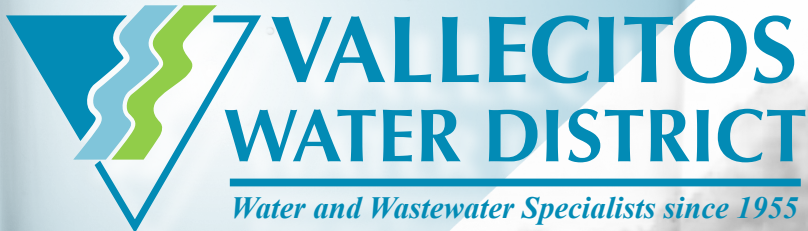


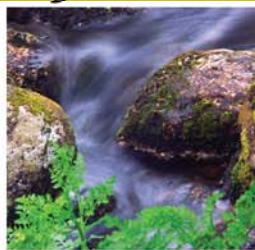
VALLECITOS WATER DISTRICT

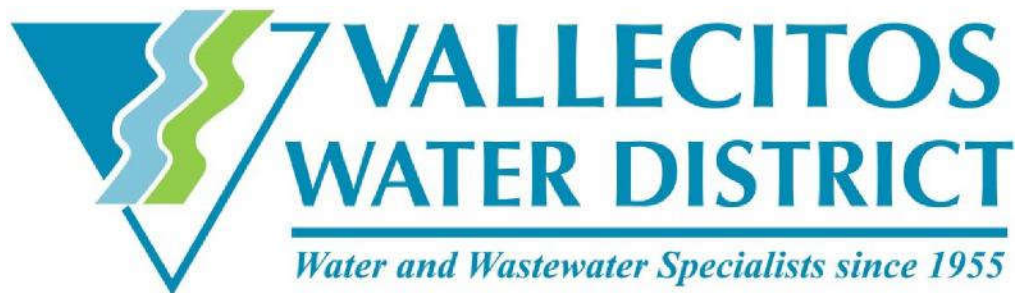
ANNUAL COMPREHENSIVE FINANCIAL REPORT

For fiscal year
ended June 30, 2022
San Marcos, CA
www.vwd.org



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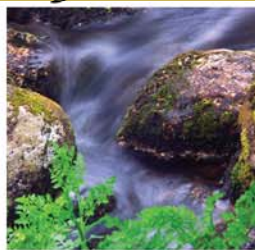




Annual Comprehensive Financial Report
FOR THE YEAR ENDED JUNE 30, 2022
Prepared by the Finance Department

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

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**VALLECITOS WATER DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022
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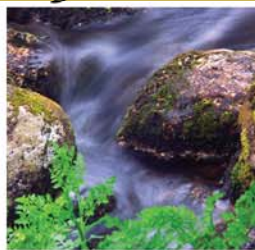
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INTRODUCTORY SECTION



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

Date: December 14, 2022
To: Honorable Board of Directors
Regarding: Fiscal Year 2021/22 ACFR

I am pleased to present the Vallecitos Water District’s (the “District”) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022.

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, 2022, 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, 2022, 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. With the help from the Assistant General Manager and through District management, the General Manager 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 water storage 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 wastewater 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 2023 budget is \$100.2 million, with operating expenditures of \$61.9 million, capital expenditures of \$29.7 million, vehicles and equipment of \$2.1 million, and debt service of \$6.5 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 operations consist of two major sectors: potable water, and wastewater. Budgeted operating expenses total \$61.9 million for Fiscal Year 2023, an increase of \$2.5 million over Fiscal Year 2022 budget. The operational increase of \$2.5 million primarily is attributable to a \$1.8 million increase in water purchases as a result of San Diego County Water Authority (SDCWA) rate



increases. Budgeted revenues total \$69.3 million for Fiscal Year 2023. Revenues from potable water are projected to be \$46.6 million, about \$1.1 million (2.4%) more than the Fiscal Year 2022 budget. Sewer revenues are projected to be \$18.2 million, about \$0.5 million more than the Fiscal Year 2022 budget, because of estimated growth and demand increases. The remaining revenue of \$4.5 million comes from reclaimed water sales, pumping charges, interest and other miscellaneous income.

The 2022-23 Capital Improvement Program (CIP) budget consists of 85 projects and a budget of \$29.7 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 \$4.2 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 2023 were \$21.6 million as compared to \$19.3 million in Fiscal Year 2022.

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 Annual Comprehensive 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 reliable and sustainable water and wastewater services to the customers of the Vallecitos Water District.

The District will continue to provide reliable and sustainable services by:

- Proactively, innovatively, and continuously improving the quality and efficiency of our operations and service;
- Supporting and retaining highly trained staff that is knowledgeable, engaged, team oriented and responsive to the community and other agencies;
- Providing support for the good of the region to remain a respected and active industry partner, and;
- Providing continuous outreach and education to our customers on issues and topics that impact the services we provide and our role as water and wastewater specialists.

The District continues to face numerous economic challenges including nationwide inflation and supply chain problems stemming from the COVID-19 pandemic. The District also faces water supply cost increases, drought in California, and the uncertainty of Colorado River water, which combined are the primary sources of our imported water.

Population within the District's service area continues to increase albeit at a reduced rate. As of June 2022, it is estimated that the District served 110,520 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.

Other future legislative concerns include:

- Eventually transitioning the District's fleet to electric vehicles and securing the infrastructure to power such a fleet
- State mandated performance standards for water loss for urban retail water suppliers
- State mandated water use efficiency standards
- Water quality and treatment for Per- and Polyfluoroalkyl Substances (PFAS)

Separate from legislation, but just as important, is California's weather and water supplies. Shortages on the Colorado River and years of drought in California have impacted State water supplies drastically. 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 Annual Comprehensive Financial Reports for the fiscal years ended June 30, 2019 through June 30, 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive 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 recently 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. The District is currently in a "Silver" Status and has set a goal to achieve "Platinum" certification.

2022 "Excellence in Journalism" First Place Award from the San Diego Press Club for the District's "Imagine a Day Without Water" video.

2022 "Excellence in Journalism" Second Place Award from the San Diego Press Club for video editing on the District's "2022 WaterSmart Landscape Contest Winners" video.

2021 "Huell Howser Excellence in Communication" Finalist Award from the Association of California Water Agencies (ACWA) for the District's "Work We Do" videos.

2021 Community Engagement and Outreach for Best Use of Social Media - California Water Environment Association - Awarded for the District's "Work We Do" videos.

2020 "Public Communications Achievement" Award from the American Water Works Association for the District's "The Work We Do" videos.

2022 Award for Achievement – Information Technology Practices by the Municipal Information Systems Association of California for meeting or surpassing local government standards in technology.

2021 Tertiary Recycled Water Plant of the Year - California Water Environment Association. This award recognizes accomplishments in compliance, innovative practices, cost-effectiveness, and superior plant performance

I would like to thank all of the staff involved for their efforts in preparing this Annual Comprehensive 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.



Glenn Pruum, 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, 2021

Christopher P. Morrill

Executive Director/CEO

LIST OF PRINCIPAL OFFICIALS

as of June 30, 2022

Our Mission

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



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

Board of Directors

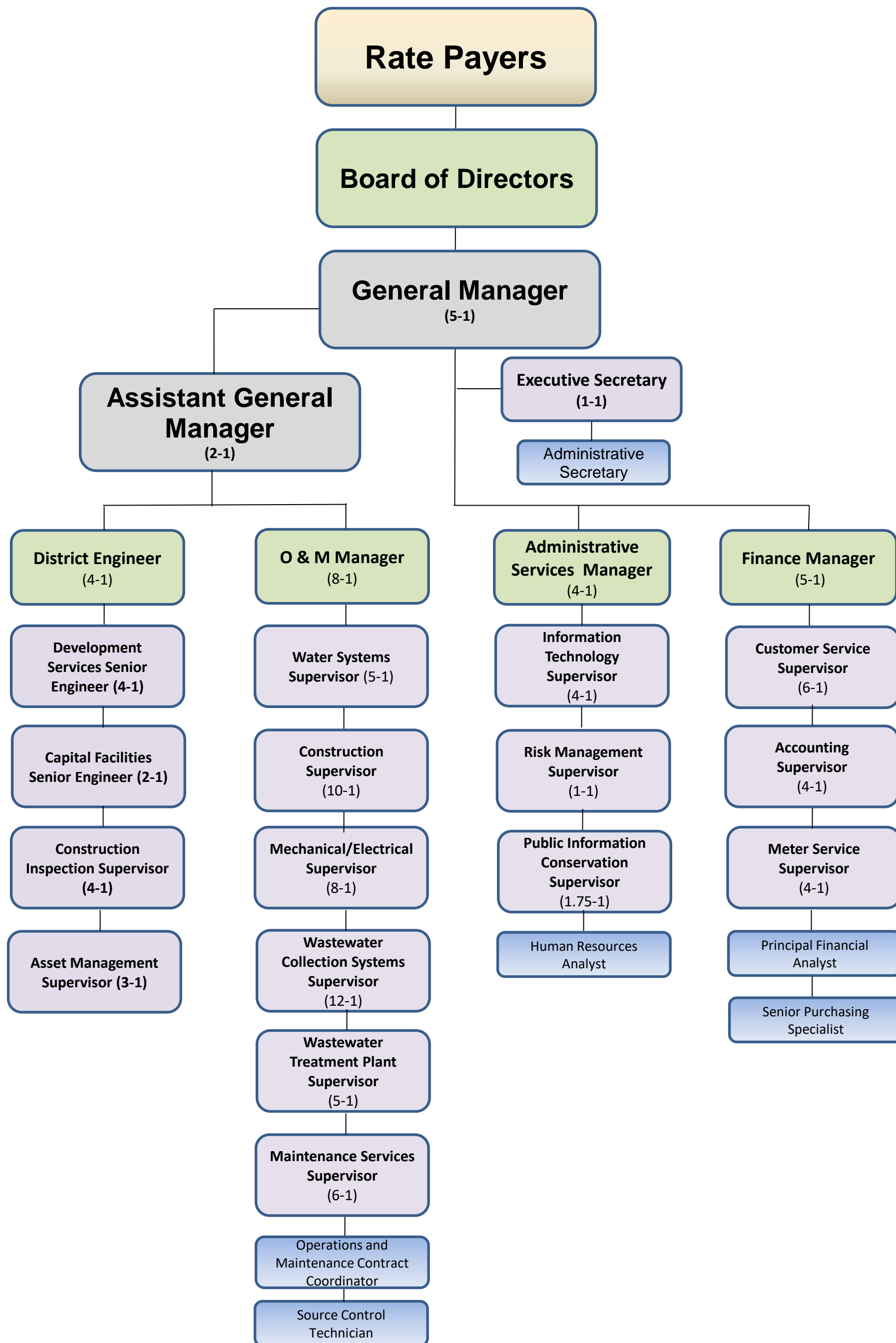
Craig Elitharp, President
James Hernandez, Vice President
Mike Sannella
Tiffany Boyd-Hodgson, Ph.D.
Jim Pennock

District Financial Management

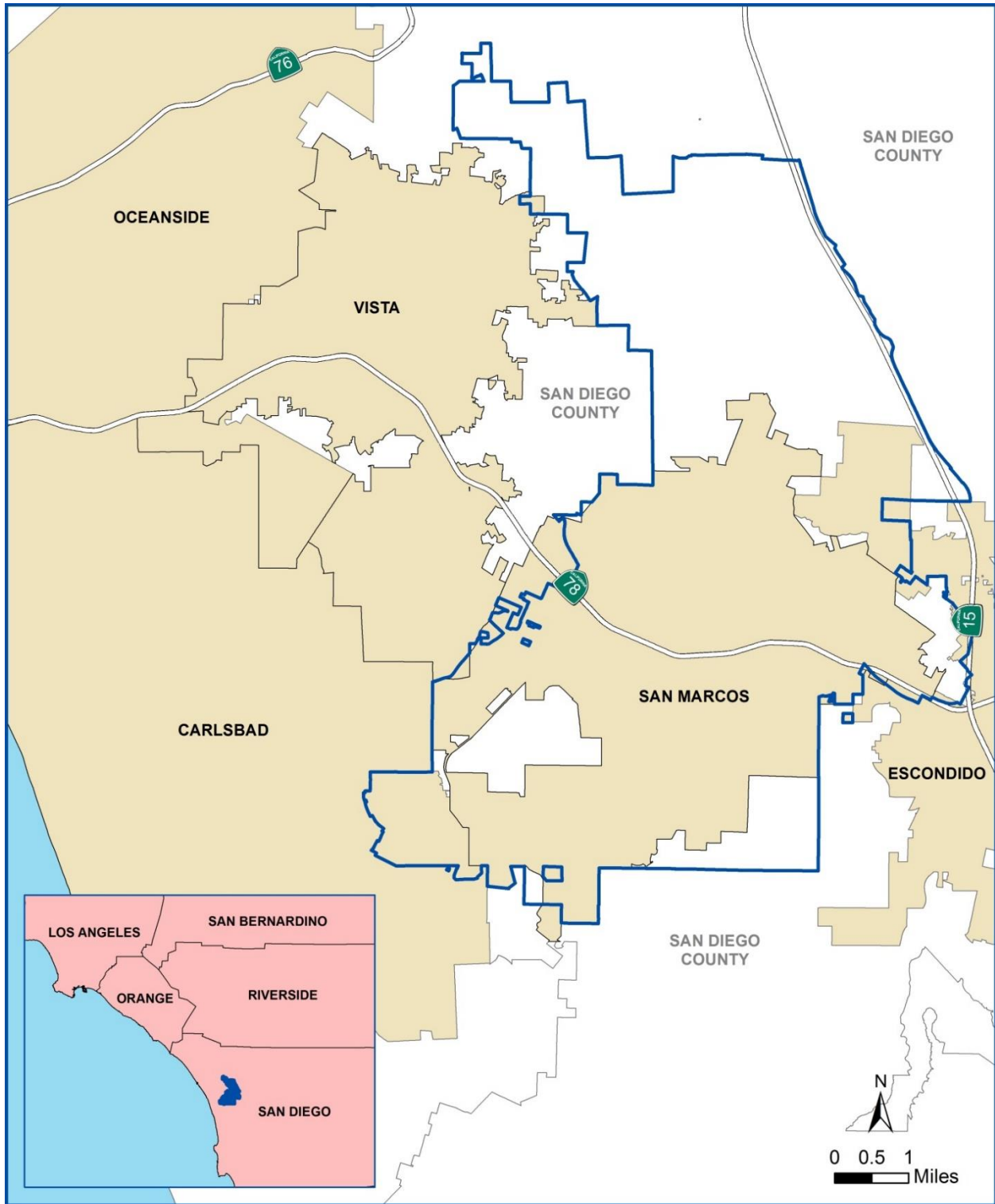
Glenn Pruim, General Manager
D. Westley Owen, Chief Financial Officer

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 Audit of the Financial Statements

Opinion

We have audited the financial statements of the Vallecitos Water District ("District"), as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of Vallecitos Water District, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Vallecitos Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Vallecitos Water District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a

material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Vallecitos Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited the District's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section*

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2022 on our consideration of Vallecitos Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vallecitos Water District's internal control over financial reporting and compliance.

