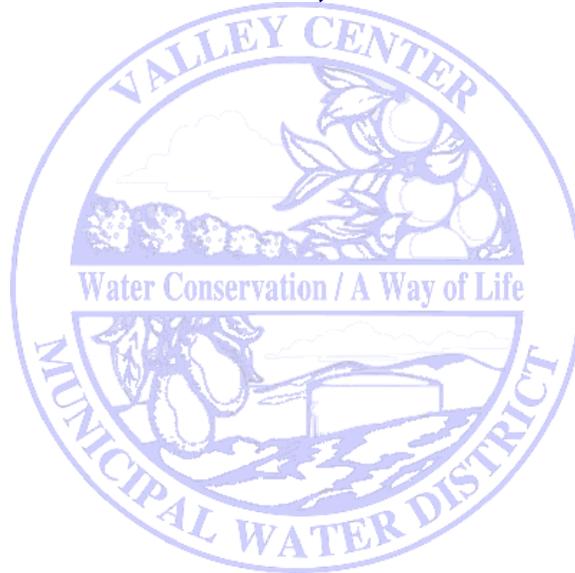


**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
Valley Center, California

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

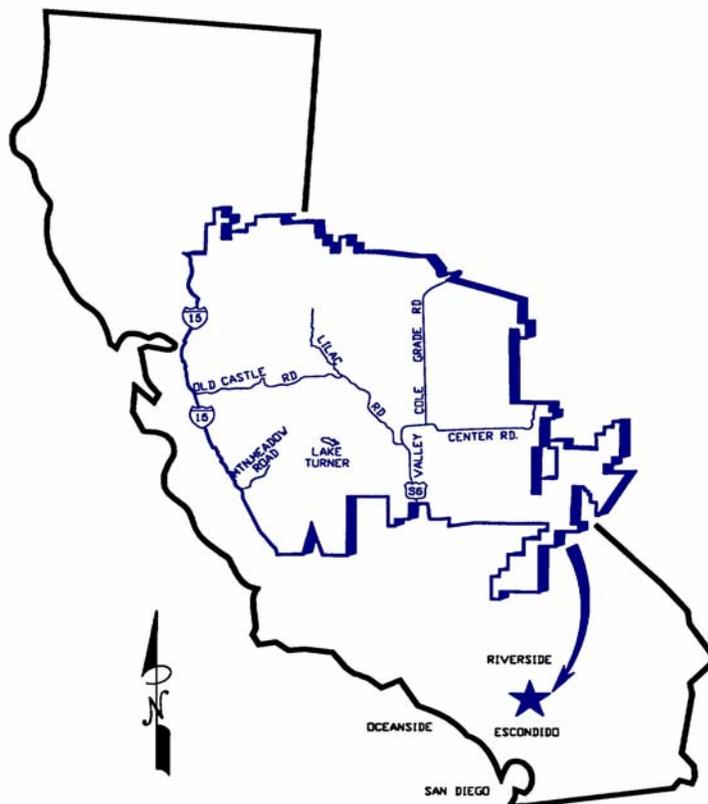
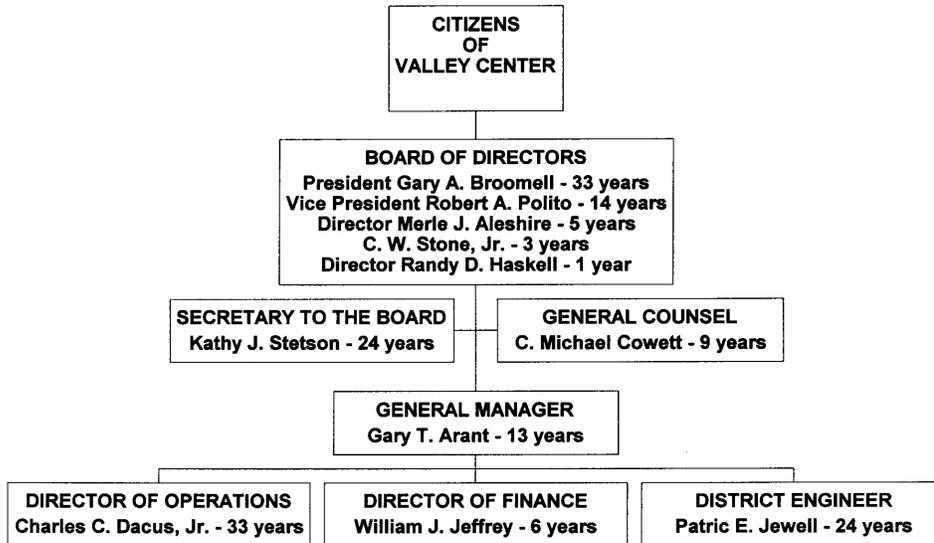
**FISCAL YEAR ENDED**  
**JUNE 30, 2002**



