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

The \$517,523 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB (asset) liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<b>Fiscal Year Ended June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2022	\$ 49,256
2023	55,771
2024	46,360
2025	54,777
2026	47,927
Thereafter	44,334

**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 disaster.

The District participates in the Association of California Water Agencies Joint Powers Insurance Authority ("Association"), which arranges for and provides various forms of liability insurance to its member agencies. The District pays a premium commensurate with the level of coverage requested.

The Association is governed by a board consisting of elected representatives of member agencies. This governing board controls the operation of the Association independent of any influence by the District. The Association is independently accountable for its fiscal matters and maintains its own accounting records. The Association's budgets are not subject to any approval other than by its governing board. Member agencies share surpluses and deficits proportionately to their participation in the Association. The relationship between the District and the Association is such that the Association is not a component unit of the District for financial reporting purposes. Separate financial statements of the Association may be obtained from ACWA/JPIA at the following address: 2100 Professional Drive, Roseville, CA 95661-3700.

At June 30, 2021, the District participated in the following insurance programs of the Association:

General Liability: Includes commercial, contractual, products/completed operations and personal injury with coverage limits of \$50,000,000.

Auto Liability: Includes owned automobiles, non-owned automobiles, and hired automobiles with coverage limits of \$50,000,000 and a varying deductible up to \$5,000 depending on the vehicle.

Public Officials' Liability: Includes errors and omissions with coverage limits of \$50,000,000.

Cyber Liability: Includes cyber security with coverage limits of \$3 million per occurrence and \$5 million aggregate.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**10. RISK MANAGEMENT (Continued)**

Real and Personal Property: Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss. Otherwise, property loss is paid at the actual cash value up to \$100 million per occurrence with a deductible of \$10,000, excluding boiler and machinery equipment. Boiler and machinery deductibles vary from \$25,000 to \$50,000, depending on the type of equipment. The total self-insurance limit is \$100,000. However, the District purchased additional insurance with coverage limits of \$500 million.

Crime: Includes public employee dishonesty, forgery or alteration, computer fraud, and ERISA with coverage limits of \$100,000 and a deductible of \$1,000.

Workers' Compensation Coverage and Employer's Liability: Statutory limits per occurrence for Workers' Compensation and \$2,000,000 for Employer's Liability Coverage, subject to the terms, conditions and exclusions as provided in the Certificate of Coverage.

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

**11. COMMITMENTS AND CONTINGENCIES**

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction. These include the following:

Project Name	Total Approved Contract(s)	Construction Costs to Date	Remaining Obligation
San Marcos Interceptor Phase 2	\$ 6,657,688	\$ 5,964,097	\$ 693,591
MRF - Aeration Basin CIP	865,390	44,123	821,267
MRF Headworks Improvements	399,429	-	399,429
Total	<u>\$ 7,922,507</u>	<u>\$ 6,008,220</u>	<u>\$ 1,914,287</u>

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2021**

**12. SUBSEQUENT EVENT DISCLOSURE**

Vallecitos Water District Revenue Certificates of Participation Series 2021A

The District regularly monitors the market for municipal securities and determined that it would be economically beneficial to issue Revenue Certificates of Participation in the current market. On August 4th, 2021, the Board of Directors approved the issuance of the District's Revenue Certificates of Participation Series 2021A, in the amount of \$25,550,000. On August 12th, 2021, the 2021 Certificates were issued and delivered to provide funds to (i) acquire certain capital improvements to the Water System and Wastewater System of the District, (ii) reimburse the District for costs previously expended on certain Water System and Wastewater System improvements, and (iii) pay costs of delivery of the 2021 Certificates. Through this issuance, the District was able to take advantage of the low financing all-in total interest cost of 2.24% for improvements to the Water System and Wastewater System.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**VALLECITOS WATER DISTRICT**  
**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Last Ten Fiscal Years\***

	Measurement Date			
	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Proportion of the collective net pension liability	0.45798%	0.45705%	0.45776%	0.45080%
Proportionate share of the collective net pension liability	\$ 11,622,731	\$ 18,225,684	\$ 17,371,075	\$ 17,770,848
Covered payroll	\$ 9,100,866	\$ 9,079,529	\$ 8,696,329	\$ 9,261,146
Proportionate share of the collective net pension liability as percentage of covered payroll	127.71%	200.73%	199.75%	191.89%
Plan fiduciary net position as a percentage of the total pension liability	77.71%	77.73%	77.69%	75.39%

Notes to Schedule:

Benefit Changes:

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

Changes in Assumptions:

There were no changes in assumptions for 2020.

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

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

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

**VALLECITOS WATER DISTRICT**  
**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Last Ten Fiscal Years\***

	Measurement Date		
	6/30/2016	6/30/2015	6/30/2014
Proportion of the collective net pension liability	0.43637%	0.41797%	0.40328%
Proportionate share of the collective net pension liability	\$ 15,158,897	\$ 11,466,898	\$ 9,967,048
Covered payroll	\$ 8,582,083	\$ 8,295,604	\$ 7,801,034
Proportionate share of the collective net pension liability as percentage of covered payroll	176.63%	138.23%	127.77%
Plan fiduciary net position as a percentage of the total pension liability	76.65%	81.35%	83.03%

Notes to Schedule:

**Benefit Changes:**

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

**Changes in Assumptions:**

There were no changes in assumptions for 2020.

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

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

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

**VALLECITOS WATER DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN**  
**Last Ten Fiscal Years\***

	Fiscal Year			
	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Actuarially determined contribution	\$ 2,157,962	\$ 2,340,064	\$ 1,210,511	\$1,765,087
Contributions in relation to the Actuarially Determined Contribution	<u>(6,184,962)</u>	<u>(10,394,064)</u>	<u>(2,878,512)</u>	<u>(1,765,087)</u>
Contribution deficiency (excess)	<u>\$(4,027,000)</u>	<u>\$ (8,054,000)</u>	<u>\$(1,668,001)</u>	<u>\$ -</u>
Covered payroll	\$ 9,422,719	\$ 9,100,866	\$ 9,079,529	\$ 8,696,329
Contributions as a percentage of covered payroll	65.64%	114.21%	31.70%	20.30%

Notes to Schedule:

Fiscal Year End: 06/30/21  
Valuation Date: 06/30/18

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age Normal in accordance with the requirements of GASB 68
Amortization Method	Level percent of payroll
Asset Valuation Method	Market Value
Discount Rate	7.00%
Inflation	2.50%
Payroll Growth	2.75% per annum plus merit

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

**VALLECITOS WATER DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN**  
**Last Ten Fiscal Years\***

	Fiscal Year		
	6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	\$ 1,690,724	\$ 1,465,868	\$ 1,304,486
Contributions in relation to the Actuarially Determined Contribution	<u>(1,690,724)</u>	<u>(1,465,868)</u>	<u>(1,304,486)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 9,261,146	\$ 8,582,083	\$ 8,295,604
Contributions as a percentage of covered payroll	18.26%	17.08%	15.73%

Notes to Schedule:

Fiscal Year End: 06/30/21  
Valuation Date: 06/30/18

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age Normal in accordance with the requirements of GASB 68
Amortization Method	Level percent of payroll
Asset Valuation Method	Market Value
Discount Rate	7.00%
Inflation	2.50%
Payroll Growth	2.75% per annum plus merit

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

**VALLECITOS WATER DISTRICT**  
**SCHEDULE OF CHANGES IN NET OPEB (ASSET) LIABILITY AND RELATED RATIOS**  
**Last Ten Fiscal Years\***

	Measurement Date			
	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 213,192	\$ 186,376	\$ 180,948	\$ 170,304
Interest on the total OPEB liability	336,702	329,053	336,647	341,526
Actual and expected experience difference	118,471	(213,148)	-	-
Changes in assumptions	-	458,911	-	-
Changes in benefit terms	-	-	-	-
Benefit payments	(592,792)	(457,180)	(569,507)	(631,560)
Net change in total OPEB liability	75,573	304,012	(51,912)	(119,730)
Total OPEB liability - beginning	<u>5,742,258</u>	<u>5,438,246</u>	<u>5,490,158</u>	<u>5,609,888</u>
Total OPEB liability - ending (a)	<u>\$ 5,817,831</u>	<u>\$ 5,742,258</u>	<u>\$ 5,438,246</u>	<u>\$ 5,490,158</u>
Plan Fiduciary Net Position				
Contribution - employer	\$ 592,792	\$ 457,180	\$ 2,229,507	\$ 631,560
Net investment income	315,336	382,495	227,493	240,481
Benefit payments	(592,792)	(457,180)	(569,507)	(631,560)
Administrative expense	(2,875)	(1,171)	(6,897)	(1,753)
Net change in plan fiduciary net position	312,461	381,324	1,880,596	238,728
Plan fiduciary net position - beginning	<u>5,828,142</u>	<u>5,446,818</u>	<u>3,566,222</u>	<u>3,327,494</u>
Plan fiduciary net position - ending (b)	<u>\$ 6,140,603</u>	<u>\$ 5,828,142</u>	<u>\$ 5,446,818</u>	<u>\$ 3,566,222</u>
Net OPEB (asset) liability - ending (a)-(b)	<u>\$ (322,772)</u>	<u>\$ (85,884)</u>	<u>\$ (8,572)</u>	<u>\$ 1,923,936</u>
Plan fiduciary net position as a percentage of the total OPEB liability	105.55%	101.50%	100.16%	64.96%
Covered-employee payroll**	\$ 6,264,615	\$ 6,379,207	\$ 6,593,511	\$ 6,883,715
Net OPEB (asset) liability as a percentage of covered-employee	-5.15%	-1.35%	-0.13%	27.95%

Notes to Schedule:

Changes in assumptions:

The discount rate of 6.00% was used in the valuation. The interest rate used in the prior valuation was 6.25% per year net of expenses. Historic 15 year real rates of return for each asset class along with the assumed long-term inflation assumption to set the discount rate.