DavisFarr LLP

Irvine, California
December 2, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2022

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, 2022. 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, 2022 (2021/22), the following highlights impacted, or have the potential to impact, the finances of the District.

- On July 29, 2021, Fitch Ratings reaffirmed the District's AA+ credit rating with the outlook revised to positive. And, on August 4, 2021, Standard and Poor's reaffirmed the District's AA+ rating with a stable outlook.
- On August 4, 2021, the Board of Directors of the Vallecitos Water District authorized the issuance of debt. The District received \$28.0 million of proceeds at a total all-in cost of 2.24% over a 30-year term. A portion of the proceeds were used to reimburse the District for previous capital costs and the remainder will be used to fund future capital costs.
- The District experienced a 3.9% decrease in demand for water from customers in fiscal year 2022 due to slightly higher rainfall as compared to fiscal year 2021 as well as conservation efforts. As a result, water sales decreased by \$1.2 million or 3.7% from fiscal year 2020/21 to 2021/22
- As a member of the San Diego County Water Authority, the District received a \$1.2 million 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 2021/22, the District received \$8.6 million in capital facility fees from development, compared to \$7.7 million received the prior year. This increase was slightly higher than expected due to a notable pickup in development as economic activity increases.
- The District expended \$11.3 million in capital asset acquisition and construction compared to \$14.9 million the prior year.
- The District realized net income before capital contributions of \$6.3 million and after capital contributions of \$11.3 million, the District's net position increased by \$17.6 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 2022 the increase in net position of \$17.6 million resulted from the increase in total assets of \$43.4 million. The increase in total assets was largely attributable to \$28.0 million in debt proceeds received from the COPS 2021A debt issuance as well as CalPERS projection of a Net Pension Asset of \$4.5 million.

Analysis of Net Position

The increase in net position of \$17.6 million is attributable to a debt issuance, contributed capital, renewed construction, and CalPERS projections.

- Cash and investments increased by \$33.4 million during fiscal year 21/22 inclusive of the market value adjustment on investments.

VALLECITOS WATER DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS (continued)

Vallecitos Water District's Net Position				
	2021/22	2020/21	Change	
			Amount	%
Cash and investments	\$ 118,688,048	\$ 85,323,279	\$ 33,364,769	39.1%
Capital assets	235,636,247	237,847,502	(2,211,255)	-0.9%
Other assets	59,400,236	47,103,807	12,296,429	26.1%
Total Assets	413,724,531	370,274,588	43,449,943	11.7%
Deferred Outflows of Resources	5,633,043	10,010,051	(4,377,008)	-43.7%
Current liabilities	18,864,827	20,044,915	(1,180,088)	-5.9%
Noncurrent liabilities	70,003,732	57,439,716	12,564,016	21.9%
Total Liabilities	88,868,559	77,484,631	11,383,928	14.7%
Deferred Inflows of Resources	16,507,192	6,370,844	10,136,348	159.1%
Net Position				
Net investment in capital assets	176,912,513	194,396,649	(17,484,136)	-9.0%
Restricted	120,798	105,486	15,312	14.5%
Unrestricted	136,948,512	101,927,029	35,021,483	34.4%
Total Net Position	\$ 313,981,823	\$ 296,429,164	\$ 17,552,659	5.9%

Analysis of Net Position (continued)

- Other assets increased as a result of investments in the Encina Wastewater Authority (EWA), increases in the Net Pension asset and the Net OPEB asset, and increases in accounts receivable due to timing of billing.
- Deferred Outflows of Resources decreased \$4.4 million due to a \$4.0 million additional discretionary payment to CalPERS in the prior year.
- The District issued \$28.0 million in COPS in August 2021. This was the main reason for the increase in noncurrent liabilities offset by a decrease in Net Pension Liability.
- Deferred Inflows of Resources increased \$10.1 million due to a significant increase in the deferred inflows related to investment earnings on pension.

Analysis of Revenues and Expenses

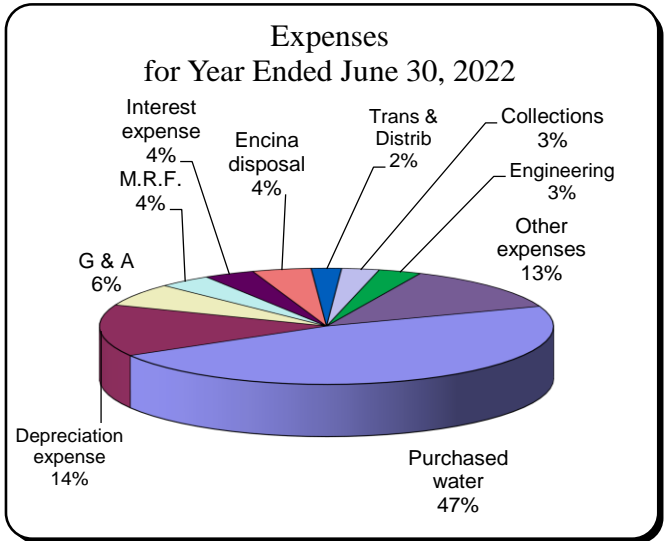
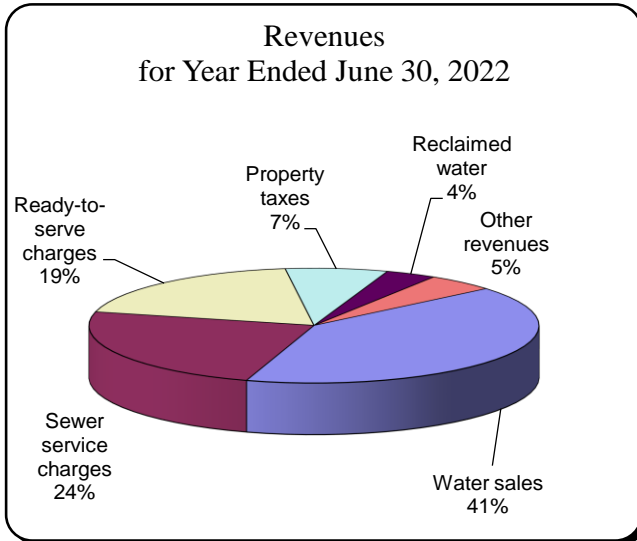
The composition of revenues and expenses for the 2021/22 fiscal year is illustrated in the following graphs. Water sales, ready-to-serve charges, and wastewater service charges continue to be the main sources of revenue funding District operations. Water sales are commodity charges assessed to cover 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 income of \$4,950,577 include non-cash depreciation and amortization expense of \$10,168,840. 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	
	2021/22	2020/21	Amount	%
Water sales	\$ 31,505,160	\$ 32,717,315	\$ (1,212,155)	-3.7%
Wastewater service charges	18,441,073	18,151,779	289,294	1.6%
Ready-to-serve charges	14,735,282	14,640,396	94,886	0.6%
Property taxes	5,655,563	5,396,663	258,900	4.8%
Reclaimed water sales	2,801,135	3,007,732	(206,597)	-6.9%
Other revenues	3,807,655	3,599,008	208,647	5.8%
Total Revenues	76,945,868	77,512,893	(567,025)	-0.7%
Purchased water	33,300,987	31,750,694	1,550,293	4.9%
Depreciation expense	10,168,840	10,033,327	135,513	1.4%
General and administrative	4,505,293	7,869,776	(3,364,483)	-42.8%
Meadowlark Reclamation Facility (M.R.F.)	2,551,888	3,207,524	(655,636)	-20.4%
Interest expense	2,552,562	1,828,258	724,304	39.6%
Encina disposal	2,964,671	2,946,474	18,197	0.6%
Engineering	2,157,043	4,164,526	(2,007,483)	-48.2%
Collections	2,024,857	3,400,346	(1,375,489)	-40.5%
Transmission & Distribution	1,519,562	2,144,258	(624,696)	-29.1%
Other expenses	8,941,318	11,963,647	(3,022,329)	-25.3%
Total Expenses	70,687,021	79,308,829	(8,621,808)	-10.9%
Net Income/(Loss) before contributions	6,258,847	(1,795,936)	8,054,783	-448.5%
Capital contributions	11,293,812	8,036,328	3,257,484	40.5%
Change in Net Position	17,552,659	6,240,392	11,312,267	181.3%
Total Net Position, Beginning of Year	296,429,164	290,188,772	6,240,392	2.2%
Total Net Position, End of Year	\$ 313,981,823	\$ 296,429,164	\$ 17,552,659	5.9%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS (continued)

- The decrease in water sales reflects decreases in demand due to slightly higher rainfall and conservation efforts. Increases in water purchases reflect increases in water costs from San Diego County Water Authority (SDCWA).
- Property tax receipts continue to increase primarily from discontinued Redevelopment Agencies in fiscal year 21/22.
- The \$3.4 million decrease in General and administrative expenses was due primarily to decreases in pension expense as a result of GASB 68 adjustments.
- Meadowlark Reclamation Facility (MRF) expenses decreased as a result of decreased operating costs at MRF in fiscal year 21/22.
- Interest expense increased by \$0.7 million as a result of interest due on the newly issued COPS 2021A debt.
- Engineering decreased by \$2.0 million as a result of decreases in pension expense as a result of GASB 68 adjustments.
- Collections decreased by \$1.4 million as a result of less outside services in fiscal year 2022 and decreases in pension expense as a result of GASB 68 adjustments.
- Transmission & distribution decreased by \$0.6 million as a result of less main breaks during Fiscal Year 2022 when compared to the prior year and the decreases in pension expense as a result of GASB 68 adjustments.
- Other expenses decreased by \$3.0 million due, in large part, to recognizing a \$2.4 million loss on investment in Encina Wastewater Authority in 2021 and only \$0.4 million in 2022, a decrease of \$2.0 million.
- Capital contributions increased from fiscal year 2021 to fiscal year 2022 due to increased development.

RESTRICTIONS, COMMITMENTS, AND LIMITATIONS

The District's net revenue requirement is 1.15 times the total debt service of the District. The District's 2021/22 net revenue was 5.08 times debt service as calculated per the official statement for the bonds. Debt per capita within the District is \$661 exclusive of other debt such as San Diego County Water Authority and Metropolitan Water District.

Capital Projects

The District has four capital projects that have been contracted for at least the design phase before 2021/22 totaling \$3,225,370. More information about these projects can be found in Note 12 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, 2022, totaled \$235.7 million, which represents a 0.9% decrease from the prior fiscal year.

	2021/22	2020/21
Land	\$ 4,981,505	\$ 4,981,505
Construction in Progress	9,352,435	14,467,764
Total Capital Assets, Not Depreciated	<u>14,333,940</u>	<u>19,449,269</u>
Water Transmission and Distribution System	210,220,621	208,503,739
Wastewater System	158,222,022	147,551,888
Buildings	17,713,492	17,377,612
Transportation Equipment	5,567,811	5,634,362
Field and Shop Equipment	11,312,166	11,250,463
Office Equipment	2,635,772	2,635,772
Accumulated Depreciation	<u>(184,369,577)</u>	<u>(174,555,603)</u>
Total Capital Assets, Being Depreciated, Net	<u>221,302,307</u>	<u>218,398,233</u>
Total Capital Assets, Net	<u>\$ 235,636,247</u>	<u>\$ 237,847,502</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 5 of the Notes to the Basic Financial Statements.

Long-Term Debt

At June 30, 2022, the District had \$73.3 million in outstanding long-term debt, an increase of \$24.4 million, or 49.9%, from the prior year. The outstanding debt, including amortized bond issuance costs, consisted of the following obligations:

	2021/22	2020/21
Revenue Refunding Bonds	\$ 41,774,604	\$ 44,374,573
2021A Certificates of Participation (COP)	28,177,707	-
2012 Certificates of Participation (COP)	772,000	1,527,000
Bank Loan	2,600,000	3,000,000
Total Long-Term Debt	<u>\$ 73,324,311</u>	<u>\$ 48,901,573</u>

Additional information on the District's long-term debt can be found in Note 7 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 2022/23 budget amounts:

- Only slight increases in water usage by customers as the District remains in a state of drought.
- Cost of service study and rate structure study completed and adopted by the board September 28, 2022
- Increases in construction and development
- Increasing regulatory compliance

As a result of these factors, the 2022/23 budget includes:

- Water sales reflective of slight increases in water usage.
- Rate increases as determined by the revenue requirement established in the cost of service study
- 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.