**Prepared by :**

**The Finance Department**  
**William J. Jeffrey, Director of Finance**

# VALLEY CENTER MUNICIPAL WATER DISTRICT ORGANIZATION CHART With Years of Service



**VALLEY CENTER MUNICIPAL WATER DISTRICT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Valley Center Municipal Water District, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Thomas A. Drew*  
President

*Jeffrey L. Essler*  
Executive Director

## California Society of Municipal Finance Officers

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**Outstanding Financial Reporting 2000-2001**

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**Valley Center Municipal Water District**

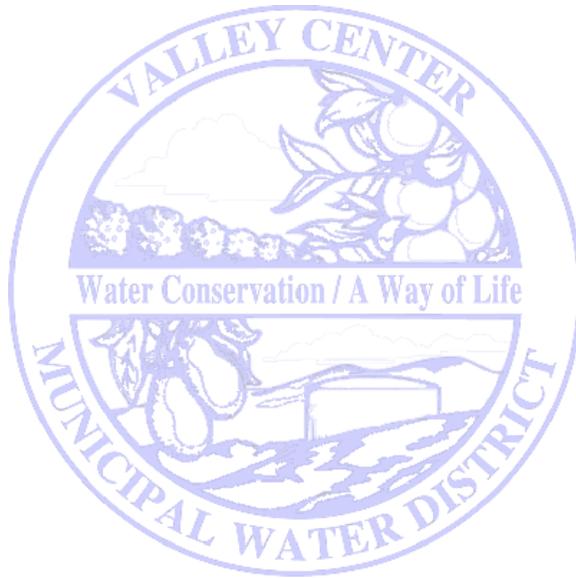


This certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared.

February 21, 2002

*Les M. Pivally*  
Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



# INTRODUCTORY SECTION

# VALLEY CENTER MUNICIPAL WATER DISTRICT

A Public Agency Organized July 12, 1954

29300 Valley Center Road • P.O. Box 67 • Valley Center, CA 92082  
(760) 749-1600 • TDD (760) 749-2665 • FAX (760) 749-6478 • www.vcmwd.org

December 2, 2002

Gary A. Broomell, President  
Members of the Board of Directors  
Valley Center Municipal Water District  
29300 Valley Center Road  
Valley Center, CA 92082

We are pleased to present the Valley Center Municipal Water District's Comprehensive Annual Financial Report for the year ended June 30, 2002.

The report was prepared by the District's Finance Department in accordance with generally accepted accounting principles. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District. We believe the data, as presented, are accurate in all material respects and that it is presented in a manner designed to set forth fairly the financial position and results of operations of the District. Included are all disclosures we believe are necessary to enhance the understanding of the financial condition of the District. The report is divided into three sections:

- I. The introductory section including this transmittal letter with other pertinent information to assist in understanding the financial condition of the District and the results of its operations for the year.
- II. The financial section including the independent auditor's report on the financial statements and supplemental schedules.
- III. The statistical section including a number of unaudited tables describing the financial history of the District for the past ten years as well as demographic and other miscellaneous information.