Payroll assumption for the purpose of calculating service cost changed from 3.00% to 2.75% for the measurement period ended June 30, 2020.

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

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

**VALLECITOS WATER DISTRICT  
SCHEDULE OF OPEB CONTRIBUTIONS  
Last Ten Fiscal Years\***

	Fiscal Year			
	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 517,523	\$ 489,598	\$ 504,000	\$ 631,560
Contributions in relation to the ADC	<u>(517,523)</u>	<u>(489,598)</u>	<u>(504,000)</u>	<u>(2,100,518)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,468,958)</u>
Covered-employee payroll	\$ 5,795,026	\$ 6,264,615	\$ 6,379,207	\$ 6,593,511
Contributions as a percentage of covered-employee payroll	8.93%	7.82%	7.90%	31.86%

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021 were from the June 30, 2020 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll over a closed rolling 15-year period
Asset Valuation Method	Market Value
Inflation	2.75%
Payroll Growth	2.75% per annum, in aggregate
Investment Rate of Return	6.00%, assuming actuarially determined contributions funded into California Employers' Retiree Benefit Trust Investment Strategy 2.
Healthcare cost-trend rates	Based on recent premium experience, assuming 1%-1% increase due to market trends then reduced to a rate reflecting medical price inflation.
Retirement Age	Tier 1 employees - 2.0% @60 and Tier 2 employees - 3.0% @60
Mortality	The probabilities of Retirement are based on the 2017 CalPERS Experience Study The mortality assumptions are based on the 2017 CalPERS Retiree Mortality for All Employees.

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

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# Statistical Section

Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section*, requires statistical information as part of the Comprehensive Annual Financial Report (CAFR). The statistical section is designed to meet five objectives to help the reader assess the District's economic condition: 1) provide information on financial trends, 2) provide information on revenue capacity, 3) provide information on debt capacity, 4) provide demographic and economic information, and 5) provide operating information.

## Contents

### Financial Trends

These tables contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

## Tables

1 - 2

Net Position is the accumulated value of the District's assets minus its liabilities. Changes in Net Position (total revenue less total expenses) measures the success of the District's operations during the reporting period and its ability to meet its financial commitments.

### Revenue Capacity

These tables provide detailed information about the District's revenues and expenses. The tables presented in this section show the District's activities during the reporting year broken down by source to help the reader assess the District's financial health.

3 - 9

### Debt Capacity

These tables present information to help the reader assess the affordability of the District's current levels of outstanding debt and the ability to issue additional debt in the future.

10 - 11

### Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

12 - 14

### Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services it provides and the activities it performs.

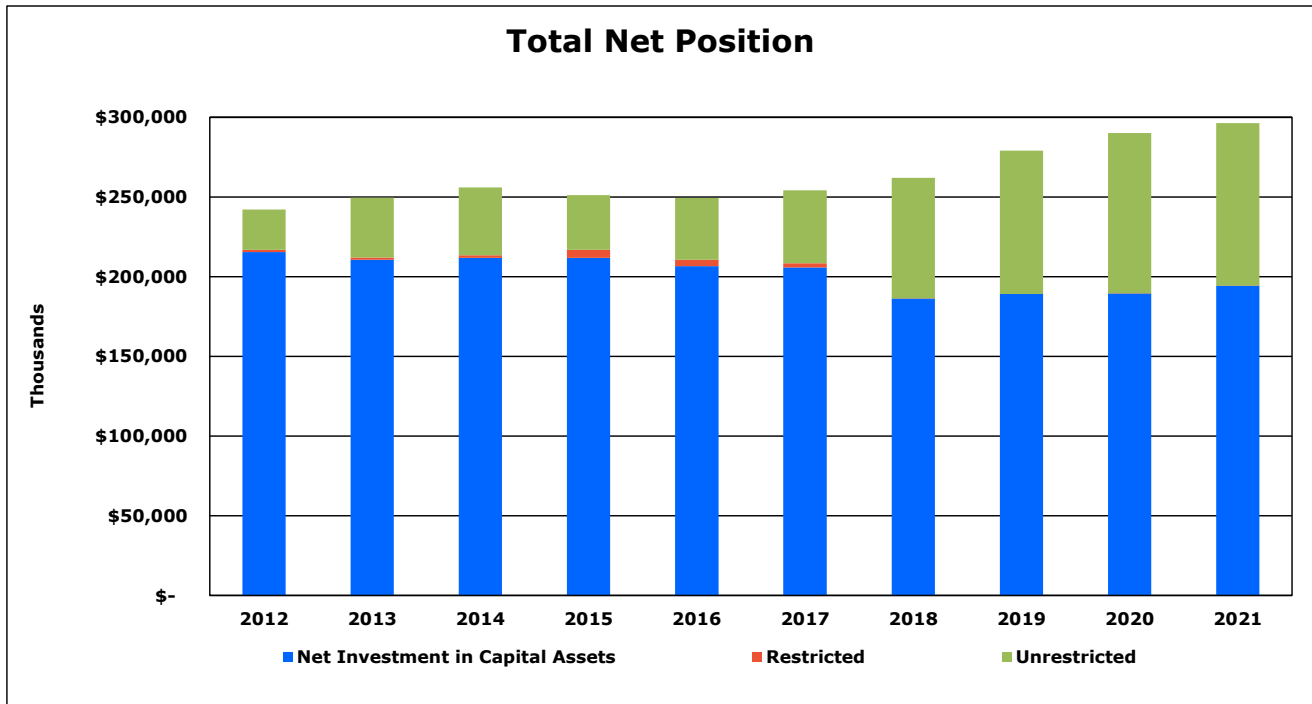
15 - 16

**VALLECITOS WATER DISTRICT  
TABLE 1 - NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS**

	Fiscal Year ended June 30				
	2021	2020	2019	2018	2017
Net Investment in Capital Assets	\$ 194,396,649	\$ 189,626,103	\$ 189,150,329	\$ 186,328,145	\$ 205,840,028
Restricted	105,486	78,979	68,620	74,957	2,578,677
Unrestricted	101,927,029	100,483,690	89,960,646	75,758,717	45,901,052
Total Net Position	\$ 296,429,164	\$ 290,188,772	\$ 279,179,595	\$ 262,161,819	\$ 254,319,757

	2016	2015	2014	2013	2012
Net Investment in Capital Assets	\$ 206,775,864	\$ 211,866,038	\$ 211,842,759	\$ 210,637,696	\$ 215,509,964
Restricted	3,906,413	5,117,540	1,645,172	1,536,415	1,504,206
Unrestricted	38,710,870	34,287,556	42,620,873	37,577,307	25,250,602
Total Net Position	\$ 249,393,147	\$ 251,271,134	\$ 256,108,804	\$ 249,751,418	\$ 242,264,772



