



Comprehensive Annual Financial Report

2016

For Fiscal Year Ended June 30, 2016

Prepared by:
The Finance Department
Marlene Kelleher, Finance Manager
Vista Irrigation District · Vista, CA



VID VISTA IRRIGATION DISTRICT

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www.vidwater.org



A public agency serving the city of Vista and portions of San Marcos, Escondido, Oceanside and San Diego County

**Vista Irrigation District
Comprehensive Annual Financial Report**

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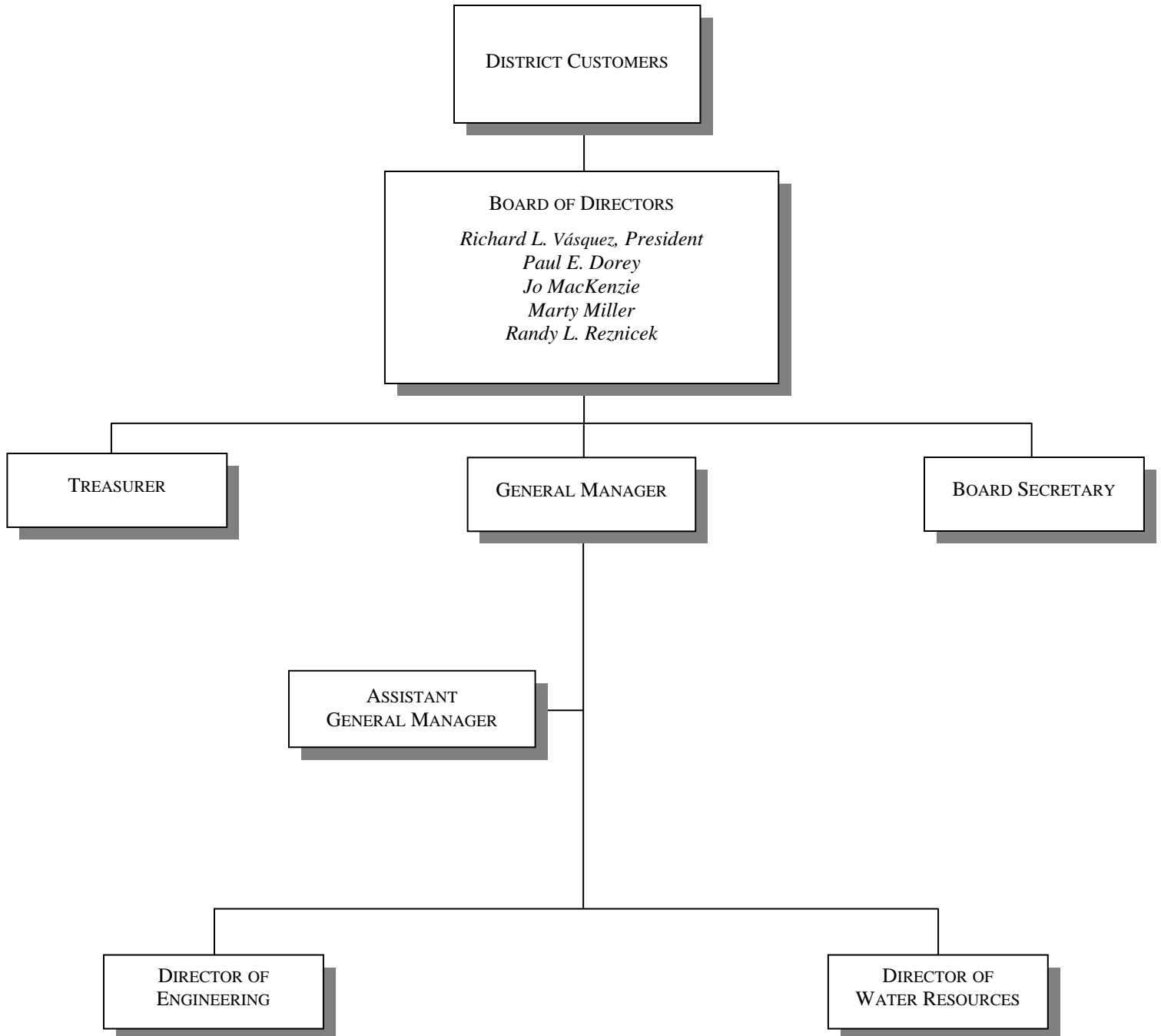
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Introductory Section



Organization Chart





1391 Engineer Street • Vista, California 92081-8840

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www.vidwater.org

Board of Directors

Richard L. Vázquez, *President*

Paul E. Dorey

Jo MacKenzie

Marty Miller

Randy Reznicek

Administrative Staff

Eldon L. Boone

General Manager/Treasurer

Brett L. Hodgkiss

Assistant General Manager

Lisa R. Soto

Board Secretary

Joel D. Kuperberg

General Counsel

December 5, 2016

To the Board of Directors and customers served by the Vista Irrigation District:

We are pleased to present the Vista Irrigation District's (the District's) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. The purpose of the report is to provide the Board of Directors, our customers, and any other interested parties with reliable financial information about the District.

The report was prepared by the District's Finance Department following guidelines set forth by the Governmental Accounting Standards Board (GASB) and generally accepted accounting principles (GAAP). Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including disclosures, rests with the District. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner that provides a fair representation of the financial position and results of operations of the District. Included are all disclosures we believe necessary to enhance your understanding of the financial condition of the District. Internal controls are an important part of any financial reporting framework, and management of Vista Irrigation District has established a comprehensive framework of internal controls to provide a reasonable basis for asserting that the financial statements are fairly presented. Because the cost of an internal control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement Management's Discussion and Analysis and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

The District's financial statements have been audited by White Nelson Diehl Evans LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion

that the District's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Profile of the District

District's Service Area

The District's service area consists of a 31-square mile area in the northwestern quadrant of San Diego County that lies west of the Interstate 15 Freeway and east of the Interstate 5 Freeway, encompassing approximately 21,160 acres. Within the District's boundaries are the City of Vista; portions of the cities of San Marcos, Escondido and Oceanside; and unincorporated areas of the county. The District provides potable water to its service area.

District's Authority

Vista Irrigation District is a special district of the State of California organized in 1923 under the Irrigation District Act (Water Code §20500, et. Seq.) and authorizing statutes (Water Code §22975, et. Seq.) and approved by voters on August 28, 1923 which coincided with the building of Henshaw Dam in 1923 by the San Diego County Water Company. Completion of the dam made it possible for the Vista community to receive a reliable source of water, instead of relying on wells in the area. In June 1946, the District purchased the San Diego County Water Company. Included in the purchase was the 43,000-acre Warner Ranch, which includes Henshaw Dam and Lake Henshaw. In 1954, the District became a member of the San Diego County Water Authority (SDCWA) in order to receive water imported from the Colorado River and Northern California.

The State of California Water Code also authorizes the District to exercise the power of eminent domain; to fix, revise and collect rates or other charges for the delivery of water, use of facilities or property, or provision of service; and to fix in each fiscal year, a water standby or availability charge on land within the boundaries of the District to which water is made available by the District. The District may also issue bonds, borrow money and incur indebtedness.

Governance

The District's Board of Directors is comprised of five members elected by the citizens within their geographical area. Each Director serves a four year staggered term and must be a resident of the division he or she represents. The District operates under a Board-Manager form of government. The General Manager is appointed by the Board, and administers the daily affairs of the District and carries out policies of the Board of Directors. The District employs a staff of 87 under the direction of the Board-appointed General Manager.

Water Services

The District serves more than 28,400 customers. Typically, thirty percent of the District's water comes from its local water supply, Lake Henshaw, and seventy percent comes from two imported water sources, the Colorado River and the Sacramento River/San Joaquin River Delta in Northern California. The District currently delivers approximately 14,200 acre feet of water annually to its customers.

The water system operates over 473 miles of pipe, 12 storage reservoirs, and 7 pumping stations. The District jointly owns the Escondido-Vista water treatment plant with the City of Escondido. The Escondido-Vista water treatment plant (EVWTP) has a capacity of 66 MGD and treats all raw water before it is delivered to customers.

Local Economy

District Economic Results

The estimated population of the District is 129,353 as of fiscal year 2016. According to the San Diego Association of Governments (SANDAG), the median age of residents within the District as calculated during the most recent US Census, was 33.2 years and the median household income of residents in the City of Vista, which encompasses the majority of the District, was \$39,870. From 2006 to 2016 the population increased 6.6%, and median household income (adjusted for inflation) increased by 2.8%.

The demand for new connections declined, with the District's total meters in service decreasing in fiscal year 2016 by 342 meters to 27,999. Water sales for fiscal year 2016 were 14,244 acre feet, down 2,873 acre feet or (16.8)% from sales of 17,117 in fiscal year 2015. Of the 14,244 acre feet, or 4.6 billion gallons sold in fiscal year 2016, 70% was distributed for residential use, 12% for industrial and commercial use, 10% for landscape irrigation use, 6% for agricultural use and 2% for governmental use.

Until the Lake Henshaw area receives several years of average to above average rainfall, surface water run-off totals will not appreciably increase the lake level nor will a significant amount of groundwater recharge take place. As a result, the District will continue to need to purchase imported water to meet the balance of customer needs.

Bay-Delta Fix

The Bay-Delta, a 1,000 square mile network of islands and waterways at the confluence of the Sacramento and San Joaquin rivers east of San Francisco Bay, is a key water supply source for California, including the 3.1 million residents and business community in San Diego County.

Water supplies from the Bay-Delta come to San Diego County via the State Water Project. The Metropolitan Water District of Southern California (MWD) purchases the water from the state Department of Water Resources under a water supply contract. This water has become increasingly unreliable in recent years as deteriorating ecological

conditions have led to regulatory restrictions on pumping water supplies from the Bay-Delta. How much and when the District would begin paying for a Bay-Delta fix is undetermined at this time.

