VISTA IRRIGATION DISTRICT

2017

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2017

Prepared by:

The Finance Department
Marlene Kelleher, Finance Manager

Vista Irrigation District - Vista, CA

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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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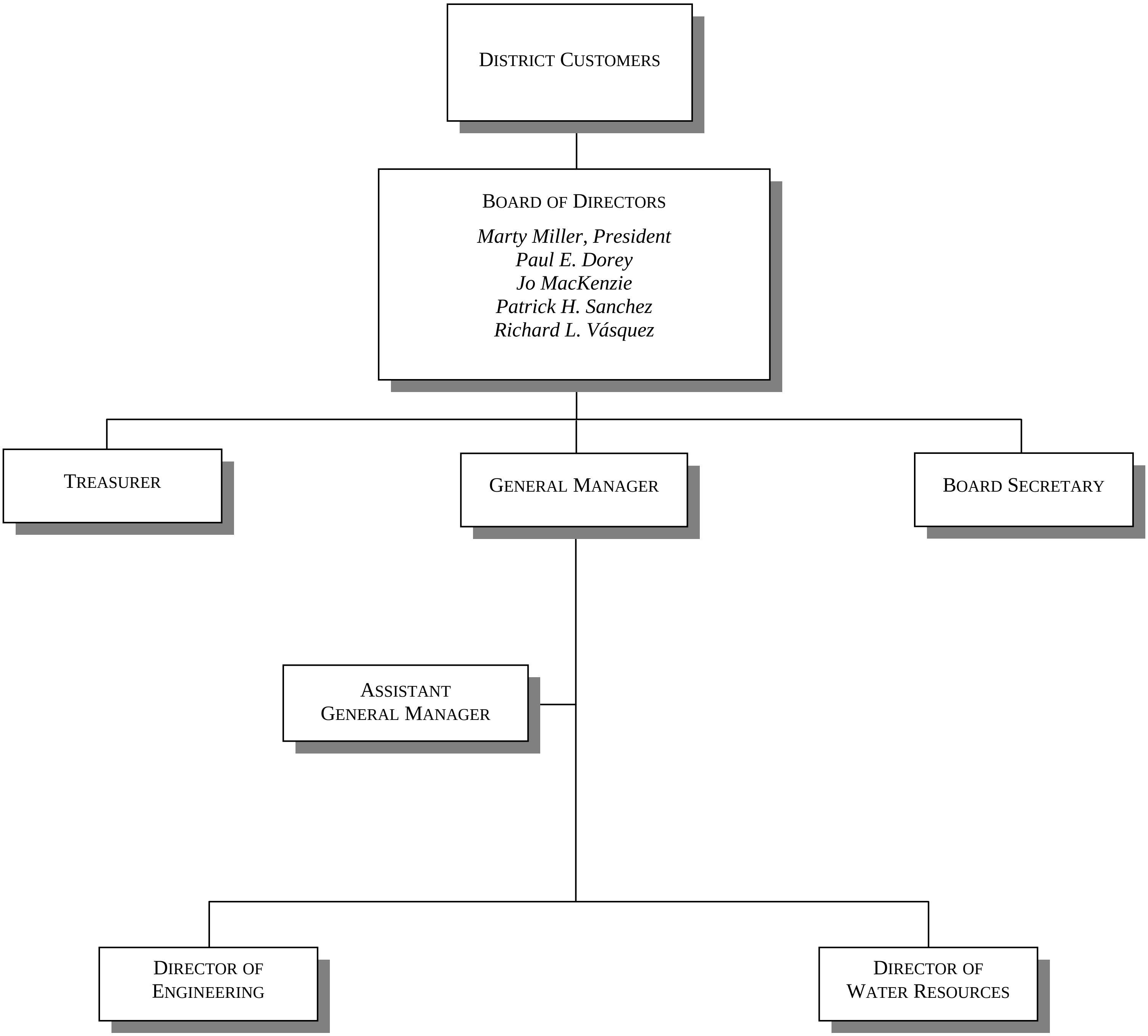
Introductory Section

Organization Chart



VISTA IRRIGATION DISTRICT

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December 12, 2017

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, 2017. 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, 2017, 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, 2017, 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 89 under the direction of the Board-appointed General Manager.

Water Services
The District serves more than 28,600 customers. Typically, thirty percent of the District's water comes from its local water supply, Lake Henshaw, and seventy percent comes from three imported water sources, the Colorado River, the Pacific Ocean (desalination), and the Sacramento River/San Joaquin River Delta in Northern California. The District currently delivers approximately 15,300 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 permitted capacity of 75 MGD and treats raw water before it is delivered to customers.

Local Economy

District Economic Results
The estimated population of the District is 133,286 as of fiscal year 2017. 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 33.7 years and the median household income of residents in the City of Vista, which encompasses the majority of the District, was $45,981. From 2007 to 2017 the population increased 9.6%, and median household income (adjusted for inflation) increased by 21.4%.

The demand for new connections increased, with the District's total service connections increasing in fiscal year 2017 from 28,478 connections to 28,622. Water sales for fiscal year 2017 were 15,335 acre feet, up 1,091 acre feet or 7.7% from sales of 14,244 in fiscal year 2016. Of the 15,355 acre feet, or 5.0 billion gallons sold in fiscal year 2017, 70% was distributed for residential use, 11% for industrial and commercial use, 11% 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.