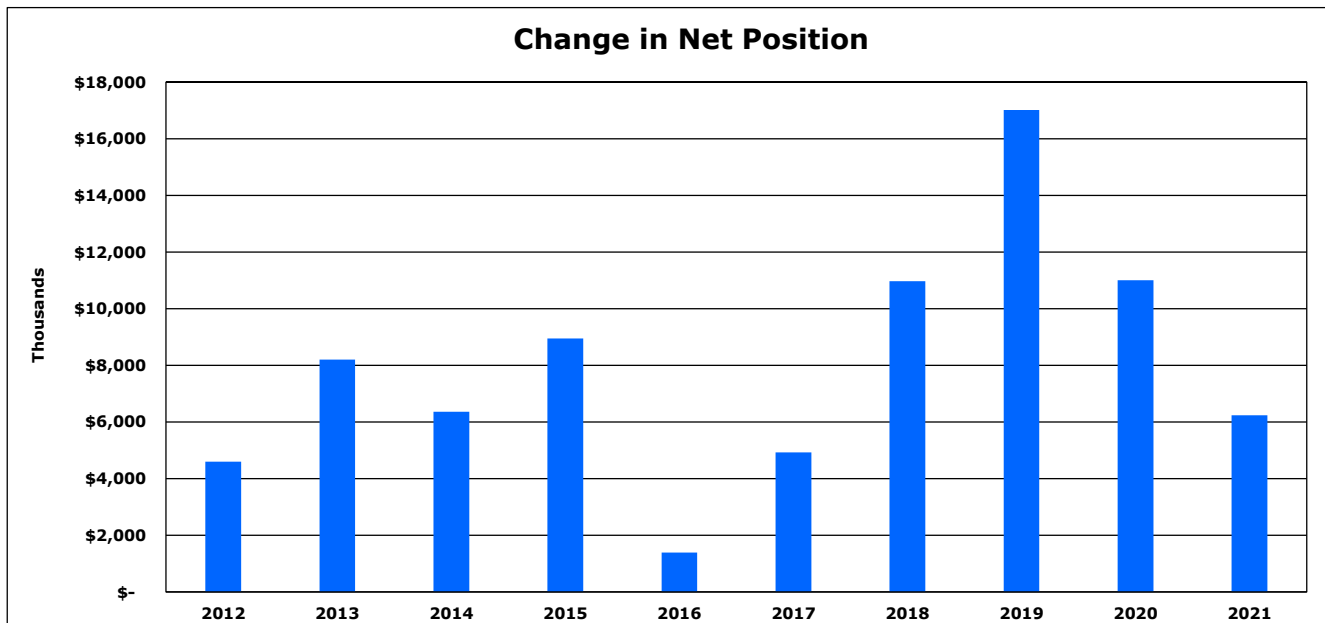
Source: Vallecitos Water District

**VALLECITOS WATER DISTRICT  
TABLE 2 - CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**

	Fiscal Year ended June 30				
	2021	2020	2019	2018	2017
Total Operating Revenues	\$ 69,933,967	\$ 64,885,542	\$ 64,180,158	\$ 64,135,261	\$ 57,422,074
Total Operating Expenses (1)	74,174,247	65,850,521	62,562,110	63,655,946	58,971,143
Operating Income (Loss)	(4,240,280)	(964,979)	1,618,048	479,315	(1,549,069)
Total Non-Operating Revenues/(Expenses), Net	2,444,344	3,548,303	3,844,297	807,851	(285,011)
Capital Contributions	8,036,328	8,425,853	11,555,431	9,688,731	6,760,690
Change in Net Position	6,240,392	11,009,177	17,017,776	10,975,897	4,926,610
Total Net Position, Beginning of Year	290,188,772	279,179,595	262,161,819	254,319,757	249,393,147
Prior year adjustment/equity adjustment	-	-	-	(3,133,835)	-
Total Net Position, End of Year	\$ 296,429,164	\$ 290,188,772	\$ 279,179,595	\$ 262,161,819	\$ 254,319,757

	2016	2015	2014	2013	2012
	Total Operating Revenues	\$ 51,840,554	\$ 56,026,623	\$ 55,282,649	\$ 51,404,536
Total Operating Expenses (1)	8,066,433	51,491,469	52,707,863	50,329,121	46,492,690
Operating Income (Loss)	43,774,121	4,535,154	2,574,786	1,075,415	(1,156,758)
Total Non-Operating Revenues/(Expenses), Net	(4,884,002)	(3,996,773)	779,700	(1,357,436)	(517,794)
Capital Contributions	7,083,887	8,414,260	3,002,900	8,484,563	6,268,539
Change in Net Position	45,974,006	8,952,641	6,357,386	8,202,542	4,593,987
Total Net Position, Beginning of Year	251,271,134	256,108,804	249,751,418	242,264,772	237,670,785
Prior year adjustment/equity adjustment	(3,271,021)	(13,790,311)	-	(715,896)	-
Total Net Position, End of Year	\$ 293,974,119	\$ 251,271,134	\$ 256,108,804	\$ 249,751,418	\$ 242,264,772



**Source:** Vallecitos Water District

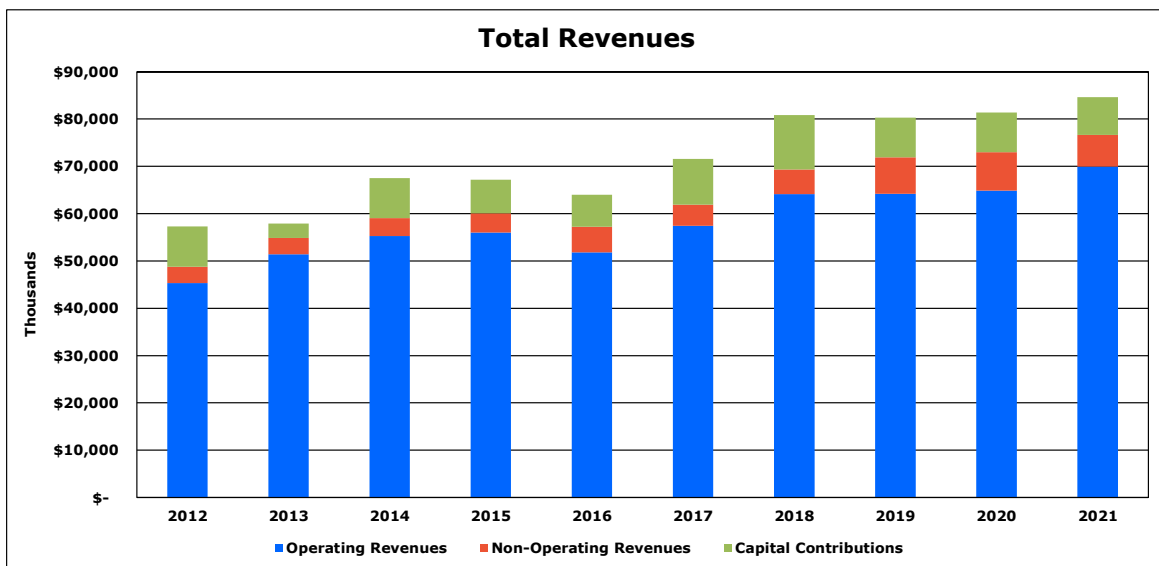
**Note:** (1) Includes overhead absorption and depreciation and amortization.

**VALLECITOS WATER DISTRICT  
TABLE 3 - REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

	Fiscal Year ended June 30				
	2021	2020	2019	2018	2017
Water Sales	\$ 32,717,315	\$ 28,407,203	\$ 27,339,732	\$ 29,380,737	\$ 23,180,452
Wastewater Service Charges	18,151,779	18,012,258	18,077,717	18,000,233	17,503,448
Ready-To-Serve Charges	14,640,396	14,275,830	13,931,114	13,721,328	13,850,592
Reclaimed Water Sales	3,007,732	2,663,436	2,725,110	1,761,559	1,711,156
Pumping Charges	445,178	394,029	302,676	311,817	171,186
Other Services and Abatements	971,567	1,132,786	1,803,809	959,587	1,005,240
<b>Total Operating Revenues</b>	<b>69,933,967</b>	<b>64,885,542</b>	<b>64,180,158</b>	<b>64,135,261</b>	<b>57,422,074</b>
Property Taxes	5,396,663	5,257,751	4,975,086	4,446,432	4,162,701
Investment Income, net of FMV Adjustments	171,762	2,724,303	2,658,034	602,036	191,724
Annexation Fees	1,062,459	1,757	-	25,964	39,969
Other	55,153	95,404	67,877	100,252	77,620
<b>Total Non-Operating Revenues</b>	<b>6,686,037</b>	<b>8,079,215</b>	<b>7,700,997</b>	<b>5,174,684</b>	<b>4,472,014</b>
Capital Contributions	8,036,238	8,425,853	8,425,853	11,555,431	9,688,731
<b>Total Revenues</b>	<b>\$ 84,656,242</b>	<b>\$ 81,390,610</b>	<b>\$ 80,307,008</b>	<b>\$ 80,865,376</b>	<b>\$ 71,582,819</b>

	2016	2015	2014	2013	2012
Water Sales	\$ 18,797,274	\$ 23,399,045	\$ 26,031,460	\$ 23,364,573	\$ 19,164,527
Wastewater Service Charges	17,286,888	16,817,149	15,128,763	14,921,894	13,780,015
Ready-To-Serve Charges	13,602,800	12,958,338	11,484,584	10,638,282	9,945,683
Reclaimed Water Sales	1,069,074	1,725,650	1,533,203	1,718,013	1,710,914
Pumping Charges	138,870	170,806	192,427	171,107	157,887
Other Services and Abatements	945,648	955,635	912,212	590,667	576,906
<b>Total Operating Revenues</b>	<b>51,840,554</b>	<b>56,026,623</b>	<b>55,282,649</b>	<b>51,404,536</b>	<b>45,335,932</b>
Property Taxes	3,830,522	3,460,439	3,077,966	3,519,081	3,397,004
Investment Income, net of FMV Adjustments	477,589	345,131	378,608	(46,165)	82,013
Annexation Fees	1,105,819	117,852	288,580	11,204	(50,947)
Other	-	147,870	40,935	-	28,460
<b>Total Non-Operating Revenues</b>	<b>5,413,930</b>	<b>4,071,292</b>	<b>3,786,089</b>	<b>3,484,120</b>	<b>3,456,530</b>
Capital Contributions	6,760,690	7,083,887	8,414,260	3,002,900	8,484,563
<b>Total Revenues</b>	<b>\$ 64,015,174</b>	<b>\$ 67,181,802</b>	<b>\$ 67,482,998</b>	<b>\$ 57,891,556</b>	<b>\$ 57,277,025</b>