Drought

After four years of drought statewide, water supply conditions have improved as the result of increased snow and rainfall in northern California, lessening supply reliability concerns throughout much of the state. As a result, on May 9, 2016, Governor Brown issued an Executive Order, which in part, directed the State Water Resources Control Board to make adjustments to the emergency water conservation regulation in recognition of differing water supply conditions across the state. Effective June 1, 2016, the revised emergency regulations allow individual water agencies (or regions as a whole) to replace mandated conservation standards with a supply based approach.

Based on the new formula, a water supplier's conservation standard for June 2016 through January 2017 is the difference between the amount of projected supplies available after three additional dry years and the average demand during 2013 and 2014. No minimum conservation standard is required for agencies or regions that can self-certify that projected water supplies will meet demands.

The SDCWA and all of its member agencies have agreed to take a regional approach to certify water supply sufficiency. Calculations show that SDCWA supplies, combined with member agency local supplies and supplemented by SDCWA stored water supplies, would be more than sufficient to meet demands for all SDCWA member agencies, even after three additional years of drought. Based on this calculation, the aggregated conservation standard is zero.

MWD Lawsuit

The SDCWA filed a fourth lawsuit in April 2016 against MWD. The SDCWA alleged that the water rates set by MWD for 2017 and 2018 violate California law, the state Constitution and common law that all require rates to be set based upon cost of service.

A Superior Court judge ruled in November 2015 that MWD's rates for 2011-2014 were illegal. The judge directed MWD to pay SDCWA more than \$243 million in damages, costs, pre-judgment interest, and attorneys' fees. The amount will accrue simple post-judgment interest at 7 percent annually until MWD repays SDCWA. A finding was also made that MWD has under-calculated SDCWA's right to MWD water by tens of thousands of acre-feet of water per year.

MWD's overcharges of the SDCWA for 2017 and 2018 are expected to be more than \$134 million, and overcharges for the eight years contested by SDCWA are approximately \$524 million (not including the interest, court costs and attorney's fees from 2015 – 2018). If allowed to stand, overcharges by MWD could exceed \$2 billion over 20 years.

SDCWA filed its first rate lawsuit against MWD in 2010, then filed a second suit in 2012 because MWD refused to reform its rates. A third SDCWA lawsuit, filed in 2014, challenging MWD rates in 2015 and 2016 is currently stayed pending resolution of MWD's appeal from the first two lawsuits.

The Board of Directors of the SDCWA determined that after deducting litigation expenses it will return the remaining money to its member agencies, including the District.

Long-Term Financial Planning

New facilities and system improvements are funded by water rates. Water rates are increased over time based on the long range capital improvement plan. Replacement facilities are financed by depreciation and interest on accumulated depreciation. Expanded facilities are funded by developer fees and capacity charges.

Items in the long range capital improvement plan are determined not only by the depreciation schedule, but through a process which assesses a combination of factors including age, condition and the critical nature of the facility. The long range capital improvement plan spreads projects over several years to maintain a constant level of capital projects to maximize the efficiency of District resources. Funds collected or accumulated in years in which there are no new or expanded facilities are placed into the District's construction reserve account. Funds in the construction reserve account are used to pay for construction projects in years that the costs of construction projects exceed the amount collected from water rates.

Major Initiatives

Mainline Replacement Program

In 1995 the Board of Directors initiated an on-going Main Replacement Program with the goal of replacing aging pipelines before they reach the end of their useful life and become a maintenance liability. Formalizing a Main Replacement Program has allowed pipe replacements to be prioritized based on the age of the line, leak history, and pipe material as well as factors related to site conditions. Another important factor is input from District crews, who evaluate the line's condition at the time repairs are being made.

Since its inception, the Board has allocated \$21.4 million to the program which has allowed the replacement of nearly 28.2 miles of older pipe ranging in size from 4 to 20 inches. The Board approved another \$2.5 million for this program as part of the capital improvement program for fiscal year 2017.

Accomplishments

Financial Statement Awards and Acknowledgements

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Vista Irrigation District for its CAFR for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

We would like to express our appreciation to the Finance Department staff and the independent accounting firm of White Nelson Diehl Evans LLP for the efforts made to prepare this report. We would also like to thank the members of the District's Board of Directors for their continued interest and support in all aspects of the District's financial management.

Respectfully submitted,



Eldon Boone
General Manager



Marlene Kelleher
Finance Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Vista Irrigation District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Vista Irrigation District
Vista, California

We have audited the accompanying financial statements of Vista Irrigation District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Vista Irrigation District as of June 30, 2016, and the 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, as well as the accounting systems prescribed by the California State Controller's Office and California regulations governing Special Districts.

Other Matters

Summarized Comparative Information

The District's 2015 financial statements were audited by other auditors, and their report dated December 14, 2015, expressed an unmodified opinion on those audited financial statements. We were not engaged to audit, review, or apply any procedures to the 2015 financial statements of the District and, accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements as a whole.

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 5, 2016, on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering District's internal control over financial reporting and compliance.

White Nelson Nick Evans LLP

Carlsbad, California
December 5, 2016

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**VISTA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Our discussion and analysis of the Vista Irrigation District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2016. Please read it in conjunction with the District's financial statements which begin on page 9. This annual financial report consists of two parts -- Management's Discussion and Analysis (this section) and the Financial Statements.

Financial Statements

The District's financial statements include four components:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to Financial Statements

The statements of net position includes all of the District's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Net Position is displayed in two categories:

- Net investment in capital assets
- Unrestricted

The statements of net position provide the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The statements of revenues, expenses and changes in net position present information which shows how the District's net position changed during each year. All of the year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statements of revenues, expenses and changes in net position measure the success of the District's operations during the year and determine whether the District has recovered its costs through user fees and other charges.

The statements of cash flows provide information regarding the District's cash receipts and cash disbursements during the year. These statements report cash activity in four categories:

- Operating
- Noncapital financing
- Capital and related financing
- Investing

These statements differ from the statements of revenues, expenses and changes in net position by only accounting for transactions that result in cash receipts or cash disbursements.

**VISTA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by accounting principles generally accepted in the United States of America that are not otherwise present in the financial statements.

Financial Highlights

- Overall, operating revenues decreased 7.3%, while operating expenses decreased 3.6%.
- The District realized a \$3.3 million operating gain during the current fiscal year primarily due to higher water rates in the current year, along with a decrease in depreciation expense, as a result of changing the useful lives of capital assets discussed below.
- Contributed capital decreased \$0.3 million due to the completion of three capital contribution jobs in the current year, as compared to five in the prior year.
- The District made a \$7.8 million prepayment of a portion of the PERS unfunded liability in the current year. This resulted in an increase to Pension-related deferred outflows of resources.
- The District also made a \$1.4 million prepayment of the unfunded portion of the OPEB liability. This resulted in an increase to Long-term prepaid expenses.
- During the current year, the District re-evaluated the useful lives of their capital assets, and as a result, extended the useful lives of many capital asset items. This resulted in a significant decrease in depreciation expense in the current fiscal year.

**VISTA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Financial Analysis of the District

Net Position - The District's overall net position increased \$3.9 million between fiscal years 2015 and 2016, from \$102.3 to \$106.2 million. Cash and cash equivalents decreased \$8.3 million primarily due to the \$7.8 million prepayment of the PERS unfunded liability, and the \$1.4 million prepayment of the OPEB unfunded liability, as previously noted in the Financial Highlights section. The net investment in capital assets increased \$2.0 million which reflects the excess of net capital additions over the current year depreciation and dispositions. The unrestricted net position increased \$1.9 million primarily due to operating income exceeding operating expenses.

Vista Irrigation District's Net Position
(In Millions of Dollars)

	<u>2016</u>	<u>2015</u>
Current assets	\$ 37.3	\$ 45.4
Capital assets	84.6	82.5
Long-term prepaid expenses	<u>4.0</u>	<u>2.4</u>
Total Assets	<u>125.9</u>	<u>130.3</u>
 Deferred outflows of resources	 <u>9.8</u>	 <u>1.5</u>
Current liabilities	7.0	6.8
Noncurrent liabilities	<u>20.1</u>	<u>17.8</u>
Total Liabilities	<u>27.1</u>	<u>24.6</u>
 Deferred inflows of resources	 <u>2.4</u>	 <u>4.9</u>
 Net Position:		
Net investment in capital assets	84.6	82.6
Unrestricted	<u>21.6</u>	<u>19.7</u>
Total Net Position	<u>\$ 106.2</u>	<u>\$ 102.3</u>

**VISTA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Change in Net Position - The District's operating revenues decreased by 7.3% to \$43.2 million. In fiscal year 2016, 95.4% of the District's operating revenues came from water sales. The decrease in operating revenues resulted primarily due to decreased water sales, as a result of water conservation efforts.

The District's operating expenses decreased 3.6% to \$39.9 million primarily due to a decrease in purchased water, due to lesser demand as discussed above, as well as a decrease in depreciation expense, as a result of the change in useful lives discussed previously in the Financial Highlights section, and a decrease in wages and benefits expenses.

The District's contributed capital decreased from \$0.5 million to \$0.2 million due to less capital contribution jobs completed in the current year.

Vista Irrigation District's Changes in Net Position
(In Millions of Dollars)

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Water sales, net	\$ 41.2	\$ 44.6
Property rentals	0.7	0.7
Other services	0.7	0.4
System fees	<u>0.6</u>	<u>0.9</u>
Total Operating Revenues	<u>43.2</u>	<u>46.6</u>
 Operating Expenses	 <u>39.9</u>	 <u>41.4</u>
 Operating Income	 <u>3.3</u>	 <u>5.2</u>
 Nonoperating Revenues (Expenses)		
Property taxes	0.4	0.4
Investment income	0.1	0.1
Legal settlement	<u>(0.1)</u>	<u>(0.1)</u>
Total Nonoperating Revenues	<u>0.4</u>	<u>0.4</u>
 Contributed Capital	 <u>0.2</u>	 <u>0.5</u>
 Changes in Net Position	 3.9	 6.1
 Total Net Position - beginning	 <u>102.3</u>	 <u>96.2</u>
 Total Net Position - ending	 <u>\$ 106.2</u>	 <u>\$ 102.3</u>

**VISTA IRRIGATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Capital Assets

At June 30, 2016, the District had invested \$168.6 million in capital assets with \$84.0 million in accumulated depreciation. Net capital assets increased \$2.0 million as a result of capital acquisitions exceeding the annual depreciation and dispositions. During the year the District added \$4.6 million of capital assets. The largest capital additions were \$2.5 million in costs for several mainline replacement projects, \$1.3 million for water treatment plant construction costs, and \$0.2 million for SCADA upgrades and expansion. This year’s capital reductions included replacement/disposals of pipelines, reservoir-related assets, vehicles, SCADA and other equipment with a total historical cost of \$0.7 million. Depreciation for the year was \$2.6 million.