MWD Lawsuit

The SDCWA has filed lawsuits against MWD claiming that their rates violate cost-of-service requirements of California law. The central issue in the litigation related to MWD including in its transportation and wheeling rates the transportation costs it incurs to move SDCWA's Colorado River supplies. The Court of Appeal overturned a lower court's finding, upholding the rates as valid. SDCWA's appeal of the Court of Appeal's ruling was denied by the California Supreme Court in September 2017.

SDCWA won other claims against MWD including that MWD must pay SDCWA for Water Stewardship charges added to the transportation rates charged from 2011 to 2014. The final amount of damages will be determined by the trial court on remand. The court also determined that MWD did not properly calculate SDCWA's water right to MWD's water supply and indicated that a contract clause relating to receiving funding associated with local water supply projects in San Diego County must be removed.

SDCWA's Board of Directors has determined that any money returned to them will be refunded to its member agencies, including the District, in proportion to their payment of MWD's overcharges over the years in dispute, after deducting any litigation expenses that are not recovered. At this point, VID is unable to determine the amount, if any, that would be returned to the District.

SDCWA has two additional cases challenging MWD's rates from 2015 to 2018 that have been stayed in Superior Court while the appellate proceeding were ongoing and are now expected to move forward again.

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 $23.9 million to the program which has allowed the replacement of nearly 30.1 miles of older pipe ranging in size from 4 to 20 inches. The Board approved another $4.5 million for this program as part of the capital improvement program for fiscal year 2018.

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, 2016. 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, 2016

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 years ended June 30, 2017 and 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 audits. 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Offices located in Orange and San Diego Counties

Opinion

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, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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

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 the Plan's Net Pension Liability and Related Ratios as of the Measurement Date, and the Schedule of Plan 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 as identified in the accompanying table of contents, are presented for purposes of additional analysis and are 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 12, 2017, 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 the District's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Carlsbad, California
December 12, 2017

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VISTA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 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, 2017. Please read it in conjunction with the District's financial statements which begin on page 10. 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.

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 increased 9.7%, while operating expenses increased 15.7%.

- The District realized a $1.3 million operating gain during the current fiscal year primarily due to increased water sales and higher water rates. Costs of purchased water were higher in the current year, due to more imported water activity, as a result of decreased availability of local water.

- Contributed capital increased $1.1 million due to the completion of five capital contribution jobs in the current year, as compared to three in the prior year.

- The District made a $4.4 million payment of Claims Payable to the Indian Water Authority, in accordance with the Settlement Agreement which was finalized in May 2017. See Note 10 – Commitments and Contingencies for further information.

Financial Analysis of the District

Net Position - The District's overall net position increased $2.9 million between fiscal years 2016 and 2017, from $106.2 to $109.1 million. The District's overall net position increased $3.9 million between fiscal years 2015 and 2016, from $102.3 to $106.2 million. During fiscal year 2016, cash and cash equivalents decreased $8.3 million primarily due to a $7.8 million prepayment of the PERS unfunded liability, and a $1.4 million prepayment of the OPEB unfunded liability. The net investment in capital assets increased $5.4 million in 2017 which reflects the excess of net capital additions over the current year depreciation and dispositions.

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

	2017	2016	2015
Current assets	$ 33.8	$ 37.5	45.4
Capital assets	89.9	84.6	82.5
Long-term prepaid expenses	4.3	4.0	2.4
Total Assets	128.0	126.1	130.3
Deferred outflows of resources	5.2	9.8	1.5
Current liabilities	8.9	6.3	6.8
Noncurrent liabilities	13.9	21.0	17.8
Total Liabilities	22.8	27.3	24.6
Deferred inflows of resources	1.3	2.4	4.9
Net Position:			
Net investment in capital assets	89.9	84.6	82.6
Unrestricted	19.2	21.6	19.7
Total Net Position	$ 109.1	$ 106.2	102.3

Change in Net Position – In fiscal year 2017, the District's operating revenues increased by 9.7% to \$47.4 million, and 94.8% of the District's operating revenues came from water sales. The increase in operating revenues resulted primarily due to increased water sales and higher water rates. In fiscal year 2016, the District's operating revenues decreased by 7.3% to \$43.2 million, and 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.

During fiscal year 2017, the District's operating expenses increased 15.7% to \$46.1 million primarily due to an increase in purchased water expenses, as a result of increased purchases and higher water rates. In addition, there was an increase in pension expense, as a result of GASB 68 valuations, and the annual payment of the PERS unfunded liability. During fiscal year 2016, 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 a change in useful lives implemented during that year, and a decrease in wages and benefits expenses.

The District's contributed capital increased from \$0.2 million to \$1.2 million in fiscal year 2017, due to more capital contribution jobs completed in the current year.