Source: Vallecitos Water District

**VALLECITOS WATER DISTRICT**  
**TABLE 4 - EXPENSES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

	Fiscal Year ended June 30				
	2021	2020	2019	2018	2017
Purchased Water	\$ 31,750,694	\$ 28,874,402	\$ 28,535,460	\$ 30,678,093	\$ 27,392,003
General and Administrative	7,869,762	6,964,466	5,326,781	5,940,142	5,637,471
Meadowlark Wastewater Treatment Plant	3,207,529	2,981,824	3,091,684	2,827,395	2,993,914
Encina Disposal	2,946,474	2,994,404	2,512,824	2,555,168	2,529,715
Collection and Conveyance	3,400,346	2,440,911	2,237,130	1,917,754	1,896,688
Engineering	4,164,526	2,878,442	2,740,725	2,497,803	1,988,197
Transmission and Distribution	2,144,259	1,870,778	2,464,824	1,565,815	1,747,767
Customer Accounts	1,651,127	1,262,706	1,161,704	1,092,194	958,266
Information Technology	2,127,695	1,826,485	1,587,704	1,490,217	1,320,845
Meter Reading and Repairs	1,188,349	826,259	664,213	712,760	625,576
Building and Grounds	930,470	609,951	629,659	659,143	629,850
Equipment and Vehicles	590,661	503,306	418,315	498,547	471,380
Other Water Operating Expenses	581,828	454,717	389,732	519,857	446,430
Other Wastewater Operating Expenses	867,908	673,873	548,495	558,212	614,248
Water Quality and Treatment	750,997	714,930	568,416	651,495	604,844
Tanks and Reservoirs	361,292	375,385	400,706	364,239	312,604
Pumping	885,055	808,239	866,870	839,884	612,069
Overhead Absorption	(1,278,052)	(1,233,511)	(1,309,635)	(1,337,347)	(1,236,032)
Depreciation and Amortization	10,033,327	10,022,954	9,726,503	9,624,575	9,425,308
Total Operating Expenses	74,174,247	65,850,521	62,562,110	63,655,946	58,971,143
Change in Encina Joint Venture Assets	2,413,434	2,527,838	1,728,365	2,151,640	2,603,384
Interest Expense	1,828,259	2,003,074	2,128,335	2,215,193	2,153,641
Other	-	-	-	-	-
Total Non-Operating Expenses	4,241,693	4,530,912	3,856,700	4,366,833	4,757,025
Total Expenses	\$ 78,415,940	\$ 70,381,433	\$ 66,418,810	\$ 68,022,779	\$ 63,728,168

	2016	2015	2014	2013	2012
	Purchased Water	\$ 22,190,912	\$ 22,332,619	\$ 24,145,579	\$ 21,982,845
General and Administrative	5,851,489	5,197,584	5,173,986	4,879,580	4,842,082
Meadowlark Wastewater Treatment Plant	2,750,187	2,930,822	2,993,578	2,777,837	2,653,869
Encina Disposal	2,485,765	2,493,629	2,450,330	2,709,307	2,078,337
Collection and Conveyance	1,756,927	1,878,791	1,632,347	1,633,839	1,737,981
Engineering	1,889,037	1,939,139	1,698,699	1,703,359	1,784,054
Transmission and Distribution	1,195,405	1,279,927	1,154,882	1,068,907	1,022,862
Customer Accounts	904,015	914,372	825,805	886,279	950,480
Information Technology	1,347,023	1,045,315	865,655	831,423	813,691
Meter Reading and Repairs	713,164	661,883	614,784	561,274	504,405
Building and Grounds	546,043	529,042	600,159	496,637	495,033
Equipment and Vehicles	485,403	566,737	443,827	490,875	403,289
Other Water Operating Expenses	503,378	363,922	396,935	418,890	400,147
Other Wastewater Operating Expenses	539,112	545,551	495,999	374,529	402,564
Water Quality and Treatment	522,191	489,034	434,191	410,473	360,717
Tanks and Reservoirs	371,156	279,886	308,031	299,360	357,022
Pumping	531,774	436,432	352,823	325,591	279,569
Overhead Absorption	(1,125,180)	(1,241,173)	(1,040,244)	(477,239)	(414,977)
Depreciation and Amortization	9,189,604	8,847,957	9,160,497	8,955,355	8,714,294
Total Operating Expenses	52,647,405	51,491,469	52,707,863	50,329,121	46,492,690
Change in Encina Joint Venture Assets	6,789,867	5,559,372	334,093	2,040,544	1,514,166
Interest Expense	2,512,597	2,508,693	2,672,296	2,758,728	2,511,105
Other	995,468	-	-	42,284	-
Total Non-Operating Expenses	10,297,932	8,068,065	3,006,389	4,841,556	4,025,271
Total Expenses	\$ 62,945,337	\$ 59,559,534	\$ 55,714,252	\$ 55,170,677	\$ 50,517,961

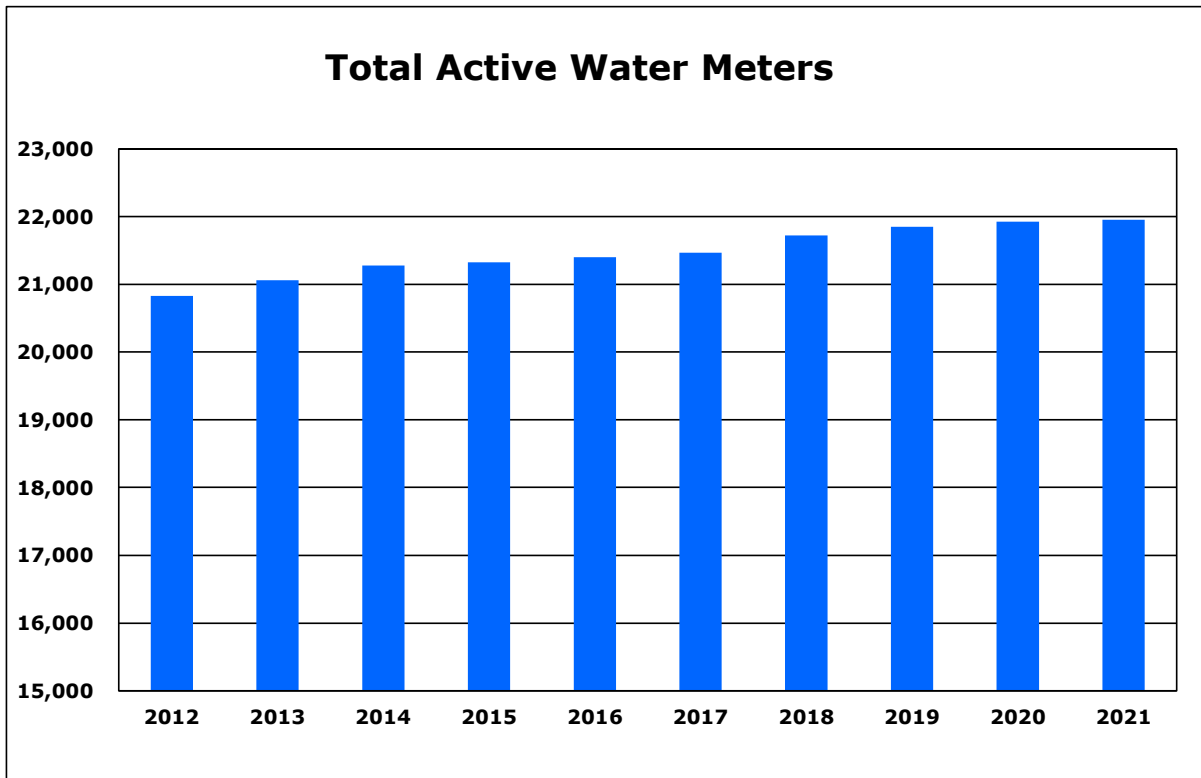
**Source:** Vallecitos Water District

**VALLECITOS WATER DISTRICT  
TABLE 5 - ACTIVE WATER METERS BY SIZE  
LAST TEN FISCAL YEARS**

Meter Size	Fiscal Year ended June 30				
	2021	2020	2019	2018	2017
3/4" & 5/8"	19,486	19,473	19,441	19,353	19,163
1"	1,083	1,085	1,067	1,057	1,030
1-1/2"	771	753	735	716	690
2"	545	548	539	528	516
3" and larger	66	66	66	65	65
<b>Total</b>	<b>21,951</b>	<b>21,925</b>	<b>21,848</b>	<b>21,719</b>	<b>21,464</b>

