

# **San Dieguito Water District**

Encinitas, California

## **Basic Financial Statements**

*For the Year Ended June 30, 2022*



**San Dieguito Water District**  
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**For the Year Ended June 30, 2022**

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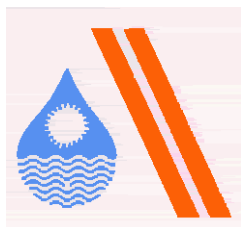
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# FINANCIAL

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# SECTION



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## **Independent Auditor's Report**

Board of Directors  
San Dieguito Water District  
Encinitas, California

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of San Dieguito 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.

We did not audit the financial statements of the R.E. Badger Joint Powers Authority, and R.E. Badger Financing Authority which represent 34.74 percent, 43.26 percent, and 12.46 percent, respectively, of the assets, net position, and expenses of the District. These financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for R.E. Badger Joint Powers Authority and R.E. Badger Financing Authority are based solely on the report of the other auditor.

#### ***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 the 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 opinions.

#### ***Emphasis of Matter***

As described further in Note 4 to the financial statements, during the year ended June 30, 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No.87, Lease Accounting. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements present only the San Dieguito Water District, a component unit of the City and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2022, the changes in its financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## ***Responsibilities of Management for the Financial Statements***

The 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 the 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 opinions. 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 the 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 the 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*, *Schedule of Proportionate Share of the Net Pension Liability and Related Ratios*, *Schedule of Contributions - Pension*, *Schedule of Changes in Net OPEB Liability and Related Ratios*, and *Schedule of Contributions - OPEB* 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.

### ***Other Information***

Management is responsible for the other information included in the basic financial statements. The other information comprises the *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.

### ***Report on Summarized Comparative Information***

We have previously audited the San Dieguito Water District's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, on our consideration of the San Dieguito 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 San Dieguito Water District's internal control over financial reporting and compliance.

DavisFarr LLP

Irvine, California  
December 22, 2022

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**San Dieguito Water District**  
**Management's Discussion & Analysis**  
**(Unaudited)**

This section of the San Dieguito Water District (the "District") *Annual Financial Report* presents **Management's Discussion and Analysis** of the District's financial position and performance for Fiscal Year 2021-22. Please read it in conjunction with the District's *Basic Financial Statements*, which include explanatory footnotes and required supplementary information.

**FINANCIAL HIGHLIGHTS**

**Table 1**  
**Summarized Statement of Net Position**  
(Millions of Dollars)

(In Millions)	Fiscal Year 2022	Fiscal Year 2021	Dollar Change	Percent Change
Current assets	\$ 24.6	\$ 24.9	\$ (0.3)	(1.2%)
Investments in joint ventures	25.8	25.4	0.4	1.6%
Non-current assets	2.6	2.6	-	0.0%
Capital assets (net)	21.4	22.1	(0.7)	(3.2%)
<b>Total assets</b>	<b>74.4</b>	<b>75.0</b>	<b>(0.6)</b>	<b>(0.8%)</b>
<b>Deferred outflows</b>	<b>1.7</b>	<b>1.9</b>	<b>(0.2)</b>	<b>(10.5%)</b>
Current liabilities	1.3	3.1	(1.8)	(58.1%)
Current portion of long-term debt	1.3	1.2	0.1	8.3%
Noncurrent liabilities	0.1	0.1	-	0.0%
Net pension liability	4.2	7.1	(2.9)	(40.8%)
Net OPEB liability	0.1	0.2	(0.1)	(57.6%)
Long-term debt	2.1	3.5	(1.4)	(40.0%)
<b>Total liabilities</b>	<b>9.1</b>	<b>15.2</b>	<b>(6.1)</b>	<b>(41.6%)</b>
<b>Deferred inflows</b>	<b>7.2</b>	<b>3.4</b>	<b>3.8</b>	<b>111.8%</b>
Net Position:				
Net investment in capital assets	17.9	17.4	0.5	2.9%
Unrestricted	41.9	40.9	1.0	2.4%
<b>Total Net Position</b>	<b>\$ 59.8</b>	<b>\$ 58.3</b>	<b>\$ 1.5</b>	<b>2.6%</b>

The District's net position increased \$1.5 million or 2.6 percent, from 2021 to 2022. This is due to a slight increase in the Investment in Joint Ventures. The District had positive cash flows from operations in 2022, after factoring in debt service principal and interest payments of \$1.4 million and most operating expense categories ended the year under budget. Rates also had an impact on the net position as a rate increase approved by the Board on September 22, 2021, went into effect on January 1, 2022.

**San Dieguito Water District**  
**Management's Discussion & Analysis (Continued)**  
**(Unaudited)**

Changes in Net Position are affected by revenues and operating expenses as summarized in **Table 2**.

**Table 2**  
**Summarized Statement of Revenues, Expenses and Changes in Net Position**  
(Millions of Dollars)

	<b>Fiscal Year 2022</b>	<b>Fiscal Year 2021</b>	<b>Dollar Change</b>	<b>Percent Change</b>
Operating revenues	\$ 18.6	\$ 19.1	\$ (0.5)	(2.6%)
Operating expenses:				
Source of supply	7.2	6.5	0.7	10.8%
General operations & maintenance	7.0	7.0	-	0.0%
Facility operations & maintenance	2.1	2.9	(0.8)	(27.6%)
General and administrative	0.1	0.1	-	0.0%
Depreciation	0.8	0.8	-	0.0%
Total operating expenses	17.2	17.3	(0.1)	(0.4%)
<b>Operating income</b>	<b>1.4</b>	<b>1.8</b>	<b>(0.4)</b>	<b>(23.5%)</b>
Nonoperating revenues	2.1	3.1	(1.0)	(32.3%)
Nonoperating (expenses)	(2.1)	(0.2)	(1.9)	950.0%
<b>Income before transfers and capital contributions</b>	<b>1.4</b>	<b>4.7</b>	<b>(3.3)</b>	<b>(70.2%)</b>
Capital contributions	0.1	0.4	(0.3)	(75.0%)
<b>Change in net position</b>	<b>1.5</b>	<b>5.1</b>	<b>(3.6)</b>	<b>(70.6%)</b>
<b>Net position, beginning</b>	<b>58.3</b>	<b>53.2</b>	<b>5.1</b>	<b>9.6%</b>
<b>Net position, ending</b>	<b>\$ 59.8</b>	<b>\$ 58.3</b>	<b>\$ 1.5</b>	<b>2.6%</b>

Revenues – Operating revenues decreased \$0.5 million from 2021 to 2022 due to decreased water usage. Potable water sales were lower as District customers heeded the Governor's call to reduce water consumption as a result of the statewide drought. Meter service charges, pass through charges, and interest and property earnings were also lower. Engineering and Capacity Fees also trended lower due to fewer than anticipated meter purchases for future development and installations.

Expenses – Operating expenses decreased \$0.1 million from 2021 to 2022 due to lower facility operations and maintenance expenses. Most operating expense categories ended the year under budget which contributed to the higher ending net position.

Capital contributions also fell from 2021 to 2022 due to less development activity within the District.

**San Dieguito Water District**  
**Management's Discussion & Analysis (Continued)**  
**(Unaudited)**

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**CAPITAL ASSETS AND CAPITAL IMPROVEMENT PROGRAMS**

The District has an ongoing capital improvement program and publishes a capital budget every year. The capital budget includes funding for both infrastructure and various large consulting projects, such as capital master plans and water rate studies. The District generally capitalizes infrastructure and expenses consulting studies in the accompanying Basic Financial Statements.

Capital expenses for infrastructure are accounted for in the accompanying financial statements either as: (1) additions to *Capital Assets*, or (2) additions to *Investments in Joint Ventures*.

Additions to *Capital Assets* which is primarily the replacement or improvements to the water distribution system and purchases of vehicles and equipment, decreased slightly. This was due to capital additions of \$46 thousand along with a decrease of \$57 thousand related to write-offs in distribution system assets. The District also capitalized approximately \$1.9 million of capital improvement costs paid towards the R.E. Badger Joint Facilities which added to the Investment in Joint Ventures.

The overall budget of the District for capital improvements averages about \$3.1 million per year over the next seven years.

**Table 3**  
**Capital Assets, Net of Accumulated Depreciation**  
(Millions of Dollars)

	<u>2022</u>	<u>2021</u>
Land easements	\$ 3.4	\$ 3.4
Public works facility right-of-use	3.4	3.4
Capacity rights	0.2	0.2
Utility, plant and equipment	<u>14.4</u>	<u>15.1</u>
Total	<u>\$ 21.4</u>	<u>\$ 22.1</u>

**San Dieguito Water District  
Management's Discussion & Analysis (Continued)  
(Unaudited)**

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**DEBT ADMINISTRATION**

**Table 4  
Long-Term Debt**

The District's total long-term debt outstanding at June 30 consisted of:

	<u>2022</u>	<u>2021</u>
2007 Note Payable to R.E. Badger Water		
Facilities Financing Authority	\$ 1,785,000	\$ 2,330,000
2014 Water Revenue Refunding Bonds	1,480,000	2,175,000
add: original issue premium	<u>148,743</u>	<u>223,115</u>
Total	<u>\$ 3,413,743</u>	<u>\$ 4,728,115</u>

On September 18, 2014, the District issued \$5,870,000 of Water Revenue Refunding Bonds, Series 2014. The Series 2014 bonds redeemed all of the District's outstanding 2004 Water Revenue Refunding Bonds remaining of \$8,110,000. The 2014 refunding resulted in saving the District approximately \$250,000 annually in debt service costs, due to lower market interest rates and the elimination of a reserve previously required on the 2004 bonds. Interest is due and payable semi-annually at rates ranging from three percent to four percent.