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

	2017	2016	2015
Operating Revenues			
Water sales, net	$ 44.9	$ 41.2	$ 44.6
System fees	1.0	0.6	0.9
Property rentals	0.8	0.7	0.7
Other services	0.7	0.7	0.4
Total Operating Revenues	47.4	43.2	46.6
Operating Expenses	46.1	39.9	41.4
Operating Income	1.3	3.3	5.2
Nonoperating Revenues (Expenses)			
Property taxes	0.4	0.4	0.4
Investment income	0.2	0.1	0.1
Legal settlement	(0.1)	(0.1)	(0.1)
Loss on disposal of capital assets	(0.1)	-	-
Total Nonoperating Revenues	0.4	0.4	0.4
Contributed Capital	1.2	0.2	0.5
Changes in Net Position	2.9	3.9	6.1
Total Net Position - beginning	106.2	102.3	96.2
Total Net Position - ending	$ 109.1	$ 106.2	$ 102.3

Capital Assets

At June 30, 2017, the District had invested $175.6 million in capital assets with $85.7 million in accumulated depreciation. Net capital assets increased $5.4 million as a result of capital acquisitions exceeding the annual depreciation and dispositions. During the year the District added $8.3 million of capital assets. The largest capital additions were $2.9 million in costs for several mainline replacement projects, $2.0 million for flume relocation, $2.0 million for reservoir rehabilitation, and $0.6 million for water treatment plant construction costs. This year's capital reductions included filtration plant assets, vehicles, replacement/disposals of pipelines, reservoir-related assets, SCADA and other equipment with a total historical cost of $1.3 million. Depreciation for the year was $2.7 million.

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. The capital reductions for that year 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)

	2017	2016	2015
Land, franchises and water rights	$ 6.0	$ 6.0	$ 6.0
Buildings, canals, pipelines, reservoirs and dams	76.1	73.9	73.6
Equipment	1.8	1.6	1.2
Henshaw pumping project	0.4	0.4	0.4
Construction in progress	5.6	2.7	1.3
Total Capital Assets, Net	$ 89.9	$ 84.6	$ 82.5

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, 2017 and 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, 2017 AND 2016

	2017	2016
Assets		
Current Assets:		
Cash and cash equivalents (notes 1 and 2)	$ 7,959,960	$ 9,860,788
Investments (notes 1 and 2)	17,893,733	19,464,400
Accounts receivable, net (notes 1 and 3)	7,038,468	7,322,618
Taxes receivable	36,345	38,701
Accrued interest receivable	9,099	12,755
Inventories of materials and supplies	518,533	443,284
Prepaid expenses and other current assets	349,949	315,552
Total Current Assets	33,806,087	37,458,098
Noncurrent Assets:		
Capital assets: (notes 1 and 4)		
Depreciable assets, net of accumulated depreciation:		
Buildings, canals, pipelines, reservoirs and dams	76,094,593	73,835,413
Equipment	1,824,660	1,585,894
Henshaw pumping project	390,914	432,342
Nondepreciable assets:		
Land, franchises and water rights	6,001,127	6,001,127
Construction in progress	5,613,539	2,695,476
Total capital assets	89,924,833	84,550,252
Long-term prepaid expenses (note 9)	4,236,388	4,026,847
Total Noncurrent Assets	94,161,221	88,577,099
Total Assets	127,967,308	126,035,197
Deferred Outflows of Resources		
Pension related (notes 1 and 8)	5,196,486	9,778,045
Total Deferred Outflows of Resources	5,196,486	9,778,045

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

(Continued)

VISTA IRRIGATION DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
Liabilities		
Current Liabilities:		
Accounts payable (note 5)	$ 7,141,890	$ 4,746,416
Deposits	634,234	613,318
Compensated absences, current portion	403,445	382,428
Accrued expenses and other liabilities	680,436	499,273
Total Current Liabilities	8,860,005	6,241,435
Noncurrent Liabilities:		
Claims payable (note 6)	-	4,329,271
Compensated absences, long-term portion	1,029,729	962,240
Net pension liability (notes 1 and 8)	12,926,266	15,723,785
Total Noncurrent Liabilities	13,955,995	21,015,296
Total Liabilities	22,816,000	27,256,731
Deferred Inflows of Resources		
Pension related (notes 1 and 8)	1,254,912	2,376,061
Total Deferred Inflows of Resources	1,254,912	2,376,061
Net Position		
Investment in capital assets	89,924,833	84,550,252
Unrestricted (notes 7 and 11)	19,168,049	21,630,198
Total Net Position	$ 109,092,882	$ 106,180,450

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 YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Operating Revenues		
Water sales, net (notes 1 and 3)	$ 44,934,557	$ 41,193,157
System fees	1,029,580	622,039
Property rentals	770,023	718,075
Other services	645,880	657,891
Total Operating Revenues	47,380,040	43,191,162
Operating Expenses		
Purchased water	23,826,729	18,721,053
Wages and benefits	13,492,353	11,870,598
Contractual services	3,495,060	4,125,191
Depreciation	2,719,379	2,581,311
Supplies	1,450,699	1,396,166
Professional fees	949,374	700,489
Insurance	535,788	531,811
Power	525,897	656,238
Office and general	481,697	489,547
Communications	56,779	49,845
Burden allocation	(1,422,130)	(1,255,779)
Total Operating Expenses	46,111,625	39,866,470
Operating Income	1,268,415	3,324,692
Nonoperating Revenues (Expenses)		
Property taxes	423,469	384,960
Investment income	168,777	129,591
Legal settlement	(66,961)	(83,905)
Loss on disposal of capital assets	(139,088)	(16,209)
Total Nonoperating Revenues	386,197	414,437
Income Before Contributed Capital	1,654,612	3,739,129
Contributed Capital	1,257,820	165,021
Changes in Net Position	2,912,432	3,904,150
Total Net Position - beginning	106,180,450	102,276,300
Total Net Position - ending	$ 109,092,882	$ 106,180,450