Vista Irrigation District’s Capital Assets, Net
(In Millions of Dollars)

	<u>2016</u>	<u>2015</u>
Land, franchises and water rights	\$ 6.0	\$ 6.0
Buildings, canals, pipelines, reservoirs and dams	73.9	73.6
Equipment	1.6	1.2
Henshaw pumping project	0.4	0.4
Construction in progress	<u>2.7</u>	<u>1.3</u>
Total Capital Assets, Net	<u>\$ 84.6</u>	<u>\$ 82.5</u>

For more detailed information on capital asset activity, please refer to “Note 4 – Capital Assets” in the notes to the financial statements.

Capital Debt

At June 30, 2016, the District had no capital debt and has no immediate need to issue debt.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for and the stewardship of the financial resources and facilities it manages and maintains. If you have questions about this report or need additional financial information, contact the Vista Irrigation District’s Finance Department at 1391 Engineer Street, Vista, California 92081.

**VISTA IRRIGATION DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

	2016	2015
Assets		
Current Assets:		
Cash and cash equivalents (notes 1 and 2)	\$ 9,860,788	\$ 18,204,575
Investments (notes 1 and 2)	19,464,400	19,485,885
Accounts receivable, net (notes 1 and 3)	7,322,618	6,958,027
Taxes receivable	38,701	33,228
Accrued interest receivable	12,755	7,509
Inventories of materials and supplies	443,284	547,277
Prepaid expenses and other current assets	130,902	123,865
Total Current Assets	37,273,448	45,360,366
Noncurrent Assets:		
Capital assets: (notes 1 and 4)		
Depreciable assets, net of accumulated depreciation:		
Buildings, canals, pipelines, reservoirs and dams	73,835,413	73,650,324
Equipment	1,585,894	1,165,718
Henshaw pumping project	432,342	379,715
Nondepreciable assets:		
Land, franchises and water rights	6,001,127	6,001,127
Construction in progress	2,695,476	1,354,968
Total capital assets	84,550,252	82,551,852
Long-term prepaid expenses (note 9)	4,026,847	2,374,626
Total Noncurrent Assets	88,577,099	84,926,478
Total Assets	125,850,547	130,286,844
Deferred Outflows of Resources		
Pension related (notes 1, 6 and 8)	9,778,045	1,488,966
Total Deferred Outflows of Resources	9,778,045	1,488,966

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

(Continued)

**VISTA IRRIGATION DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

	<u>2016</u>	<u>2015</u>
Liabilities		
Current Liabilities:		
Accounts payable (note 5)	\$ 4,561,766	\$ 4,331,156
Deposits	613,318	726,632
Accrued expenses and other liabilities	<u>1,843,941</u>	<u>1,736,973</u>
Total Current Liabilities	<u>7,019,025</u>	<u>6,794,761</u>
Noncurrent Liabilities:		
Claims payable (note 6)	4,329,271	4,245,365
Net pension liability (notes 1, 6 and 8)	<u>15,723,785</u>	<u>13,526,753</u>
Total Noncurrent Liabilities	<u>20,053,056</u>	<u>17,772,118</u>
Total Liabilities	<u>27,072,081</u>	<u>24,566,879</u>
Deferred Inflows of Resources		
Pension related (notes 1, 6 and 8)	<u>2,376,061</u>	<u>4,932,631</u>
Total Deferred Inflows of Resources	<u>2,376,061</u>	<u>4,932,631</u>
Net Position		
Net investment in capital assets	84,550,252	82,551,852
Unrestricted (notes 7 and 11)	<u>21,630,198</u>	<u>19,724,448</u>
Total Net Position	<u>\$ 106,180,450</u>	<u>\$ 102,276,300</u>

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

VISTA IRRIGATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Water sales, net (notes 1 and 3)	\$ 41,193,157	\$ 44,594,810
Property rentals	718,075	738,767
Other services	657,891	428,667
System fees	<u>622,039</u>	<u>853,041</u>
Total Operating Revenues	<u>43,191,162</u>	<u>46,615,285</u>
Operating Expenses		
Purchased water	18,721,053	19,235,486
Wages and benefits	11,870,598	12,298,601
Contractual services	4,125,191	3,827,299
Depreciation	2,581,311	3,363,263
Supplies	1,396,166	1,309,636
Professional fees	700,489	658,616
Power	656,238	662,164
Insurance	531,811	489,023
Office and general	489,547	488,237
Communications	49,845	55,126
Burden allocation	<u>(1,255,779)</u>	<u>(945,126)</u>
Total Operating Expenses	<u>39,866,470</u>	<u>41,442,325</u>
Operating Income	<u>3,324,692</u>	<u>5,172,960</u>
Nonoperating Revenues (Expenses)		
Property taxes	384,960	381,843
Investment income	129,591	63,423
Federal and state assistance	-	42,810
Gain (Loss) on disposal of capital assets	(16,209)	30,557
Legal settlement	<u>(83,905)</u>	<u>(55,173)</u>
Total Nonoperating Revenues	<u>414,437</u>	<u>463,460</u>
Income Before Contributed Capital	3,739,129	5,636,420
Contributed Capital	<u>165,021</u>	<u>499,911</u>
Changes in Net Position	3,904,150	6,136,331
Total Net Position - beginning	<u>102,276,300</u>	<u>96,139,969</u>
Total Net Position - ending	<u>\$ 106,180,450</u>	<u>\$ 102,276,300</u>

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

**VISTA IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 42,826,571	\$ 46,771,464
Payments to suppliers	(39,320,532)	(30,411,752)
Payments to employees	(7,830,931)	(7,591,369)
Collection of deposits	877,561	1,021,251
Return of deposits	(990,875)	(786,508)
Net Cash Provided (Used) by Operating Activities	<u>(4,438,206)</u>	<u>9,003,086</u>
Cash Flows From Noncapital Financing Activities		
Receipts from property taxes	379,487	376,947
Proceeds from Federal and State assistance	-	42,810
Net Cash Provided by Noncapital Financing Activities	<u>379,487</u>	<u>419,757</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from disposal of capital assets	40,651	40,827
Acquisition and construction of capital assets	(4,471,550)	(3,667,212)
Net Cash Used by Capital and Related Financing Activities	<u>(4,430,899)</u>	<u>(3,626,385)</u>
Cash Flows From Investing Activities		
Proceeds from maturities of investments	19,500,000	13,000,000
Interest on cash and investments	39,740	32,540
Purchase of investments	(19,393,909)	(19,461,325)
Net Cash Provided (Used) by Investing Activities	<u>145,831</u>	<u>(6,428,785)</u>
Net Decrease in Cash and Cash Equivalents	(8,343,787)	(632,327)
Cash and Cash Equivalents - beginning	<u>18,204,575</u>	<u>18,836,902</u>
Cash and Cash Equivalents - ending	<u>\$ 9,860,788</u>	<u>\$ 18,204,575</u>

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

(Continued)

**VISTA IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income	\$ 3,324,692	\$ 5,172,960
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,581,311	3,363,263
Pension related adjustments	(8,648,617)	100,885
Changes in Assets and Liabilities:		
Accounts receivable, net	(364,591)	1,177,430
Inventories of materials and supplies	103,993	(162,368)
Prepaid expenses and other assets	(1,659,258)	(91,311)
Accounts payable	230,610	(830,498)
Deposits	(113,314)	234,742
Accrued expenses and other liabilities	<u>106,968</u>	<u>37,983</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,438,206)</u>	<u>\$ 9,003,086</u>
Noncash Investing, Capital and Financing Activities		
Contributed capital assets	\$ 165,021	\$ 499,911
Increase in fair value of investments	\$ 84,606	\$ 28,758
Increase in claims payable	\$ 83,905	\$ 55,173

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

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

Description of the Reporting Entity

Vista Irrigation District (District) is a public entity established in 1923, pursuant to the Irrigation District Act of the California Water Code, for the purpose of providing water services to the properties in the District. The District's service area lies within the northwestern quadrant of San Diego County, encompassing approximately 21,160 acres. Historically, the District has received 30% of its water supply from Lake Henshaw which, along with the surrounding 43,000 acre Warner Ranch, is owned and operated by the District. The remaining 70% of the District's supply comes from Northern California through the State Water Project and from the Colorado River. These sources are conveyed to the District via aqueducts owned and operated by water wholesalers, the Metropolitan Water District of Southern California and the San Diego County Water Authority. The District is governed by a Board of Directors consisting of five directors elected by geographical divisions, based on District population, for four-year alternating terms.

The criteria used in determining the scope of the reporting entity are based on the provisions of the Governmental Accounting Standards Board (GASB) Statement 14. The District is the primary government unit and currently has no component units. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District.

Basic Financial Statements

The basic financial statements are comprised of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows and the notes to the basic financial statements.

Basis of Presentation

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

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

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

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. Those estimates and assumptions affect: the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Data

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District’s prior year financial statements, from which this selected financial data was derived. Certain reclassifications have been made to the prior year amounts to conform to the current year’s presentation. There is no effect on the change in net position.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all investment instruments are considered to be cash equivalents if purchased with a maturity of three months or less and are readily convertible to known cash amounts.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Investments

Investments are reported at fair value in the statement of net position. All investment income, including changes in the fair value of investments, is recognized as revenues in the statement of revenues, expenses, and changes in net position. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Accounts Receivable

Accounts receivable includes both billed and unbilled water sales provided to District customers. An allowance for doubtful accounts is provided for uncollectible accounts based on the District's bad debt experience and on management's estimate.