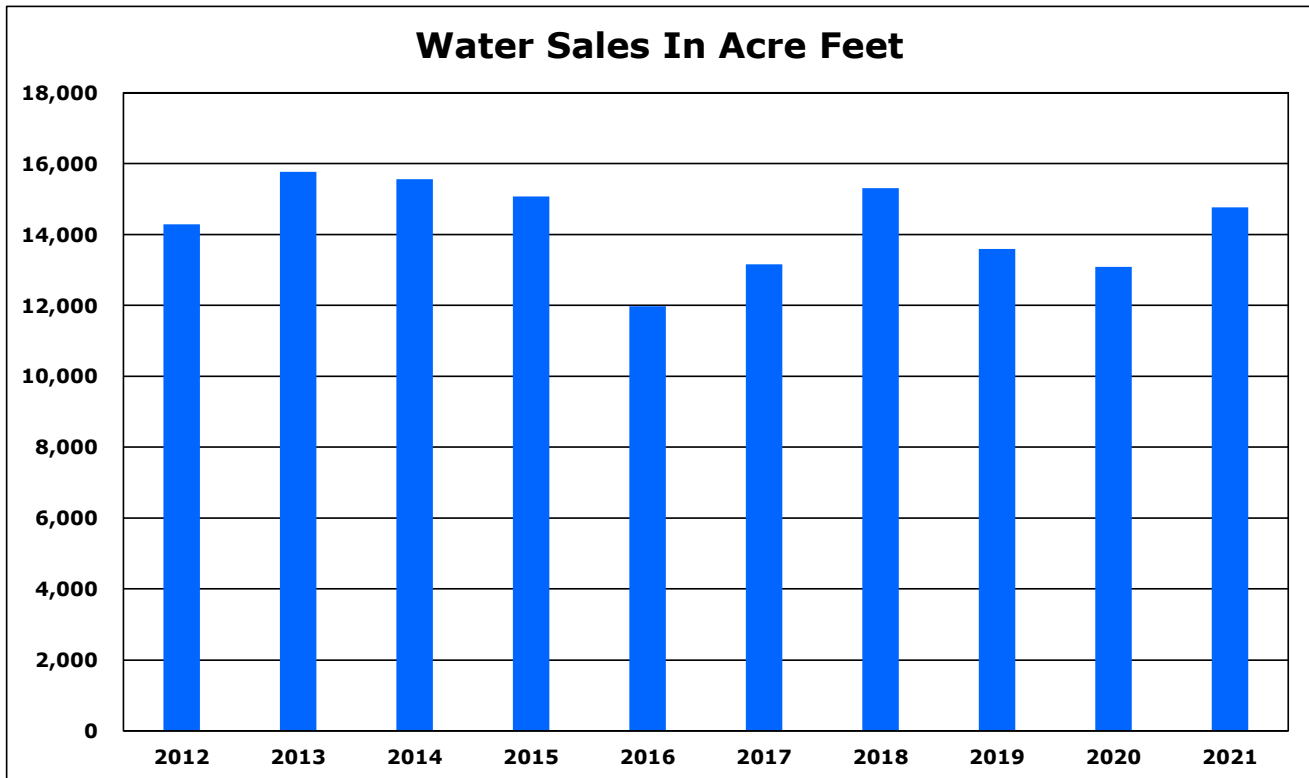
Meter Size	Fiscal Year ended June 30				
	2016	2015	2014	2013	2012
3/4" & 5/8"	19,144	19,086	19,087	18,895	18,691
1"	1,003	992	973	941	929
1-1/2"	685	681	674	673	666
2"	504	498	496	485	473
3" and larger	65	65	48	66	67
<b>Total</b>	<b>21,401</b>	<b>21,322</b>	<b>21,278</b>	<b>21,060</b>	<b>20,826</b>



**Source:** Vallecitos Water District

**VALLECITOS WATER DISTRICT  
TABLE 6 - WATER PURCHASES AND SALES  
LAST TEN FISCAL YEARS**

<b>Year</b>	<b>Acre Feet</b>	
	<b>Water Purchases</b>	<b>Water Sales</b>
2021	15,542	14,771
2020	14,068	13,084
2019	14,232	13,589
2018	16,142	15,310
2017	14,411	13,157
2016	12,980	11,981
2015	15,300	15,072
2014	17,900	15,557
2013	17,430	15,769
2012	16,174	14,290



**Source:** Vallecitos Water District

**VALLECITOS WATER DISTRICT  
TABLE 7 - VARIABLE WATER RATES  
LAST TEN FISCAL YEARS**

	Fiscal Year ended June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Non-Agricultural Customers</b>										
Tier 1	\$ 3.77	\$ 3.77	\$ 3.66	\$ 3.38	\$ 3.08	\$ 2.62	\$ 2.62	\$ 3.41	\$ 3.31	\$ 2.92
Tier 2	4.75	4.75	4.60	4.43	4.12	3.66	3.66	4.26	4.13	3.65
Tier 3	9.18	9.18	8.87	8.47	5.33	4.87	4.87	5.12	4.96	4.38
Tier 4	-	-	-	-	7.41	6.95	6.95	-	-	-
<b>Agricultural Customers</b>										
Participating	3.77	3.77	3.76	3.49	3.25	2.93	2.93	2.76	2.73	2.74
Non-Participating	4.75	4.75	4.60	4.43	4.12	3.66	3.66	3.41	3.31	2.92

*Source: Vallecitos Water District*

*Note: All customers, other than Agricultural customers, are charged tiered water rates based on their meter size and usage. Agricultural customers are charged a flat rate and fall into two categories: participating and non-participating. Participating agricultural customers are enrolled in a program that provides them discounted water; however, if there is a drought, they must cut back their usage more than non-participants.*

**VALLECITOS WATER DISTRICT  
TABLE 8 - FIXED WATER AND SEWER RATES  
LAST TEN FISCAL YEARS**

	Fiscal Year ended June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Water Ready-to-Serve Charge</b>										
5/8"	\$ 36.55	\$ 36.55	\$ 35.32	\$ 33.25	\$ 31.42	\$ 31.42	\$ 29.29	\$ 27.16	\$ 25.03	\$ 23.12
3/4"	36.55	36.55	36.52	36.52	36.52	36.52	35.60	34.68	33.76	33.28
1"	53.31	53.31	55.29	5,529.00	55.29	55.29	55.29	55.29	55.29	54.99
1 1/2"	137.11	137.11	130.67	120.63	110.59	110.59	110.59	110.59	110.59	110.00
2"	220.91	220.91	214.68	194.35	178.11	178.11	178.11	178.11	178.11	176.56
3"	338.23	338.23	356.22	356.22	356.22	356.22	356.22	356.22	356.22	353.10
4"	505.83	505.83	552.94	552.94	552.94	552.94	552.94	552.94	552.94	549.96
6"	1,008.63	1,008.63	1,105.88	1,105.88	1,105.88	1,105.88	1,105.88	1,105.88	1,105.88	1,099.93
10"	2,349.43	2,349.43	2,549.36	2,549.36	2,549.36	2,549.36	2,549.36	2,549.36	2,549.36	2,532.65
Multiple Units (above 1st unit)	10.06	10.06	11.18	11.18	18.26	18.26	16.35	14.43	12.52	11.57
Temporary Construction Meter	338.23	338.23	257.33	230.91	204.48	204.48	172.52	140.57	108.62	103.90
<b>Fire Line</b>										
Per diameter inch per service	\$ 7.55	\$ 7.55	\$ 5.87	\$ 5.87	\$ 5.87	\$ 5.87	\$ 5.00	\$ 4.13	\$ 3.26	\$ 3.12
<b>Sewer Monthly Service Charge</b>										
Residential - Single Family	\$ 38.99	\$ 38.99	\$ 38.99	\$ 38.99	\$ 38.99	\$ 38.99	\$ 37.45	\$ 35.91	\$ 35.91	\$ 34.04
Residential - Multi-Family	35.09	35.09	35.09	35.09	35.09	35.09	33.71	32.32	32.32	30.64
Mobile Homes	31.19	31.19	31.19	31.19	31.19	31.19	29.96	28.73	28.73	27.23
Non-residential (per 100 cu ft)	4.96	4.96	4.96	4.96	4.96	4.96	4.77	4.57	4.57	4.33
Church/Theater per seat	0.31	0.31	0.31	0.31	0.31	0.31	0.30	0.32	0.32	0.31
Comm/Industrial per employee	3.51	3.51	3.51	3.51	3.51	3.51	3.37	3.23	3.23	3.06
Hotel/Motel per living unit	19.50	19.50	19.50	19.50	19.50	19.50	18.73	18.39	18.39	17.43
Laundromat per machine	32.44	32.44	32.44	32.44	32.44	32.44	31.16	29.87	29.87	28.31
Restaurant per seat	2.34	2.34	2.34	2.34	2.34	2.34	2.25	2.31	2.31	2.19
Schools per student	0.78	0.78	0.78	0.78	0.78	0.78	0.75	0.71	0.71	0.68
Minimum charge	24.56	24.56	24.56	24.56	24.56	24.56	23.59	22.63	22.63	21.45