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

VISTA IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities		
Receipts from customers	$ 47,664,190	$ 42,826,571
Payments to suppliers	(32,676,969)	(39,320,532)
Payments to employees	(7,706,430)	(7,830,931)
Collection of deposits	1,961,571	877,561
Return of deposits	(1,940,655)	(990,875)
Net Cash Provided (Used) by Operating Activities	7,301,707	(4,438,206)
Cash Flows From Noncapital Financing Activities		
Receipts from property taxes	425,825	379,487
Legal settlement payment	(4,396,232)	-
Net Cash Provided (Used) by Noncapital Financing	(3,970,407)	379,487
Cash Flows From Capital and Related Financing Activities		
Proceeds from disposal of capital assets	32,312	40,651
Capital contributions	917,224	-
Acquisition and construction of capital assets	(7,924,764)	(4,471,550)
Net Cash Used by Capital and Related Financing Activities	(6,975,228)	(4,430,899)
Cash Flows From Investing Activities		
Proceeds from maturities of investments	19,500,000	19,500,000
Interest on cash and investments	87,642	39,740
Purchase of investments	(17,844,542)	(19,393,909)
Net Cash Provided by Investing Activities	1,743,100	145,831
Net Decrease in Cash and Cash Equivalents	(1,900,828)	(8,343,787)
Cash and Cash Equivalents - beginning	9,860,788	18,204,575
Cash and Cash Equivalents - ending	$ 7,959,960	$ 9,860,788

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

(Continued)

VISTA IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

		2017		2016
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating Income	$	1,268,415	$	3,324,692
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		2,719,379		2,581,311
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:				
Accounts receivable, net		284,150		(364,591)
Inventories of materials and supplies		(75,249)		103,993
Prepaid expenses and other assets		(243,938)		(1,659,258)
Deferred outflows of resources		4,581,559		(8,289,079)
Accounts payable		2,395,474		230,610
Deposits		20,916		(113,314)
Accrued expenses and other liabilities		269,669		106,968
Net pension liability		(2,797,519)		2,197,032
Deferred inflows of resources		(1,121,149)		(2,556,570)
Net Cash Provided (Used) by Operating Activities	$	7,301,707	$	(4,438,206)
Noncash Investing, Capital and Financing Activities				
Contributed capital assets	$	340,596	$	165,021
Increase in fair value of investments	$	84,791	$	84,606

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

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.

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.

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.

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.

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

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 acquisition 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:

	Useful Life
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.

Vacation, Sick Leave, and Compensatory Time Off

The District records a liability equal to 100% of vacation earned and compensatory time off, and an applicable percentage of sick leave available to employees at year end (25%-100%), which is included in compensated absences, current and long-term portions. At June 30, 2017 and 2016, total compensated absences were $1,433,174 and $1,344,668, respectively.

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

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, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

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 outflows related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.

- Deferred outflows 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.

- Deferred outflows 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 outflows 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.

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 inflows 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.

- 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.

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

Deferred Outflows/Inflows of Resources (Continued)

- Deferred inflows 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.

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:

- 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 "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.

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

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.

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 $30,283,901) 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 $5,000,000 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 $5,000,000 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 $5,000,000 and excess insurance coverage has been purchased.

Crime - 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.

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

New Accounting Pronouncements

GASB Current Year Standards

GASB 74 - "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans", effective for periods beginning after June 15, 2016 and did not impact the District.

GASB 77 - "Tax Abatement Disclosure", effective for periods beginning after December 15, 2015 and did not impact the District.

GASB 78 – "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans", effective for periods beginning after December 15, 2015, and did not impact the District.

GASB 79 - "Certain External Investment Pools and Pool Participants", contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015 and did not impact the District.

GASB 80 - "Blending Requirements for Certain Component Units", effective for periods beginning after June 15, 2016 and did not impact the District.

GASB Pending Accounting Standards

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

- GASB 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", effective for periods beginning after June 15, 2017.
- 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 are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- GASB 84 - "Fiduciary Activities", effective for periods beginning after December 15, 2018.
- GASB 85 - "Omnibus 2017", effective for periods beginning after June 15, 2017.
- GASB 86 - "Certain Debt Extinguishment Issues", effective for periods beginning after June 15, 2017.
- GASB 87 - "Leases", effective for periods beginning after December 15, 2019.

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Note 2 - Cash and Investments

The following is a detail of cash and cash equivalents as of June 30, 2017 and 2016:

	2017	2016
Cash on hand	$ 6,882	$ 7,439
Deposits	627,204	515,117
State Treasurer's investment pool	1,730,232	9,077,818
California Asset Management Program	5,595,642	260,414
Total cash and cash equivalents	$ 7,959,960	$ 9,860,788

As of June 30, 2017 and 2016, the District had the following investments:

Investment	Maturity	2017 Fair Value	2016 Fair Value
State Treasurer's investment pool	1 day	$ 1,730,232	$ 9,077,818
California Asset Management Program	1 day	5,595,642	260,414
Total cash equivalents		$ 7,325,874	$ 9,338,232
U.S. Treasury bills	7 months weighted	$ 17,893,733	$ 19,464,400
Total Investments		$ 17,893,733	$ 19,464,400

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.