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BASIC FINANCIAL STATEMENTS

VALLECITOS WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022
(with prior year summarized comparative totals)

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents (note 2)	\$ 55,950,794	\$ 29,494,846
Restricted cash and cash equivalents (note 2)	12,526,944	3,216,625
Investments (note 2)	50,210,310	52,611,808
Accounts receivable, net:		
Water and wastewater sales and services, net (note 3)	8,758,559	7,376,668
Taxes and assessments (note 3)	183,253	136,207
Other governmental entities	714,750	410,626
Other	638,151	348,583
Accrued interest receivable	270,472	218,822
Lease receivable (note 4)	42,585	-
Inventories	1,099,029	968,247
Prepaid items	458,653	171,747
Total Current Assets	130,853,500	94,954,179
Noncurrent Assets:		
Restricted capital facility fees	120,798	105,486
Net OPEB asset (note 9)	1,346,746	322,772
Net Pension Asset (note 8)	4,538,678	-
Investment in Encina Wastewater Authority (note 5)	40,679,013	37,044,649
Lease receivable (note 4)	549,549	-
Capital assets not being depreciated (note 5)	14,333,940	19,449,269
Capital assets being depreciated, net (note 5)	221,302,307	218,398,233
Total Noncurrent Assets	282,871,031	275,320,409
Total Assets	413,724,531	370,274,588
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (note 9)	2,964,502	7,200,732
OPEB related (note 10)	594,908	575,224
Deferred charges from debt retirement	2,073,633	2,234,095
Total Deferred Outflows of Resources	5,633,043	10,010,051
LIABILITIES		
Current Liabilities:		
Accounts payable	10,409,035	12,669,633
Accrued compensation	269,835	280,137
Construction and service deposits	1,600,645	1,336,228
Interest payable	1,618,591	989,060
Current portion of long term debt (note 7)	3,972,579	3,754,969
Current portion of compensated absences (note 7)	994,142	1,014,888
Total Current Liabilities	18,864,827	20,044,915
Noncurrent Liabilities:		
Loan payable (note 7)	2,200,000	2,600,000
Long term debt (note 7)	67,151,732	42,546,604
Compensated absences (note 7)	652,000	670,381
Net pension liability (note 9)	-	11,622,731
Total Noncurrent Liabilities	70,003,732	57,439,716
Total Liabilities	88,868,559	77,484,631
DEFERRED INFLOWS OF RESOURCES		
Lease related (note 4)	568,633	-
Pension related (note 9)	14,852,884	6,213,788
OPEB related (note 10)	1,085,675	157,056
Total Deferred Inflows	16,507,192	6,370,844
NET POSITION		
Net investment in capital assets (note 8)	176,912,513	194,396,649
Restricted for future capital projects	120,798	105,486
Unrestricted	136,948,512	101,927,029
Total Net Position	\$ 313,981,823	\$ 296,429,164

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, 2022
(with prior year summarized comparative totals)

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Water sales	\$ 31,505,160	\$ 32,717,315
Wastewater service charges	18,441,073	18,151,779
Ready-to-serve charges	14,735,282	14,640,396
Reclaimed water sales	2,801,135	3,007,732
Pumping charges	407,955	445,178
Other services and abatements	<u>1,516,144</u>	<u>971,567</u>
Total Operating Revenues	<u>69,406,749</u>	<u>69,933,967</u>
OPERATING EXPENSES		
Purchased water	33,300,987	31,750,694
General and administrative	4,505,293	7,869,762
Meadowlark wastewater treatment plant	2,551,888	3,207,529
Encina disposal	2,964,671	2,946,474
Collection and conveyance	2,024,857	3,400,346
Engineering	2,157,043	4,164,526
Transmission and distribution	1,519,562	2,144,259
Customer accounts	807,437	1,651,127
Information technology	1,516,078	2,127,695
Meter reading and repairs	545,335	1,188,349
Buildings and grounds	888,658	930,470
Equipment and vehicles	393,328	590,661
Other water operating expenses	321,431	581,828
Other wastewater operating expenses	525,215	867,908
Water quality and treatment	580,515	750,997
Tanks and reservoirs	307,858	361,292
Pumping	<u>883,974</u>	<u>885,055</u>
Total Operating Expenses	<u>55,794,130</u>	<u>65,418,972</u>
Operating income before overhead absorption	13,612,619	4,514,995
Overhead absorption	<u>1,506,798</u>	<u>1,278,052</u>
Operating income before depreciation and amortization	15,119,417	5,793,047
Depreciation and amortization	<u>(10,168,840)</u>	<u>(10,033,327)</u>
Operating Income	<u>4,950,577</u>	<u>(4,240,280)</u>
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	5,655,563	5,396,663
Interest income	930,430	1,117,199
Unrealized gain (loss) of investments	(3,288,913)	(945,437)
Change in Encina Joint Venture assets	(461,926)	(2,413,434)
Interest expense	(2,552,562)	(1,828,259)
Other non-operating revenues/(expenses), net	<u>1,025,678</u>	<u>1,117,612</u>
Total Non-Operating Revenues (Expenses), Net	<u>1,308,270</u>	<u>2,444,344</u>
Net income (loss) before capital contributions	6,258,847	(1,795,936)
CAPITAL CONTRIBUTIONS		
Change in net position	<u>11,293,812</u>	<u>8,036,328</u>
Total Net Position, Beginning of Year	17,552,659	6,240,392
Total Net Position, End of Year	<u>296,429,164</u>	<u>290,188,772</u>
	<u>\$ 313,981,823</u>	<u>\$ 296,429,164</u>

See accompanying notes to the basic financial statements.

**VALLECITOS WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(with prior year summarized comparative totals)**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from water and wastewater customers	\$ 67,431,166	\$ 70,770,899
Payments for water	(32,672,374)	(31,078,965)
Payments for services and supplies	(10,268,732)	(8,916,884)
Payments for employee wages, benefits, and related costs	<u>(15,299,634)</u>	<u>(19,342,315)</u>
Net Cash Provided by Operating Activities	<u>9,190,426</u>	<u>11,432,735</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from taxes and assessments	<u>5,608,516</u>	<u>5,401,396</u>
Net Cash Provided by Noncapital Financing Activities	<u>5,608,516</u>	<u>5,401,396</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts relating to annexation fees	949,562	1,120,217
Acquisition and construction of capital assets	(11,288,593)	(14,865,467)
Principal paid on long-term debt	(3,390,000)	(3,264,001)
Interest payments on long-term debt	(2,220,755)	(2,092,094)
Proceeds from issuance of debt	25,550,000	-
Proceeds from bond premium	2,718,318	-
Proceeds from leases	41,780	-
Capacity fees received	<u>8,615,648</u>	<u>7,718,635</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>20,975,960</u>	<u>(11,382,710)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(19,191,721)	(19,320,308)
Proceeds from calls and maturities of investments	18,150,838	17,527,849
Investment earnings received	<u>1,032,248</u>	<u>1,245,795</u>
Net Cash Provided (Used) by Investing Activities	<u>(8,635)</u>	<u>(546,664)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	35,766,267	4,904,757
Cash and Cash Equivalents, Beginning of Year	<u>32,711,471</u>	<u>27,806,714</u>
Cash and Cash Equivalents, End of Year	<u>\$ 68,477,738</u>	<u>\$ 32,711,471</u>
Reconciliation of cash and cash equivalents to statement of net assets:		
Cash and cash equivalents	55,950,794	29,494,846
Restricted cash and cash equivalents	<u>12,526,944</u>	<u>3,216,625</u>
Total cash and cash equivalents	<u>\$ 68,477,738</u>	<u>\$ 32,711,471</u>

See accompanying notes to the basic financial statements.

**VALLECITOS WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(with prior year summarized comparative totals)
(Continued)**

	2022	2021
Reconciliation of Operating Income (Loss) to net Cash Provided by Operating Activities:		
Operating income (loss)	\$ 4,950,577	\$ (4,240,280)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	10,168,840	10,033,327
Changes in operating assets and liabilities:		
Accounts receivable from water and wastewater sales and services	(1,381,891)	407,388
Accounts receivable from other governmental entities	(304,124)	268,173
Accounts receivable from taxes and assessments	(289,568)	161,371
Inventories	(130,782)	(66,055)
Prepaid items	(286,906)	204,293
Net Pension asset	(4,538,678)	-
Net OPEB asset	(1,023,974)	(236,888)
Accounts payable	(85,170)	968,247
Accrued compensation	(10,302)	80,631
Compensated absences	(39,127)	46,028
Deferred outflows - pension related	4,236,230	5,570,953
Deferred inflows - pension related	8,639,096	4,572,124
Deferred outflows - OPEB related	(19,683)	312,901
Deferred inflows - OPEB related	928,619	(46,525)
Net pension liability	(11,622,731)	(6,602,953)
Total Adjustments	4,239,849	15,673,015
Net Cash Provided by Operating Activities	\$ 9,190,426	\$ 11,432,735
Noncash Investing, Capital and Financing Activities:		
Contribution of assets by developers	1,903,549	237,144
Change in fair value of investments	(3,288,913)	(945,437)

See accompanying notes to the basic financial statements.

**VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

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 22,006 active water meters and 20,742 active sewer accounts as of June 30, 2022.

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, 2022**

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, 2022

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. Lease Receivables

The District is a lessor for leases as detailed in Footnote 4. The District recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of the lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines the discount rate it uses to discount the expected lease receipts to present value, lease term and lease receipts.

The District used the estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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, 2022 has been accrued as of year-end.

K. 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, 2022
Levy Date:	July 1, 2022
Due Date:	First Installment - November 1, 2021 Second Installment - February 1, 2022
Delinquent Date:	First Installment - December 10, 2021 Second Installment - April 10, 2022

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:

December 10, 2021	30% Advance - First Installment
January 24, 2022	Balance on First Installment (to 55%)
April 8, 2022	10% Advance - Second Installment
May 13, 2022	Balance of Second Installment (to 95%)
August 1, 2022	Third Installment (to 100%)

L. 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.

M. 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.

N. 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.

**VALLECITOS WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 (Continued)
 YEAR ENDED JUNE 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. 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

P. 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:

	Useful Life
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

Q. 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 three items that qualify for reporting in this category. These items are related to pension, OPEB, and leases. These amounts are amortized over an actuarially determined period.

R. 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.

**VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. 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.

T. 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.

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, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

U. 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.

**VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

V. 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.

W. 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.

X. 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.

2. CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as of June 30, 2022:

Cash and cash equivalents	\$ 55,950,794
Restricted cash and cash equivalents	12,526,944
Investments	<u>50,210,310</u>
Total cash and investments	<u>\$ 118,688,048</u>

Cash and investments consist of the following at June 30, 2022:

Cash on hand	\$ 2,000
Deposits with financial institutions	2,834,709
Investments	<u>115,851,339</u>
Total cash and investments	<u>\$ 118,688,048</u>

**VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022**

2. CASH AND INVESTMENTS (Continued)

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.

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

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).

VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022

2. CASH AND INVESTMENTS (Continued)

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.

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 Annual Comprehensive Financial Report (ACFR). Copies of the ACFR 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.

VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022

2. CASH AND INVESTMENTS (Continued)

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, 2022 are as follows:

Type of Investment	Total	12 months or less	One to Three Years	Three to Five Years
Treasury Securities	\$ 16,694,826	\$ 2,000,750	\$ 13,071,611	\$ 1,622,465
Federal Agency Securities	17,760,071	2,998,058	13,804,002	958,011
Local Agency Investment Fund	55,958,524	55,958,524	-	-
Corporate Medium-Term Notes	10,683,747	2,175,405	7,846,999	661,343
Asset Backed Securities	4,782,149	-	1,819,571	2,962,578
Supranational	1,165,080	-	1,165,080	-
Money Market Mutual Funds	98,785	98,785	-	-
San Diego County Investment Pool	5,437,407	5,437,407	-	-
Held by Fiscal Agent:				
Money Market Funds	3,270,750	3,270,750	-	-
Total	\$ 115,851,339	\$ 71,939,679	\$ 37,707,263	\$ 6,204,397

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.

Credit ratings of investments as of June 30, 2022 were as follows:

Investment	Total	Minimum Legal Rating	Not Required to be Rated	AAA	AA	A	Unrated
U.S. Treasury Securities	\$ 16,694,826	N/A	\$ 16,694,826	\$ -	\$ -	\$ -	\$ -
U.S. Government Sponsored Agency Securities:							
FFCB	4,612,695	N/A	-	4,612,695	-	-	-
FHLB	3,668,573	N/A	-	3,668,573	-	-	-
FHLMC	6,143,901	N/A	-	5,146,936	-	-	996,965
FNMA	3,334,902	N/A	-	3,334,902	-	-	-
Local Agency Investment Fund	55,958,524	N/A	-	-	-	-	55,958,524
Corporate Medium-Term Notes	10,683,747	A	-	218,921	6,228,752	4,236,074	-
Asset Backed Securities	4,782,149	AA	-	2,121,294	-	-	2,660,855
Supranational	1,165,080	AA	-	1,165,080	-	-	-
Money Market Mutual Funds	98,785	AAA	-	98,785	-	-	-
San Diego County Investment Pool	5,437,407	N/A	-	5,437,407	-	-	-
Held by Fiscal Agent:							
Money Market Mutual Funds	3,270,750	AAA	-	-	-	-	3,270,750
Total	\$ 115,851,339		\$ 16,694,826	\$ 25,804,593	\$ 6,228,752	\$ 4,236,074	\$ 62,887,094

**VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022**

2. CASH AND INVESTMENTS (Continued)

The investment policy of the District limits the amount that can be invested in any one issuer to 5% 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, 2022 are as follows:

Issue	Investment Type	Reported Amount	Percentage of Portfolio
Federal Home Loan Mortgage Association	U.S. Government Sponsored	6,143,901	5.30%

The District has the following recurring fair value measurements as of June 30, 2022:

	Total	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
U.S. Treasury Securities	\$ 16,694,826	\$ -	\$ 16,694,826	\$ -
U.S. Government Sponsored Agency Securities:				
FFCB	4,612,695	-	4,612,695	-
FHLB	3,668,573	-	3,668,573	-
FHLMC	6,143,901	-	6,143,901	-
FNMA	3,334,902	-	3,334,902	-
Corporate Medium Term Notes	10,683,747	-	10,683,747	-
Asset Backed Securities	4,782,149	-	4,782,149	-
Supranational	1,165,080	-	1,165,080	-
Total Investments at Fair Value	<u>\$ 51,085,873</u>	<u>\$ -</u>	<u>\$ 51,085,873</u>	<u>\$ -</u>

Investments not subject to categorization:

Money Market Mutual Funds	3,369,535
Local Agency Investment Fund (LAIF)	55,958,524
San Diego County Investment Pool	5,437,407
	<u>\$ 115,851,339</u>

3. ACCOUNTS RECEIVABLE

Customer Account Receivable

The customer accounts receivable balance at June 30, 2022 consists of the following:

Water and wastewater sales and services	\$ 8,945,068
Allowance for uncollectible accounts	(186,509)
Accounts Receivable - water and wastewater, net	<u>\$ 8,758,559</u>

Property Tax Receivable

Taxes and assessments receivable of \$190,858 have been reduced by an allowance for estimated uncollectible taxes of \$7,605 for a net receivable of \$183,253 at June 30, 2022.

VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022

4. LEASE RECEIVABLE

AT&T Cell Site Lease

In March 2015, the District entered into an agreement with New Cingular Wireless PCS, LLC to grant a license to the Licensee for entering and exiting the Licensor's parcel No. 187-720-22-00 to construct a Communications Facility on the District-owned real property. The Licensee may exercise four 5-year options to renew their agreement beginning November 1, 2016, November 1, 2021, November 1, 2026, and November 1, 2031. The Licensee is to pay \$2,200 per year with a 20% increase over the then-existing fee at each renewal. As of June 30, 2022, the lease receivable is \$34,457 and deferred inflows of resources is \$33,414. The District recognized \$2,387 of lease revenue during the fiscal year.

Road Access Leases

The District has entered into six road access agreements with lease terms ranging from 15 years to 25 years. The lessees are required to make annual fixed payments ranging from \$600 to \$49,754, with all discount rates being applied at 3.619%. The leases have up to four 5-year extension options. As of June 30, 2022, the value of the lease receivable is \$557,676 and deferred inflows of resources is \$535,218. The District recognized \$58,900 of lease revenue during the fiscal year.

5. CAPITAL ASSETS

Changes in capital assets are as follows:

	June 30, 2021	Additions/ Transfers	Deletions/ Transfers	June 30, 2022
Capital Assets, Not Depreciated:				
Land	\$ 4,981,505	\$ -	\$ -	\$ 4,981,505
Construction-in-progress	<u>14,467,764</u>	<u>6,820,101</u>	<u>(11,935,430)</u>	<u>9,352,435</u>
Total Capital Assets, Not Depreciated	<u>19,449,269</u>	<u>6,820,101</u>	<u>(11,935,430)</u>	<u>14,333,940</u>
Capital Assets, Being Depreciated:				
Water transmission and distribution system	208,503,739	1,716,882	-	210,220,621
Wastewater system	147,551,888	10,826,123	(155,989)	158,222,022
Buildings	17,377,612	358,319	(22,439)	17,713,492
Transportation equipment	5,634,362	73,826	(140,377)	5,567,811
Field and shop equipment	11,250,463	97,764	(36,061)	11,312,166
Office equipment	<u>2,635,772</u>	<u>-</u>	<u>-</u>	<u>2,635,772</u>
Total Capital Assets, Being Depreciated	<u>392,953,836</u>	<u>13,072,914</u>	<u>(354,866)</u>	<u>405,671,884</u>
Less: Accumulated Depreciation:				
Water transmission and distribution system	(88,211,227)	(4,803,048)	-	(93,014,275)
Wastewater system	(54,598,174)	(2,848,781)	155,989	(57,290,966)
Buildings	(18,132,255)	(1,386,513)	22,439	(19,496,329)
Transportation equipment	(3,332,146)	(473,599)	140,377	(3,665,368)
Field and shop equipment	(8,003,883)	(446,523)	36,061	(8,414,345)
Office equipment	<u>(2,277,918)</u>	<u>(210,376)</u>	<u>-</u>	<u>(2,488,294)</u>
Total Accumulated Depreciation	<u>(174,555,603)</u>	<u>(10,168,840)</u>	<u>354,866</u>	<u>(184,369,577)</u>
Total Capital Assets, Being Depreciated, Net	<u>218,398,233</u>	<u>2,904,074</u>	<u>-</u>	<u>221,302,307</u>
Total Capital Assets, Net	<u>\$ 237,847,502</u>	<u>\$ 9,724,175</u>	<u>\$ (11,935,430)</u>	<u>\$ 235,636,247</u>

**VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022**

5. CAPITAL ASSETS (Continued)

Depreciation expense for the year ended June 30, 2022 is \$10,168,840 and is included in Depreciation and Amortization expense on the Statement of Revenues, Expenses, and Changes in Net Position.

6. 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, 2022, 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, 2021, are available directly from EWA's website (<https://www.encinajpa.com/transparency/fiscal-responsibility>), and depict the following:

Total assets	\$ 174,252,669
Deferred outflows of resources	6,428,054
Total liabilities	17,376,359
Deferred inflows of resources	250,315
Total net position	<u>\$ 163,054,049</u>
Increase in net position	<u>\$ 14,210,826</u>

7. LONG TERM DEBT

The following is a summary of long-term debt transactions for the fiscal year ended June 30, 2022:

	Balance <u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>	Due within <u>one year</u>
2008 UBOC Loan	\$ 3,000,000	\$ -	\$ (400,000)	\$ 2,600,000	\$ 400,000
2012 COP	1,527,000	-	(755,000)	772,000	772,000
2015 Refunding Revenue Bonds	39,265,000	-	(2,235,000)	37,030,000	2,345,000
2015 Bond Premium	5,109,573	-	(364,969)	4,744,604	364,969
2021A COP	-	25,550,000	-	25,550,000	-
2021A COP Bond Premium	-	2,718,318	(90,611)	2,627,707	90,610
Compensated Absences	1,685,269	934,548	(973,675)	1,646,142	994,142
Total	<u>\$ 50,586,842</u>	<u>\$ 29,202,866</u>	<u>\$ (4,819,255)</u>	<u>\$ 74,970,453</u>	<u>\$ 4,966,721</u>

**VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022**

7. LONG TERM DEBT (Continued)

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 (1.49971%) plus 0.79% (1.76061% at June 30, 2022). Principal payments of \$400,000 plus interest are payable semi-annually. The loan matures in 2029.

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, 2022 are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 400,000	\$ 45,992	\$ 445,992
2024	400,000	40,982	440,982
2025	400,000	35,192	435,192
2026	400,000	28,544	428,544
2027	400,000	20,956	420,956
2028-2029	600,000	12,338	612,338
Total	<u>\$ 2,600,000</u>	<u>\$ 184,004</u>	<u>\$ 2,784,004</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 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.

**VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022**

7. LONG TERM DEBT (Continued)

The annual requirements to amortize the 2012 Certificates of Participation outstanding at June 30, 2022 are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 772,000	\$ 7,643	\$ 779,643

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, 2022 are as follows:

Fiscal Year	Principal	Interest	Total
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	2,865,000	1,273,875	4,138,875
2028-2032	14,980,000	4,053,750	19,033,750
2033-2036	9,065,000	935,125	10,000,125
Total	\$ 37,030,000	\$ 12,688,000	\$ 49,718,000

2021A Certificates of Participation

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.

The District has covenanted to fix, prescribe and collect rates, fees and charges for the Service of the Enterprise during each Fiscal Year which are reasonably fair and non-discriminatory and which are estimated to yield Adjusted Annual Net Revenues equal to 115% of Adjusted Annual Debt Service for such Fiscal Year or twelve (12) calendar month period, and Net Revenues equal to 100% of all Payments and all other amounts which are payable from Net Revenues payable in such Fiscal Year or twelve (12) calendar month period (the "Coverage Requirements"), for such Fiscal Year in an amount not less than the Coverage Requirement for such Fiscal Year.

VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022

7. LONG TERM DEBT (Continued)

The District may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary but has covenanted under the Master Contract not to reduce rates, fees and charges then in effect, unless the Adjusted Annual Net Revenues from such reduced rates, fees and charges are estimated to be sufficient to meet the Coverage Requirements.

The annual requirements to amortize the 2021A Certificates of Participation outstanding at June 30, 2022 are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ -	\$ 1,139,410	\$ 1,139,410
2024	-	785,800	785,800
2025	-	785,800	785,800
2026	-	785,800	785,800
2027	-	785,800	785,800
2028-2032	1,665,000	3,895,700	5,560,700
2033-2037	8,200,000	2,710,200	10,910,200
2038-2042	4,625,000	1,578,256	6,203,256
2043-2047	5,210,000	993,038	6,203,038
2048-2052	5,850,000	353,994	6,203,994
Total	<u>\$ 25,550,000</u>	<u>\$ 13,813,798</u>	<u>\$ 39,363,798</u>

8. NET POSITION

Net investment in capital assets at June 30, 2022 consists of the following:

Capital assets not being depreciated	\$ 14,333,940
Net capital assets being depreciated	221,302,307
Notes payable	(2,600,000)
Certificates of participation	(26,322,000)
Refunding bonds	(37,030,000)
Bond premium	(7,372,311)
Deferred charges from debt retirement	2,073,633
Add back: unspent bond proceeds	9,256,191
Add back: cash with fiscal agent	3,270,753
Total net investment in capital assets	<u>\$ 176,912,513</u>

9. 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, 2022**

9. 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.

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, 2022 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 Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are 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. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may

**VALLECITOS WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 (Continued)
 YEAR ENDED JUNE 30, 2022**

9. DEFINED BENEFIT PENSION PLAN (Continued)

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, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 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 in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate ⁽¹⁾	Derived using CalPERS' Membership Data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

¹The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 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, 2022**

9. 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> ⁽¹⁾	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10</u> ²	<u>Real Return Years 11+</u> ³
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)

⁽¹⁾ In the system's ACFR, 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.

⁽²⁾ An expected inflation of 2.00% used for this period.

⁽³⁾ An expected inflation of 2.92% used for this period.

Pension Plan Fiduciary Net Position

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20% from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

**VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022**

9. 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.

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (c) = (a) - (b)
Balance at: 6/30/2020	\$86,651,820	\$75,029,089	\$11,622,731
Balance at: 6/30/2021	<u>91,473,777</u>	<u>96,012,456</u>	<u>(4,538,678)</u>
Net Changes during 2020-21	<u>\$ 4,821,957</u>	<u>\$ 20,983,367</u>	<u>\$(16,161,410)</u>

The District's proportion of the net pension asset 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. The District's proportionate share of the net pension asset for the Plan as of measurement date June 30, 2021 and 2022 was as follows:

Proportionate Share - June 30, 2021	Miscellaneous 0.27555%
Proportionate Share - June 30, 2022	<u>(0.23903%)</u>
Change - Increase (Decrease)	<u>(0.51457%)</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:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Plan's Net Pension Liability (Asset)	\$ 7,538,687	\$ (4,538,678)	\$ (14,522,864)

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, 2022**

9. 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, 2022 (the measurement date), the District incurred pension credit of \$7,090,631 for the Plan.

As of June 30, 2022, 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	\$ 1,988,898	\$ -
Differences between Expected and Actual Experience	975,604	-
Net Difference between Projected and Actual Investment Earnings	-	8,809,237
Difference in Actual vs. Project Contributions	-	1,788,052
Change in Employer's Proportion	-	4,255,595
Total	\$ 2,964,502	\$ 14,852,884

Contributions subsequent to the measurement date of \$1,988,898 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
2023	\$ (4,954,758)
2024	(4,383,436)
2025	(2,521,352)
2026	(2,017,734)
2027	-
Thereafter	-

**VALLECITOS WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 (Continued)
 YEAR ENDED JUNE 30, 2022**

10. 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, 2022 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	57
Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to, but not yet receiving benefits	-
Total	86

**VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022**

10. 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, 2022, the District's cash contributions were \$455,035 of direct payments and the estimated implied subsidy was \$147,443 resulting in total payments of \$602,478.

Net OPEB (Asset) Liability

The District's net OPEB (asset) liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation dated June 30, 2021 that was rolled forward to determine the June 30, 2022 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	5.75%
Inflation	2.50%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	5.75%, 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%	7.545%
Global Fixed Income	43.00%	4.250%
TIPS	5.00%	3.000%
REITs	8.00%	7.250%
Commodities	4.00%	7.545%
Total	<u>100.00%</u>	

**VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022**

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75 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, 2021 (Measurement Date June 30, 2020)	\$ 5,817,831	\$ 6,140,603	\$ (322,772)
Changes recognized for the measurement period:			
Service cost	219,055	-	219,055
Interest	340,315	-	340,315
Contributions - employer	-	118,204	(118,204)
Net investment income	(348,116)	1,201,310	(1,549,426)
Changes in Assumptions	82,060	-	82,060
Benefit payments	(488,240)	(488,240)	-
Administrative expense	-	(2,226)	2,226
Net changes	<u>(194,926)</u>	<u>829,048</u>	<u>(1,023,974)</u>
Balance at June 30, 2022 (Measurement Date June 30, 2021)	<u>\$ 5,622,905</u>	<u>\$ 6,969,651</u>	<u>\$ (1,346,746)</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, 2021:

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
Net OPEB (Asset) Liability	(\$1,002,849)	(\$1,346,746)	(\$1,665,684)

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, 2021:

**VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022**

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

	1% Decrease 6.50% for 6 years decreasing to 3.50% thereafter	Current Healthcare Cost Trend Rates 7.50% for 6 years decreasing to 4.50% thereafter	1% Increase 8.50% for 6 years decreasing to 5.50% thereafter
Net OPEB (Asset) Liability	(\$1,798,760)	(\$1,346,746)	(\$829,390)

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, 2022, the District recognized OPEB expense of \$43,843. As of fiscal year, ended June 30, 2022, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 160,421	\$ -
Changes of Assumptions	347,194	-
Differences between expected and actual experience	87,293	423,569
Differences between projected and actual return on assets	-	662,106
Total	\$ 594,908	\$ 1,085,675

**VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022**

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

The \$160,420 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the net OPEB (asset) liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2023	\$(153,970)
2024	(163,381)
2025	(154,964)
2026	(161,811)
2027	(5,946)
Thereafter	(11,116)

11. 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, 2022, 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 \$55,000,000.

Auto Liability: Includes owned automobiles, non-owned automobiles, and hired automobiles with coverage limits of \$55,000,000.

Public Officials' Liability: Includes errors and omissions with coverage limits of \$55,000,000.

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

**VALLECITOS WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)
YEAR ENDED JUNE 30, 2022**

11. 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 \$4,000,000 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.

12. 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
MRF Aeration Basin CIP	\$ 865,390	\$ 835,280	\$ 30,110
Sage Canyon Tank Refurbishment	1,438,180	366,586	1,071,594
MRF Tertiary Structure Rehab & Repairs	773,000	-	773,000
Palos Vista PS Motor Starters Upgrade	148,800	-	148,800
Total	<u>\$ 3,225,370</u>	<u>\$ 1,201,866</u>	<u>\$ 2,023,504</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, 2022**

13. Implementation of New Accounting Standard

As described in Note 4 to the financial statements, the District changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, in the fiscal year 2022. The District did not restate prior year balances as it was not practicable to do so.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Measurement Date				
	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Proportion of the collective net pension liability (asset)	0.45818%	0.45798%	0.45705%	0.45776%	0.45080%
Proportionate share of the collective net pension liability (asset)	\$ (4,538,678)	\$ 11,622,731	\$ 18,225,684	\$ 17,371,075	\$ 17,770,848
Covered payroll	\$ 9,422,719	\$ 9,100,866	\$ 9,079,529	\$ 8,696,329	\$ 9,261,146
Proportionate share of the collective net pension liability (asset) as percentage of covered payroll	-48.17%	127.71%	200.73%	199.75%	191.89%
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.49%	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 or 2021.