Inventories of Materials and Supplies

Inventories of materials and supplies consist primarily of materials used in the construction and maintenance of the water system and are valued at average cost.

Prepaid Expenses

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

Capital Assets and Depreciation

The District records at cost the acquisition of capital assets greater than \$5,000 and with a useful life of 3 or more years. Contributed assets are recorded at their fair value at the date of acceptance by the District. Self-constructed assets are recorded in the amount of labor, material, and overhead incurred. Depreciation is charged to expense and is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

	<u>Useful Life</u>
Buildings, canals, pipelines, reservoirs and dams	15 - 80 years
Equipment	3 - 25 years
Henshaw pumping project	10 - 20 years

Burden Allocation

The District allocates overhead burden costs to pipeline installation jobs, inspection work, fixed fee jobs, damage claims, and other small jobs. The overhead burden costs include management salaries, benefits, use of equipment, warehousing, and handling.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Vacation and Sick Leave

The District records a liability equal to 100% of vacation earned and the applicable percentage of sick leave available to employees at year end (25%-100%), which is included in accrued expenses and other liabilities. At June 30, 2016, accrued vacation and sick leave was \$1,337,099.

Pension Plans

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" (GASB 68), requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans, which is 3.8 years.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over five years.
- Deferred inflows from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans, which is 3.8 years.
- Deferred inflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans, which is 3.8 years.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Operating Revenues and Expenses

Operating activities generally result from providing services and producing and delivering goods. As such, the District considers fees received from water sales, capacity fees, connection and installation fees and property rentals to be operating revenues. The collection of deposits and return of deposits related to operating activities are reported in the District's cash flows from operating activities. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses

The collection of deposits and return of deposits related to the specific purpose of deferring the cost of acquiring, constructing or improving assets are reported in the District's cash flows from capital and related financing activities

Net Position

In the Statements of Net Position, net position is classified in the following categories:

- Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted net position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the Statements of Net Position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Property Taxes

Property taxes are attached as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are due in two installments. The first installment is due on November 1, and is payable through December 10 without penalty. The second installment is due February 1, and becomes delinquent on April 10. Property taxes are remitted to the District from the County of San Diego at various times throughout the year.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters. To help mitigate this risk, the District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Authority). The Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

The District participates in the following self-insurance programs of the Authority:

Property Loss - Insured up to \$150,000,000 per occurrence (total insurable value \$29,038,029) with \$5,000 deductible for buildings, personal property, fixed equipment, mobile equipment, and licensed vehicles; the Authority is self-insured up to \$100,000 per occurrence and excess insurance coverage has been purchased.

General Liability - Insured up to \$60,000,000 per occurrence with no deductible; the Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased.

Auto Liability - Insured up to \$60,000,000 per occurrence with no deductible for property damage; the Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased.

Public Officials' Liability - Insured up to \$60,000,000 per occurrence; the Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased.

Fidelity - Insured up to \$100,000 per occurrence with \$1,000 deductible.

Dam Failure Liability - Insured up to \$5,000,000 per occurrence with \$50,000 deductible; the Authority is self-insured up to \$50,000 and excess insurance coverage has been purchased.

The District pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims experience. The nature and amounts of these adjustments cannot be estimated and are charged to expense as invoiced. There were no instances in the past three years where a settlement exceeded the District's coverage.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

GASB Current Year Standards

In fiscal year 2015-2016, the District implemented Governmental Accounting Standards Board Statement No. 72, "Fair Value Measurement and Application" (GASB 72). GASB 72 requires the District to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the District's financial statements as a result of the implementation of GASB 72.

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", was required to be implemented in the current fiscal year, except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for periods beginning after June 15, 2016, and did not impact the District.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", was required to be implemented in the current fiscal year and did not impact the District.

GASB Statement No. 79, "Certain External Investment Pools and Pool Participants", was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the District.

GASB Statement No. 82, "Pension Issues an Amendment of GASB Statement No. 67, No. 68 and No. 73", changed the measurement of covered payroll reported in required supplementary information and has been early implemented.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

GASB Pending Accounting Standards

GASB has issued the following statements, which may impact the District's financial reporting requirements in the future:

- GASB 73 - "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016.
- GASB 74 - "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", effective for periods beginning after June 15, 2016.
- GASB 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", effective for periods beginning after June 15, 2017.
- GASB 77 - "Tax Abatement Disclosure", effective for periods beginning after December 15, 2015.
- GASB 78 - "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans", effective for periods beginning after December 15, 2015.
- GASB 79 - "Certain External Investment Pools and Pool Participants", the certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.
- GASB 80 - "Blending Requirements for Certain Component Units", effective for periods beginning after June 15, 2016.
- GASB 81 - "Irrevocable Split-Interest Agreements", effective for periods beginning after December 15, 2016.
- GASB 82 - "Pension Issues", effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which is effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 2 - Cash and Investments

The following is a detail of cash and cash equivalents as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 7,439	\$ 6,147
Deposits	515,117	599,935
State Treasurer's investment pool	9,077,818	10,941,309
California Asset Management Program	<u>260,414</u>	<u>6,657,184</u>
Total cash and cash equivalents	<u>\$ 9,860,788</u>	<u>\$ 18,204,575</u>

As of June 30, 2016 and 2015, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>2016 Fair Value</u>	<u>2015 Fair Value</u>
State Treasurer's investment pool	1 day	\$ 9,077,818	\$ 10,941,309
California Asset Management Program	1 day	<u>260,414</u>	<u>6,657,184</u>
Total cash equivalents		<u>\$ 9,338,232</u>	<u>\$ 17,598,493</u>
U.S. Treasury bills	6 months weighted	<u>\$ 19,464,400</u>	<u>\$ 19,485,885</u>
Total Investments		<u>\$ 19,464,400</u>	<u>\$ 19,485,885</u>

Authorized deposits and investments of the District are governed by the California Government Code as well as policies set forth by the District's Board of Directors. Within the contents of these limitations, permissible instruments include FDIC-insured institutions' certificates of deposit and savings accounts, corporate medium-term notes, U.S. government agency/instrumentalities, money market instruments, money market mutual funds, mortgage backed securities, U.S. government bills, notes and bonds, and asset backed securities. Funds may also be invested in the local government investment pools.

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

VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)

Note 2 - Cash and Investments (Continued)

The District is a voluntary participant in the California Asset Management Program (CAMP), an investment pool managed by Public Financial Management, Inc. CAMP was established under provisions of the California Joint Exercise of Powers Act. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by CAMP for the entire CAMP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis.

Interest Rate Risk. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting investment maturities to five years. Express authority is granted to invest in investments with term to maturity of greater than five years with a maximum term of ten years, provided the investments are in accordance with stated policy and total investments shall not exceed the amount of long term liabilities outstanding. Investments exceeding five years will be matched with a corresponding liability.

Credit Risk. State law and District policy limits investments in money market funds to the top ratings issued by nationally recognized statistical rating organizations. The District's investment in the California Asset Management Program was rated AAAM by Standard & Poor's Corporation. The District's investment in the California State Treasurer's investment pool was unrated. U.S. Treasury bills are exempt from rating disclosures.

Concentration of Credit Risk. The District manages the concentration of credit risk by limiting local government investment pools and money market funds to a maximum of 40% and 20%, respectively, of the District's total available investment capital as outlined in the District investment policy. Furthermore, no more than 10% of the District's available investment capital can be invested in a single money market fund.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. All deposits are entirely insured or collateralized. State law requires banks to secure the District's deposits by pledging government securities valued at 110% of the amount of the deposit as collateral. The District may waive the collateral requirement for deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC). Beginning on January 1, 2013, combined deposits are insured by the FDIC up to \$250,000. As of June 30, 2016, the District's bank balances were \$638,466, of which \$250,000 were insured and the remaining \$388,466 were collateralized with securities held by the pledging institution's trust department. As of June 30, 2015, the District's bank balances were \$402,133, of which \$250,000 were insured and the remaining \$152,133 were collateralized.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 2 - Cash and Investments (Continued)

Fair Value Measurements

GASB Statement No. 72, Fair Value Measurement and Application, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

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

Level 2: Inputs to the valuation methodology include:

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

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

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

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

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

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 2 - Cash and Investments (Continued)

Fair Value Measurements (Continued)

The following is a description of the valuation methods and assumptions used by the District to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at June 30, 2016. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. District management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are based on evaluated prices received from the District's custodian of investments in conjunction with the third party service provider results delivered to the independent certified public accountant organization providing this report.

For a large portion of the District's portfolio, the District's custodians generally use a multi-dimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others.

The District has no investments categorized in Level 3. When valuing Level 3 securities, the inputs or methodology are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

	<u>Quoted Prices Level 1</u>	<u>Observable Inputs Level 2</u>	<u>Unobservable Inputs Level 3</u>	<u>Total</u>
Fixed Income Securities:				
Treasury Bills	\$ -	\$ 19,464,400	\$ -	\$ 19,464,400
Total Leveled Investments	<u>\$ -</u>	<u>\$ 19,464,400</u>	<u>\$ -</u>	<u>\$ 19,464,400</u>
Money Market and LAIF*				9,077,818
California Asset Management Program*				<u>260,414</u>
Total Investment Portfolio				<u>\$ 28,802,632</u>

*Not subject to fair value measurement.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 3 - Accounts Receivable, Net

As of June 30, 2016 and 2015, the net balances were comprised of accounts receivable balances of \$7,842,310 and \$7,449,667, respectively, less the allowances for doubtful accounts of \$519,692 and \$491,640, respectively.

On the Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2016 and 2015, the balances of water sales, net of uncollectible accounts expense, were comprised of water sales revenues of \$41,239,946 and \$44,596,500, respectively, less uncollectible amounts of \$46,789 and \$1,690, respectively.