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, 2017, the District's bank balances were $572,988, of which $250,000 were insured and the remaining $322,988 were collateralized with securities held by the pledging institution's trust department. 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.

Note 2 - Cash and Investments (Continued)

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2017:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Fixed Income Securities:				
Treasury Bills	$ -	$ 17,893,733	$ -	$ 17,893,733
Total Leveled Investments	$ -	$ 17,893,733	$ -	17,893,733
Money Market and LAIF*				1,730,232
California Asset Management Program*				5,595,642
Total Investment Portfolio				$ 25,219,607

*Not subject to fair value measurement.

The District had the following recurring fair value measurements as of June 30, 2016:

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

*Not subject to fair value measurement.

Note 3 - Accounts Receivable, Net

As of June 30, 2017 and 2016, the net balances were comprised of accounts receivable balances of $7,175,102 and $7,842,310, respectively, less the allowances for doubtful accounts of $136,634 and $519,692, respectively.

On the Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2017 and 2016, the balances of water sales, net of uncollectible accounts expense, were comprised of water sales revenues of $44,937,219 and $41,239,946, respectively, less uncollectible amounts of $2,662 and $46,789, respectively.

Note 4 - Capital Assets

Capital assets consist of the following at June 30, 2017:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land, franchises, and water rights	$ 6,001,127	$ -	$ -	$ 6,001,127
Construction in progress	2,695,476	7,525,945	(4,607,882)	5,613,539
Total capital assets not being depreciated	8,696,603	7,525,945	(4,607,882)	11,614,666
Capital assets being depreciated:				
Buildings, canals, pipelines, reservoirs and dams	151,156,873	4,885,415	(1,095,852)	154,946,436
Equipment	5,627,859	461,881	(156,612)	5,933,128
Henshaw pumping project	3,089,530	-	(2,500)	3,087,030
Total capital assets being depreciated	159,874,262	5,347,296	(1,254,964)	163,966,594
Less accumulated depreciation for:				
Buildings, canals, pipelines, reservoirs and dams	(77,321,460)	(2,457,911)	927,528	(78,851,843)
Equipment	(4,041,965)	(220,038)	153,535	(4,108,468)
Henshaw pumping project	(2,657,188)	(41,428)	2,500	(2,696,116)
Total accumulated depreciation	(84,020,613)	(2,719,377)	1,083,563	(85,656,427)
Total capital assets being depreciated, net	75,853,649	2,627,919	(171,401)	78,310,167
Total capital assets, net	$ 84,550,252	$ 10,153,864	$ (4,779,283)	$ 89,924,833

Note 4 - Capital Assets (Continued)

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

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land, franchises, and water rights	$ 6,001,127	$ -	$ -	$ 6,001,127
Construction in progress	1,354,968	4,201,134	(2,860,626)	2,695,476
Total capital assets not being depreciated	7,356,095	4,201,134	(2,860,626)	8,696,603
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	3,003,795	85,735	-	3,089,530
Total capital assets being depreciated	157,318,555	3,296,063	(740,356)	159,874,262
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	(2,624,080)	(33,108)	-	(2,657,188)
Total accumulated depreciation	(82,122,798)	(2,581,311)	683,496	(84,020,613)
Total capital assets being depreciated, net	75,195,757	714,752	(56,860)	75,853,649
Total capital assets, net	$ 82,551,852	$ 4,915,886	$ (2,917,486)	$ 84,550,252

Note 5 - Accounts Payable

At June 30, 2017, the accounts payable of $7,141,890 included $4,985,650 for water purchases from the San Diego County Water Authority and $2,156,240 for obligations to other vendors. The accounts payable of $4,746,416 at June 30, 2016 included $3,524,222 for water purchases from the San Diego County Water Authority and $1,222,194 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 was payable to the Indian Water Authority.

Changes in the claims payable amounts in fiscal years ended June 30, 2017 and 2016 were as follows:

Fiscal Year	Beginning Balance	Consumer Price Adjustment	Payments	Ending Balance
2016	$ 4,245,365	$ 83,906	$ -	$ 4,329,271
2017	$ 4,329,271	$ 66,961	$ (4,396,232)	$ -

Increases to the claims payable amount were 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.

The Settlement Agreement was finalized on May 17, 2017, and the balance has been paid.

Note 7 - Unrestricted Net Position

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

	2017	2016
Emergency and contingency	$ 9,000,000	$ 8,000,000
Working capital	9,000,000	8,000,000
Future construction	1,020,168	5,521,079
Ranch improvements	147,881	109,119
Total unrestricted net position	$ 19,168,049	$ 21,630,198

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, 2016 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.

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, 2017 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			
Normal cost rate	16.264%	6.709%	6.24%
Payment of unfunded liability	$635,547	$0.00	$16.00

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, 2016 and 2015 (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 16.264%, 6.709%, and 6.237% of annual payroll for the measurement period ended June 30, 2016, and 21.322%, 8.005% and 6.25% for the measurement period ended June 30, 2015. Employer contribution rates may change if plan contracts are amended. Employer Contributions for the measurement period ended June 30, 2016 and 2015 for the combined miscellaneous Tier 1, Tier 2, and PEPRA plans were $1,924,128 and 1,488,966, respectively.