On November 20, 2007, the Authority issued \$20,685,000 of 2007 Water Refunding Bonds while concurrently redeeming all of its outstanding 1999 Water Revenue Bonds, on behalf of its member agencies, the Santa Fe Irrigation District and the San Dieguito Water District. The transaction was a current refunding intended to save the member agencies future interest costs due to lower market interest rates. No new funds were raised by either agency. New Installation Purchase Agreements were executed, which saves the District approximately \$60,000 per year on debt service.

The debt service payments on these two obligations will total approximately \$1.4 million annually. The District has covenanted to maintain debt service coverage of at least 115 percent of net revenues available for debt service each fiscal year. The District was in compliance with its debt service coverage requirement for the FY 2021-22.

The District does not currently have plans to issue additional debt.

# **San Dieguito Water District**

## **Management's Discussion & Analysis (Continued)**

### **(Unaudited)**

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#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

On June 16, 2021, the District Board of Directors (Board) approved a two-year operating and capital budget for FY 2021-22 and FY 2022-23. During the two-year budget cycle, funds are appropriated in the first fiscal year only and then District staff returns to the Board one year later to present a "second-year revised" budget, which is revised based on changed assumptions to the originally published figures for the second year.

District staff are in the process of preparing the FY 2023-24 operating and CIP budgets. On September 22, 2021, the Board approved modifying the District's water rates and meter service charges. This action approved an overall revenue increase from rates and charges of 5.5 percent on January 1, 2022, 6 percent on January 1, 2023, and a final 6.5 percent increase on January 1, 2024. Operating expenses for FY 2023-24 are expected to be higher than FY 2022-23. This is largely due to anticipated higher cost of water purchases, tied to the unavailability of local water from Lake Hodges as a result of the upcoming repairs to the lake. In FY 2022-23, water purchases were budgeted at \$8.6 million but with no local water anticipated in FY 2023-24, these costs could be in the range of \$9.6 million or higher. The lake repairs were required by the California Department of the Safety of Dams (DSOD).

The capital budget for FY 2023-24 anticipates capital costs of about \$3.4 million, which is slightly below the \$4.8 million average of /for the next seven years but higher than the average of the previous several years. This includes \$1.8 million for District capital improvements and \$1.65 million for capital contributions to the R.E. Badger Joint Facilities. The increase in average CIP expenses is due to the need to replace aging infrastructure that has reached the end of its useful life. The Water Master Plan completed in September 2021 identified several critical projects that need to be implemented to ensure the reliability of the water system. In addition, the Master Plan identified pipe condition assessments and other operational and maintenance programs that will have to be undertaken in the near future.

Like many other water agencies, the District faces numerous challenges during the budget cycle. These include continued commitments to capital improvements to both District and Joint Facilities, and the sizeable, short- and long-term investments to ensure system reliability and the safety of the water served to customers. The District continues to face the issue of how to finance the longer-term improvements to the Lake Hodges Dam as required by the DSOD. An extensive structural assessment of the dam identified repair costs ranging from \$74 million to \$120 million. Per the Amended Lake Hodges Agreement, the District is required to pay 10.7 percent of the Operating and Maintenance and Capital costs associated with any repairs to the dam. Other budgeting challenges include the recently declared statewide drought, uncertainty of the amount of local water supply as it relates to the drought as well as the Lake Hodges restrictions, and the ever-increasing costs of wholesale water.

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

If you have questions about this report or need additional information, please contact the City of Encinitas Finance Department or the San Dieguito Water District General Manager's office.

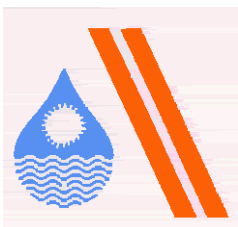
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# **BASIC FINANCIAL**

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# **STATEMENTS**



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# San Dieguito Water District

## Statement of Net Position

June 30, 2022

(with summarized comparative information for the prior year)

	2022	2021
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments (note 3)	\$ 20,296,581	\$21,632,360
Restricted cash and investments with fiscal agent (note 3)	3	-
Accounts receivables, net	2,806,548	2,946,462
Interest receivable	59,150	55,159
Lease receivable (note 4)	65,809	60,493
Inventories and prepaid items	1,405,136	259,560
<b>Total current assets</b>	<b>24,633,227</b>	<b>24,954,034</b>
<b>Noncurrent assets:</b>		
Lease receivable (note 4)	2,550,292	2,616,101
Investment in joint ventures (note 5)	25,855,698	25,375,489
Capital assets, not depreciated (note 6)	6,829,244	6,829,244
Capital assets, being depreciated, net (note 6)	14,548,713	15,261,360
<b>Total noncurrent assets</b>	<b>49,783,947</b>	<b>50,082,194</b>
<b>Total assets</b>	<b>74,417,174</b>	<b>75,036,228</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related items (note 10)	1,574,285	1,815,089
OPEB related items (note 11)	81,424	60,059
<b>Total deferred outflows of resources</b>	<b>1,655,709</b>	<b>1,875,148</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	837,263	2,368,148
Accrued interest payable	37,596	51,103
Deposits	356,192	519,476
Compensated absences - due within one year (note 7)	107,376	95,536
Long-term debt - due within one year (note 8)	1,295,000	1,240,000
<b>Total current liabilities</b>	<b>2,633,427</b>	<b>4,274,263</b>
<b>Noncurrent liabilities:</b>		
Compensated absences - due more than one year (note 7)	106,707	96,736
Long-term debt - due in more than one year (note 8)	2,118,743	3,488,115
Net pension liability (note 10)	4,158,007	7,093,742
Net OPEB liability (note 11)	89,869	213,196
<b>Total noncurrent liabilities</b>	<b>6,473,326</b>	<b>10,891,789</b>
<b>Total liabilities</b>	<b>9,106,753</b>	<b>15,166,052</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Lease related (note 4)	2,550,003	2,676,594
Pension related items (note 10)	4,538,413	744,071
OPEB related items (note 11)	113,130	34,381
<b>Total deferred inflows of resources</b>	<b>7,201,546</b>	<b>3,455,046</b>
<b>NET POSITION</b>		
Net investment in capital assets	17,882,487	17,362,489
Restricted	3	-
Unrestricted	41,882,094	40,927,789
<b>Total net position</b>	<b>\$ 59,764,584</b>	<b>\$58,290,278</b>

See accompanying Notes to the Financial Statements

**San Dieguito Water District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2022**  
**(with summarized comparative information for the prior year)**

	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 18,487,869	\$ 18,978,184
Interfund revenues	84,740	58,930
Other revenue	23,846	42,644
<b>Total operating revenues</b>	<u>18,596,455</u>	<u>19,079,758</u>
<b>OPERATING EXPENSES</b>		
Source of supply	7,161,888	6,557,383
General operations and maintenance	6,994,221	7,043,472
Facility operations and maintenance	2,154,683	2,886,039
Depreciation	758,362	757,346
Insurance and claims	80,171	69,482
<b>Total operating expenses</b>	<u>17,149,325</u>	<u>17,313,722</u>
<b>NET OPERATING INCOME (LOSS)</b>	<u>1,447,130</u>	<u>1,766,036</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings (loss)	(557,092)	35,766
Property taxes	1,310,943	1,227,621
Rental income	165,015	123,368
Increase (decrease) in investment in joint ventures	(1,444,304)	1,295,329
Nonoperating revenue	499,692	377,845
Gain on the sale of capital assets	14,950	-
Amortization of bond premium	74,372	74,372
Interest expense	(148,990)	(198,800)
<b>Total nonoperating revenues (expenses)</b>	<u>(85,414)</u>	<u>2,935,501</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	1,361,716	4,701,537
<b>CAPITAL CONTRIBUTIONS</b>		
Contributed capital assets	29,530	203,800
Connection fees	83,060	184,800
<b>Total capital contributions</b>	<u>112,590</u>	<u>388,600</u>
<b>CHANGES IN NET POSITION</b>	1,474,306	5,090,137
<b>NET POSITION:</b>		
Beginning of year	<u>58,290,278</u>	<u>53,200,141</u>
End of year	<u>\$ 59,764,584</u>	<u>\$ 58,290,278</u>

See accompanying Notes to the Financial Statements

**San Dieguito Water District**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**  
**(with summarized comparative information for the prior year)**