## REPORTING ENTITY

For reporting purposes, the financial statements present a combined report which includes all District activities for which the Board of Directors of Valley Center Municipal Water District is primarily financially accountable. The District has established various self-balancing groups of accounts or subfunds in order to enhance internal control and further the attainment of management objectives. The subfunds of the reporting entity are identified in the District's books and records as the General, Lower Moosa Sewer Treatment, Skyline Ranch Sewer, and Woods Valley Ranch Sewer subfunds, as well as three subfunds which were closed on June 30, 2002: The Moosa Sewer Expansion and Reclamation subfund, Improvement District U-12, and Community Facilities District.

The General subfund accounts for all activity related to water operations as well as the general operations of the District. Lower Moosa Sewer Treatment and Skyline Ranch Sewer Treatment subfunds account for the sewer collection and treatment operations for these two facilities which service separate and limited areas of the District. The Moosa Sewer Expansion and Reclamation subfund accounts for the modification and upgrade of the Moosa sewer facility. The Woods Valley Ranch Sewer subfund presently is used to account for the expansion of the proposed sewer system in the west end of the valley. The Improvement District U-12 and the Community Facilities District subfunds account for the tax revenues that finance specific debt, which was issued to benefit these distinct service areas and which was paid in full during the year. Activities not included as a part of this report are limited to the employees' Retirement Plan 002, as further explained in Note 8 of the financial statements, and Assessment District No. 96-1, described in Note 11

District policy requires that its financial statements be audited annually by a Certified Public Accountant selected by the Board. This requirement has been satisfied and the independent auditor's report is included in the financial section of this report.

## DISTRICT FORMATION AND ORGANIZATION

Valley Center Municipal Water District was founded on July 12, 1954, pursuant to the California Municipal Water District Law of 1911. Located in northern San Diego County, the District provides water and sewer services to its domestic, agricultural and commercial customers. The District covers 100 square miles of which approximately 58% receives water services. Historically, 75-90% of water sold has been used to irrigate avocado and citrus groves as well as other agricultural purposes.

A five-member Board of Directors, elected by geographic division, governs the District. The Board manages through an appointed general manager and three department heads. There are currently 65 employees working for the District.

As a member of the San Diego County Water Authority (SDCWA or "Authority") and the Metropolitan Water District of Southern California (MWD), Valley Center Municipal Water District imports 100% of its water from the Authority for resale to District customers. The District billed 7,643 customers for 47,147 acre feet of water during the year ended June 30, 2002. The cost to purchase this water from the Authority was \$20.2 million or 64% of District water operating expenses.

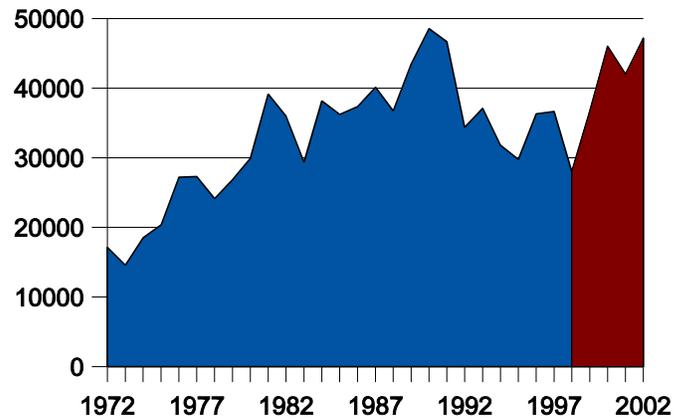
In its 48 years of existence, the District has constructed a water system consisting of seven aqueduct connections, 41 reservoirs, 26 pumping stations and 270 miles of water main. In 1989-90, its peak year, the District sold 48,075 acre feet of water, a quantity sufficient to meet the water usage needs of a city of approximately 200,000 people. The District remains the second largest water retailer of imported water within the San Diego County Water Authority behind only the City of San Diego. The District is also the largest retail purchaser of agricultural water within the Metropolitan Water District's service area.