Note 8 - Defined Benefit Pension Plan (Continued)

B. Net Pension Liability

The District's net pension liabilities were measured as of June 30, 2016 and 2015, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016, and June 30, 2014 rolled forward to June 30, 2015 using standard update procedures.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement periods ended June 30, 2016 and June 30, 2015 (the measurement dates), the total pension liabilities were determined by rolling forward the June 30, 2015 and 2014 total pension liability. The June 30, 2015 and June 30, 2016 total pension liabilities for the Plan were based on the following actuarial methods and assumptions:

Valuation Dates	June 30, 2015 and 2014
Measurement Dates	June 30, 2016 and 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, 2015 and 2014 valuations 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.

Note 8 - Defined Benefit Pension Plan (Continued)

B. Net Pension Liability

Change of Assumptions

There were no changes of assumptions during the measurement period of June 30, 2016. 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.

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 Incom	20.0%	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	1.0%	(0.55%)	(1.05%)
Total	100%		

[1] An expected inflation of 2.5% used for this period

[2] An expected inflation of 3.0% used for this period

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: 6/30/2015 (VD)	$ 81,295,803	$ 65,572,018	$ 15,723,785
Balance at: 6/30/2016 (MD)	$ 84,850,803	$ 71,924,537	$ 12,926,266
Net Changes during 2015-16	$ 3,555,000	$ 6,352,519	$ (2,797,519)

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

The District's proportionate share of the net pension liabilities were based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The changes in the District's proportionate share of the collective net pension liabilities were as follows:

	Miscellaneous
Proportionate Share - June 30, 2015	0.57314%
Proportionate Share - June 30, 2016	0.37210%
Change - Increase (Decrease)	(0.20104%)

	Miscellaneous
Proportionate Share - June 30, 2014	0.54731%
Proportionate Share - June 30, 2015	0.57314%
Change - Increase (Decrease)	0.02583%

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 - 2017	$ 24,349,827	$ 12,926,266	$ 3,485,260

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plan's Net Pension Liability - 2016	$ 26,795,190	$ 15,723,785	$ 6,583,054

Note 8 - Defined Benefit Pension Plan (Continued)

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

For the measurement periods ending June 30, 2016 and June 30, 2015 (the measurement dates), the District incurred a pension expense of $2,479,626 and $978,564, respectively for the Plan.

As of June 30, 2016, 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	$ 1,816,735	$ -
Differences between expected and actual experience	66,774	(15,300)
Changes in assumptions	-	(631,746)
Net difference between projected and actual earnings on pension plan investments	3,288,030	-
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	24,947	(607,866)
Total	$ 5,196,486	$ (1,254,912)

These amounts above are net of outflows and inflows recognized in the 2015-16 measurement period expense. $1,816,735 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, 2018. At 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
2018	$ (219,631)
2019	8,971
2020	1,483,859
2021	851,640
2022	-
Thereafter	-
	$ 2,124,839

Note 8 - Defined Benefit Pension Plan (Continued)

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

As of June 30, 2015, the District had 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 were 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 were 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 were 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)

E. Payable to the Pension Plan

At June 30, 2017 and 2016, the District had no outstanding amount of contributions to the pension plan required for the years ended June 30, 2017 and 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, 2017 and 2016, 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.

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 2017	Retiree Healthcare Plan 2016
Annual required contribution	$ 317,673	$ 300,155
Interest on net OPEB asset	(293,154)	(173,526)
Adjustment to annual required contribution	291,289	172,422
Annual OPEB cost (expense)	315,808	299,051
Contributions made	(525,349)	(1,951,272)
Increase (decrease) in net OPEB obligation/(asset)	(209,541)	(1,652,221)
Net OPEB obligation (asset) - beginning of year	(4,026,847)	(2,374,626)
Net OPEB obligation (asset) - end of year	$ (4,236,388)	$ (4,026,847)

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.

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, 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)
Retiree Healthcare Plan	June 30, 2017	$315,808	$525,349	166.4%	($4,236,388)

Funded Status and Funding Progress

The funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as a % of Annual Covered Payroll
	(A)	(B)	(A-B)	(A/B)	(C)	[(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.

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

On May 17, 2017 the District settled its long-standing water rights lawsuit with various Indian bands. The settlement resulted in the District paying its $4.4 million obligation in accordance with the Settlement Agreement.

Note 10 - Commitments and Contingencies (Continued)

Commitments (Continued)

Per the terms of the Settlement Agreement, the District and the City of Escondido are responsible for all costs associated with maintaining and operating the local water system, including the cost of undergrounding of a canal on the San Pasqual Indian Reservation (currently estimated to cost $30 million). The cost of the undergrounding project (Project) will be divided evenly between the District and the City of Escondido. Per the terms of the Settlement Agreement, the Project must be completed no later than May 17, 2023.

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.

Note 11 – Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 12, 2017, the date the financial statements were available to be issued.