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 eight years are shown.

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

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Proportion of the collective net pension liability (asset)	0.43637%	0.41797%	0.40328%
Proportionate share of the collective net pension liability (asset)	\$ 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 (asset) as percentage of covered payroll	176.63%	138.23%	127.77%
Plan fiduciary net position as a percentage of the total pension liability (asset)	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 or 2021.

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

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

	Fiscal Year				
	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Actuarially determined contribution	\$ 1,988,898	\$ 2,157,962	\$ 2,340,064	\$ 1,210,511	\$ 1,765,087
Contributions in relation to the Actuarially Determined Contribution	<u>(1,988,898)</u>	<u>(6,184,962)</u>	<u>(10,394,064)</u>	<u>(2,878,512)</u>	<u>(1,765,087)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (4,027,000)</u>	<u>\$ (8,054,000)</u>	<u>\$ (1,668,001)</u>	<u>\$ -</u>
Covered payroll	\$ 9,511,939	\$ 9,422,719	\$ 9,100,866	\$ 9,079,529	\$ 8,696,329
Contributions as a percentage of covered payroll	20.91%	65.64%	114.21%	31.70%	20.30%

Notes to Schedule:

Fiscal Year End: 06/30/22
Valuation Date: 06/30/19

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	7.15%
Inflation	2.50%
Payroll Growth	2.75% per annum plus merit

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

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

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
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: 06/30/22
Valuation Date: 06/30/19

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	7.15%
Inflation	2.50%
Payroll Growth	2.75% per annum plus merit

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

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

	Measurement Date				
	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	\$ 219,055	\$ 213,192	\$ 186,376	\$ 180,948	\$ 170,304
Interest on the total OPEB liability	340,315	336,702	329,053	336,647	341,526
Actual and expected experience difference	(348,116)	118,471	(213,148)	-	-
Changes in assumptions	82,060	-	458,911	-	-
Changes in benefit terms	-	-	-	-	-
Benefit payments	(488,240)	(592,792)	(457,180)	(569,507)	(631,560)
Net change in total OPEB liability	(194,926)	75,573	304,012	(51,912)	(119,730)
Total OPEB liability - beginning	<u>5,817,831</u>	<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>\$ 5,622,905</u>	<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	\$ 118,204	\$ 592,792	\$ 457,180	\$ 2,229,507	\$ 631,560
Net investment income	1,201,310	315,336	382,495	227,493	240,481
Benefit payments	(488,240)	(592,792)	(457,180)	(569,507)	(631,560)
Administrative expense	(2,226)	(2,875)	(1,171)	(6,897)	(1,753)
Net change in plan fiduciary net position	829,048	312,461	381,324	1,880,596	238,728
Plan fiduciary net position - beginning	<u>6,140,603</u>	<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>\$ 6,969,651</u>	<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>\$ (1,346,746)</u>	<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	123.95%	105.55%	101.50%	100.16%	64.96%
Covered-employee payroll**	\$ 5,795,026	\$ 6,264,615	\$ 6,379,207	\$ 6,593,511	\$ 6,883,715
Net OPEB (asset) liability as a percentage of covered-employee payroll	-23.24%	-5.15%	-1.35%	-0.13%	27.95%

Notes to Schedule:

Changes in assumptions:

The discount rate of 5.75% was used in the valuation. The interest rate used in the prior valuation was 6.00% 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 stayed at 2.75% for the measurement period ended June 30, 2021.

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

**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				
	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 602,478	\$ 517,523	\$ 489,598	\$ 504,000	\$ 631,560
Contributions in relation to the ADC	<u>(602,478)</u>	<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>\$ -</u>	<u>\$ (1,468,958)</u>
Covered-employee payroll	\$ 5,369,699	\$ 5,795,026	\$ 6,264,615	\$ 6,379,207	\$ 6,593,511
Contributions as a percentage of covered-employee payroll	11.22%	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 2022 were from the June 30, 2021 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	2.50%
Payroll Growth	2.75% per annum, in aggregate
Investment Rate of Return	5.75%, 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.

STATISTICAL SECTION



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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 Annual Comprehensive Financial Report (ACFR). 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.

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.

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.

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.

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.

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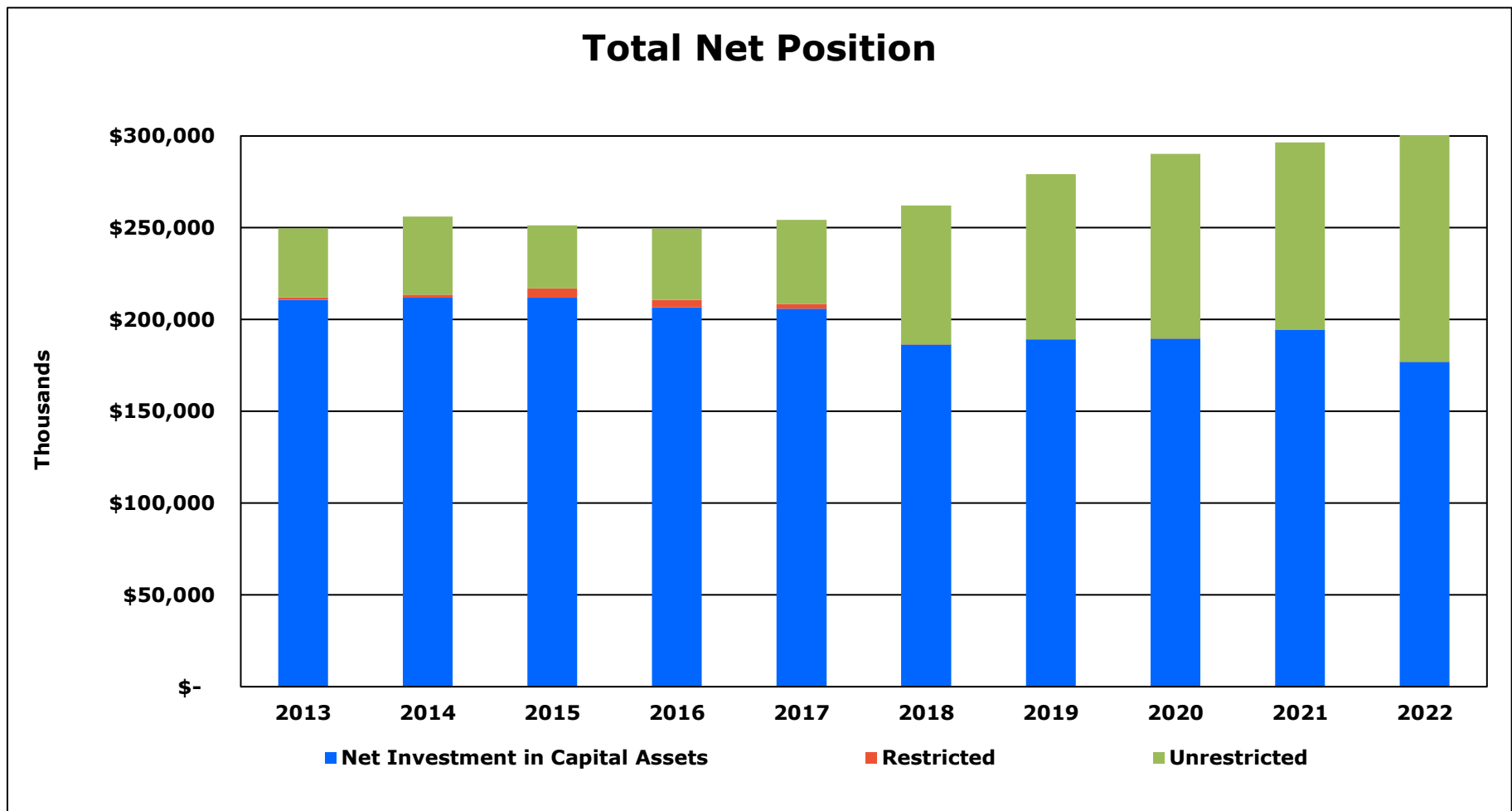
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**VALLECITOS WATER DISTRICT
TABLE 1 - NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

	Fiscal Year ended June 30				
	2022	2021	2020	2019	2018
Net Investment in Capital Assets	\$ 176,912,513	\$ 194,396,649	\$ 189,626,103	\$ 189,150,329	\$ 186,328,145
Restricted	120,798	105,486	78,979	68,620	74,957
Unrestricted	136,948,512	101,927,029	100,483,690	89,960,646	75,758,717
Total Net Position	\$ 313,981,823	\$ 296,429,164	\$ 290,188,772	\$ 279,179,595	\$ 262,161,819

	2017	2016	2015	2014	2013
Net Investment in Capital Assets	\$ 205,840,028	\$ 206,775,864	\$ 211,866,038	\$ 211,842,759	\$ 210,637,696
Restricted	2,578,677	3,906,413	5,117,540	1,645,172	1,536,415
Unrestricted	45,901,052	38,710,870	34,287,556	42,620,873	37,577,307
Total Net Position	\$ 254,319,757	\$ 249,393,147	\$ 251,271,134	\$ 256,108,804	\$ 249,751,418

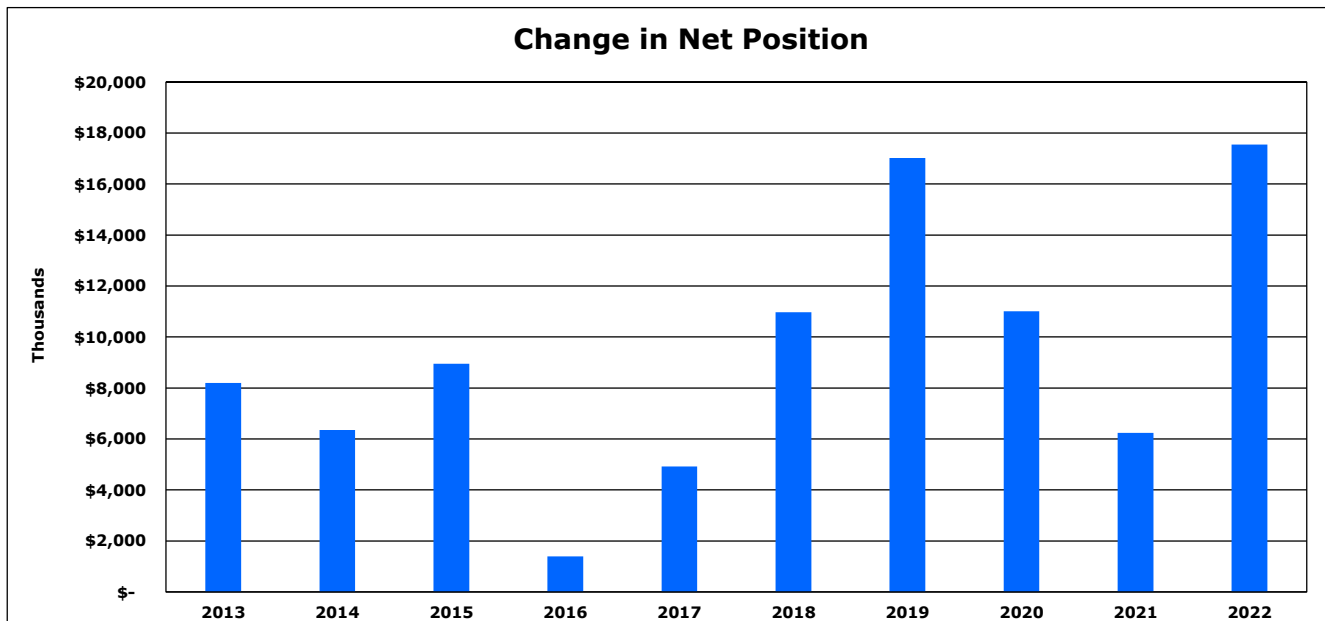


Source: Vallecitos Water District

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

	Fiscal Year ended June 30				
	2022	2021	2020	2019	2018
Total Operating Revenues	\$ 69,406,749	\$ 69,933,967	\$ 64,885,542	\$ 64,180,158	\$ 64,135,261
Total Operating Expenses (1)	64,456,172	74,174,247	65,850,521	62,562,110	63,655,946
Operating Income (Loss)	4,950,577	(4,240,280)	(964,979)	1,618,048	479,315
Total Non-Operating Revenues/(Expenses), Net	1,308,270	2,444,344	3,548,303	3,844,297	807,851
Capital Contributions	11,293,812	8,036,328	8,425,853	11,555,431	9,688,731
Change in Net Position	17,552,659	6,240,392	11,009,177	17,017,776	10,975,897
Total Net Position, Beginning of Year	296,429,164	290,188,772	279,179,595	262,161,819	254,319,757
Prior year adjustment/equity adjustment	-	-	-	-	(3,133,835)
Total Net Position, End of Year	\$ 313,981,823	\$ 296,429,164	\$ 290,188,772	\$ 279,179,595	\$ 262,161,819

	2017	2016	2015	2014	2013
	Total Operating Revenues	\$ 57,422,074	\$ 51,840,554	\$ 56,026,623	\$ 55,282,649
Total Operating Expenses (1)	58,971,143	52,647,405	51,491,469	52,707,863	50,329,121
Operating Income (Loss)	(1,549,069)	(806,851)	4,535,154	2,574,786	1,075,415
Total Non-Operating Revenues/(Expenses), Net	(285,011)	(4,884,002)	(3,996,773)	779,700	(1,357,436)
Capital Contributions	6,760,690	7,083,887	8,414,260	3,002,900	8,484,563
Change in Net Position	4,926,610	1,393,034	8,952,641	6,357,386	8,202,542
Total Net Position, Beginning of Year	249,393,147	251,271,134	256,108,804	249,751,418	242,264,772
Prior year adjustment/equity adjustment	-	(3,271,021)	(13,790,311)	-	(715,896)
Total Net Position, End of Year	\$ 254,319,757	\$ 249,393,147	\$ 251,271,134	\$ 256,108,804	\$ 249,751,418