Note 4 - Capital Assets

Capital assets consist of the following at June 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land, franchises, and water rights	\$ 6,001,127	\$ -	\$ -	\$ 6,001,127
Construction in progress	<u>1,354,968</u>	<u>4,201,134</u>	<u>(2,860,626)</u>	<u>2,695,476</u>
Total capital assets not being depreciated	<u>7,356,095</u>	<u>4,201,134</u>	<u>(2,860,626)</u>	<u>8,696,603</u>
Capital assets being depreciated:				
Buildings, canals, pipelines, reservoirs and dams	149,035,819	2,615,860	(494,806)	151,156,873
Equipment	5,278,941	594,468	(245,550)	5,627,859
Henshaw pumping project	<u>3,003,795</u>	<u>85,735</u>	-	<u>3,089,530</u>
Total capital assets being depreciated	<u>157,318,555</u>	<u>3,296,063</u>	<u>(740,356)</u>	<u>159,874,262</u>
Less accumulated depreciation for:				
Buildings, canals, pipelines, reservoirs and dams	(75,385,495)	(2,386,368)	450,403	(77,321,460)
Equipment	(4,113,223)	(161,835)	233,093	(4,041,965)
Henshaw pumping project	<u>(2,624,080)</u>	<u>(33,108)</u>	-	<u>(2,657,188)</u>
Total accumulated depreciation	<u>(82,122,798)</u>	<u>(2,581,311)</u>	<u>683,496</u>	<u>(84,020,613)</u>
Total capital assets being depreciated, net	<u>75,195,757</u>	<u>714,752</u>	<u>(56,860)</u>	<u>75,853,649</u>
Total capital assets, net	<u>\$ 82,551,852</u>	<u>\$ 4,915,886</u>	<u>\$ (2,917,486)</u>	<u>\$ 84,550,252</u>

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 4 - Capital Assets (Continued)

Capital assets consisted of the following at June 30, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land, franchises, and water rights	\$ 5,960,313	\$ 40,814	\$ -	\$ 6,001,127
Construction in progress	456,338	3,194,297	(2,295,667)	1,354,968
Total capital assets not being depreciated	<u>6,416,651</u>	<u>3,235,111</u>	<u>(2,295,667)</u>	<u>7,356,095</u>
Capital assets being depreciated:				
Buildings, canals, pipelines, reservoirs and dams	146,320,440	2,752,855	(37,476)	149,035,819
Equipment	5,228,882	417,137	(367,078)	5,278,941
Henshaw pumping project	2,977,296	54,618	(28,119)	3,003,795
Total capital assets being depreciated	<u>154,526,618</u>	<u>3,224,610</u>	<u>(432,673)</u>	<u>157,318,555</u>
Less accumulated depreciation for:				
Buildings, canals, pipelines, reservoirs and dams	(72,378,776)	(3,044,142)	37,423	(75,385,495)
Equipment	(4,182,763)	(290,389)	359,929	(4,113,223)
Henshaw pumping project	(2,623,467)	(28,732)	28,119	(2,624,080)
Total accumulated depreciation	<u>(79,185,006)</u>	<u>(3,363,263)</u>	<u>425,471</u>	<u>(82,122,798)</u>
Total capital assets being depreciated, net	<u>75,341,612</u>	<u>(138,653)</u>	<u>(7,202)</u>	<u>75,195,757</u>
Total capital assets, net	<u>\$ 81,758,263</u>	<u>\$ 3,096,458</u>	<u>\$ (2,302,869)</u>	<u>\$ 82,551,852</u>

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 5 - Accounts Payable

At June 30, 2016, the accounts payable of \$4,561,766 included \$3,524,222 for water purchases from the San Diego County Water Authority and \$1,037,544 for obligations to other vendors. The accounts payable of \$4,331,156 at June 30, 2015 included \$2,869,116 for water purchases from the San Diego County Water Authority and \$1,462,040 for obligations to other vendors.

Note 6 - Noncurrent Liabilities

See Note 10 – Commitments and Contingencies, for information regarding the establishment of the original \$3.85 million in claims payable that is owed to the Indian Water Authority.

Changes in the claims payable amounts in fiscal years ended June 30, 2016 and 2015 were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Consumer Price Adjustment</u>	<u>Ending Balance</u>
2015	\$ 4,190,193	\$ 55,172	\$ 4,245,365
2016	\$ 4,245,365	\$ 83,906	\$ 4,329,271

Increases to the claims payable amount are based on the increase in the Consumer Price Index, All Urban Consumers, San Diego, published by the United States Department of Labor, Bureau of Labor Statistics, per the proposed changes to the Settlement Agreement terms discussed in Note 10.

Note 7 - Unrestricted Net Position

Unrestricted net position has been reserved by the Board of Directors for the following purposes:

	<u>2016</u>	<u>2015</u>
Emergency and contingency	\$ 8,000,000	\$ 8,000,000
Working capital	8,000,000	9,000,000
Future construction	5,521,079	2,643,279
Ranch improvements	109,119	81,169
Total unrestricted net position	<u>\$ 21,630,198</u>	<u>\$ 19,724,448</u>

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 8 - Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Plan is a cost-sharing, multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not account purposes), and membership information is listed in the June 30, 2015 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. The actuarial valuation report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 8 - Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

The Plan's provisions and benefits in effect at June 30, 2016 are summarized as follows:

	Miscellaneous Plan		
	Tier 1	Tier 2	PEPRA
Hire date	prior to 1/1/2012	from 1/1/12 to 12/31/12	on or after 1/1/13
Benefit formula	3% @ 60	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 60	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.092% - 2.418%	1.0% to 2.5%
Required employee contribution rates	4.5%	7.0%	6.25%
Required employer contribution rates	21.322%	8.005%	6.25%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by Miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement periods ended June 30, 2015 and 2014 (the measurement dates), the average active employee contribution rates for the respective miscellaneous Tier 1, Tier 2, and PEPRA plans were 4.5%, 7.0%, and 6.25% of annual pay. The employer's contribution rates were 21.322%, 8.005%, and 6.25% of annual payroll for the measurement period ended June 30, 2015, and 20.273%, 8.049% and 6.25% for the measurement period ended June 30, 2014. Employer contribution rates may change if plan contracts are amended. Employer Contributions for the measurement period ended June 30, 2015 and 2014 for the combined miscellaneous Tier 1, Tier 2, and PEPRA plans were \$1,488,966 and 1,459,677, respectively.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 8 - Defined Benefit Pension Plan (Continued)

B. Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and June 30, 2015 total pension liabilities for the Plan was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases (1)	3.3% - 14.2%
Investment Rate of Return (2)	7.50%
Mortality Rate Table (3)	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) Annual increases vary by category, entry age, and duration of service

(2) Net of pension plan investment and administrative expenses; includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 8 - Defined Benefit Pension Plan (Continued)

B. Net Pension Liability

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 8 - Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

Discount Rate (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)
Total	<u>100%</u>		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 8 - Defined Benefit Pension Plan (Continued)

C. Proportionate Share of Net Pension Liability

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

Miscellaneous Plan:

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2014 (VD)	\$ 79,703,912	\$ 66,177,159	\$ 13,526,753
Balance at: 6/30/2015 (MD)	\$ 81,295,803	\$ 65,572,018	\$ 15,723,785
Net Changes during 2014-15	\$ 1,591,891	\$ (605,141)	\$ 2,197,032

Valuation Date (VD), Measurement Date (MD).

The District's net pension liability for the 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, 2015, 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, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov. The District's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

Proportionate Share - June 30, 2014	<u>0.54731%</u>
Proportionate Share - June 30, 2015	<u>0.57314%</u>
Change - Increase (Decrease)	<u><u>0.02583%</u></u>

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
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Note 8 - Defined Benefit Pension Plan (Continued)

C. Proportionate Share of Net Pension Liability (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plan's Net Pension Liability	\$ 26,795,190	\$ 15,723,785	\$ 6,583,054

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Note 8 - Defined Benefit Pension Plan (Continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

For the measurement period ending June 30, 2015 (the measurement date), the District incurred a pension expense of \$978,564 for the Plan.

As of June 30, 2015, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,682,740	\$ -
Differences between expected and actual experience	95,305	-
Changes in assumptions	-	(901,680)
Net difference between projected and actual earnings on pension plan investments	-	(452,024)
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(1,022,357)
Total	\$ 9,778,045	\$ (2,376,061)

These amounts above are net of outflows and inflows recognized in the 2014-15 measurement period expense. \$9,682,740 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 year ended June 30, 2017. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2017	\$ (1,045,754)
2018	(1,018,111)
2019	(794,679)
2020	577,788
2021	-
Thereafter	-
	\$ (2,280,756)

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
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E. Payable to the Pension Plan

At June 30, 2016, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

Note 9 - Other Postemployment Benefits

Plan Description

In accordance with the terms and conditions of the employment agreements for employees hired before January 1, 2012, the District offers postemployment healthcare benefits to eligible employees who retire on or after January 1, 2006 under CalPERS, who have reached the minimum age of 50, and have completed fifteen years of service with the District (ten years for management employees). The plan is a single-employer benefit plan. Coverage will not extend beyond a combined fifteen years for the retiree and their eligible spouse (twenty years for management employees). The years of coverage may be split between the retiree and spouse; however, the maximum coverage for a retiree may not exceed ten years, and the number of years of coverage for the spouse may not exceed the number of years of coverage for the retiree. A specific health plan provides this direct insurance coverage to retiring employees that reside in the California service area as defined by the plan. If the retiree lives outside the California service area, the District reimburses the retiree quarterly for health insurance premiums not to exceed the current premiums paid to the specific health plan.

For employees who retired on or after January 1, 1990 and prior to January 1, 2006, the District offers postemployment healthcare benefits to eligible employees for a coverage period not extending beyond 10 years and does not cover dependents.

The District pre-funds its other postemployment benefits (OPEB) with CalPERS through the California Employers' Retiree Benefits Trust (CERBT) Fund. The CERBT is a trust fund that allows public employers to pre-fund the future cost of their retiree health insurance benefits and OPEB obligations for their covered employees or retirees. Employers that elect to participate in the CERBT make contributions into the trust fund. Participating employers use investment earnings to pay for retiree health benefits, similar to the CalPERS pension trust.