## CURRENT ECONOMIC CONDITIONS AND OUTLOOK

New meter sales in the District continue to climb in 2001-02. Residential meters grew 3.3%. The District continues to see a steady demand for new connections, and has service availability letters for well over a thousand connections in process, including 270 homes in the Woods Valley Ranch development. The District's total active meters increased in 2001-02 by 185 meters to

## WATER SALES

In Acre Feet - Last 30 Years



7,643.

With less than five inches of rain for the year, water sales for 2001-02 were 47,147 acre feet, up 5,000 acre feet or 12% from last year and approaching our record sales of 48,075 in 1989-90. During the wet year of 1997-98, water sales were only 27,997 acre feet. This wide fluctuation of water sales, resulting primarily from weather conditions, illustrates the influence of agriculture on total water demand.

Water delivered to agricultural users represented 82% of the District's total water sold in fiscal year 2001-02 compared to 90% a decade earlier. Since 1992, wholesale water rates have increased significantly to fund increased capacity for imported water. These increased rates have resulted in improved water conservation by agricultural customers. An increase in different agricultural products, including cut flowers and exotic fruits, has also been noted.

In May of 1994, Metropolitan Water District implemented the Interim Agricultural Water Program (IAWP), which provides a \$137 per acre foot discount to qualifying agricultural water users. In addition, on January 1, 1999, the San Diego County Water Authority established a special agricultural rate. In exchange for reduced rates, agricultural customers agree to have their water supply reduced first during droughts and other emergencies. These discounts totaled a direct savings to the District's agricultural customers of \$5.8 million in 2001-02, and have saved our agricultural customers over

\$36 million. However, other factors, including fruit price volatility and increasing demands for new homes in Southern California, will continue to impact the future of farming within the District.

**Energy** - Power costs have remained high since the deregulation fiasco which began in June of 2000. The District remains proactive in developing solutions to minimize these increased costs, including installing more efficient pump motors, rebuilding electrical control panels, and pumping at off peak hours whenever possible. The District raised water pumping rates by 72% from January through May 2001, which, with stabilized power costs, enabled it to recover energy costs absorbed in 2000.

However, while anticipated power outages did not occur, we expect energy costs to rise slightly in future years because of several factors. First, until October 2002, the State of California did not issue bonds to reimburse itself for electricity purchased in 2001. Second, San Diego Gas and Electric has yet to pass through wholesale cost increases from the same period. Finally, natural gas prices are still subject to volatility because of supply problems, including tensions in the Middle East.

## **EFFORTS AND ACCOMPLISHMENTS**

**Strategic Plan Specific Goals** - Throughout the year, progress was made on the Strategic Plan Specific Goals, adopted by the Board of Directors, as follows:

- **Full Development of the Geographical Information System (GIS)** - Work continued on development of the District's geographical information system (GIS), and a GIS Master Plan prepared in July 2002 established goals for the implementation of GIS at the District. Scanned drawings and GIS data was incorporated into the maps and records system. Base GIS information will be available to all staff over the computer data network by the end of 2002. During 2002-03, the base GIS will be completed by adding parcel information, links to data files, identification of infrastructure facilities by project cost, sewer commitments tracking, and applications to assist in the operation and planning of facilities.
- **Supervisory Control And Data Acquisition (SCADA) System** - The pilot SCADA project in conjunction with the Lilac Pump Station

reconstruction was under contract and scheduled to be completed in early 2002-03. This project will include an integration of sewer information from the Lower Moosa Canyon Water Reclamation Facility with water information to make it available not only at the treatment plant and operation center but also to users at remote sites. The experience gained from installing and operating these pilot facilities will confirm the overall system design and develop user understanding of the system. After the pilot program has been fully implemented, a systematic integration plan for full replacement of the existing analog telemetry system will be developed for implementation in the following three years.