VISTA IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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 6/30/2016	Measurement Date 6/30/2015	Measurement Date 6/30/2014
Plan's Proportion of the Net Pension Liability[1]	0.14938%	0.22908%	0.21738%
Plan's Proportionate Share of the Net Pension Liability	$ 12,926,266	$ 15,723,785	$ 13,526,753
Plan's Covered-Employee Payroll[2]	$ 7,601,853	$ 7,473,687	$ 7,494,718
Plan's Proportionate Share of the Net Pension Liability as a % of its Covered-Employee Payroll	170.04%	210.39%	180.48%
Plan's Proportionate Share of the Fiduciary Net Position as a % of the Plan's Total Pension Liability	74.06%	80.66%	83.03%
Plan's Proportionate Share of Aggregate Employer Contributions[3]	$ 2,678,414	$ 2,268,191	$ 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, 2017

Schedule of Plan Contributions
Last 10 Years*

	Fiscal Year End 2017	Fiscal Year End 2016	Fiscal Year End 2015
Actuarially Determined Contribution	$ 1,816,735	$ 1,924,128	$ 1,488,966
Contributions in Relation to the Actuarially Determined Contribution	(1,816,735)	(9,682,740)	(1,488,966)
Contribution Deficiency (Excess)	$ -	$ (7,758,612)	$ -
Covered-Employee Payroll[1]	$ 7,576,845	$ 7,601,853	$ 7,473,687
Contributions as a % of Covered-Employee Payroll	23.98%	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.

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Statistical Section

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.

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

Table I

NET POSITION BY COMPONENT

Last Ten Fiscal Years

	2017	2016	2015	2014	2013
Net Position					
Net investment in capital assets	$ 89,924,833	$ 84,550,252	$ 82,551,852	$ 81,758,263	$ 83,082,019
Unrestricted	19,168,049	21,630,198	19,724,448	31,251,239	24,015,914
Total Net Position	$ 109,092,882	$ 106,180,450	$ 102,276,300	$ 113,009,502	$ 107,097,933

	2012	2011	2010	2009	2008
Net Position					
Net investment in capital assets	$ 82,359,487	$ 82,216,322	$ 80,952,196	$ 78,971,219	$ 78,227,737
Unrestricted	17,912,540	13,013,133	15,834,495	15,163,715	15,374,171
Total Net Position	$ 100,272,027	$ 95,229,455	$ 96,786,691	$ 94,134,934	$ 93,601,908

Source: Vista Irrigation District

Table II
CHANGES IN NET POSITION
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating Revenues:										
Water sales	$ 44,934,557	$ 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
Property rentals	770,023	718,075	738,767	705,845	666,495	475,148	740,341	546,448	556,131	505,513
Other services	645,880	657,891	428,667	454,842	206,602	285,692	282,608	342,551	244,894	522,448
System fees	1,029,580	622,039	853,041	667,311	228,954	297,553	332,643	94,243	130,683	354,184
Total operating revenues	47,380,040	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
Operating Expenses:										
Purchased water	23,826,729	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
Wages and benefits	13,492,353	11,870,598	12,298,601	12,026,730	11,902,693	12,223,638	13,207,539	12,540,325	12,374,900	12,151,999
Depreciation	2,719,379	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
Contractual services	3,495,060	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
Supplies	1,450,699	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
Professional fees	949,374	700,489	658,616	634,801	799,509	831,775	730,715	822,454	709,350	911,761
Power	525,897	656,238	662,164	603,100	735,024	434,811	536,753	575,442	732,570	737,235
Office and general	481,697	489,547	488,237	445,363	477,700	422,474	419,434	515,170	549,509	659,782
Insurance	535,788	531,811	489,023	476,242	407,580	363,291	332,528	291,909	257,289	266,362
Uncollectible accounts	-	-	-	60,389	54,046	72,180	80,472	125,418	125,851	83,509
Communications	56,779	49,845	55,126	57,814	61,278	72,668	83,428	68,200	64,225	68,093
Burden allocation	(1,422,130)	(1,255,779)	(945,126)	(947,821)	(934,908)	(1,074,815)	(932,041)	(1,277,798)	(1,045,086)	(938,878)
Total operating expenses	46,111,625	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
Operating Income (Loss)	1,268,415	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)
Nonoperating Revenues (Expenses):										
Property taxes	423,469	384,960	381,843	443,255	387,889	313,008	305,985	367,482	340,351	348,561
Investment income	168,777	129,591	63,423	45,451	53,471	47,225	79,800	76,377	359,773	886,671
Gain (Loss) on disposal of capital assets	(139,088)	(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	-	-	-
Legal settlement	(66,961)	(83,905)	(55,173)	(94,732)	(57,090)	(83,096)	231,600	-	-	(3,850,000)
Total Nonoperating Revenues (Expenses)	386,197	414,437	463,460	390,155	457,699	270,902	595,537	198,226	563,088	(2,614,768)
Income (Loss) Before Contributed Capital	1,654,612	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)
Contributed Capital	1,257,820	165,021	499,911	67,345	1,176,656	552,881	1,174,858	416,554	668,269	1,498,370
Change in net position	2,912,432	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)
Net Position, beginning 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
Prior Period Adjustment	-	-	(16,869,533)	-	-	-	(8,232,120)	-	-	-
Net Position, end of year	$109,092,882	$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

Source: Vista Irrigation District

Table III
WATER SALES BY USER TYPE
Last Ten Fiscal Years

Fiscal Year Ended	Residential		Commercial/Industrial		Irrigation		Agricultural		Governmental		Average
	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet	Rate
2017	$19,568,389	10,767.2	$3,365,773	1,720.3	$3,237,014	1,765.9	$1,635,378	883.5	$704,645	359.0	$1,840
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