*Source: Vallecitos Water District*



**VALLECITOS WATER DISTRICT**  
**TABLE 9 - PRINCIPAL WATER CUSTOMERS**  
**CURRENT FISCAL YEAR AND NINE YEARS PRIOR**

**Fiscal Year Ended June 30, 2021**

<b>Customer Name</b>	<b>Usage (AF)<sup>2</sup></b>	<b>% of Water Sold</b>
City Of San Marcos	595.4	4.03%
San Marcos Unified Sch Dist	216.8	1.47%
San Elijo Hills Comm Assn	231.9	1.57%
Altman Specialty Plants	168.6	1.14%
Meadowridge HOA	117.8	0.80%
San Marcos Prominence Inc	114.4	0.77%
Emerald Heights Association	130.4	0.88%
Palomar Estates West	91.0	0.62%
Coronado Ranch HOA	95.2	0.64%
Shea Homes	67.7	0.46%
Total Top Ten Customers	1,829.2	12.38%
Other Customers	12,941.7	87.62%
Total Water Billed	14,770.9	100.00%

**Fiscal Year Ended June 30, 2012**

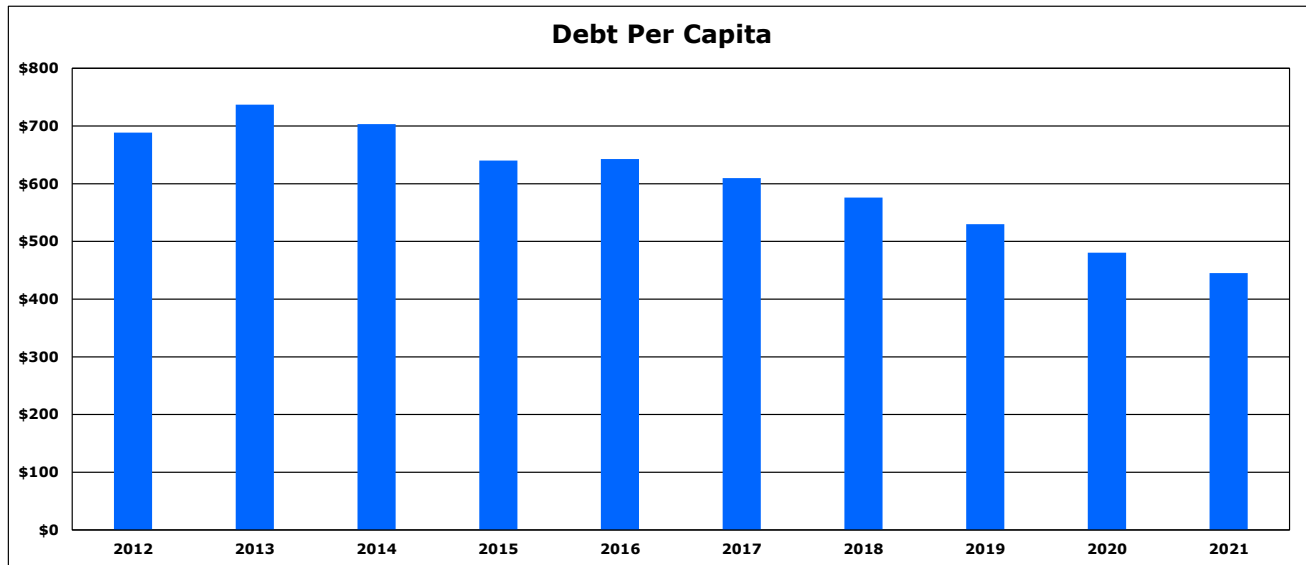
<b>Customer Name</b>	<b>Usage (AF)</b>	<b>% of Water Sold</b>
City Of San Marcos	521.7	3.65%
San Marcos Unified Sch Dist	183.8	1.29%
Bonsall Farms	148.2	1.04%
Cal State University S M	143.4	1.00%
Emerald Heights Association	131.9	0.92%
Meadowridge HOA	121.8	0.85%
San Elijo Hills Comm Assn	121.7	0.85%
Palomar Estates West	98.7	0.69%
San Marcos Prominence Inc	97.4	0.68%
Coronado Ranch HOA	83.2	0.58%
Total Top Ten Customers	1,651.8	11.57%
Other Customers	12,638.2	88.43%
Total Water Billed	14,290.0	100.00%

**Source:** Vallecitos Water District

**Note:** (1) Includes only potable water.

**VALLECITOS WATER DISTRICT  
TABLE 10 - NET OUTSTANDING LONG-TERM DEBT  
LAST TEN FISCAL YEARS**

Fiscal Year	Population Estimate	Capital Lease	2015 Revenue		2012 COP	2008 Bank Loan	2005 Series A COP (1)	Total	Per Capita	Percentage of Personal Income
			Refunding Bonds (1)							
2021	109,900	\$ -	\$	44,374,573	\$ 1,527,000	\$ 3,000,000	\$ -	\$ 48,901,573	\$ 445	0.63%
2020	109,357	-	-	46,864,542	2,266,000	3,400,000	-	52,530,542	480	0.72%
2019	105,741	-	-	49,249,511	2,991,000	3,800,000	-	56,040,511	530	0.82%
2018	103,233	-	-	51,519,480	3,732,000	4,200,000	-	59,451,480	576	0.94%
2017	103,112	26,460	-	51,884,451	4,434,000	4,600,000	1,910,000	62,854,911	610	1.05%
2016	102,992	73,361	-	52,249,420	5,122,000	5,000,000	3,752,583	66,197,364	643	1.15%
2015	102,871	-	-	-	5,795,000	5,400,000	54,639,475	65,834,475	640	1.17%
2014	97,489	-	-	-	6,455,000	5,800,000	56,314,934	68,569,934	703	1.35%
2013	96,622	-	-	-	7,100,000	6,200,000	57,920,392	71,220,392	737	1.49%
2012	95,763	-	-	-	-	6,600,000	59,321,832	65,921,832	688	1.43%

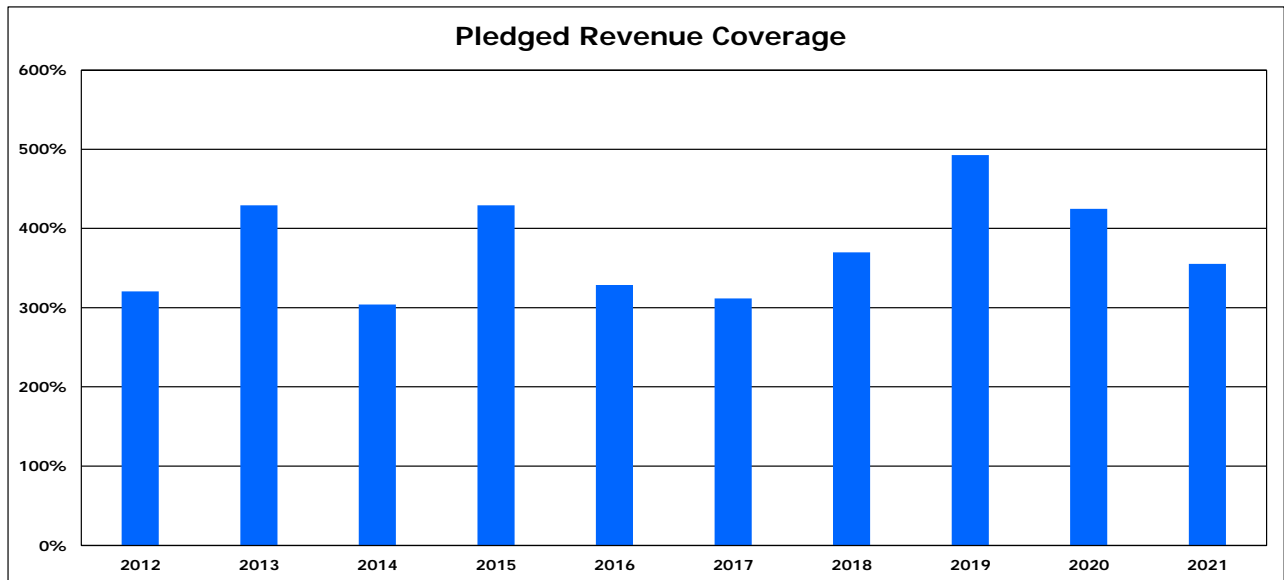


**Source:**  
California Department of Finance  
Vallecitos Water District

**Notes:**  
(1) Includes amortized bond issuance costs.

**VALLECITOS WATER DISTRICT  
TABLE 11 - PLEDGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

Fiscal Year	Total Revenues (1)	Total Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage Factor (4)
				Principal	Interest	Total	
2021	\$ 84,419,098	\$ 65,418,972	\$ 19,000,126	\$ 3,264,000	\$ 2,087,448	\$ 5,351,448	355%
2020	80,031,714	57,061,078	22,970,636	3,145,000	2,264,498	5,409,498	425%
2019	80,979,842	54,145,242	26,834,600	3,046,000	2,402,069	5,448,069	493%
2018	75,619,484	55,368,718	20,250,766	3,012,000	2,466,065	5,478,065	370%
2017	67,761,328	50,781,867	16,979,461	2,898,000	2,548,596	5,446,596	312%
2016	62,829,969	44,582,981	18,246,988	3,183,947	2,367,734	5,551,681	329%
2015	67,963,097	43,884,685	24,078,412	2,695,000	2,917,335	5,612,335	429%
2014	61,642,682	44,587,610	17,055,072	2,610,000	3,004,832	5,614,832	304%
2013	62,438,443	41,851,005	20,587,438	1,885,001	2,914,360	4,799,361	429%
2012	53,705,328	38,193,373	15,511,955	1,820,000	3,020,262	4,840,262	320%