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Receipts from users	\$ 18,464,499	\$ 18,840,882
Receipts from interfund charges	84,740	58,930
Payments to employees	(3,167,519)	(3,633,573)
Payments to suppliers for goods and services	(14,844,625)	(11,158,146)
Other operating revenues	<u>23,846</u>	<u>42,644</u>
<b>Net cash provided by operating activities</b>	<u>560,941</u>	<u>4,150,737</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(16,186)	(51,439)
Capital contributions	83,060	184,800
Principal payments on bonds and note payable	(1,240,000)	(1,190,000)
Interest payments on bonds and note payable	(162,497)	(211,765)
Capital related payments to R.E. Badger Filtration Plant	(1,924,513)	(4,187,788)
Proceeds from lease revenues	152,971	-
Proceeds from sale of capital assets	<u>14,950</u>	<u>-</u>
<b>Net cash (used in) capital and related financing activities</b>	<u>(3,092,215)</u>	<u>(5,456,192)</u>
<b>Cash flows from noncapital financing activities:</b>		
Proceeds from operating grants	499,692	377,845
Receipts from rental income	-	123,368
Receipts from property taxes	<u>1,310,943</u>	<u>1,227,621</u>
<b>Net cash provided by noncapital financing activities</b>	<u>1,810,635</u>	<u>1,728,834</u>
<b>Cash flows from investing activities:</b>		
Investment income (loss)	<u>(615,137)</u>	<u>63,274</u>
<b>Net cash provided by investing activities</b>	<u>(615,137)</u>	<u>63,274</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,335,776)	486,653
<b>Cash and cash equivalents, beginning of year</b>	<u>21,632,360</u>	<u>21,145,707</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 20,296,584</u>	<u>\$ 21,632,360</u>
<b>Reconciliation of cash and cash equivalents to the Statements of Net Position:</b>		
Current assets:		
Cash and investments	\$ 20,296,581	\$ 21,632,360
Restricted cash and investments with fiscal agent	<u>3</u>	<u>-</u>
<b>Total cash and cash equivalents</b>	<u>\$ 20,296,584</u>	<u>\$ 21,632,360</u>

See accompanying Notes to the Financial Statements.

**San Dieguito Water District**  
**Statement of Cash Flows (Continued)**  
**For the Year Ended June 30, 2022**

(with summarized comparative information for the prior year)

	<u>2022</u>	<u>2021</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 1,447,130	\$ 1,766,036
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	758,362	757,346
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Changes in assets – (increase) decrease:		
Accounts receivable, net	139,914	(152,113)
Inventory and prepaid items	(1,145,575)	(26,334)
Change in deferred outflows of resources – (increase) decrease:		
OPEB related deferred outflows of resources	(21,365)	9,871
Pension related deferred outflows of resources	240,804	687,758
Changes in liabilities – increase (decrease):		
Accounts payable and accrued liabilities	(1,530,885)	1,408,225
Deposits	(163,284)	14,811
Compensated absences	21,811	35,072
Net OPEB liability	(123,327)	(11,823)
Net pension liability	(2,935,735)	(484,060)
Change in deferred inflows of resources – increase (decrease):		
OPEB-related deferred inflows	78,749	(8,818)
Pension-related deferred inflows	<u>3,794,342</u>	<u>154,766</u>
<b>Net cash provided by operating activities</b>	<u>\$ 560,941</u>	<u>\$ 4,150,737</u>
<b>Noncash capital and related financing activities:</b>		
Amortization of original issue premium	\$ 74,372	\$ 74,372
Donation of capital assets	<u>29,530</u>	<u>203,800</u>
<b>Total noncash capital and related financing activities</b>	<u>\$ 103,902</u>	<u>\$ 278,172</u>

See accompanying Notes to the Financial Statements

**San Dieguito Water District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**

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**Note 1 – Reporting Entity**

San Dieguito Water District (the “District”) was formed in 1922 under the laws of the State of California to supply irrigation and potable water services to the central western portion of San Diego County. The District became a subsidiary district of the City of Encinitas, California (the “City”) on October 1, 1986, pursuant to an election approving the San Dieguito Reorganization and the incorporation of the City. The District is considered a component unit of the City, based on the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statement No. 14 and No. 34*.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (“GASB”) commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

***Measurement Focus, Basis of Accounting and Financial Statements Presentation***

The Financial Statements (i.e., the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows) report information on all of the activities of the District.

The Financial Statements are reported using the “*economic resources*” measurement focus and 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. Interest associated with the current fiscal period is considered susceptible to accrual and has been recognized as revenue of the current fiscal period.

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

*Deferred Outflows of Resources* represent outflows of resources (consumption of net assets) that apply to future periods and that, therefore, will not be recognized as an expense until that time. The District reports deferred outflows related to pensions and OPEB in this category.

*Deferred Inflows of Resources* represent inflows of resources (acquisition of net assets) that apply to future periods and that, therefore, are not recognized as revenue until that time. The District reports deferred inflows related to pensions, OPEB, and leases in this category.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as “operating income” in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Cash and Investments***

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value. The majority of the District's cash and investments are invested in the City's pooled investment fund (the "City Pool"). The District does not own any specifically identifiable securities or investments in the City Pool. As a participant in the City Pool, the District has rights to its ratable share of the pooled cash and investments in the City Pool, on a dollar-for-dollar basis. The District's ratable share of investment income from the City Pool is calculated and distributed on a monthly basis. Investment income is reported as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position. Since all amounts invested in the City Pool are available upon demand, the District considers all amounts invested in the City Pool to be cash equivalents.

***Restricted Cash and Investments***

Cash and investments with fiscal agents are restricted due to limitations on their use by bond covenants or donor limitations. Fiscal agents acting on behalf of the District hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds and have been invested only as permitted by specific State statutes or applicable District ordinance, resolution, or bond indenture.

***Fair Value Measurement***

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, which are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

***Receivables and Unbilled Revenues***

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts, if any. The District also accrues an estimated amount for services that have been provided, but not yet billed. Federal and State grants accrued as revenue when all eligibility requirements have been met. Amounts earned but outstanding at year-end are reported as accounts receivable.



**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Inventory of Materials***

Inventories consist primarily of materials used in the construction and repair of the District's plant and equipment and on-site supplies such as water meters. Inventory is stated at cost using average-cost basis.

***Leases***

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures in note 4.

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 are 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.

***Investment in R.E. Badger Filtration Plant (the "Joint Facilities")***

The District's investment in the *Joint Facilities* is accounted for using the equity method of accounting. The District makes periodic contributions to cover its share of capital and operating costs. Contributions for capital are accounted for as an increase in the District's investment account. Contributions for operations are accounted for as *operating expenses* under the classification: facility operations and maintenance. Depreciation expense on plant operations that is charged to the District is accounted for as an operating expense.

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Investment in R.E. Badger Water Facilities Financing Authority (the “Financing Authority”)***

The District's investment in the *Financing Authority* is accounted for using the equity method of accounting. The equity interest is comprised primarily of bond reserve funds held by a fiscal agent and unamortized bond discounts. Changes in the investment account result primarily from interest revenues on reserve funds and amortization expense on the bond discounts. These items are classified as *non-operating revenues and expenses* in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

***Capital Assets***

Capital assets consist of land easements, the perpetual right-of-use of the City's Public Works facility, structure and improvements, machinery and equipment, distribution system, and capacity rights. Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at acquisition value. The District policy has set the capitalization threshold for reporting capital assets at \$5,000 for non-infrastructure assets and \$100,000 for infrastructure assets, all of which must have an estimated useful life in excess of one year. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Structures and improvements	20-45 years
Equipment, machinery and vehicles	5-20 years
Collection and distribution system	50 years
Capacity rights	50 years

Major outlays for capital assets are capitalized as projects, once constructed, and repairs and maintenance costs are expensed.

***Deposits***

Deposits consist of cash amounts that the District has collected from customers related to on-going construction work being performed by the applicant. It can be a “job deposit,” which is an amount collected to cover the expected costs to the District related to the project, or a “security deposit” meant to help guarantee that the work required of the applicant will be completed to the satisfaction of the District.

***Compensated Absences***

The District's policy permits its employees to accumulate no more than two times their current annual vacation. The District participates in the City's short-term disability income protection plan (IPP) Program which provides employees with protection against loss of income due to illness or disability. Employees do not earn any number of hours of sick leave and thus, no provision has been made for sick leave liability under the account for compensated absences. The unused vacation pay will be paid to the employee or his/her beneficiary upon leaving the District's employment. The amount due will be determined using salary/wage rate in effect at the time of separation.

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Long-Term Debt***

Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Long-term debt is reported net of the applicable bond premium or discount. Debt issuance costs are expensed when incurred.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plans (Note 10). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

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

***Other Postemployment Benefits ("OPEB")***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Retiree Benefits Plan ("OPEB Plan") and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan (Note 11). For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

The following timeframes are used for OPEB reporting:

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

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Net Position***

Net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

*Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

*Unrestricted* – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

***Property Taxes***

Property taxes are levied on March 1<sup>st</sup> and are payable in two installments: November 1<sup>st</sup> and February 1<sup>st</sup> of each year. Property taxes become delinquent on December 10<sup>th</sup> and April 10<sup>th</sup>, for the first and second installments, respectively. The lien date is March 1<sup>st</sup>. The County of San Diego, California ("County") bills and collects property taxes and remits them to the District according to a payment schedule established by the County.

The County is permitted by State law to levy on properties at one percent of full market value (at time of purchase). The District receives the current year's taxes through periodic apportionments.

Property taxes are recognized in the fiscal year for which the taxes have been levied.

***Use of Restricted/Unrestricted Assets***

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

***Use of Estimates***

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

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Prior Year Summarized Comparative Information***

Selected information regarding 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 government's prior year financial statement, from which this selected financial data was derived.