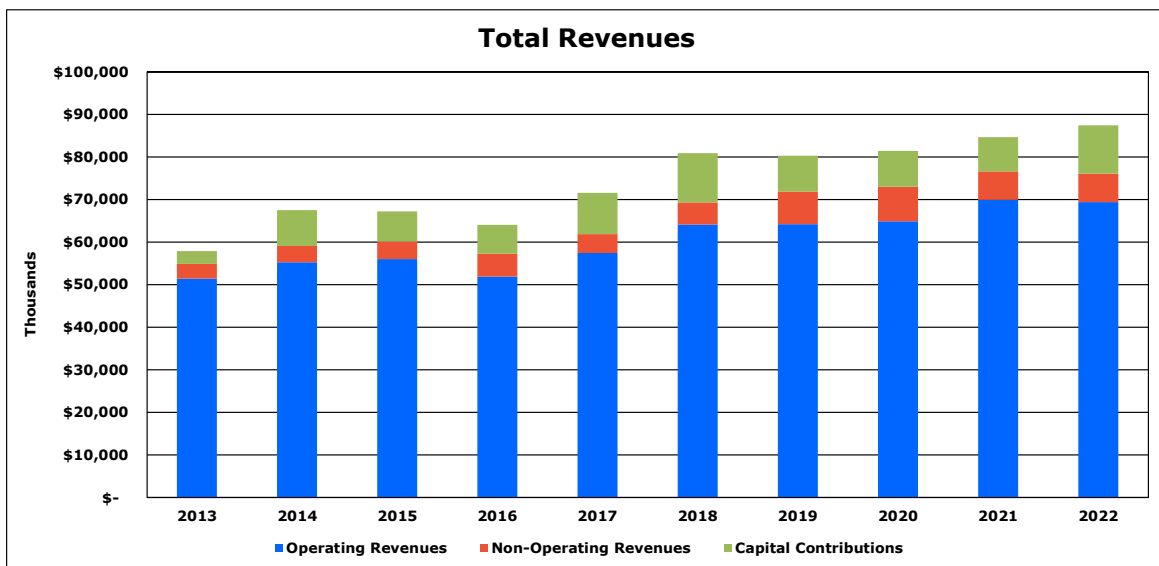
Source: Vallecitos Water District

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				
	2022	2021	2020	2019	2018
Water Sales	\$ 31,505,160	\$ 32,717,315	\$ 28,407,203	\$ 27,339,732	\$ 29,380,737
Wastewater Service Charges	18,441,073	18,151,779	18,012,258	18,077,717	18,000,233
Ready-To-Serve Charges	14,735,282	14,640,396	14,275,830	13,931,114	13,721,328
Reclaimed Water Sales	2,801,135	3,007,732	2,663,436	2,725,110	1,761,559
Pumping Charges	407,955	445,178	394,029	302,676	311,817
Other Services and Abatements	1,516,144	971,567	1,132,786	1,803,809	959,587
Total Operating Revenues	69,406,749	69,933,967	64,885,542	64,180,158	64,135,261
Property Taxes	5,655,563	5,396,663	5,257,751	4,975,086	4,446,432
Investment Income, net of FMV Adjustments	-	171,762	2,724,303	2,658,034	602,036
Annexation Fees	949,562	1,062,459	1,757	-	25,964
Other	75,159	55,153	95,404	67,877	100,252
Total Non-Operating Revenues	6,680,284	6,686,037	8,079,215	7,700,997	5,174,684
Capital Contributions	11,293,813	8,036,238	8,425,853	8,425,853	11,555,431
Total Revenues	\$ 87,380,846	\$ 84,656,242	\$ 81,390,610	\$ 80,307,008	\$ 80,865,376

	2017	2016	2015	2014	2013
Water Sales	\$ 23,180,452	\$ 18,797,274	\$ 23,399,045	\$ 26,031,460	\$ 23,364,573
Wastewater Service Charges	17,503,448	17,286,888	16,817,149	15,128,763	14,921,894
Ready-To-Serve Charges	13,850,592	13,602,800	12,958,338	11,484,584	10,638,282
Reclaimed Water Sales	1,711,156	1,069,074	1,725,650	1,533,203	1,718,013
Pumping Charges	171,186	138,870	170,806	192,427	171,107
Other Services and Abatements	1,005,240	945,648	955,635	912,212	590,667
Total Operating Revenues	57,422,074	51,840,554	56,026,623	55,282,649	51,404,536
Property Taxes	4,162,701	3,830,522	3,460,439	3,077,966	3,519,081
Investment Income, net of FMV Adjustments	191,724	477,589	345,131	378,608	(46,165)
Annexation Fees	39,969	1,105,819	117,852	288,580	11,204
Other	77,620	-	147,870	40,935	-
Total Non-Operating Revenues	4,472,014	5,413,930	4,071,292	3,786,089	3,484,120
Capital Contributions	9,688,731	6,760,690	7,083,887	8,414,260	3,002,900
Total Revenues	\$ 71,582,819	\$ 64,015,174	\$ 67,181,802	\$ 67,482,998	\$ 57,891,556



Source: Vallecitos Water District

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

	Fiscal Year ended June 30				
	2022	2021	2020	2019	2018
Purchased Water	\$ 33,300,987	\$ 31,750,694	\$ 28,874,402	\$ 28,535,460	\$ 30,678,093
General and Administrative	4,505,293	7,869,762	6,964,466	5,326,781	5,940,142
Meadowlark Wastewater Treatment Plant	2,683,554	3,207,529	2,981,824	3,091,684	2,827,395
Encina Disposal	2,964,671	2,946,474	2,994,404	2,512,824	2,555,168
Collection and Conveyance	1,893,191	3,400,346	2,440,911	2,237,130	1,917,754
Engineering	2,157,043	4,164,526	2,878,442	2,740,725	2,497,803
Transmission and Distribution	1,519,562	2,144,259	1,870,778	2,464,824	1,565,815
Customer Accounts	807,473	1,651,127	1,262,706	1,161,704	1,092,194
Information Technology	1,516,078	2,127,695	1,826,485	1,587,704	1,490,217
Meter Reading and Repairs	545,335	1,188,349	826,259	664,213	712,760
Building and Grounds	888,658	930,470	609,951	629,659	659,143
Equipment and Vehicles	393,328	590,661	503,306	418,315	498,547
Other Water Operating Expenses	321,431	581,828	454,717	389,732	519,857
Other Wastewater Operating Expenses	525,215	867,908	673,873	548,495	558,212
Water Quality and Treatment	580,515	750,997	714,930	568,416	651,495
Tanks and Reservoirs	307,858	361,292	375,385	400,706	364,239
Pumping	883,974	885,055	808,239	866,870	839,884
Overhead Absorption	(1,506,798)	(1,278,052)	(1,233,511)	(1,309,635)	(1,337,347)
Depreciation and Amortization	10,168,840	10,033,327	10,022,954	9,726,503	9,624,575
Total Operating Expenses	64,456,208	74,174,247	65,850,521	62,562,110	63,655,946
Change in Encina Joint Venture Assets	461,926	2,413,434	2,527,838	1,728,365	2,151,640
Interest Expense	2,552,562	1,828,259	2,003,074	2,128,335	2,215,193
Other	2,357,491	-	-	-	-
Total Non-Operating Expenses	5,371,979	4,241,693	4,530,912	3,856,700	4,366,833
Total Expenses	\$ 69,828,187	\$ 78,415,940	\$ 70,381,433	\$ 66,418,810	\$ 68,022,779

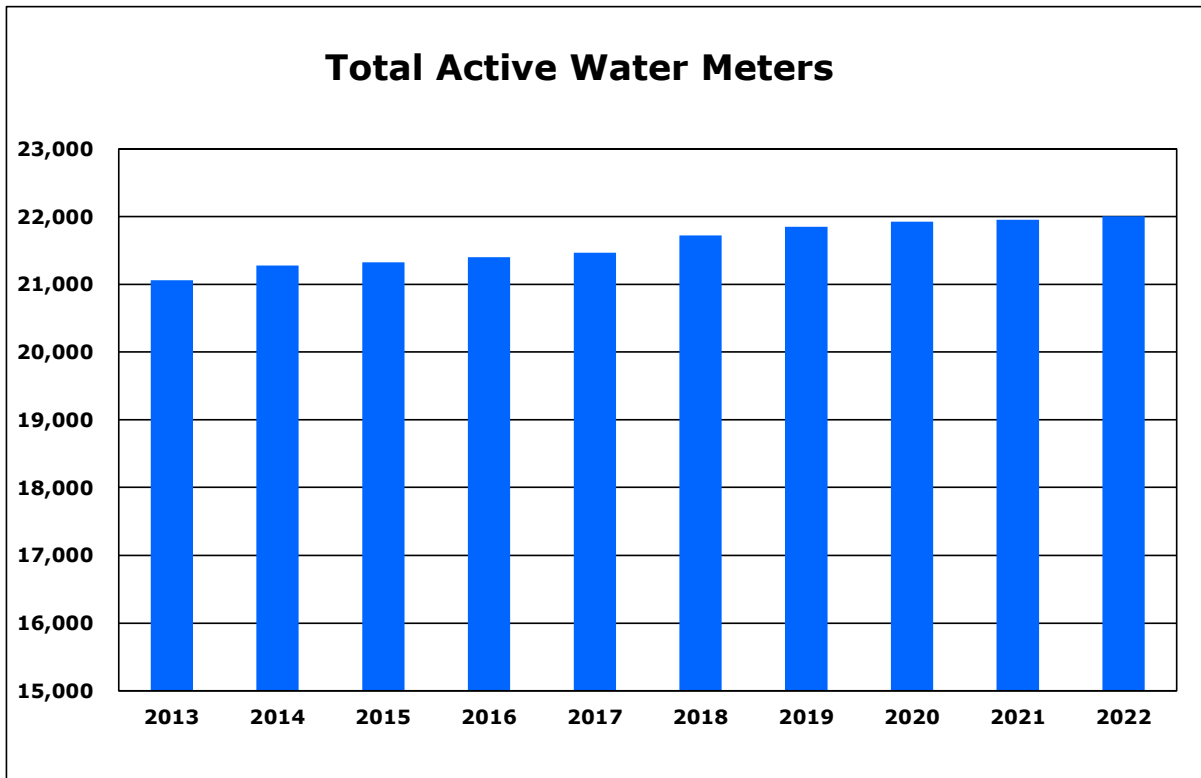
	2017	2016	2015	2014	2013
	Purchased Water	\$ 27,392,003	\$ 22,190,912	\$ 22,332,619	\$ 24,145,579
General and Administrative	5,637,471	5,851,489	5,197,584	5,173,986	4,879,580
Meadowlark Wastewater Treatment Plant	2,993,914	2,750,187	2,930,822	2,993,578	2,777,837
Encina Disposal	2,529,715	2,485,765	2,493,629	2,450,330	2,709,307
Collection and Conveyance	1,896,688	1,756,927	1,878,791	1,632,347	1,633,839
Engineering	1,988,197	1,889,037	1,939,139	1,698,699	1,703,359
Transmission and Distribution	1,747,767	1,195,405	1,279,927	1,154,882	1,068,907
Customer Accounts	958,266	904,015	914,372	825,805	886,279
Information Technology	1,320,845	1,347,023	1,045,315	865,655	831,423
Meter Reading and Repairs	625,576	713,164	661,883	614,784	561,274
Building and Grounds	629,850	546,043	529,042	600,159	496,637
Equipment and Vehicles	471,380	485,403	566,737	443,827	490,875
Other Water Operating Expenses	446,430	503,378	363,922	396,935	418,890
Other Wastewater Operating Expenses	614,248	539,112	545,551	495,999	374,529
Water Quality and Treatment	604,844	522,191	489,034	434,191	410,473
Tanks and Reservoirs	312,604	371,156	279,886	308,031	299,360
Pumping	612,069	531,774	436,432	352,823	325,591
Overhead Absorption	(1,236,032)	(1,125,180)	(1,241,173)	(1,040,244)	(477,239)
Depreciation and Amortization	9,425,308	9,189,604	8,847,957	9,160,497	8,955,355
Total Operating Expenses	58,971,143	52,647,405	51,491,469	52,707,863	50,329,121
Change in Encina Joint Venture Assets	2,603,384	6,789,867	5,559,372	334,093	2,040,544
Interest Expense	2,153,641	2,512,597	2,508,693	2,672,296	2,758,728
Other	-	995,468	-	-	42,284
Total Non-Operating Expenses	4,757,025	10,297,932	8,068,065	3,006,389	4,841,556
Total Expenses	\$ 63,728,168	\$ 62,945,337	\$ 59,559,534	\$ 55,714,252	\$ 55,170,677

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				
	2022	2021	2020	2019	2018
3/4" & 5/8"	19,520	19,486	19,473	19,441	19,353
1"	1,098	1,083	1,085	1,067	1,057
1-1/2"	770	771	753	735	716
2"	549	545	548	539	528
3" and larger	69	66	66	66	65
Total	22,006	21,951	21,925	21,848	21,719