The District fully funds its OPEB liability through the CERBT. For the years ended June 30, 2016 and 2015, the District was fully funded in a prepaid status (in relation to the Annual Required Contribution), and was not required to make any contributions to the CERBT.

CERBT publishes separate financial statements that conform to GASB Statement No. 43 in separately issued financial statements for the CalPERS Trust. Copies of the CalPERS' annual financial report for its OPEB Trust may be obtained from its executive office at 400 P Street, Sacramento, California 95811.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 9 - Other Postemployment Benefits (Continued)

Funding Policy and Annual OPEB Cost

The District's annual other postemployment benefit (OPEB) cost (expense) for the plan is calculated based on the "annual required contribution of the employer" (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the value of employer promised benefits expected to be earned or allocated for each fiscal year and to amortize any unfunded actuarial liabilities (or funding expense) over a period not to exceed thirty years. The District's annual OPEB cost for the current year and the related information for the plan are as follows:

	Retiree Healthcare Plan 2016	Retiree Healthcare Plan 2015
Annual required contribution	\$ 300,155	\$ 316,284
Interest on net OPEB asset	(173,526)	(172,439)
Adjustment to annual required contribution	<u>172,422</u>	<u>138,785</u>
Annual OPEB cost (expense)	299,051	282,630
Contributions made	<u>(1,951,272)</u>	<u>(391,306)</u>
Increase (decrease) in net OPEB obligation/(asset)	(1,652,221)	(108,676)
Net OPEB obligation (asset) - beginning of year	<u>(2,374,626)</u>	<u>(2,265,950)</u>
Net OPEB obligation (asset) - end of year	<u>\$ (4,026,847)</u>	<u>\$ (2,374,626)</u>

In June 2016, the District opted to make a lump sum payment of \$1,399,898 in order to pay off the unfunded portion of the District's OPEB liability.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 9 - Other Postemployment Benefits (Continued)

Funding Policy and Annual OPEB Cost (Continued)

Annual OPEB Cost includes interest and the ARC adjustment, in addition to the ARC.

In accordance with the provisions of GASB Statement No. 45, the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

	Year End	Annual OPEB Cost	Actual Contribution	Percent of OPEB Cost Contributed	Net OPEB Obligation (Asset)
Retiree Healthcare Plan	June 30, 2014	\$306,082	\$2,505,415	818.5%	(\$2,265,950)
Retiree Healthcare Plan	June 30, 2015	\$282,630	\$391,306	138.5%	(\$2,374,626)
Retiree Healthcare Plan	June 30, 2016	\$299,051	\$1,951,272	652.5%	(\$4,026,847)

Funded Status and Funding Progress

The funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets (A)	Actuarial Accrued Liability (B)	Unfunded Liability (A-B)	Funded Ratio (A/B)	Annual Covered Payroll (C)	Unfunded Liability as a % of Annual Covered Payroll [(A-B)/C]
July 1, 2011	\$1,109,493	\$3,779,819	(\$2,670,326)	29.4%	\$7,523,865	(35.5%)
July 1, 2013	\$1,238,734	\$3,574,767	(\$2,336,033)	34.7%	\$7,494,718	(31.2%)
July 1, 2015	\$3,599,740	\$4,999,638	(\$1,399,898) *	72.0%	\$7,601,853	(18.4%)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

*A \$1,399,898 prepayment was made in June 2016, subsequent to the July 1, 2015 actuarial valuation date, in order to pay off the unfunded portion of the District's actuarial accrued liability.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 9 - Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of pay
Remaining amortization period	22 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.28%
Projected salary increases	3.00%

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit with service prorated. The actuarial assumptions included a 7.28% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.5% HMO and 7.0% PPO for 2017, each declining by 0.5% per year through 2020, and a trend rate of 5.0% per year for both HMO and PPO for all years after 2020. Both rates included a 2.8% inflation assumption. The UAAL is being amortized over an initial 30 years using the level-percentage of pay method on a closed-basis. The remaining amortization period at June 30, 2015 is assumed to be 22 years. It is assumed the District's payroll will increase 3.00% per year.

Note 10 - Commitments and Contingencies

Commitments

Under terms of a 1922 contractual agreement with the United States Department of the Interior, the District and the City of Escondido are obligated to provide the first 6 cubic feet per second of the natural flow of the San Luis Rey River to the Rincon Indians. The agreement is one of those claimed to be void ab initio by the United States and the Rincon Indians in the litigation discussed below.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 10 - Commitments and Contingencies (Continued)

Commitments (Continued)

In July 2007, the District announced entry into a “settlement agreement in principle” with the City of Escondido (Escondido) and the Indian bands. Per the terms of the “settlement agreement in principle”, the Rincon Band would continue to receive its historic entitlement of water, but now quantified as a right to 2,900 acre-feet per year, on average, adjusted by annual hydrologic conditions. Following are the provisions of the “settlement agreement in principle”:

1. Allocation of Local Water and Supplemental Water

- a) The Rincon Band shall receive its historic right to the first 6 cubic feet per second of the natural flow of the San Luis Rey River (local water). The District and Escondido shall have the right to use the remaining local water, subject to the right of the Bands to divert and use local water through an acre foot for acre foot exchange with supplemental water.
- b) The Indian Water Authority (an intertribal entity established by the Bands) shall be entitled to the benefit of the 16,000 acre feet of supplemental water provided by the Settlement Act. The Indian Water Authority may exchange supplemental water for local water.

2. Financial Obligations

- a) The Indian Water Authority is responsible for all costs associated with obtaining supplemental water. The District and Escondido are responsible for all costs associated with maintaining and operating the local water system, including the cost of a proposed canal undergrounding on the San Pasqual Indian Reservation (currently estimated to cost \$30 million). The cost of the proposed undergrounding project will be divided evenly between the District and Escondido.
- b) In return for the Bands’ and the United States’ agreement that the Settlement shall be an entire agreement, and no obligations among the parties from the 1894, 1914, and 1922 contracts shall endure, there shall be no annual charges paid by the District or Escondido for the use of tribal lands, and all liability among the parties shall be waived prior to the effective date of the Settlement Agreement. The District and Escondido agree to each pay the Indian Water Authority \$3.85 million on October 1, 2008. This amount can be paid either as a lump sum, or paid over the next 20 years at 5% interest, or paid over 20 years, delayed for 5 years, at 6% interest. Any payment may be prepaid without a prepayment penalty.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 10 - Commitments and Contingencies (Continued)

Commitments (Continued)

- c) The Rincon Band's revised entitlement to local water is estimated to cost the District approximately \$290,000 annually, based on the current cost of imported water and the assumption that the new formulation of the Rincon entitlement will result in the District purchasing additional imported water.

On September 30, 2008, the negotiators for the District, the Bands and Escondido announced a Settlement Agreement regarding the water rights issues. The provisions of the Settlement Agreement are essentially the same as those of the "settlement agreement in principle" announced in July, 2007 as mentioned above.

However, in order for the Agreement to take effect, the following conditions are necessary: (i) the Agreement must be executed by all of the parties; (ii) the Agreement must be approved by the United States District Court for the Southern District of California after the Court has ascertained in open court and on the record that all parties understand and agree with the terms of the Agreement and represent that: (a) the Settlement was entered into in good faith, and this Agreement provides fair and reasonable terms for the use of Local and Supplemental Water by the Parties and for financial and other consideration among the Parties, and (b) that all Parties understand and agree with the terms of this Agreement and represent that they have received adequate legal representation in reaching that conclusion; (iii) a stipulated judgment of dismissal or other appropriate final disposition has been entered in the litigation involving the City of Escondido and Vista Irrigation District (Local Entities), the United States, and the Bands in all of the proceedings among the parties pending in United States District Court for the Southern District of California and the Federal Energy Regulatory Commission (FERC); (iv) FERC has issued the Conduit Exemption License and has approved the Surrender Application; (v) the Secretary of the Interior has issued all necessary rights-of-way for the Local Water System in accordance with section 109(b) of the Settlement Act; and (vi) all applicable appeal periods have expired. The date when all these conditions have been satisfied shall be the effective date of the Agreement.

The District's legal counsel and management are unable to opine upon the length of time it will take to resolve the matter and obtain all required approvals for a final settlement agreement.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 10 - Commitments and Contingencies (Continued)

Litigation

Several bands of Indians have claimed the rights to certain water now utilized by the District, substantial actual and punitive damages, and the invalidation of certain contracts. Actions on those claims naming the District as a defendant have been filed in the United States District Court by the bands and by the United States, in its own right and on behalf of the bands. Legislation authorizing the settlement of the Indian water rights dispute was enacted on November 17, 1988, as the "San Luis Rey Indian Water Rights Settlement Act". This legislation authorizes the parties to the dispute to enter into a settlement agreement and establishes a trust fund in the amount of \$30,000,000. Implementation of this legislation is pending development of a 16,000 acre foot per year supplemental water supply and negotiation of the precise terms of the settlement agreement. In October 2000, the source of the 16,000 acre foot supplemental water supply was identified as a portion of the water conserved from the lining of the All-American Canal and the Coachella Branch of the All-American Canal. Commencing in about January 2007, the settlement parties began obtaining 4,500 acre feet of water annually from the completed Coachella Branch Canal Lining Project. Construction of the lining of the All-American Canal (which produces the remaining 11,500 acre feet) was completed in 2010.

The District's legal counsel and management are unable to opine upon the ultimate outcome of the above matters. The Settlement Agreement summarizes some of the major proposed terms of agreement among the parties.

Discussions have continued on a long-standing dispute between the District and the City of Escondido (successor to Escondido Mutual Water Company) over the calculations and allocations between the two entities of natural flow of the San Luis Rey River. Management's opinion is that this matter will be resolved concurrently with the dispute with the Indian bands by adhering to the settlement rubric outlined in the July 2007 "settlement agreement in principle."