**Note 3 – Cash and Investments**

At June 30, 2022, cash and investments are reported in the accompanying statement of net position as follows:

Cash and investments	\$ 20,296,581
Cash and investments with fiscal agent	<u>3</u>
Total cash and investments	<u>\$ 20,296,584</u>

Cash and investments are reported at fair value based on quoted market prices. The following table presents the fair value measurements of investments recognized in the accompanying statement of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022:

	<u>Fair Value</u>	<u>Measurement Input</u>
Cash on hand	\$ 300	Uncategorized
City of Encinitas pooled investments fund	20,296,281	Uncategorized
Money market mutual funds	<u>3</u>	Uncategorized
Total cash and investments	<u>\$ 20,296,584</u>	

***Authorized Investments***

The District's investments are managed by the City. All of the District's cash, except investments held by fiscal agents, are invested in the City Pool. The District has an equity interest in the City Pool equal to its proportionate share of invested cash. The District does not have a separate investment policy; its cash is invested according to the City of Encinitas' adopted investment policy.

The table on the next page identifies the allowable investment types authorized by the California Government Code (the "Gov't Code") and the City's adopted Investment Policy (the "Investment Policy"). The table also identifies certain restrictions related to interest rate risk and concentration of credit risk.

The Investment Policy restricts the City Treasurer to investing in only the types of investments listed herein, which is more restrictive than the Gov't Code, as the City's policy does not allow certain investments to be purchased which are permitted under the Gov't Code.

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 3 – Cash and Investments (Continued)**

***Authorized Investments (Continued)***

Authorized Investment Type	Authorized by Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Repurchased Agreements-Overnight "Sweep"	Yes	1 year	20%	No Limit
Local Agency Investment Fund (LAIF)	Yes	N/A	30%	State Law Maximum
Other Governmental Managed Investment Pools	Yes	N/A	30%	10% per pool
Money Market Mutual Funds	Yes	N/A	20%	10%
Certificates of Deposit	Yes	5 years	30%	5%
Negotiable Certificates of Deposit	Yes	5 years	30%	5%
Bankers' Acceptances	Yes	180 days	10%	5%
U.S. Treasury Bills, Notes and Bonds	Yes	5 years	50%	No Limit
U.S. Government Sponsored Enterprises	Yes	5 years	60%	25%
Commercial Paper	Yes	270 days	25%	5%
Commercial Medium-Term Notes	Yes	5 years	15%	5%
Guaranteed Investment Contracts	Yes	N/A	10%	5%
Demand Deposits - Non-Interest Bearing	Yes	N/A	2%	2%
Demand Deposits - Interest Bearing	Yes	N/A	20%	10%
Asset Backed Securities	Yes	N/A	10%	5%
Supranationals	Yes	5 years	20%	15%

***Disclosures Related to Interest Rate Risk***

The District invests all of its excess cash in the City Pool. As a participant, the District has immediate access to its funds on a dollar-for-dollar basis. The allocation of investment income is made to the District based on the book value of its investment (which approximates fair market value). As a result, the District is not exposed to interest rate risk, as it would be if it owned direct securities for its own account.

The District's investment with fiscal agents consists of an institutional money market mutual fund. This fund has a stable net asset value of \$1.00 and the funds can be withdrawn at any time without prior notice. Any changes to the fair value of this money market mutual fund are allocated on a monthly basis to each participant, as a part of their monthly distribution.

***Disclosures Relating to Credit Risk***

Credit risk is defined as 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 organization. Presented on the next page is the minimum rating required by (where applicable) the Government Code, the Investment Policy, or the debt agreements, and the actual rating as of year-end for each investment type.

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 3 – Cash and Investments (Continued)**

***Disclosures Relating to Credit Risk (Continued)***

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

Investment Type	Totals	Minimum Legal Rating	AAA	Not Rated
Investment in City Pool	\$ 20,296,281	N/A	\$ -	\$ 20,296,281
Held by Fiscal Agent:				
Money Market Mutual Funds	<u>3</u>	AAA	<u>3</u>	<u>-</u>
<b>Total investments</b>	<b><u>\$ 20,296,284</u></b>		<b><u>\$ 3</u></b>	<b><u>\$ 20,296,281</u></b>

The investment policy contains limitations on the amount that can be invested in any one issuer beyond those stipulated in the Government Code.

***Disclosures Relating to Custodial Credit Risk***

The District is exposed to custodial credit risk indirectly via its investment in the City Pool. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, an entity may 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, an entity may not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Government Code and the Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging qualifying securities in an undivided collateral pool held by a depository regulated under State Law. The market value of the qualifying pledged securities must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

At June 30, 2022, the District had no deposits with financial institutions or any other parties that would subject the District to custodial credit risk.

**Note 4 – Lease Receivable**

As of July 1, 2021, the San Dieguito Water District has three cell tower leases for easements located throughout Encinitas. The interest rate for each lease is 2.05%. The initial lease agreement term ranges from 5-10 years with the option to extend for four additional terms of five years. The total amount of lease revenue recognized in the current reporting period from leases is \$60,493 and the total amount of interest received related to the leases was \$54,054. The balance of the lease receivable at June 30, 2022 is \$2,616,101. The District has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. The balance of the deferred inflow of resources at June 30, 2022 is \$2,550,003.

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 5 – Investment in Joint Ventures**

At June 30, 2022 investment in joint ventures consisted of the following:

R.E. Badger Filtration Plant	\$ 25,212,370
R.E. Badger Water Facilities Financing Authority	<u>643,328</u>
<b>Total investment in other agencies</b>	<b><u>\$ 25,855,698</u></b>

***R.E. Badger Filtration Plant***

In 1967, the District entered into an agreement with the Santa Fe Irrigation District (Santa Fe) for the joint ownership, maintenance, operation, and use of a water treatment plant and various facilities for the storage and delivery of potable water. During the ensuing years, the parties have added various facilities and improvements, which are owned in different percentages depending on the type of facility and the agreements in place. The ownership percentages of the Joint Facilities are described below:

<u>Facilities</u>	<u>San Dieguito Water District</u>	<u>Santa Fe Irrigation District</u>
Filtration Plant	45.00%	55.00%
Filtered Water Reservoir (Clearwell)	31.00%	69.00%
Filtered Water Treatment Main (Old 54" line)	39.00%	61.00%
Filtered Water Treatment Main (New 54" line)	42.67%	57.33%
CWA Filtered Water Connection	45.00%	55.00%
Wash Water Reclamation System (Backwash recovery)	42.67%	57.33%
Hydroelectric Facility	46.50%	53.50%
San Dieguito Reservoir, Dam, Flume and 30" Line	42.67%	57.33%
Rancho Cielo Pump Station and Pipeline	42.67%	57.33%
San Dieguito Pump Station	45.00%	55.00%

Santa Fe is responsible for the operations, maintenance, and construction of capital improvements of the Joint Facilities, as well as the related administration. For the year ended June 30, 2022, the District made capital contributions of \$1,814,361 and recorded its share of depreciation and other allocated charges, as well as a true-up charge affecting the prior fiscal year. The investment balance at June 30, 2022 was \$25,212,370.

Operations and maintenance costs are allocated monthly on the basis of the water used by each district, and administrative costs are allocated based on an agreed-upon cost allocation plan. For the year ended June 30, 2022, the District's share of operations and maintenance costs for the Joint Facilities was \$2,154,683.



**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 5 – Investment in Joint Ventures (Continued)**

***R.E Badger Water Facilities Financing Authority***

In 1999, the District and Santa Fe entered into a joint exercise of powers agreement and formed the Financing Authority, to provide financing for the acquisition and construction of capital improvements related to the Joint Facilities. The Financing Authority subsequently issued revenue bonds for the purpose of funding those capital improvements. Each district is obligated under an Installment Purchase Agreement to repay their proportionate share of the costs of the long-term financing. The investment in the Financing Authority consists primarily of a share of the debt reserve funds held by a fiscal agent and unamortized bond discounts. The investment balance at June 30, 2022 was \$643,328.

**Note 6 – Capital Assets**

Summary of changes in capital assets for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
<b>Capital assets, not depreciated</b>				
Land	\$ 3,450,544	\$ -	\$ -	\$ 3,450,544
Public works facilities right of use	<u>3,378,700</u>	<u>-</u>	<u>-</u>	<u>3,378,700</u>
<b>Total capital assets, not depreciated</b>	<u>6,829,244</u>	<u>-</u>	<u>-</u>	<u>6,829,244</u>
<b>Capital assets, being depreciated</b>				
Structures and improvements	11,007	-	-	11,007
Machinery, equipment, and vehicles	2,757,757	16,186	(56,547)	2,717,396
Distribution system	38,848,111	29,529	-	38,877,640
Capacity rights	<u>323,190</u>	<u>-</u>	<u>-</u>	<u>323,190</u>
<b>Total capital assets, being depreciated</b>	<u>41,940,065</u>	<u>45,715</u>	<u>(56,547)</u>	<u>41,929,233</u>
<b>Less accumulated depreciation</b>				
Structures and improvements	(9,999)	(1,009)	-	(11,008)
Machinery and equipment	(2,366,221)	(132,420)	56,547	(2,442,094)
Distribution system	(24,138,196)	(618,469)	-	(24,756,665)
Capacity rights	<u>(164,289)</u>	<u>(6,464)</u>	<u>-</u>	<u>(170,753)</u>
<b>Total accumulated depreciation</b>	<u>(26,678,705)</u>	<u>(758,362)</u>	<u>56,547</u>	<u>(27,380,520)</u>
<b>Total capital assets, being depreciated, net</b>	<u>15,261,360</u>	<u>(712,647)</u>	<u>-</u>	<u>14,548,713</u>
<b>Total capital assets, net</b>	<u>\$ 22,090,604</u>	<u>\$ (712,647)</u>	<u>\$ -</u>	<u>\$ 21,377,957</u>

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 7 – Compensated Absences**

Summary of changes in compensated absences for the year ended June 30, 2022 is as follows:

<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Due within</u> <u>One Year</u>	<u>Due In More</u> <u>Than One Year</u>
\$ 192,272	\$ 326,745	\$ (304,934)	\$ 214,083	\$ 107,376	\$ 106,707

Compensated absences represent the dollar value of employee vacation leave earned (up to the specified maximum number of hours) but unused as of June 30, 2022.