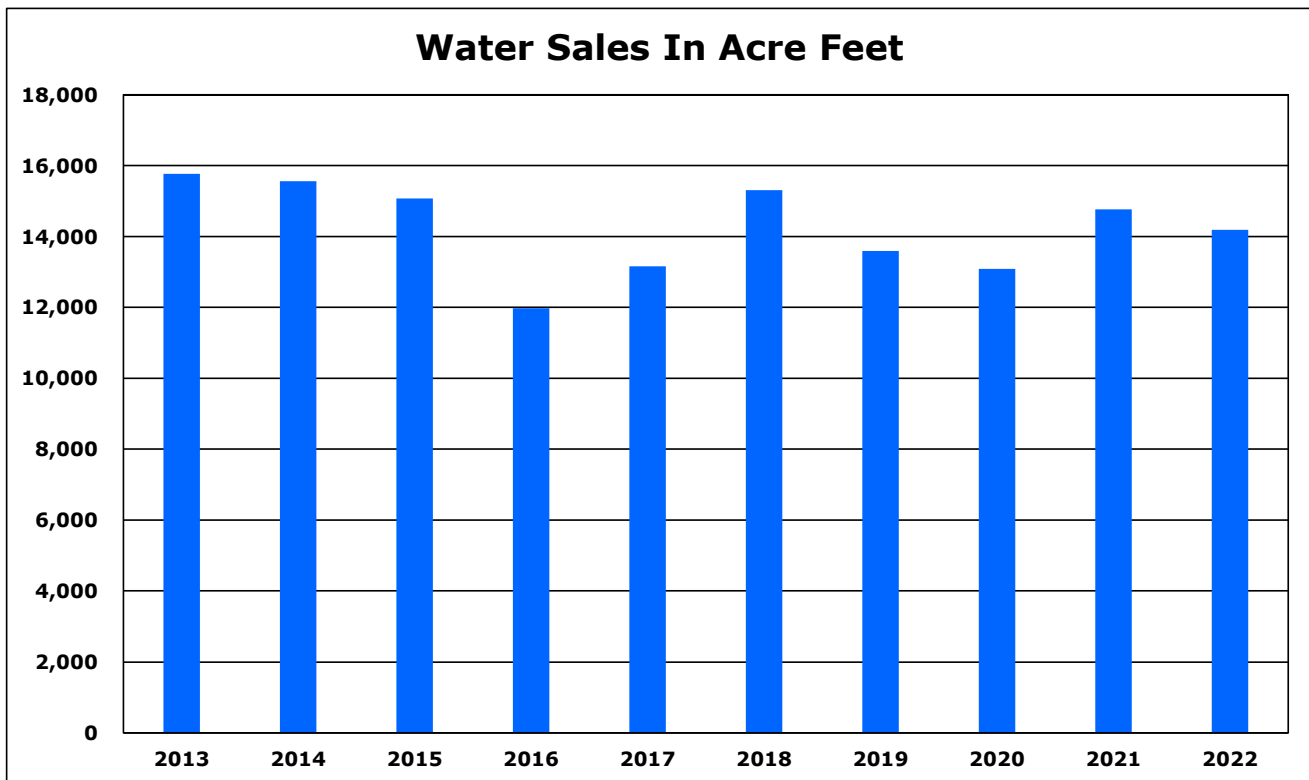
Meter Size	2017	2016	2015	2014	2013
3/4" & 5/8"	19,163	19,144	19,086	19,087	18,895
1"	1,030	1,003	992	973	941
1-1/2"	690	685	681	674	673
2"	516	504	498	496	485
3" and larger	65	65	65	48	66
Total	21,464	21,401	21,322	21,278	21,060



Source: Vallecitos Water District

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

Year	Acre Feet	
	Water Purchases	Water Sales
2022	14,948	14,189
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



Source: Vallecitos Water District

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

	Fiscal Year ended June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Non-Agricultural Customers										
Tier 1	\$ 3.77	\$ 3.77	\$ 3.77	\$ 3.66	\$ 3.38	\$ 3.08	\$ 2.62	\$ 2.62	\$ 3.41	\$ 3.31
Tier 2	4.75	4.75	4.75	4.60	4.43	4.12	3.66	3.66	4.26	4.13
Tier 3	9.18	9.18	9.18	8.87	8.47	5.33	4.87	4.87	5.12	4.96
Tier 4	-	-	-	-	-	7.41	6.95	6.95	-	-
Agricultural Customers										
Participating	3.77	3.77	3.77	3.76	3.49	3.25	2.93	2.93	2.76	2.73
Non-Participating	4.75	4.75	4.75	4.60	4.43	4.12	3.66	3.66	3.41	3.31

Source: Vallecitos Water District

Note: All customers, other than Agricultural (AG) customers, are charged tiered water rates based on their meter size and usage. AG customers are charged a Tier2 rates and fall into two categories: participating and non-participating. Participating AG 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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Water Ready-to-Serve Charge										
5/8"	\$ 36.55	\$ 36.55	\$ 36.55	\$ 35.32	\$ 33.25	\$ 31.42	\$ 31.42	\$ 29.29	\$ 27.16	\$ 25.03
3/4"	36.55	36.55	36.55	36.52	36.52	36.52	36.52	35.60	34.68	33.76
1"	53.31	53.31	53.31	55.29	5,529.00	55.29	55.29	55.29	55.29	55.29
1 1/2"	137.11	137.11	137.11	130.67	120.63	110.59	110.59	110.59	110.59	110.59
2"	220.91	220.91	220.91	214.68	194.35	178.11	178.11	178.11	178.11	178.11
3"	338.23	338.23	338.23	356.22	356.22	356.22	356.22	356.22	356.22	356.22
4"	505.83	505.83	505.83	552.94	552.94	552.94	552.94	552.94	552.94	552.94
6"	1,008.63	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
10"	2,349.43	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
Multiple Units (above 1st unit)	10.06	10.06	10.06	11.18	11.18	18.26	18.26	16.35	14.43	12.52
Temporary Construction Meter	338.23	338.23	338.23	257.33	230.91	204.48	204.48	172.52	140.57	108.62
Fire Line										
Per diameter inch per service	\$ 7.55	\$ 7.55	\$ 7.55	\$ 5.87	\$ 5.87	\$ 5.87	\$ 5.87	\$ 5.00	\$ 4.13	\$ 3.26
Sewer Monthly Service Charge										
Residential - Single Family	\$ 38.99	\$ 38.99	\$ 38.99	\$ 38.99	\$ 38.99	\$ 38.99	\$ 38.99	\$ 37.45	\$ 35.91	\$ 35.91
Residential - Multi-Family	35.09	35.09	35.09	35.09	35.09	35.09	35.09	33.71	32.32	32.32
Mobile Homes	31.19	31.19	31.19	31.19	31.19	31.19	31.19	29.96	28.73	28.73
Non-residential (per 100 cu ft)	4.96	4.96	4.96	4.96	4.96	4.96	4.96	4.77	4.57	4.57
Church/Theater per seat	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.30	0.32	0.32
Comm/Industrial per employee	3.51	3.51	3.51	3.51	3.51	3.51	3.51	3.37	3.23	3.23
Hotel/Motel per living unit	19.50	19.50	19.50	19.50	19.50	19.50	19.50	18.73	18.39	18.39
Laundromat per machine	32.44	32.44	32.44	32.44	32.44	32.44	32.44	31.16	29.87	29.87
Restaurant per seat	2.34	2.34	2.34	2.34	2.34	2.34	2.34	2.25	2.31	2.31
Schools per student	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.75	0.71	0.71
Minimum charge	24.56	24.56	24.56	24.56	24.56	24.56	24.56	23.59	22.63	22.63

Source: Vallecitos Water District

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

Fiscal Year Ended June 30, 2022

Customer Name	Usage (AF)²	% of Water Sold
City Of San Marcos	593.6	4.18%
San Marcos Unified Sch Dist	248.8	1.75%
Altman Specialty Plants	193.9	1.37%
San Elijo Hills Comm Assn	184.9	1.30%
San Marcos Prominence Inc	144.6	1.02%
Shea Homes	98.9	0.70%
Cal State University San Marcos	116.5	0.82%
Meadowridge Hoa	92.4	0.65%
Palomar Estates West	79.4	0.56%
Emerald Heights Association	99.6	0.70%
Total Top Ten Customers	1,852.6	13.05%
Other Customers	12,336.5	86.95%
Total Water Billed	14,189.1	100.00%

Fiscal Year Ended June 30, 2013

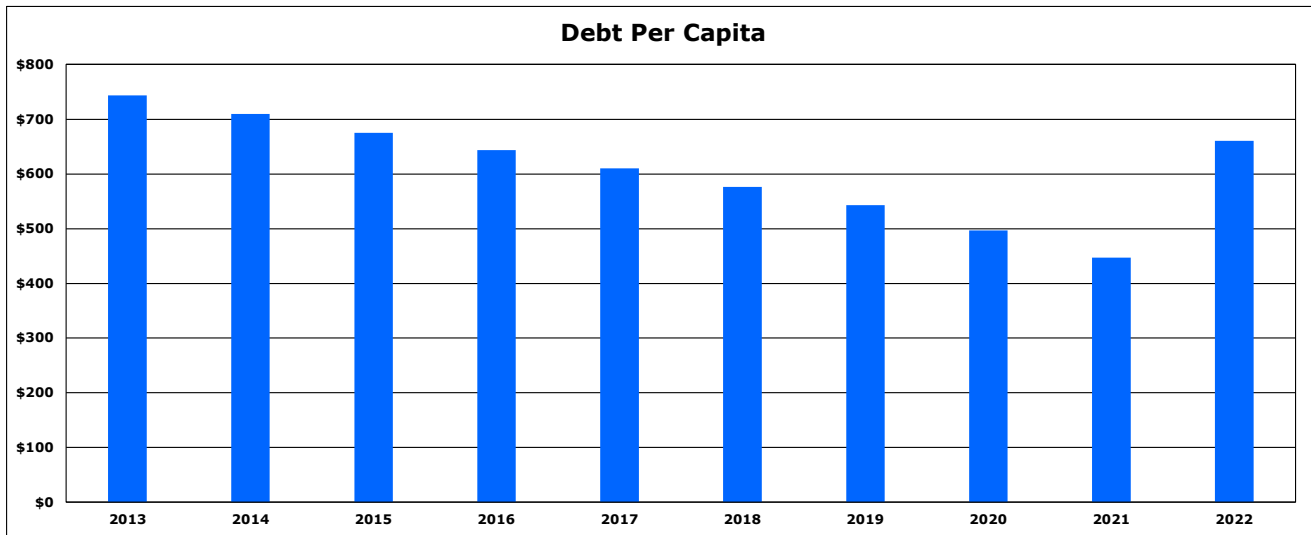
Customer Name	Usage (AF)	% of Water Sold
City Of San Marcos	647.9	4.11%
San Marcos Unified Sch Dist	231.9	1.47%
Emerald Heights Association	178.6	1.13%
Meadowridge Hoa	121.3	0.77%
Cal State University San Marcos	158.7	1.01%
Meadowridge HOA	164.3	1.04%
San Marcos Prominence Inc	104.0	0.66%
Bonsall Farms	172.1	1.09%
Coronado Ranch Hoa	88.9	0.56%
Coronado Ranch HOA	99.4	0.63%
Total Top Ten Customers	1,967.4	12.49%
Other Customers	13,801.1	87.51%
Total Water Billed	15,768.5	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	2021A COP (1)	2015 Revenue Refunding Bonds (1)	2012 COP	2008 Bank Loan	2005 Series A COP (1)	Total	Per Capita	Percentage of Personal Income
2022	110,997	\$ -	\$ 28,177,707	\$ 41,774,603	\$ 772,000	\$ 2,600,000	\$ -	\$ 73,324,310	\$ 661	0.95%
2021	109,357	-	-	44,374,573	1,527,000	3,000,000	-	48,901,573	447	0.67%
2020	105,741	-	-	46,864,542	2,266,000	3,400,000	-	52,530,542	497	0.77%
2019	103,233	-	-	49,249,511	2,991,000	3,800,000	-	56,040,511	543	0.88%
2018	103,112	-	-	51,519,480	3,732,000	4,200,000	-	59,451,480	577	1.00%
2017	102,992	26,460	-	51,884,451	4,434,000	4,600,000	1,910,000	62,854,911	610	1.09%
2016	102,871	73,361	-	52,249,420	5,122,000	5,000,000	3,752,583	66,197,364	643	1.18%
2015	97,489	-	-	-	5,795,000	5,400,000	54,639,475	65,834,475	675	1.29%
2014	96,622	-	-	-	6,455,000	5,800,000	56,314,934	68,569,934	710	1.43%
2013	95,763	-	-	-	7,100,000	6,200,000	57,920,392	71,220,392	744	1.54%

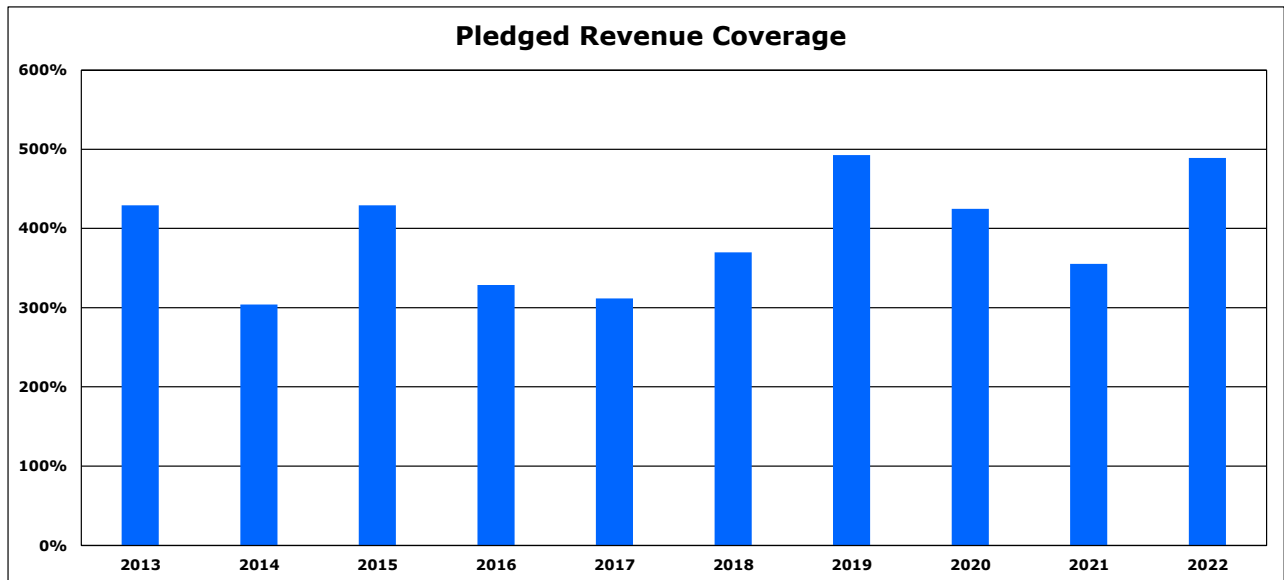


Source:
California Department of Finance
Vallecitos Water District

Notes:
(1) Includes amortized bond premiums/discounts.