The District has been named as defendant in various other legal actions. In the opinion of management and legal counsel, it is too early to determine the outcome and effect on the District's financial position.

**VISTA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015)**

Note 11 – Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 5, 2016, the date the financial statements were available to be issued.

**VISTA IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

**Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and
Related Ratios as of the Measurement Date**

Last 10 Years*

	Measurement Date <u>6/30/2015</u>	Measurement Date <u>6/30/2014</u>
Plan's Proportion of the Net Pension Liability ¹	0.22908%	0.21738%
Plan's Proportionate Share of the Net Pension Liability	\$ 15,723,785	\$ 13,526,753
Plan's Covered-Employee Payroll ²	\$ 7,473,687	\$ 7,494,718
Plan's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	210.39%	180.48%
Plan's Proportionate Share of the Fiduciary Net Position as a percentage of the Plan's Total Pension Liability	80.66%	83.03%
Plan's Proportionate Share of Aggregate Employer Contributions ³	\$ 1,487,007	\$ 1,789,539

¹ Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

² Covered-Employee Payroll represented above is based on the total payroll of employees that are provided pensions through the pension plan in accordance with GASB 68.

³ The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the Measurement Period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net positions, as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

* Measurement period 2013-14 (fiscal year 2015) was the first year of implementation.

**VISTA IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

Schedule of Plan Contributions
Last 10 Years*

	Fiscal Year End 2016	Fiscal Year End 2015
Actuarially Determined Contribution	\$ 1,924,128	\$ 1,488,966
Contributions in Relation to the Actuarially Determined Contribution	<u>(9,682,740)</u>	<u>(1,488,966)</u>
Contribution Deficiency (Excess)	<u>\$ (7,758,612)</u>	<u>\$ -</u>
Covered-Employee Payroll ¹	\$ 7,601,853	\$ 7,473,687
Contributions as a Percentage of Covered-Employee Payroll	127.37%	19.92%

¹ Covered-Employee Payroll represented above is based on the total payroll of employees that are provided pensions through the pension plan in accordance with GASB 68.

* Measurement period 2013-14 (fiscal year 2015) was the first year of implementation.



Statistical Section

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STATISTICAL SECTION

This part of the Vista Irrigation District’s (the “District”) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

CONTENTS	PAGE
Financial Trends	49
<i>These schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.</i>	
Revenue Capacity	51
<i>These schedules contain information to help the reader access the District’s most significant local revenue source.</i>	
Demographic and Economic Information	55
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place.</i>	
Operating Information	57
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the services the District provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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Table I
NET POSITION BY COMPONENT
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net Position					
Net investment in capital assets	\$ 84,550,252	\$ 82,551,852	\$ 81,758,263	\$ 83,082,019	\$ 82,359,487
Unrestricted	21,630,198	19,724,448	31,251,239	24,015,914	17,912,540
Total Net Position	<u>\$ 106,180,450</u>	<u>\$ 102,276,300</u>	<u>\$ 113,009,502</u>	<u>\$ 107,097,933</u>	<u>\$ 100,272,027</u>

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net Position					
Net investment in capital assets	\$ 82,216,322	\$ 80,952,196	\$ 78,971,219	\$ 78,227,737	\$ 74,880,933
Unrestricted	13,013,133	15,834,495	15,163,715	15,374,171	22,659,076
Total Net Position	<u>\$ 95,229,455</u>	<u>\$ 96,786,691</u>	<u>\$ 94,134,934</u>	<u>\$ 93,601,908</u>	<u>\$ 97,540,009</u>

Source: Vista Irrigation District

Table II
CHANGES IN NET POSITION
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Revenues:										
Water sales	\$ 41,193,157	\$ 44,594,810	\$ 46,858,642	\$ 44,675,640	\$ 38,929,306	\$ 36,935,147	\$ 35,112,935	\$ 30,785,729	\$ 30,158,938	\$ 29,112,733
Property rentals	718,075	738,767	705,845	666,495	475,148	740,341	546,448	556,131	505,513	342,836
Other services	657,891	428,667	454,842	206,602	285,692	282,608	342,551	244,894	522,448	598,243
System fees	622,039	853,041	667,311	228,954	297,553	332,643	94,243	130,683	354,184	879,943
Total operating revenues	43,191,162	46,615,285	48,686,640	45,777,691	39,987,699	38,290,739	36,096,177	31,717,437	31,541,083	30,933,755
Operating Expenses:										
Purchased water	18,721,053	19,235,486	21,351,934	19,438,447	14,767,680	11,705,489	13,956,299	11,978,556	13,814,124	12,426,903
Wages and benefits	11,870,598	12,298,801	12,026,730	11,902,693	12,223,638	13,207,539	12,540,325	12,374,900	12,151,999	11,180,783
Depreciation	2,581,311	3,363,263	3,222,382	3,122,974	3,022,459	2,967,954	2,893,214	2,839,422	2,731,596	2,577,112
Contractual services	4,125,191	3,827,299	3,932,249	3,551,800	3,554,268	3,228,825	2,592,296	2,721,679	2,650,631	2,870,002
Supplies	1,396,166	1,309,636	1,369,388	969,997	1,078,481	1,025,154	956,271	1,107,503	1,226,572	1,115,256
Professional fees	700,489	658,616	634,801	799,509	831,775	730,715	822,454	709,350	911,761	435,822
Power	656,238	662,164	603,100	735,024	434,811	536,753	575,442	732,570	737,235	302,994
Office and general	489,547	488,237	445,363	477,700	422,474	419,434	515,170	549,509	659,782	574,360
Insurance	531,811	489,023	476,242	407,580	363,291	332,528	291,909	257,289	266,362	279,861
Uncollectible accounts	-	-	60,389	54,046	72,180	80,472	125,418	125,851	83,509	59,483
Communications	49,845	55,126	57,814	61,278	72,668	83,428	68,200	64,225	68,093	65,675
Burden allocation	(1,255,779)	(945,126)	(947,821)	(934,908)	(1,074,815)	(932,041)	(1,277,798)	(1,045,086)	(938,878)	(879,541)
Total operating expenses	39,866,470	41,442,325	43,232,571	40,586,140	35,768,910	33,386,250	34,059,200	32,415,768	34,362,786	31,008,710
Operating Income (Loss)	3,324,692	5,172,960	5,454,069	5,191,551	4,218,789	4,904,489	2,036,977	(698,331)	(2,821,703)	(74,955)
Nonoperating Revenues (Expenses):										
Property taxes	384,960	381,843	443,255	387,889	313,008	305,985	367,482	340,351	348,561	327,361
Investment income	129,591	63,423	45,451	53,471	47,225	79,800	76,377	359,773	886,671	1,192,890
Gain (Loss) on disposal of capital assets	(16,209)	30,557	(3,819)	9,414	(6,235)	(22,426)	(53,133)	7,339	-	-
Interest Expense	-	-	-	-	-	-	(192,500)	(144,375)	-	-
Federal and state assistance	-	42,810	-	64,015	-	578	-	-	-	17,081
Legal settlement	(83,905)	(55,173)	(94,732)	(57,090)	(83,096)	231,600	-	-	(3,850,000)	-
Total Nonoperating Revenues (Expenses)	414,437	463,460	390,155	457,699	270,902	595,537	198,226	563,088	(2,614,768)	1,537,332
Income (Loss) Before Contributed Capital	3,739,129	5,636,420	5,844,224	5,649,250	4,489,691	5,500,026	2,235,203	(135,243)	(5,436,471)	1,462,377
Contributed Capital	165,021	499,911	67,345	1,176,656	552,861	1,174,858	416,554	668,269	1,498,370	1,070,725
Change in net position	3,904,150	6,136,331	5,911,569	6,825,906	5,042,572	6,674,884	2,651,757	533,026	(3,938,101)	2,533,102
Net Position, beginning of year	102,276,300	113,009,502	107,097,933	100,272,027	95,229,455	96,786,691	94,134,934	93,601,908	97,540,009	95,006,907
Prior Period Adjustment	-	(16,869,533)	-	-	-	(8,232,120)	-	-	-	-
Net Position, end of year	\$106,180,450	\$102,276,300	\$ 113,009,502	\$ 107,097,933	\$ 100,272,027	\$ 95,229,455	\$ 96,786,691	\$ 94,134,934	\$ 93,601,908	\$ 97,540,009

Source: Vista Irrigation District

Table III
WATER SALES BY USER TYPE
Last Ten Fiscal Years

Fiscal Year Ended	<u>Residential</u>		<u>Commercial/Industrial</u>		<u>Irrigation</u>		<u>Agricultural</u>		<u>Governmental</u>		Average Rate
	<u>Value</u>	<u>Acre Feet</u>	<u>Value</u>	<u>Acre Feet</u>	<u>Value</u>	<u>Acre Feet</u>	<u>Value</u>	<u>Acre Feet</u>	<u>Value</u>	<u>Acre Feet</u>	
2016	\$17,679,019	10,153.3	\$3,037,823	1,681.5	\$2,562,469	1,389.9	\$1,588,646	882.3	\$477,063	268.1	\$1,763
2015	\$20,141,952	11,900.4	\$3,214,629	1,866.1	\$3,377,886	1,954.8	\$1,646,475	954.0	\$766,433	441.3	\$1,703
2014	\$21,671,513	13,079.4	\$3,275,725	1,945.6	\$3,835,833	2,287.1	\$1,810,450	1,075.1	\$1,276,974	740.5	\$1,666
2013	\$20,750,003	13,114.2	\$3,144,742	1,953.8	\$3,384,426	2,098.8	\$1,665,459	1,031.2	\$1,159,166	706.4	\$1,592
2012	\$17,831,592	12,190.5	\$2,677,141	1,796.0	\$2,561,020	1,728.2	\$1,405,719	938.3	\$897,168	588.3	\$1,472
2011	\$16,593,101	12,386.3	\$2,597,904	1,863.5	\$2,402,331	1,725.8	\$1,416,245	994.9	\$915,714	619.4	\$1,360
2010	\$15,409,252	12,922.8	\$2,376,951	1,891.1	\$2,081,667	1,719.8	\$1,343,192	1,075.2	\$858,695	663.7	\$1,208
2009	\$13,721,293	14,279.2	\$2,062,765	2,137.1	\$2,102,655	2,201.1	\$1,356,949	1,473.6	\$746,221	775.0	\$958
2008	\$13,422,143	15,037.8	\$2,045,280	2,274.3	\$2,081,908	2,346.4	\$1,640,548	1,936.8	\$684,716	766.9	\$897
2007	\$12,730,608	15,228.0	\$1,919,874	2,296.5	\$1,912,768	2,288.0	\$1,763,040	2,108.9	\$623,489	745.8	\$836