**Note 8 – Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2022, is as follows:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Due within</u> <u>One Year</u>	<u>Due In More</u> <u>Than One Year</u>
2007 Note Payable to R.E. Badger Water Facilities Financing Authority	\$ 2,330,000	\$ -	\$ (545,000)	\$ 1,785,000	\$ 570,000	\$ 1,215,000
2014 Water Revenue Bonds	2,175,000	-	(695,000)	1,480,000	725,000	755,000
add: original issue premium	223,115	-	(74,372)	148,743	-	148,743
<b>Total long-term debt</b>	<b>\$ 4,728,115</b>	<b>\$ -</b>	<b>\$ (1,314,372)</b>	<b>\$ 3,413,743</b>	<b>\$ 1,295,000</b>	<b>\$ 2,118,743</b>

**2007 Note Payable to the R.E. Badger Water Facilities Financing Authority**

On November 20, 2007, the R.E. Badger Water Facilities Financing Authority issued \$20,685,000 of 2007 Water Revenue Refunding Bonds while concurrently redeeming all of its outstanding 1999 Water Revenue bonds, on behalf of its member agencies, the Santa Fe Irrigation District and the San Dieguito Water District. The transaction was a current refunding intended to save the member agencies future interest costs due to lower market interest rates. New Installment Purchase Agreements were executed. The overall bond issue consists of \$20,685,000 of serial bonds maturing from 2008 through 2024. The District's portion of the refinancing totaled \$7,705,000. Principal is due and payable annually in amounts ranging from \$335,000 to \$620,000. Interest is due and payable semi-annually at rates ranging from 3.5 percent to 4.5 percent. The District accounts for its share of the bonds as a note payable to the Financing Authority.

Annual debt service requirements for the 2007 Note Payable to the R.E. Badger Water Facilities Financing Authority outstanding at June 30, 2022 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 570,000	\$ 66,043	\$ 636,043
2024	595,000	40,915	635,915
2025	620,000	13,950	633,950
<b>Total</b>	<b>\$ 1,785,000</b>	<b>\$ 120,908</b>	<b>\$ 1,905,908</b>

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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**Note 8 – Long-Term Debt (Continued)**

***2014 Water Revenue Refunding Bonds***

On September 18, 2014, the District issued \$5,870,000 of Water Revenue Refunding Bonds, Series 2014, to defease and refund on a current basis, all of the outstanding 2004 Water Revenue Refunding Bonds. The bonds consist of serial bonds maturing from 2016 through 2024 in annual installments of \$570,000 to \$755,000. Interest is due and payable semi-annually at rates ranging from 3.0 percent to 4.0 percent. The bonds are subject to federal arbitrage requirements.

The annual debt service requirements for the 2014 Water Revenue Refunding Bonds outstanding at June 30, 2022 are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 725,000	\$ 44,700	\$ 769,700
2024	755,000	15,100	770,100
Total	<u>\$ 1,480,000</u>	<u>\$ 59,800</u>	<u>\$ 1,539,800</u>

***Pledged Revenues***

The District has pledged its net revenues (as defined) to pay the annual debt service on the bonds and note described above. The District has covenanted to set rates and charges in order to produce net revenues of at least 115 percent of annual debt service. During the year ended June 30, 2022, principal and interest paid was \$1,402,497 net revenues available for debt service were \$3,723,446 resulting in debt service coverage ratio of 265 percent.

**Note 9 – Risk Management**

Risk management programs and support for the District are provided by the City risk management department. The District is a member of the Association of California Water Agencies - Joint Powers Insurance Authority (JPIA), which provides coverage for general liability, property and casualty, and workers' compensation. The self-insured retention level is \$10,000. As of June 30, 2022, in the opinion of the District's management and general counsel, there were no material claims requiring accrual in the accompanying financial statements. Management has determined, based on modest self-insurance retention levels and favorable claims experience, that no self-insurance reserve is required.

**Note 10 – Public Employees Retirement System – CalPERS**

***Plan Description***

The *SDWD Plan* (the Plan) is a cost-sharing multiple-employer defined benefit plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries, in which the District participates with other public agencies that each have fewer than 100 active members and share the same benefit formula. The Plan is administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statutes within the Public Employee's Retirement Law.

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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**Note 10 – Public Employees Retirement System – CalPERS (Continued)**

CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, California 95814.

***Benefits Provided***

The *SDWD Plan* provides employees hired before October 13, 2012 with a Tier 1 benefit equal to 2.7 percent at 55 years of age, calculated based on the single highest year of qualifying compensation. As of October 13, 2012, the Board of Directors imposed new terms and conditions which created a new benefit formula for employees hired after the effective date of the change (the "Tier 2 Plan"). Employees hired under the Tier 2 Plan receive a lower benefit formula, referred to as the 2 percent at 60 years of age formula. In addition, California Public Employees' Pension Reform Act (PEPRA) created yet another benefit formula for new hires with no experience or prior service credit with CalPERS. In the case of the District, this will constitute a "Tier 3 Plan" which provides a retirement benefit, referred to as the 2 percent at 62 years of age formula. The actual retirement benefit for Tier 2 and Tier 3 employees will be calculated using the average of the highest 36 consecutive months of qualifying compensation.

***Employees Covered by Benefit Terms***

At measurement date June 30, 2021, the following employees were covered by the benefit terms for the Plan:

Active employees	24
Inactive employees or beneficiaries currently receiving benefits	33
Inactive employees entitled to, but not yet receiving benefits	<u>15</u>
Total	<u><u>72</u></u>

***Contributions***

Section 20841(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1<sup>st</sup> following notice of a change of the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended.

Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 10 – Public Employees Retirement System – CalPERS (Continued)**

Active members in the Tier 1 Plan are required to contribute eight percent of their annual covered salary (the "employee contribution"). Effective October 13, 2012, all Tier 1 members contribute the full eight percent, which is credited to their individual accounts. Members receiving the Tier 2 or Tier 3 benefits are required to contribute seven percent, and 6.75 percent of their annual covered salary, respectively. The employee contribution requirements are established by State statute.

SDWD is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members (the "employer contributions"). The employer contribution rates for the year ended June 30, 2022 for Tier 1, Tier 2, and PEPR employees were 14.02 percent, 8.65 percent, and 7.59 percent, respectively. The employer contribution rates are calculated and established annually by CalPERS, based on the actuarial methods and assumptions as adopted by the CalPERS Board of Administration.

***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the net pension liability of the SDWD Plan as follows:

	<b>Plan Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Plan Net Pension Liability/(Asset)</b>
Balance at: June 30, 2020 (valuation date)	\$ 24,274,921	\$ 17,181,179	\$ 7,093,742
Balance at: June 30, 2021 (measurement date)	<u>25,065,548</u>	<u>20,907,541</u>	<u>4,158,007</u>
Net changes during 2020-21	<u>\$ 790,627</u>	<u>\$ 3,726,362</u>	<u>\$ (2,935,735)</u>

The District's net pension liability for the SDWD Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each SDWD Plan as of the measurement date June 30 was as follows:

Proportion June 30, 2021	0.16817%
Proportion June 30, 2022	<u>0.21898%</u>
Change - Increase (Decrease)	<u>0.05081%</u>

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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**Note 10 – Public Employees Retirement System – CalPERS (Continued)**

The June 30, 2021 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	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

<sup>1</sup> The mortality table 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 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 periods of projected benefit payments to determine the total pension liability.

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 and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first ten 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 present 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.

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 10 – Public Employees Retirement System – CalPERS (Continued)**

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

<b>Asset Class <sup>1</sup></b>	<b>Assumed Asset Allocation</b>	<b>Real Return 1 - 10 <sup>2</sup></b>	<b>Real Return 11 + <sup>3,4</sup></b>
Public equity	50.0%	4.80%	5.98%
Fixed income	28.0	1.00	2.62
Inflation assets	-	0.77	1.81
Private equity	8.0	6.30	7.23
Real assets	13.0	3.75	4.93
Liquidity	1.0	-	(0.92)

<sup>1</sup> In the CalPERS ACFR, liquidity is included in short-term investments; inflation assets are included in both public equity and fixed income.

<sup>2</sup> An expected inflation of 2.00 percent was used for this period.

<sup>3</sup> An expected inflation of 2.92 percent was used for this period.

<sup>4</sup> Figures are based on previous ALM of 2017.

***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 for each SDWD Plan, calculated using the discount rate for each SDWD Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<b>Plan's Net Pension Liability/(Asset)</b>		
	<b>Discount Rate - 1% (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>Discount Rate + 1% (8.15%)</b>
Net Pension Liability \$	7,467,434	\$ 4,158,007	\$ 1,422,151

***Pension Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS website under Forms and Publications.

For the year ended June 30, 2022, the District recognized pension expense of \$1,812,344 for the SDWD Plan.