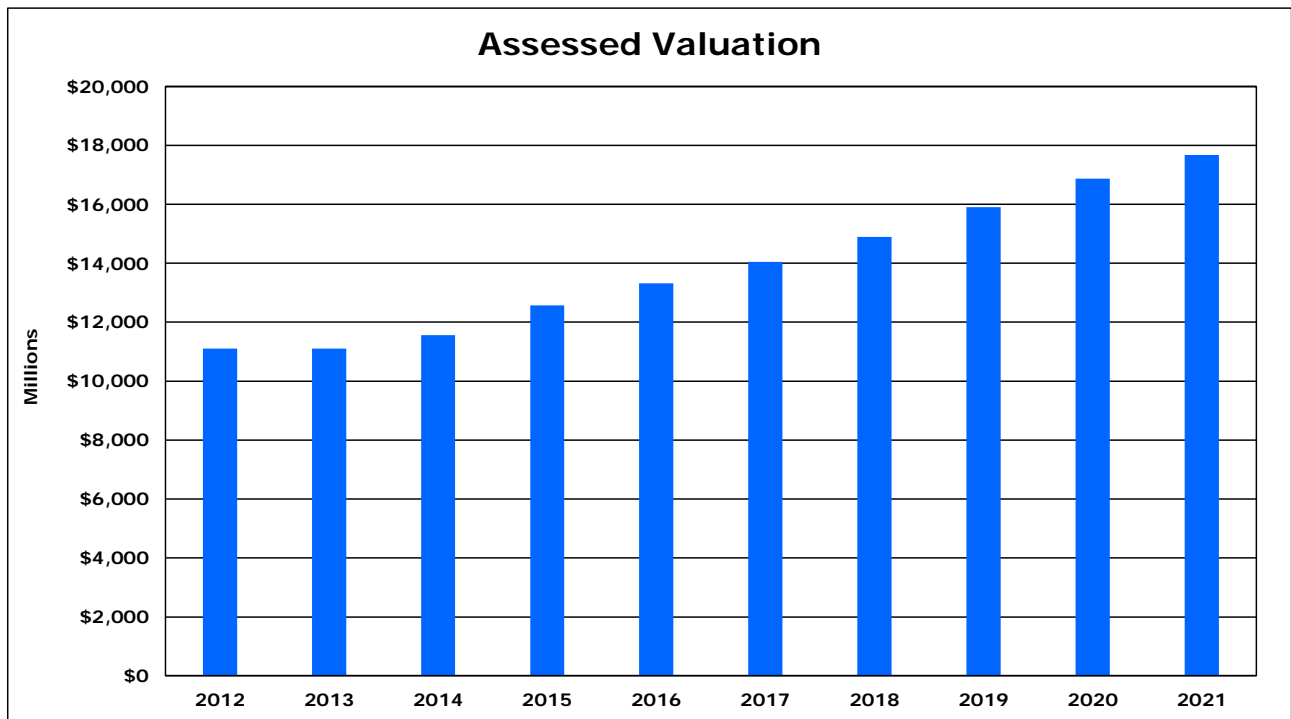


**Source:**  
Vallecitos Water District

- Note:**
- (1) Total revenues of the District less contributed capital.
  - (2) Total operating expenses of the District excluding overhead absorption and depreciation and amortization.
  - (3) Pledged debts include the 2008 Bank Loan, 2005A and 2012 Certificates of Participation (COPS), and the 2015 Revenue Refunding Bonds.
  - (4) The District's bond covenants require a minimum coverage factor of 115%

**VALLECITOS WATER DISTRICT  
TABLE 12 - ASSESSED VALUATION  
LAST TEN FISCAL YEARS**

<b>Year</b>	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>	<b>Change</b>
2021	\$ 17,277,797,038	\$ 388,503,832	\$ 17,666,300,870	4.70%
2020	16,492,249,912	381,477,718	16,873,727,630	6.11%
2019	15,530,939,622	370,551,852	15,901,491,474	6.74%
2018	14,559,870,015	338,104,245	14,897,974,260	6.03%
2017	13,723,214,216	327,489,319	14,050,703,535	5.46%
2016	13,002,974,379	320,326,468	13,323,300,847	5.97%
2015	12,241,691,036	331,083,454	12,572,774,490	8.77%
2014	11,220,883,652	337,826,991	11,558,710,643	4.15%
2013	10,749,957,402	348,712,281	11,098,669,683	-0.03%
2012	10,755,217,486	346,467,100	11,101,684,586	1.45%



*Source: County of San Diego Auditor and Controller*

**VALLECITOS WATER DISTRICT  
TABLE 13 - DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Year</b>	<b>Population Estimate</b>	<b>Average Household Size (1)</b>	<b>Unemployment Rate (2)</b>	<b>Per Capita Personal Income (3)</b>	<b>Total Personal Income</b>
2021	109,900	3.06	7.0%	\$ 70,197 (4)	\$ 7,714,653,705
2020	109,357	3.21	6.1%	67,011 (4)	7,328,095,443
2019	105,741	3.17	3.3%	64,495	6,819,811,879
2018	103,233	3.18	3.6%	61,386	6,337,060,938
2017	103,112	3.17	4.2%	57,913	5,971,525,256
2016	102,992	3.15	5.0%	56,116	5,779,499,072
2015	102,871	3.14	5.3%	54,742	5,631,364,282
2014	97,489	3.13	6.5%	52,166	5,085,611,174
2013	96,622	3.10	8.2%	49,460	4,778,924,120
2012	95,763	3.09	9.5%	48,256	4,621,139,328

**Source:**

California Department of Finance

CALMIS, Employment Development Department (EDD)

U.S. Department of Labor Statistics, Bureau of Economic Analysis, Regional Data

Vallecitos Water District

**Notes:**

(1) Values are for the City of San Marcos, which represents about 84% of the District's billable accounts.

(2) The unemployment rates illustrated are for San Diego County. Values taken from June of each fiscal year.

(3) Per Capita Personal Income figures illustrated are for San Diego County.

(4) 2020 and 2021 values not available. Estimated based on average year-over-year increase from 2017-2019.

**VALLECITOS WATER DISTRICT**  
**TABLE 14 - LARGEST EMPLOYERS IN SAN DIEGO COUNTY**  
**FISCAL YEAR 2020 AND 2011**

**Fiscal Year Ended June 30, 2020** <sup>(1)</sup>

Employer	# of Employees	% of Total Employment
U.C. San Diego	35,802	2.47%
Sharp Healthcare	19,468	1.34%
County of San Diego	17,954	1.24%
City of San Diego	11,820	0.82%
San Diego Community College District	5,400	0.37%
General Atomics	6,745	0.47%
San Diego State University	6,454	0.45%
Rady Children's Hospital-San Diego	5,711	0.39%
YMCA of San Diego County	5,057	0.35%
Sempra Energy	5,063	0.35%
Total Top Ten Employers	119,474	8.25%
Total Number of Employees in San Diego County <sup>(3)</sup>		1,448,600

**Fiscal Year Ended June 30, 2011** <sup>(2)</sup>

Employer	# of Employees	% of Total Employment
Marine Corps Base, Camp Pendleton	34,185	2.34%
University of California, San Diego	30,130	2.06%
County of San Diego	19,131	1.31%
Sharp Healthcare	17,976	1.23%
San Diego Unified School District	13,815	0.94%
Qualcomm	11,830	0.81%
Scripps Healthcare	11,807	0.81%
City of San Diego	11,454	0.78%
Kaiser Permanente	9,066	0.62%
San Diego Community College District	6,564	0.45%
Total Top Ten Employers	165,958	11.34%
Total Number of Employees in San Diego County <sup>(3)</sup>		1,463,400