**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	
2022	\$ 82,755,401	\$ 55,794,130	26,961,271	\$ 3,390,000	\$ 2,123,780	\$ 5,513,780	489%
2021	84,421,806	65,418,972	19,002,834	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%

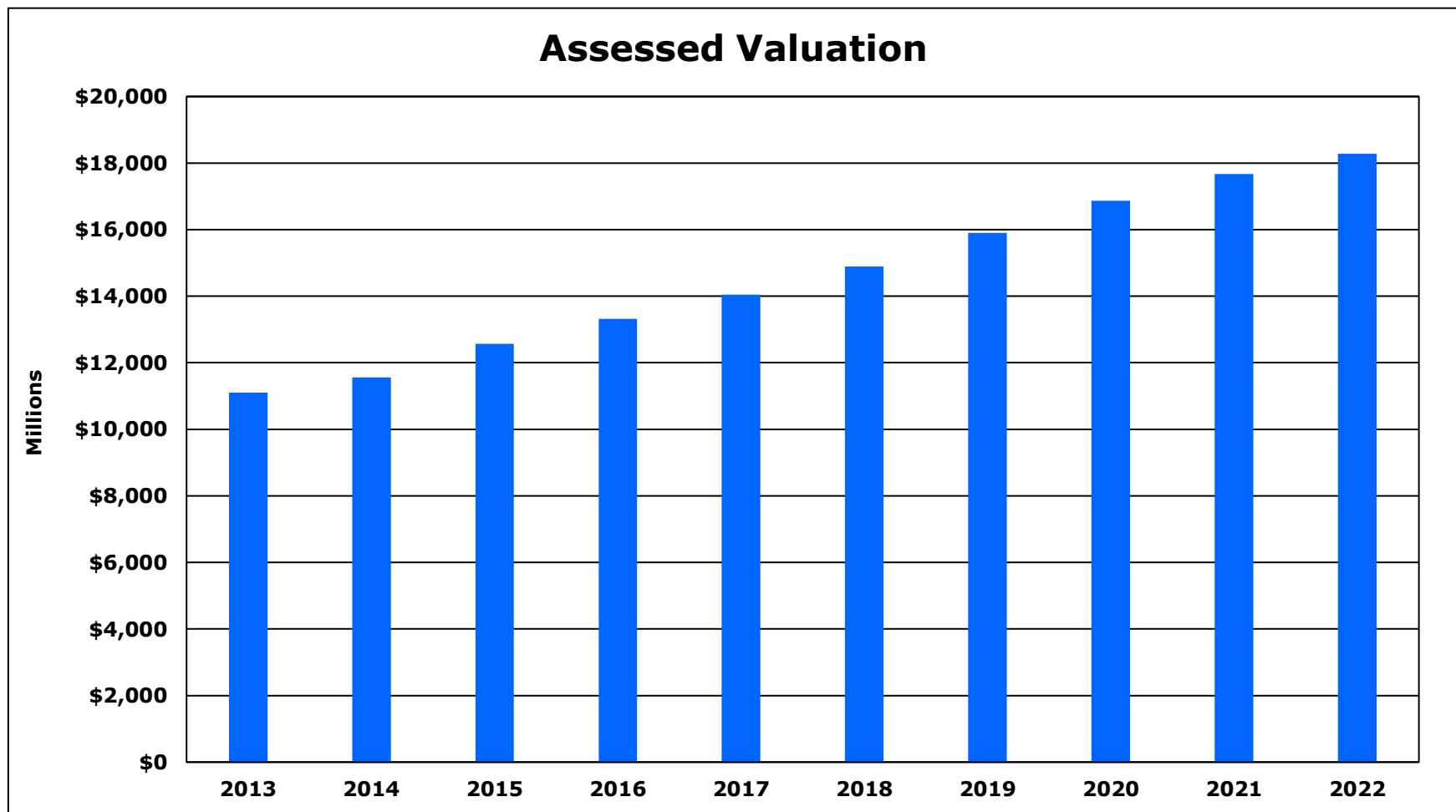


Source:
Vallecitos Water District

- Note:**
- (1) Total revenues of the District plus contributed capital.
 - (2) Total operating expenses of the District excluding overhead absorption and depreciation and amortization.
 - (3) Pledged debts include the 2008 Bank Loan, 2021A 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**

Year		Secured		Unsecured		Total	Change
2022	\$	17,967,980,395	\$	309,343,092	\$	18,277,323,487	3.46%
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%



Source: County of San Diego Auditor and Controller

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

Year	Population Estimate	Average Household Size (1)	Unemployment Rate (2)	Per Capita Personal Income (3)	Total Personal Income
2022	110,997	3.02	7.3%	\$ 73,097 (4)	\$ 8,113,507,630
2021	109,900	3.06	7.0%	70,353 (4)	7,731,781,153
2020	109,357	3.21	6.1%	67,011	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

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) 2021 and 2022 values not available. Estimated based on average year-over-year increase from 2018-2020.

VALLECITOS WATER DISTRICT
TABLE 14 - LARGEST EMPLOYERS IN SAN DIEGO COUNTY
FISCAL YEAR 2022 AND 2012

Fiscal Year Ended June 30, 2022		
Employer	# of Employees ⁽¹⁾	% of Total Employment
University of California San Diego ⁽⁴⁾	47,327	3.12%
Naval Base San Diego	35,000	2.31%
County of San Diego	24,845	1.64%
Sharp HealthCare	19,000	1.25%
San Diego Unified School District	17,006	1.12%
Scripps Health	15,000	0.99%
City of San Diego	12,305	0.81%
Qualcomm Inc. ⁽²⁾	11,800	0.78%
Kaiser Permanente San Diego	9,500	0.63%
San Diego State University	5,577	0.37%
Total Top Ten Employers	197,360	13.02%
Total Number of Employees in San Diego County ⁽³⁾		1,515,784

Fiscal Year Ended June 30, 2012 ⁽⁵⁾		
Employer	# of Employees	% of Total Employment
Federal Government	45,500	3.25%
State of California	42,900	3.06%
University of California San Diego	27,391	1.96%
County of San Diego	15,687	1.12%
Sharp HealthCare	15,231	1.09%
San Diego Unified School District	14,603	1.04%
Scripps Health	14,097	1.01%
Qualcomm Inc.	11,400	0.81%
City of San Diego	10,057	0.72%
Kaiser Permanente	7,731	0.55%
Total Top Ten Employers	204,597	14.61%
Total Number of Employees in San Diego County ⁽³⁾		1,399,990

Sources:

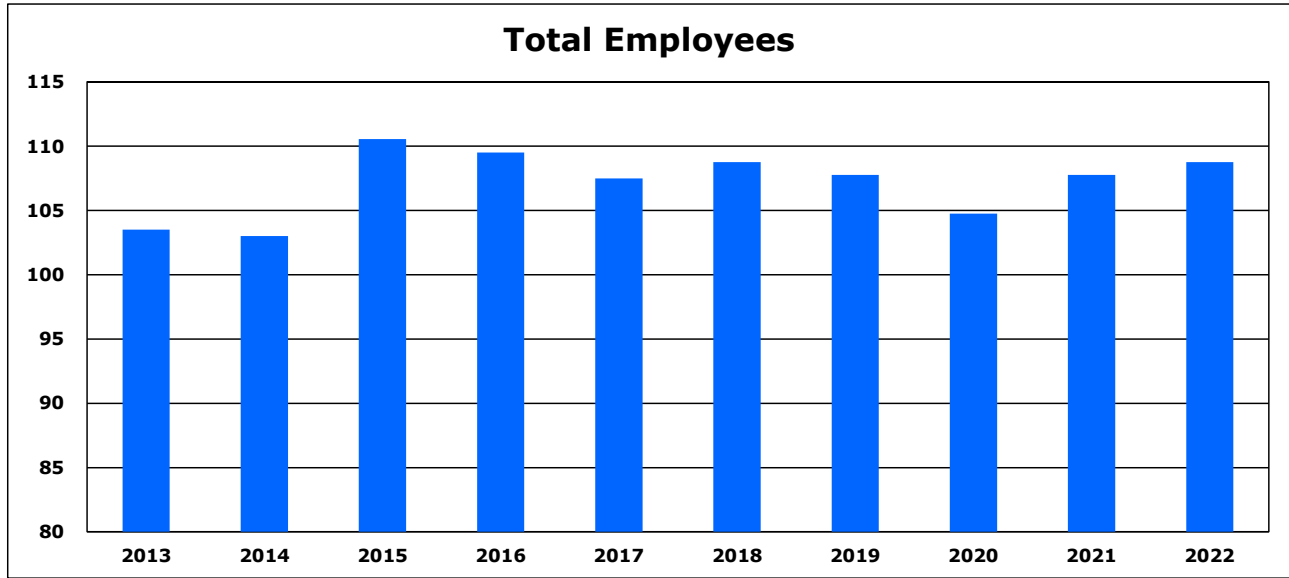
San Diego Business Journal
Bureau of Labor Statistics
Company Websites

Notes:

- (1) Numbers are based on most recent data available from Bureau of Labor Statistics, company websites, or PublicPay.ca.gov
(2) 2018 San Diego Business Journal was the most recent data available for these companies
(3) Bureau of Labor Statistics employment in June
(4) US San Diego and UC San Diego Health numbers are combined starting in 2022
(5) 2013 data was not available from the County of San Diego for 10-year comparison so 2012 is used instead

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

	Fiscal Year ended June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Operations	55.00	52.00	51.00	54.00	52.00	52.00	52.00	50.10	48.00	49.00
Engineering	18.00	17.00	17.00	16.00	17.00	16.00	16.00	16.80	15.00	15.00
Finance	20.00	23.00	21.00	21.00	23.00	22.75	24.25	25.75	22.00	22.00
Administration	15.75	15.75	15.75	16.75	16.75	16.75	17.25	17.90	18.00	17.50
Total	108.75	107.75	104.75	107.75	108.75	107.50	109.50	110.55	103.00	103.50

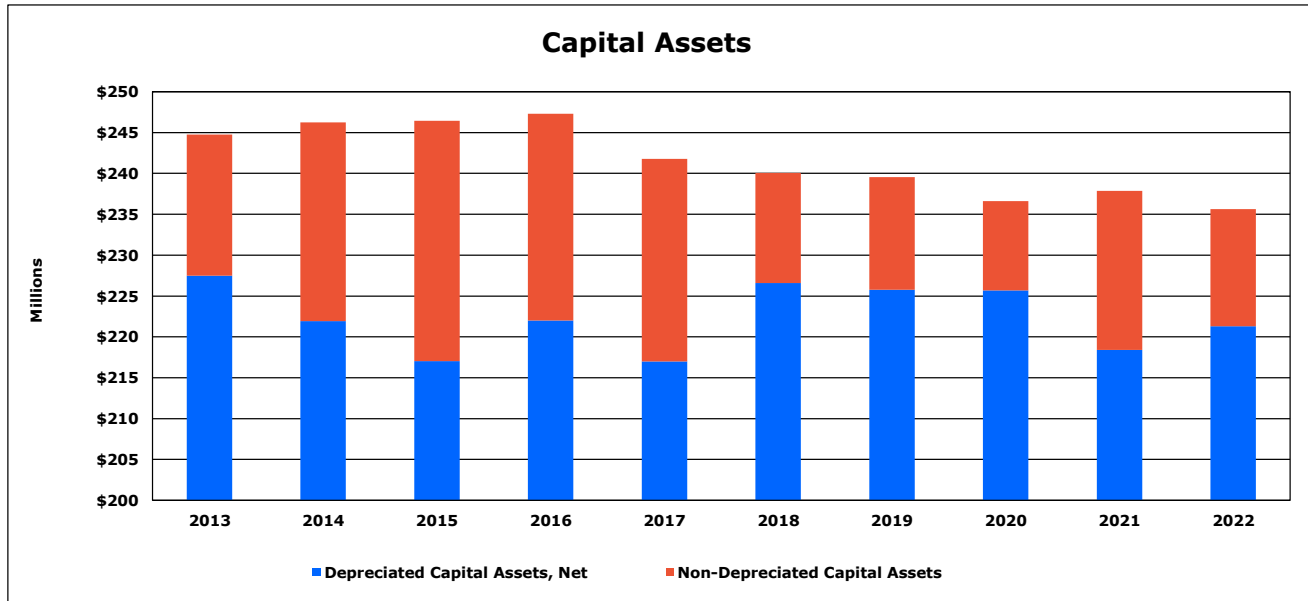


Source: Vallecitos Water District

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

	Fiscal Year ended June 30				
	2022	2021	2020	2019	2018
Land	\$ 4,981,505	\$ 4,981,505	\$ 4,981,505	\$ 4,981,505	\$ 4,981,505
Construction in Progress	9,352,435	14,467,764	5,928,082	8,795,099	8,451,903
Total Capital Assets, Not Depreciated	14,333,940	19,449,269	10,909,587	13,776,604	13,433,408
Water Transmission and Distribution System	210,220,621	208,503,739	207,170,931	204,106,247	200,023,591
Wastewater System	158,222,022	147,551,888	147,311,505	141,807,671	140,385,064
Buildings	17,713,492	17,377,612	17,287,789	17,236,207	16,137,578
Transportation Equipment	5,567,811	5,634,362	5,297,564	5,061,992	4,777,709
Field and Shop Equipment	11,312,166	11,250,463	11,152,818	11,041,945	9,916,142
Office Equipment	2,635,772	2,635,772	2,815,443	2,097,643	2,193,125
Accumulated Depreciation	(184,369,577)	(174,555,603)	(165,343,299)	(155,598,238)	(146,831,322)
Total Capital Assets, Being Depreciated, Net	221,302,307	218,398,233	225,692,751	225,753,467	226,601,887
Total Capital Assets, Net	\$ 235,636,247	\$ 237,847,502	\$ 236,602,338	\$ 239,530,071	\$ 240,035,295

	2017	2016	2015	2014	2013
	Land	\$ 4,981,505	\$ 4,981,505	\$ 4,761,505	\$ 4,761,505
Construction in Progress	19,785,305	20,293,565	24,641,438	19,554,005	12,492,200
Total Capital Assets, Not Depreciated	24,766,810	25,275,070	29,402,943	24,315,510	17,253,705
Water Transmission and Distribution System	196,880,917	196,941,476	190,810,104	188,859,948	187,395,706
Wastewater System	125,580,427	123,478,344	117,102,203	115,788,763	115,092,483
Buildings	15,653,556	15,427,261	15,311,551	15,300,427	15,252,215
Transportation Equipment	4,635,046	4,515,658	4,130,159	4,345,521	3,793,371
Field and Shop Equipment	11,830,842	11,201,974	10,709,739	10,670,338	10,309,062
Office Equipment	2,351,205	2,343,625	2,277,078	2,449,293	2,473,211
Accumulated Depreciation	(139,942,275)	(131,897,746)	(123,314,886)	(115,478,982)	(106,836,812)
Total Capital Assets, Being Depreciated, Net	216,989,718	222,010,592	217,025,948	221,935,308	227,479,236
Total Capital Assets, Net	\$ 241,756,528	\$ 247,285,662	\$ 246,428,891	\$ 246,250,818	\$ 244,732,941



Source: Vallecitos Water District