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 10– Public Employees Retirement System – CalPERS (Continued)**

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contribution made after the measurement date	\$ 712,933	\$ -
Difference between expected and actual experience	466,276	-
Net difference between projected and actual earnings on pension plan investments	-	(3,629,721)
Difference between employer's actual contributions and proportionate share of contributions	385,360	(167,002)
Adjustments due to difference in proportions	9,716	(741,690)
Total	<u>\$ 1,574,285</u>	<u>\$ (4,538,413)</u>

The \$712,933 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Fiscal Year Ended June 30</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2023	\$ (846,015)
2024	(890,752)
2025	(937,226)
2026	(1,003,068)
2027	-
Thereafter	-
	<u>\$ (3,677,061)</u>

**Subsequent Events**

On July 12, 2011, 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.



**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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**Note 10– Public Employees Retirement System – CalPERS (Continued)**

***Subsequent Events (Continued)***

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 modification 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.

**Note 11 – Other Postemployment Benefits**

**San Dieguito Water District – Retiree Health Plan**

***Plan Description***

SDWD provides postretirement health care benefits through the Public Employees Medical and Hospital Care Act (PEMHCA), which is a health benefit plan administered by CalPERS, to eligible employees who retire directly from SDWD. Retirees receive the PEMHCA minimum benefit, as determined by CalPERS. SDWD does not provide a retiree contribution for dental, vision, or life insurance benefits. SDWD's OPEB plan does not issue a separate stand-alone report.

SDWD has elected to join the California *Employers' Retiree Benefit Trust* (the "Trust") in accordance with GASB Statement No. 75, which provides a means to fund the annual OPEB costs, referred to as the *Actuarially Determined Contribution* (ADC). The ADC includes the normal cost (current accrual for benefits being earned) plus an amortization of the unfunded accrued liability or net OPEB liability over 13 years on a level-percentage of pay basis. SDWD's funding policy is to pre-fund the ADC through the trust.

***Eligibility***

Employees of SDWD are eligible for retiree health benefits if they retire from SDWD and commence pension benefits under PERS (typically on or after age 50 with at least five years of PERS eligible service). Membership in the plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

22
<u>14</u>
<u><u>36</u></u>

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 11 – Other Postemployment Benefits (Continued)**

***Net OPEB Liability***

SDWD's net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The net OPEB liability at June 30, 2022 was:

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability/(Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c) = (a) - (b)</b>
Balance at June 30, 2021	\$ 528,995	\$ 315,799	\$ 213,196
(Measurement Date: June 30, 2021)			
Changes Recognized for the Measurement Period:			
Service cost	21,430	-	21,430
Interest on the total OPEB liability	37,529	-	37,529
Contributions from the employer	-	55,006	(55,006)
Net investment income, net of administrative expense	-	98,249	(98,249)
Difference between expected and actual experience	(33,644)	-	(33,644)
Benefit payments, including refunds of employee contributions	(29,083)	(29,083)	-
Changes in assumptions	4,477	-	4,477
Administrative expense	-	(136)	136
Net Changes	709	124,036	(123,327)
Balance at June 30, 2022	<u>\$ 529,704</u>	<u>\$ 439,835</u>	<u>\$ 89,869</u>

***Actuarial Assumptions***

The net OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.80%
Inflation	2.50%
Wage Inflation	2.80% per annum, in aggregate
Investment Rate of Return	6.80%, assuming actuarially determined contributions funded into CERBT Investment Strategy 1.
Healthcare Trend Rate	Based on actual rate for 2022 and decreasing in 2023 from 6.25% to 4.50% in 2030 and thereafter.

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 11 – Other Postemployment Benefits (Continued)**

***Discount Rate***

The long-term expected rate of return on OPEB plan investment is assumed to be 6.80%. This 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 expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.30%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of the measurement date June 30, 2021, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return*</b>
Global equity	59.00%	N/A
Fixed income	25.00%	N/A
Inflation assets	5.00%	N/A
Commodities	3.00%	N/A
REITs	8.00%	N/A

\* Long-term expected rate of return is 6.80 percent

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

The following presents the net OPEB liability of SDWD, as well as what SDWD's net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower (5.80 percent) or 1-percentage point higher (7.80 percent) than the current discount rate:

	<b>Discount Rate - 1% (5.80%)</b>	<b>Current Discount Rate (6.80%)</b>	<b>Discount Rate + 1% (7.80%)</b>
Net OPEB Liability	\$ 148,312	\$ 89,869	\$ 40,714

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 11 – Other Postemployment Benefits (Continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the net OPEB liability of SDWD, as well as what SDWD's net OPEB liability would be if it were calculated using healthcare cost trend rates 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	<b>1% Decrease 5.50% <u>decreasing to 3.50%</u></b>	<b>Current Rate 6.50% <u>decreasing to 4.50%</u></b>	<b>1% increase 7.50% <u>decreasing to 5.50%</u></b>
Net OPEB Liability	\$ 35,412	\$ 89,869	\$ 156,002

***Contributions, OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB***

SDWD's policy is to fund the ADC, which includes the normal cost (current accrual for benefits being earned) plus an amortization of the net (unfunded accrued) OPEB liability. For the year ended June 30, 2022, SDWD recognized OPEB expense of \$10,447 for the SDWD Plan. At June 30, 2022, SDWD reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
OPEB contribution made after the measurement period	\$ 76,390	\$ -
Changes of assumptions	5,034	-
Difference between expected and actual experience		(57,527)
Net difference between projected and actual earning on OPEB plan investments	-	(55,603)
Total	<u>\$ 81,424</u>	<u>\$ (113,130)</u>

**San Dieguito Water District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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**Note 11 – Other Postemployment Benefits (Continued)**

***Contributions, OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB (Continued)***

The \$76,390 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<b>Fiscal Year Ended June 30</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2023	\$ (23,890)
2024	(22,892)
2025	(22,983)
2026	(24,785)
2027	(3,825)
Thereafter	(9,721)
	<u>\$ (108,096)</u>

**Note 12 – Commitments and Contingencies**

Risk management programs and support for the District are provided by the City of Encinitas Risk Management Department, for which the District pays the City an annual fee (charge for those services). Management has determined, based on modest self-insurance retention levels and favorable claims experience, that no liability accruals were necessary. The District has two outstanding claims as of June 30, 2022 and did not pay any claims during the fiscal year.

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# REQUIRED SUPPLEMENTARY

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# INFORMATION



**San Dieguito Water District**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2022**

**Note 1 - Schedule of Proportionate Share of the Net Pension Liability and Related Ratios**

**Last Ten Fiscal Years\***

<b>Measurement period</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>
Plan's proportion of the net pension liability	0.21898%	0.16817%	0.18923%	0.18768%
Plan's proportionate share of the net pension liability	\$ 4,158,007	\$ 7,093,742	\$ 7,577,802	\$ 7,073,051
Plan's covered payroll	\$ 1,853,964	\$ 1,901,202	\$ 1,887,782	\$ 1,918,865
Plan's proportionate share of the net pension liability as a percentage of covered payroll	224.28%	373.12%	401.41%	368.61%
Plan's fiduciary net position	\$ 20,907,541	\$ 17,181,179	\$ 16,145,141	\$ 16,099,922
Plan's fiduciary net position as a percentage of the total pension liability	83.41%	70.78%	68.06%	69.48%
Plan's proportionate share of aggregate employer contributions	\$ 617,487	\$ 1,581,186	\$ 585,749	\$ 504,492

**Notes to Schedule:**

**Benefit changes**

There were no changes to benefit terms that applied to all member of the Public Agency Pool.

**Changes in assumptions**

There were no changes in 2020 and 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actuarial Assumptions. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

\*Fiscal Year 2014-15 was the first year of implementation; therefore, only eight years of information are shown.



**San Dieguito Water District**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2022**

**Note 1 - Schedule of Proportionate Share of the Net Pension Liability and Related Ratios (Continued)**

**Last Ten Fiscal Years\***

<b>Measurement period</b>	<b><u>2016-17</u></b>	<b><u>2015-16</u></b>	<b><u>2014-15</u></b>	<b><u>2013-14</u></b>
Plan's proportion of the net pension liability	0.18116%	0.18103%	0.18296%	0.06074%
Plan's proportionate share of the net pension liability	\$ 7,141,232	\$ 6,288,631	\$ 5,019,493	\$ 3,779,285
Plan's covered payroll	\$ 1,862,975	\$ 1,808,714	\$ 1,756,033	\$ 1,712,639
Plan's proportionate share of the net pension liability as a percentage of covered payroll	383.32%	347.69%	285.84%	220.67%
Plan's fiduciary net position	\$ 15,991,467	\$ 15,586,708	\$ 16,358,655	\$ 18,489,458
Plan's fiduciary net position as a percentage of the total pension liability	69.13%	71.25%	76.52%	83.03%
Plan's proportionate share of aggregate employer contributions	\$ 472,819	\$ 356,509	\$ 271,845	\$ 241,133

**Notes to Schedule:**

**Benefit changes**

There were no changes to benefit terms that applied to all member of the Public Agency Pool.