**Source:**

*(1) Data for Fiscal Year 2021 not available at time of publication;*

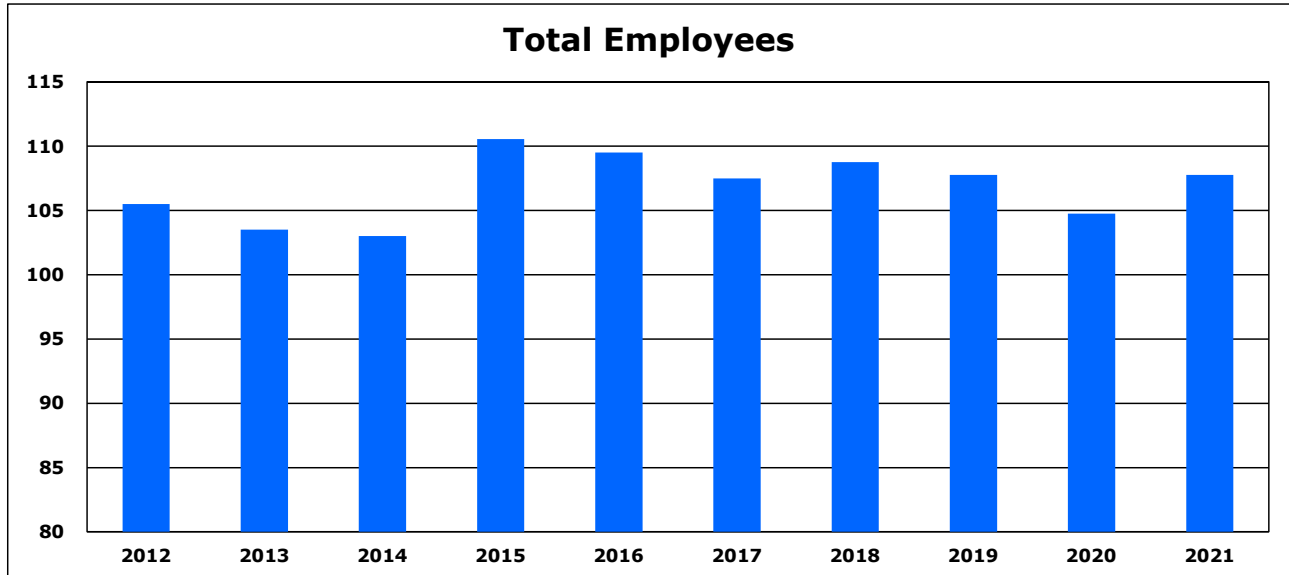
*San Diego County*

*(2) City of San Diego 2017 Comprehensive Annual Financial Report*

*(3) San Diego County*

**VALLECITOS WATER DISTRICT**  
**TABLE 15 - TOTAL EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

	Fiscal Year ended June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operations	52.00	51.00	54.00	52.00	52.00	52.00	50.10	48.00	49.00	51.00
Engineering	17.00	17.00	16.00	17.00	16.00	16.00	16.80	15.00	15.00	16.00
Finance	23.00	21.00	21.00	23.00	22.75	24.25	25.75	22.00	22.00	20.00
Administration	15.75	15.75	16.75	16.75	16.75	17.25	17.90	18.00	17.50	18.50
<b>Total</b>	<b>107.75</b>	<b>104.75</b>	<b>107.75</b>	<b>108.75</b>	<b>107.50</b>	<b>109.50</b>	<b>110.55</b>	<b>103.00</b>	<b>103.50</b>	<b>105.50</b>



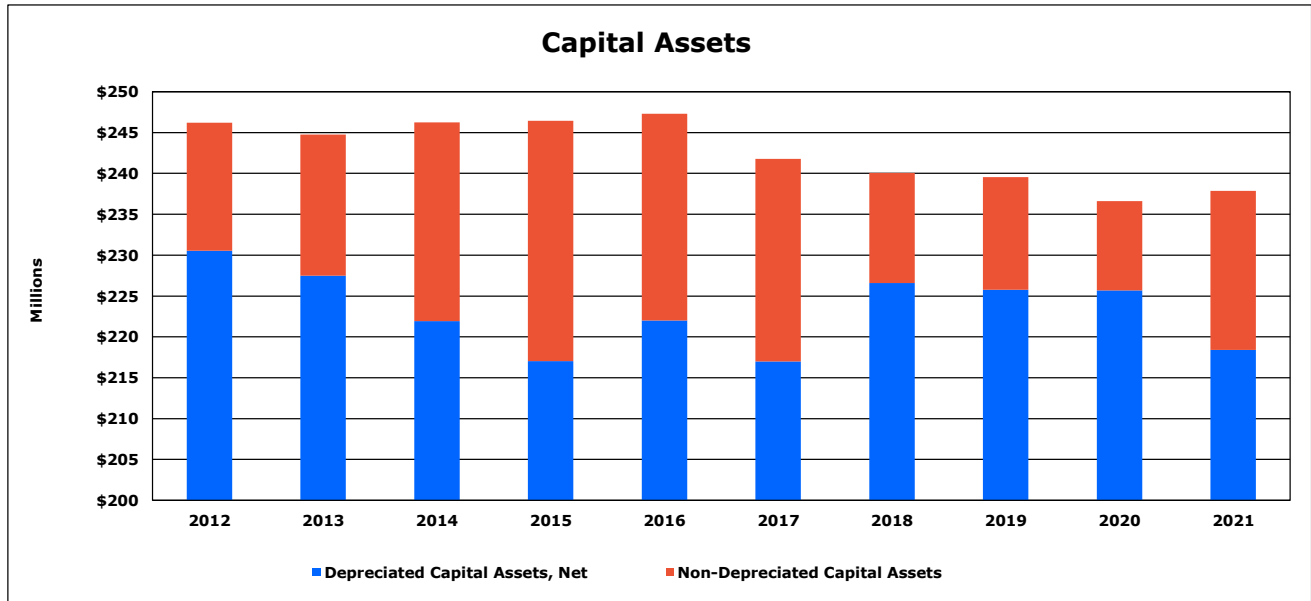
**Source:** Vallecitos Water District

**VALLECITOS WATER DISTRICT  
TABLE 16 - CAPITAL ASSETS  
LAST TEN FISCAL YEARS**

	Fiscal Year ended June 30				
	2021	2020	2019	2018	2017
Land	\$ 4,981,505	\$ 4,981,505	\$ 4,981,505	\$ 4,981,505	\$ 4,981,505
Construction in Progress	14,467,764	5,928,082	8,795,099	8,451,903	19,785,305
Total Capital Assets, Not Depreciated	19,449,269	10,909,587	13,776,604	13,433,408	24,766,810
Water Transmission and Distribution System	208,503,739	207,170,931	204,106,247	200,023,591	196,880,917
Wastewater System	147,551,888	147,311,505	141,807,671	140,385,064	125,580,427
Buildings	17,377,612	17,287,789	17,236,207	16,137,578	15,653,556
Transportation Equipment	5,634,362	5,297,564	5,061,992	4,777,709	4,635,046
Field and Shop Equipment	11,250,463	11,152,818	11,041,945	9,916,142	11,830,842
Office Equipment	2,635,772	2,815,443	2,097,643	2,193,125	2,351,205
Accumulated Depreciation	(174,555,603)	(165,343,299)	(155,598,238)	(146,831,322)	(139,942,275)
Total Capital Assets, Being Depreciated, Net	218,398,233	225,692,751	225,753,467	226,601,887	216,989,718
Total Capital Assets, Net	\$ 237,847,502	\$ 236,602,338	\$ 239,530,071	\$ 240,035,295	\$ 241,756,528

	2016	2015	2014	2013	2012
	Land	\$ 4,981,505	\$ 4,761,505	\$ 4,761,505	\$ 4,761,505
Construction in Progress	20,293,565	24,641,438	19,554,005	12,492,200	10,894,549
Total Capital Assets, Not Depreciated	25,275,070	29,402,943	24,315,510	17,253,705	15,639,057
Water Transmission and Distribution System	196,941,476	190,810,104	188,859,948	187,395,706	183,821,481
Wastewater System	123,478,344	117,102,203	115,788,763	115,092,483	114,106,726
Buildings	15,427,261	15,311,551	15,300,427	15,252,215	15,229,776
Transportation Equipment	4,515,658	4,130,159	4,345,521	3,793,371	3,550,629
Field and Shop Equipment	11,201,974	10,709,739	10,670,338	10,309,062	10,000,563
Office Equipment	2,343,625	2,277,078	2,449,293	2,473,211	2,414,300
Accumulated Depreciation	(131,897,746)	(123,314,886)	(115,478,982)	(106,836,812)	(98,565,502)
Total Capital Assets, Being Depreciated, Net	222,010,592	217,025,948	221,935,308	227,479,236	230,557,973
Total Capital Assets, Net	\$ 247,285,662	\$ 246,428,891	\$ 246,250,818	\$ 244,732,941	\$ 246,197,030



Source: Vallecitos Water District