Source: Vista Irrigation District

Table IV
SERVICE CONNECTIONS
Last Ten Fiscal Years

Fiscal Year Ended	Residential	Commercial/Industrial	Irrigation	Agricultural	Fire Service	Governmental	Total
2017	24,209	1,582	928	572	1,240	91	28,622
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

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	
2017**	$4.16	$4.70	$4.70	$4.48	$35.85
2016**	$4.04	$4.58	$4.58	$4.36	$34.76
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

* 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

Fiscal Year ended June 30, 2017			Fiscal Year ended June 30, 2008		
Customer	Usage in Acre Feet	Percent of Water Sold	Customer	Usage in Acre Feet	Percent of Water Sold
Courthouse	127.7	0.82%	Golf Course	332.2	1.49%
Industrial	66.0	0.43%	Courthouse	113.7	0.51%
Industrial	53.4	0.34%	High School	54.8	0.24%
Agriculture	41.3	0.27%	Agriculture	52.4	0.23%
Mobile Home Park	38.7	0.25%	Industrial	51.2	0.23%
High School	33.3	0.21%	Agriculture	48.8	0.22%
Mobile Home Park	32.1	0.21%	Industrial	43.5	0.19%
Mobile Home Park	30.5	0.20%	Convalescent	42.7	0.19%
Agriculture	30.0	0.19%	Agriculture	42.5	0.19%
Agriculture	29.3	0.19%	Park	40.3	0.18%
Total Top Ten Customers	482.3	3.11%	Total Top Ten Customers	822.1	3.68%
Other Customers	15,013.6	96.89%	Other Customers	21,547.1	96.32%
Total Water Sales	15,495.9	100.00%	Total Water Sales	22,369.2	100.00%

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)
2008	122,677	3.10	*6.7%*	*$39,336*	*$4,825,629*
2009	123,312	3.11	*10.4%*	*$35,276*	*$4,349,896*
2010	125,752	3.11	*9.6%*	*$34,929*	*$4,392,371*
2011	126,655	3.12	*9.2%*	*$32,590*	*$4,127,626*
2012	127,796	3.13	*8.2%*	*$33,016*	*$4,219,316*
2013	129,341	3.15	*7.0%*	*$38,359*	*$4,961,416*
2014	130,182	3.16	*5.7%*	*$34,518*	*$4,493,673*
2015	130,745	3.17	*4.6%*	*$39,840*	*$5,208,847*
2016	132,101	3.18	*4.2%*	*$45,981*	*$6,037,841*
2017	133,286	3.18	*n/a***	*n/a***	*n/a***

* 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, 2017[1]			Fiscal Year Ended June 30, 2008[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	Healthcare	10,000+
San Diego Unified School District	Education	10,000+	United States Gov't 32nd Street Naval Station	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	UCSD Medical Center	Healthcare	5,000-9,999
San Diego State University	Education	5,000-9,999	Goodrich Aerospace	Aerospace	1,000-4,999

Source: [1] *San Diego's Top 10 Employers www.sandiegostop10.com/employers.aspx*
[2] *Employment Development Department Website*

Table IX
NUMBER OF EMPLOYEES
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Employees	89	87	88	84	90	94	94	101	104	103
Average Years of Service	12.8	12.0	11.6	11.9	11.7	11.8	11.1	10.4	10.4	11.4

Source: Vista Irigation District

Table X
OPERATING AND CAPITAL INDICATORS
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Service Area (acres)	21,160	21,160	21,160	21,200	21,200	21,200	21,200	21,200	21,200	21,200
Miles of water main (4" and larger)	473	473	473	473	473	471	470	470	469	469
Number of enclosed reservoirs	12	12	12	12	12	12	12	12	14	14
Capacity of enclosed reservoirs (acre feet)	141	141	142	142	142	142	142	142	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	7	8	8	8
Number of pumps	18	18	18	18	18	18	18	19	19	19
Total capacity of pumps (horsepower)	1,045	1,045	1,045	1,045	1,045	1,055	1,055	1,075	1,110	1,110
Number of service connections	28,622	28,478	28,649	28,609	28,435	28,435	28,314	28,305	28,255	28,152
Production peak (million gallons per day)	22	20	24	32	28	26	27	31	31	37
Average production (million gallons per day)	15	14	16	18	18	17	16	19	20	21
Total rainfall (inches) - Lake Henshaw	34	21	16	13	14	20	36	33	19	30
Total rainfall (inches) - Vista	20	11	8	5	9	11	25	18	13	15
Average daily temperature (F) - Lake Henshaw	60	59	60	60	57	55	55	56	58	58
Average daily temperature (F) - Vista	63	64	64	63	62	61	61	67	64	64
Electricity purchased (1,000 kWh) - Service Area	712	1,081	1,094	1,078	1,244	1,123	1,719	1,768	1,590	1,804
Electricity purchased (1,000 kWh) - Lake Henshaw	1,964	3,176	3,352	3,310	3,800	1,315	2,178	3,178	3,841	4,100
Natural gas purchased (therms)	5,768	5,970	5,573	5,777	6,500	6,990	5,379	5,928	8,792	9,674
Mainline repairs (miles)	40	29	33	32	41	40	47	20	21	25

Source: Vista Irrigation District