**Changes in assumptions**

There were no changes in 2020 and 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actuarial Assumptions. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

\*Fiscal Year 2014-15 was the first year of implementation; therefore, only eight years of information are shown.

**San Dieguito Water District**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2022**

**Note 2 - Schedule of Contributions - Pension**

**Last Ten Fiscal Years\***

<b>Fiscal Year</b>	<b><u>2021-22</u></b>	<b><u>2020-21</u></b>	<b><u>2019-20</u></b>	<b><u>2018-19</u></b>
Contractually determined contribution (actuarially determined)	\$ 712,933	\$ 617,487	\$ 1,581,186	\$ 585,749
Contributions in relation to the actuarially determined contributions	(712,933)	(617,487)	(1,581,186)	(585,749)
<b>Contribution deficiency (excess)</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
Covered payroll	\$1,781,652	\$1,853,964	\$1,901,202	\$1,887,782
Contributions as a percentage of covered payroll	40.02%	33.31%	83.17%	31.03%

**Notes to Schedule**

Fiscal Year: June 30, 2022

Valuation Date: June 30, 2019

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age Normal
Amortization method/period	Level percent of payroll
Asset valuation method	Fair Value of Assets
Inflation	2.50%
Projected salary increases	Varies by entry age and service
Payroll growth	2.75%
Discount rate	7.00%

\*Fiscal Year 2014-15 was the first year of implementation; therefore, only eight years of information are shown.

**San Dieguito Water District**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2022**

**Note 2 - Schedule of Contributions - Pension (Continued)**

**Last Ten Fiscal Years\***

<b>Fiscal Year</b>	<b><u>2017-18</u></b>	<b><u>2016-17</u></b>	<b><u>2015-16</u></b>	<b><u>2014-15</u></b>
Contractually determined contribution (actuarially determined)	\$ 504,492	\$ 472,819	\$ 356,509	\$ 271,845
Contributions in relation to the actuarially determined contributions	(504,492)	(472,819)	(356,509)	(271,845)
<b>Contribution deficiency (excess)</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
Covered payroll	\$ 1,918,865	\$ 1,862,975	\$ 1,808,714	\$ 1,756,033
Contributions as a percentage of covered payroll	26.29%	25.38%	19.71%	15.48%

**Notes to Schedule**

Fiscal Year: June 30, 2022

Valuation Date: June 30, 2019

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age Normal
Amortization method/period	Level percent of payroll
Asset valuation method	Fair Value of Assets
Inflation	2.50%
Projected salary increases	Varies by entry age and service
Payroll growth	2.75%
Discount rate	7.00%

\*Fiscal Year 2014-15 was the first year of implementation; therefore, only eight years of information are shown.

# San Dieguito Water District

## Required Supplementary Information

### For the Year Ended June 30, 2022

#### Note 3 - Schedule of Changes in Net OPEB Liability and Related Ratios

##### Last Ten Fiscal Years\*

Measurement Period	2020-21	2019-20	2018-19	2017-18	2016-17
<b>Total OPEB liability</b>					
Service cost	\$ 21,430	\$ 21,235	\$ 14,633	\$ 14,241	\$ 13,309
Interest	37,529	35,691	36,301	34,637	33,225
Differences between expected and actual experience	(33,644)	(4,100)	(43,215)	-	-
Changes of assumptions	4,477	-	1,843	-	-
Benefit payments, including refunds of member contributions	<u>(29,083)</u>	<u>(24,514)</u>	<u>(25,651)</u>	<u>(25,346)</u>	<u>(29,268)</u>
<b>Net change in total OPEB liability</b>	709	28,312	(16,089)	23,532	17,266
<b>Total OPEB liability - beginning</b>	<u>528,995</u>	<u>500,683</u>	<u>516,772</u>	<u>493,240</u>	<u>475,974</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$ 529,704</u>	<u>\$ 528,995</u>	<u>\$ 500,683</u>	<u>\$ 516,772</u>	<u>\$ 493,240</u>
<b>OPEB fiduciary net position</b>					
Contributions - employer	\$ 55,006	\$ 53,542	\$ 55,068	\$ 59,205	\$ 63,332
Net investment income	98,249	11,264	16,640	18,590	18,770
Benefit payments, including refunds of member contributions	(29,083)	(24,514)	(25,651)	(25,346)	(29,268)
Administrative expense	<u>(136)</u>	<u>(157)</u>	<u>(59)</u>	<u>(358)</u>	<u>(95)</u>
<b>Net change in plan fiduciary net position</b>	124,036	40,135	45,998	52,091	52,739
<b>Plan fiduciary net position - beginning</b>	<u>315,799</u>	<u>275,664</u>	<u>229,666</u>	<u>177,575</u>	<u>124,836</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>439,835</u>	<u>315,799</u>	<u>275,664</u>	<u>229,666</u>	<u>177,575</u>
<b>Plan net OPEB liability - ending (a) - (b)</b>	<u>\$ 89,869</u>	<u>\$ 213,196</u>	<u>\$ 225,019</u>	<u>\$ 287,106</u>	<u>\$ 315,665</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	83.03%	59.70%	55.06%	44.44%	36.00%
<b>Covered-employee payroll**</b>	\$ 2,017,862	\$ 2,046,974	\$ 1,903,385	\$ 1,978,669	\$ 1,802,043
<b>Plan net OPEB liability as a percentage of covered-employee payroll</b>	4.45%	10.42%	11.82%	14.51%	17.52%

\* Fiscal Year 2017-18 was the first year of implementation; therefore, only five years of information are shown.

\*\*The employer contribution to OPEB is not based on a measure of pay; thus the covered-employee payroll is presented.

# San Dieguito Water District

## Required Supplementary Information

### For the Year Ended June 30, 2022

#### Note 4 - Schedule of Contributions - OPEB

##### Last Ten Fiscal Years\*

Fiscal Year	2021-22	2020-21	2019-20	2018-19	2017-18
Actuarially determined contribution (ADC)	\$ 48,799	\$ 48,689	\$ 48,200	\$ 53,291	\$ 52,780
Contributions in relation to the ADC	<u>(86,219)</u>	<u>(55,006)</u>	<u>(68,350)</u>	<u>(66,983)</u>	<u>(63,332)</u>
<b>Contribution deficiency (excess)</b>	<u><b>\$ (37,420)</b></u>	<u><b>\$ (6,317)</b></u>	<u><b>\$ (20,150)</b></u>	<u><b>\$ (13,692)</b></u>	<u><b>\$ (10,552)</b></u>
 Covered employee payroll	 \$ 2,049,341	 \$ 2,017,862	 \$ 2,046,974	 \$ 1,903,385	 \$ 1,978,669
 Contributions as a percentage of covered employee payroll	 4.21%	 2.73%	 3.34%	 3.52%	 3.20%

#### Notes to Schedule

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021-22 were from the June 30, 2021 actuarial valuation report.

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	Level percentage of payroll over a closed rolling 18-year period
Asset valuation method	Market value
Inflation	2.50% per annum
Salary increases	2.75% per annum
Investment rate of return	6.80% per annum

\* Fiscal Year 2017-18 was the first year of implementation; therefore, only five years of information are shown.

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# STATISTICAL

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# SECTION



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**San Dieguito Water District**

**Summary of Operational Data**

*The following tables are being presented as supplementary information based on requirements for bonds issued by SDWD for continuing bond disclosure certificate.*

Table 1

**San Dieguito Water District  
Schedule of Water Rates  
As of June 30, 2022**

<u>Customer Class</u>	<u>Residential Rate Tier</u>	<u>Rate (1)</u>	
		<u>Potable</u>	<u>Recycled</u>
Single-family residential	0-12 units	\$ 3.26	\$ -
	13-20 units	5.86	-
	21-40 units	6.61	-
	41+ units	7.86	-
Multi-family residential (per dwelling)	0-8 units	3.26	-
	9-12 units	5.86	-
	13-16 units	6.61	-
	17+ units	7.86	-
Agriculture	Uniform	5.61	5.39
Commercial	Uniform	5.61	5.39
Government	Uniform	6.19	5.39
Public	Uniform	6.19	5.39
Landscaping	Uniform	6.49	5.39
Construction	Uniform	6.62	5.39

(1) Per Unit (one hundred cubic feet or 748 gallons)

Source: San Dieguito Water District

Table 2

**San Dieguito Water District  
Bi-Monthly Meter Service Availability Charges (2)  
As of June 30, 2022**

<u>Meter Size</u>	<u>Water Meter Service Availability Charge</u>	<u>Infrastructure Access Charge</u>	<u>Fire Meter Service Availability Charge</u>
5/8" & 3/4"	\$ 46.75	\$ 8.48	\$ 9.81
1"	69.15	13.56	9.81
1-1/2"	124.65	25.44	8.74
2"	191.52	44.10	15.15
3"	347.66	81.40	38.15
4"	570.67	139.08	77.81
6"	1,127.69	254.40	220.17
8"	1,796.38	440.96	465.72

(2) San Dieguito Water District charges a bi-monthly service availability charge, which covers the costs for the maintenance of meters, water lines, and storage facilities, to ensure that water is available upon demand. This charge also covers customer service costs for meter reading and billing. The Infrastructure Access Charge is levied by the San Diego County Water Authority and is collected from the customer by the District.