Source: Vista Irrigation District

Table IV
SERVICE CONNECTIONS
Last Ten Fiscal Years

<u>Fiscal Year Ended</u>	<u>Residential</u>	<u>Commercial/Industrial</u>	<u>Irrigation</u>	<u>Agricultural</u>	<u>Fire Service</u>	<u>Governmental</u>	<u>Total</u>
2016	24,036	1,587	918	574	1,237	91	28,443
2015	24,191	1,606	914	586	1,236	92	28,625
2014	24,191	1,608	897	562	1,228	94	28,580
2013	24,048	1,601	889	567	1,218	92	28,415
2012	24,061	1,603	887	555	1,211	92	28,409
2011	23,974	1,630	877	557	1,183	92	28,313
2010	23,958	1,647	864	568	1,177	91	28,305
2009	23,982	1,597	838	573	1,138	90	28,218
2008	23,778	1,614	825	740	1,111	84	28,152
2007	23,592	1,620	816	753	1,011	80	27,872

Source: Vista Irrigation District

Table V
WATER RATES
Last Ten Fiscal Years

Fiscal Year Ended	VID Commodity Charge per HCF*				Monthly ¾" Meter Charge
	Domestic - Tier 1	Domestic - Tier 2	Domestic - Tier 3	Agricultural	
2016**	\$4.04	\$4.58	\$4.58	\$4.36	\$35.85
2015**	\$3.73	\$4.27	\$4.27	\$4.05	\$33.67
2014**	\$3.61	\$4.15	\$4.15	\$3.93	\$32.85
2013**	\$3.52	\$4.06	\$4.06	\$3.84	\$31.87
2012**	\$3.29	\$3.83	\$3.83	\$3.61	\$30.04
2011**	\$3.01	\$3.55	\$3.55	\$3.33	\$29.30
2010***	\$2.69	\$3.23	\$4.37	\$3.01	\$29.30
2009	\$2.34	NA	NA	\$2.00	\$23.70
2008	\$2.14	NA	NA	\$1.80	\$22.70
2007	\$1.98	NA	NA	\$1.64	\$21.40

* HCF = One Hundred Cubic Feet

** The tier 3 rate is only imposed during times of water delivery cutbacks stipulated by the San Diego County Water Authority. When no water delivery cutbacks are imposed by the Water Authority, Tier 3 usage is billed at the Tier 2 rate.

*** Tiered rate structure implemented 9/1/2009

Source: Vista Irrigation District

Table VI
PRINCIPAL WATER CUSTOMERS
Current Fiscal Year and Nine Years Prior

<u>Fiscal Year ended June 30, 2016</u>			<u>Fiscal Year ended June 30, 2007</u>		
<u>Customer</u>	<u>Usage in Acre Feet</u>	<u>Percent of Water Sold</u>	<u>Customer</u>	<u>Usage in Acre Feet</u>	<u>Percent of Water Sold</u>
Courthouse	86.3	0.60%	Golf Course	333.6	1.47%
Industrial	61.3	0.42%	Courthouse	115.4	0.51%
Industrial	58.1	0.40%	Agriculture	57.5	0.25%
Mobile Home Park	39.4	0.27%	Industrial	55.9	0.25%
Agriculture	37.8	0.26%	Agriculture	49.8	0.22%
Apartments	36.0	0.25%	Agriculture	45.6	0.20%
Mobile Home Park	33.4	0.23%	Convalescent	42.3	0.19%
Mobile Home Park	32.1	0.22%	Mobile Home Park	40.4	0.18%
High School	30.8	0.21%	Commercial	39.1	0.17%
Agriculture	27.4	0.19%	Industrial	39.0	0.17%
Total Top Ten Customers	<u>442.6</u>	<u>3.07%</u>	Total Top Ten Customers	<u>818.6</u>	<u>3.61%</u>
Other Customers	<u>13,989.5</u>	<u>96.93%</u>	Other Customers	<u>21,826.2</u>	<u>96.39%</u>
Total Water Sales	<u><u>14,432.1</u></u>	<u><u>100.00%</u></u>	Total Water Sales	<u><u>22,644.8</u></u>	<u><u>100.00%</u></u>

Source: Vista Irrigation District

**Table VII
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

Year	Total Population	Average Household Size	Unemployment Rate*	Per Capita Personal Income*	Total Personal Income (1)
2007	121,602	3.07	5.1%	\$38,730	\$4,710,000
2008	122,677	3.10	6.7%	\$39,520	\$4,847,900
2009	123,312	3.11	10.7%	\$38,360	\$4,730,100
2010	124,569	3.12	11.8%	\$38,030	\$4,737,000
2011	126,533	3.12	11.2%	\$38,250	\$4,839,400
2012	126,891	3.12	9.9%	\$38,420	\$4,875,400
2013	128,185	3.13	8.4%	\$38,620	\$4,951,000
2014	128,424	3.13	5.7%	\$39,170	\$5,030,200
2015	128,667	3.13	4.6%	\$39,870	\$5,129,700
2016	129,353	3.14	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>

* NOTE: Values in *italics* text are for the City of Vista. All other values are for the Vista Irrigation District.

** NOTE: Data for the current year is not yet available.

(1) Amounts presented may vary from the prior year's report due to inflation adjustments.

Source: SANDAG

Table VIII
Principal Employers – County of San Diego
Current Fiscal Year and Nine Years Prior

Fiscal Year Ended June 30, 2016 ⁽¹⁾			Fiscal Year Ended June 30, 2007 ⁽²⁾		
Employer Name	Industry	No. of Employees	Employer Name	Industry	No. of Employees
University of California, San Diego	Education	10,000+	City of San Diego	Government	10,000+
County of San Diego	Government	10,000+	County of San Diego	Government	10,000+
United States Navy, San Diego	Government - Military	10,000+	San Diego Unified School District	Education	10,000+
City of San Diego	Government	10,000+	Sharp Healthcare	Education	10,000+
San Diego Unified School District	Education	10,000+	United States Gov't 32 nd Street Naval Sta.	Government – National Security	10,000+
Sharp Healthcare	Healthcare	10,000+	United States Gov't North Island NAS	Government – National Security	10,000+
Scripps Healthcare	Healthcare	10,000+	Kaiser Permanente	Healthcare	5,000-9,999
Qualcomm, Inc.	Technology	5,000-9,999	San Diego Naval Medical Center	Healthcare	5,000-9,999
Kaiser Medical Center	Healthcare	5,000-9,999	Goodrich Aerospace	Aerospace	1,000-4,999
San Diego State University	Education	5,000-9,999	Kyocera Wireless Corp	Telecommunications	1,000-4,999

Source: ¹ San Diego's Top 10 Employers www.sandiegostop10.com

²Employment Development Department Website

Table IX
NUMBER OF EMPLOYEES
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Employees	87	88	84	90	94	94	101	104	103	100
Average Years of Service	12.0	11.6	11.9	11.7	11.8	11.1	10.4	10.4	11.4	11.2

Source: Vista Irrigation District

Table X
OPERATING AND CAPITAL INDICATORS
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Service Area (acres)*	21,160	21,160	21,200	21,200	21,200	21,200	21,200	21,200	21,200	19,800
Miles of water main (4" and larger)	473	473	473	473	471	470	470	469	469	466
Number of enclosed reservoirs	12	12	12	12	12	12	12	14	14	14
Capacity of enclosed reservoirs (acre feet)	141	142	142	142	142	142	142	147	147	147
Number of open reservoirs	1	1	1	1	1	1	1	1	1	1
Capacity of open reservoirs (acre feet)	51,774	51,774	51,774	51,774	51,774	51,774	51,774	51,774	51,774	51,774
Number of pump stations	7	7	7	7	7	7	8	8	8	8
Number of pumps	18	18	18	18	18	18	19	19	19	19
Total capacity of pumps (horsepower)	1,045	1,045	1,045	1,045	1,055	1,055	1,075	1,110	1,110	1,110
Number of service connections	28,443	28,649	28,609	28,435	28,435	28,314	28,305	28,255	28,152	27,872
Number of meters in service	27,999	28,341	28,272	28,208	28,149	28,028	27,974	27,896	27,770	27,062
Production peak (million gallons per day)	20	24	32	28	26	27	31	31	37	42
Average production (million gallons per day)	14	16	18	18	17	16	19	20	21	21
Total rainfall (inches) - Lake Henshaw	21	16	13	14	20	36	33	19	30	9
Total rainfall (inches) - Vista	11	8	5	9	11	25	18	13	15	8
Average daily temperature (F) - Lake Henshaw	59	60	60	57	55	55	56	58	58	59
Average daily temperature (F) - Vista	64	64	63	62	61	61	67	64	64	60
Electricity purchased (1,000 kWh) - Service Area	1,081	1,094	1,078	1,244	1,123	1,719	1,768	1,590	1,804	1,860
Electricity purchased (1,000 kWh) - Lake Henshaw	3,176	3,352	3,310	3,800	1,315	2,178	3,178	3,841	4,100	1,475
Natural gas purchased	5,970	5,573	5,777	6,500	6,990	5,379	5,928	8,792	9,674	9,107
Mainline repairs	29	33	32	41	40	47	20	21	25	22

*In 2007, service area measurement only included parcel acreage. Beginning in 2008, service area figures included parcel and right-of-way acreage, increasing the number of service area acres.

Source: Vista Irrigation District