Source: San Dieguito Water District

Table 3

**San Dieguito Water District  
Historic Potable Water System Revenues  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Potable Water Sales</u>	<u>Percentage Change (3)</u>	<u>Meter Availability Charge</u>	<u>Percent Change (3)</u>
2022	\$ 10,494,914	(5.1%)	\$ 4,331,404	(0.5%)
2021	12,667,405	15.7%	4,352,715	4.6%
2020	10,944,746	7.3%	4,162,249	8.4%
2019	10,203,984	(9.1%)	3,839,847	1.8%
2018	11,222,736	18.5%	3,772,759	6.4%
2017	9,467,085	(0.4%)	3,544,758	1.2%
2016	9,503,108	(2.3%)	3,503,933	2.6%
2015	9,728,434	(8.6%)	3,415,227	5.8%
2014	10,649,157	15.3%	3,227,823	4.5%
2013	9,236,462	8.3%	3,087,794	(3.4%)

(3) Due to the varying number of billing cycles in a fiscal year, changes year-over-year may not be comparable.

Source: San Dieguito Water District

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Table 4

**San Dieguito Water District  
Historic Recycled Water System Revenues  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Recycled Water Sales</u>	<u>Percent Change</u>	<u>Meter Availability Charges (4)</u>	<u>Percent Change</u>
2022	\$ 876,925	4.4%	\$ 107,132	3.0%
2021	840,143	30.4%	104,023	6.8%
2020	644,436	9.7%	97,431	12.2%
2019	587,272	(31.2%)	86,801	0.8%
2018	853,052	19.0%	86,098	9.4%
2017	716,826	2.1%	78,732	(7.5%)
2016	702,301	8.3%	85,149	5.7%
2015	648,398	40.8%	80,585	34.2%
2014	460,383	15.0%	60,048	N/A
2013	400,244	(5.4%)	-	N/A

(4) The District first implemented a meter availability charge for recycled customers on September 1, 2013.

Source: San Dieguito Water District

Table 5

**San Dieguito Water District  
Summary of Water Production by Source  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Potable Production (in acre-feet)(5)</u>			<u>Recycled Water</u>	<u>Total Production</u>
	<u>Local Water</u>	<u>Imported Water</u>	<u>Total Potable</u>		
2022	1,598	4,191	5,790	710	6,500
2021	2,392	3,820	6,212	703	6,916
2020	2,555	3,127	5,682	587	6,269
2019	2,173	3,407	5,580	550	6,130
2018	3,450	2,660	6,110	714	6,824
2017	1,446	3,984	5,430	654	6,084
2016	1,400	3,839	5,239	628	5,867
2015	603	5,726	6,329	736	7,065
2014	1,136	5,598	6,734	692	7,426
2013	4,200	2,395	6,595	678	(6) 7,273

(5) Potable water production is defined as water either produced locally or purchased from imported sources.

Table 6

**San Dieguito Water District  
Summary of Water Deliveries by Source  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Potable</u>	<u>Percent Change</u>	<u>Recycled</u>	<u>Percent Change</u>
2022	5,590	(4.1%)	710	1.0%
2021	5,832	10.5%	703	19.8%
2020	5,277	(2.2%)	587	6.7%
2019	5,397	(7.6%)	550	(23.0%)
2018	5,838	10.4%	714	9.2%
2017	5,287	3.4%	654	4.1%
2016	5,112	(16.7%)	628	(14.7%)
2015	6,134	(4.9%)	736	6.4%
2014	6,449	2.6%	692	2.1%
2013	6,284	5.5%	678	(6) 17.3%

(6) Since FY 2011-12, Recycled Water Production and Delivery figures are revised to include water provided to the Encinitas Ranch Golf Authority (ERGA). Beginning in FY 2011-12, the San Elijo Joint Powers Authority (SEJPA) began directly providing recycled water to ERGA. The recycled water provided to ERGA credits towards the District's production and delivery water to ERGA and the District ceased selling recycled water as ERGA falls within the District's sphere of influence.

Note: The differences between potable water production and deliveries represents water loss in distribution system and/or water pumped or used through the fire distribution system.

Table 7

**San Dieguito Water District  
Sales by Customer Class  
As of June 30, 2022**

<u>Customer Description</u>	<u>Acre-Feet Sold</u>	<u>Percent of Water Sold</u>
Agriculture	171.94	3.1%
Commercial	540.32	9.7%
Construction	66.51	1.2%
Government	33.08	0.6%
Landscaping	365.53	6.5%
Multi-Family Residential	1,122.52	20.1%
Public	112.57	2.0%
Single-Family Residential	3,168.42	56.8%
Total Sales	<u>5,580.89</u>	<u>100.0%</u>

Source: San Dieguito Water District

Table 8

**San Dieguito Water District  
Total Service Connections by Category  
Last Ten Fiscal Years**

<u>Fiscal Years</u>	<u>Potable</u>	<u>Percent Increase</u>	<u>Recycled</u>	<u>Percent Increase</u>
2022	12,165	0.3%	101	0.0%
2021	12,127	0.3%	101	3.1%
2020	12,086	1.9%	98	5.4%
2019	11,861	0.6%	93	9.4%
2018	11,790	0.4%	85	(2.3%)
2017	11,740	0.2%	87	6.1%
2016	11,721	0.7%	82	1.2%
2015	11,644	0.3%	81	5.2%
2014	11,610	0.9%	77	0.0%
2013	11,502	0.2%	77	4.1%

Source: San Dieguito Water District

# San Dieguito Water District

## Historical Debt Service Coverage

### Last Ten Fiscal Years

	2022	2021	2020	2019	2018
Revenues:					
Operating revenues - including connection fees	\$ 18,680,901	\$ 19,255,799	\$ 17,121,649	\$ 15,961,300	\$ 17,219,494
Non-operating revenues	1,433,512	1,764,599	1,902,231	2,307,498	1,092,337
Gross Revenues	20,114,413	21,020,398	19,023,880	18,268,798	18,311,831
 Total Operating & Non-Operating Expenses	 18,742,622	 16,142,824	 16,429,284	 16,541,314	 15,198,929
 Net Income	 1,371,791	 4,877,574	 2,594,596	 1,727,484	 3,112,902
Add:					
Interest expense	148,990	198,799	247,063	292,354	328,050
Depreciation, amortization and change in joint venture expense	2,202,665	(537,982)	1,830,493	2,208,775	1,848,913
 Net Revenues Available for Debt Service	 3,723,446	 4,538,392	 4,672,151	 4,228,613	 5,289,865
 Less: Debt Service Paid					
2004 Water Revenue Refunding Bonds - Interest Charges	-	-	-	-	-
2004 Water Revenue Refunding Bonds - Principal Payments	-	-	-	-	-
2007 Note Payable to Financing Authority - Interest Charges	89,397	111,466	133,619	152,919	171,619
2007 Note Payable to Financing Authority - Principal Payments	545,000	525,000	490,000	475,000	455,000
2014 Water Revenue Refunding Bonds - Interest Charges	73,100	100,300	126,500	148,775	167,225
2014 Water Revenue Refunding Bonds - Principal Payments	695,000	665,000	645,000	625,000	605,000
Total Debt Service	\$ 1,402,497	\$ 1,401,766	\$ 1,395,119	\$ 1,401,694	\$ 1,398,844
 Coverage by Net Revenues Available for Debt Service	 265%	 324%	 335%	 302%	 378%

Debt service coverage requirement is a minimum 115 percent of net revenue including connection fees. The above schedules include connection fees in operating revenues.

**San Dieguito Water District**  
**Historical Debt Service Coverage (Continued)**  
**Last Ten Fiscal Years**

	2017	2016	2015	2014	2013
Revenues:					
Operating revenues - including connection fees	\$ 15,142,544	\$ 14,852,061	\$ 15,152,433	\$ 15,715,575	\$ 13,789,636
Non-operating revenues	1,048,764	1,013,297	927,526	827,676	869,568
Gross Revenues	16,191,308	15,865,358	16,079,959	16,543,251	14,659,204
Total Operating & Non-Operating Expenses	14,263,288	13,800,671	15,481,543	14,066,485	12,198,228
Net Income	1,928,020	2,064,687	598,416	2,476,766	2,460,976
Add:					
Interest expense	366,740	412,108	475,775	622,075	657,963
Depreciation, amortization and change in joint venture expense	978,627	1,514,716	2,271,907	1,490,806	1,476,044
Net Revenues Available for Debt Service	3,273,387	3,991,511	3,346,098	4,589,647	4,594,983
Less: Debt Service Paid					
2004 Water Revenue Refunding Bonds - Interest Charges	-	-	144,720	380,731	408,906
2004 Water Revenue Refunding Bonds - Principal Payments	-	-	665,000	640,000	615,000
2007 Note Payable to Financing Authority - Interest Charges	191,244	211,144	224,994	241,344	256,744
2007 Note Payable to Financing Authority - Principal Payments	440,000	415,000	405,000	385,000	375,000
2014 Water Revenue Refunding Bonds - Interest Charges	185,075	202,400	106,061	-	-
2014 Water Revenue Refunding Bonds - Principal Payments	585,000	570,000	-	-	-
Total Debt Service	\$ 1,401,319	\$ 1,398,544	\$ 1,545,775	\$ 1,647,075	\$ 1,655,650
Coverage by Net Revenues Available for Debt Service	234%	285%	216%	279%	278%

Debt service coverage requirement is a minimum 115 percent of net revenue including connection fees. The above schedules include connection fees in operating revenues.