- **Lake Turner Emergency Storage and Recreational Use Options** - The District continued to investigate the feasibility of implementing recreational activities at Lake Turner through ongoing discussions with area youth services organizations and the Valley Center Parks and Recreation District.
- **Corporate Facility Master Plan** - Previously tabled because of sensitivity of the effect of high energy costs on our customers, the Corporate Facility Master Plan was re-initiated in the updated Strategic Plan and funding included in 2002-03 for the necessary studies.
- **Sewer Collection System Evaluation** - The evaluation of our sewer collection system was 85% complete, with several problem areas in critical areas of the system identified and repaired as a result of the project.



*McNally Road*

## **STRATEGIC PLAN PERFORMANCE MEASUREMENT STANDARDS RESULTS FOR YEAR ENDED JUNE 30, 2002**

**1. CUSTOMER SATISFACTION** - *Our standard will be that our service “meets” or “exceeds expectations” 95% of the time, based upon the “Customer Comment Cards” responses.*

Survey responses show we met or exceeded expectations 96.8% of the time.

**2. WATER LOSS** - *Our standard for unaccounted water loss will be less than 5% per calendar year.*

Water loss for calendar year 2001 was approximately 3.6%.

**3. OPERATING RESERVES** - *Operating Reserves shall be equal to one year’s operating and maintenance expenses (excluding wholesale water and power purchases).*

Our Operating Reserve was fully funded.

**4. DISTRICT SHARE OF TOTAL WATER COMMODITY COSTS** - *We will hold the local share of total commodity costs at \$71.62 per acre foot.*

The District’s component of the water rate for operating costs has been \$71.62 since 1999.

**5. PUMP EFFICIENCY** - *Through ongoing testing, adjusting, and maintenance, we will maintain pump efficiency above 95% of the design criteria.*

Our pump efficiency was 97.2%. We have performed major work on four plants.

**6. PROJECT ACTUAL COST** - *±10% of Engineer’s estimate.*

Seven projects were bid with aggregate results 3.9% higher than estimated.

**7. WATER SERVICE RELIABILITY GREATER THAN 99%** - *We will strive to maintain water service to all customers at greater than a 99% reliability level. This will be measured based upon total hours of service interruption against all service hours in a given measurement period.*

Reliability was better than 99%.

**8. COMPLIANCE WITH ALL STATE & FEDERAL REGULATIONS.**

100%.

**9. LOST-TIME ACCIDENTS LESS THAN 1% OF TOTAL HOURS WORKED.**

As of June 2002, we have gone over four years with no lost time accidents.

**10. RETURN ON INVESTMENTS** - *While seeking to preserve capital and maintain a level of liquidity necessary to meet cash flow requirements, our rate of return, on an annualized basis, shall be at least equal to the average rate of return on one year U.S. Treasury Bonds.*

Our yields exceeded the standard by well over ¼% throughout the year.

***Economic Study Group (ESG) and SDCWA Rate Alternatives Analysis*** - In April of 2002, the San Diego County Water Authority Board of Directors approved a revised rate structure, with formal adoption following in June, 2002, and implementation scheduled for January, 2003. Separate charges were established for Customer Service, Transportation, Supply and Emergency Storage. However, the Transportation Charge ignored the concepts offered by the ESG and the Authority's COSAM (Cost Of Service Allocation Model), and established a uniform "postage stamp rate" for all water delivered through the SDCWA aqueduct system. As a result, two agencies having connections directly to MWD's facilities, Fallbrook Public Utility District and Rainbow Municipal Water District, will pay a significantly reduced transportation charge, at the expense of all other SDCWA member agencies. ESG agencies expressed their dissatisfaction with the new rate structure and either voted against or abstained at the time of its formal adoption.

***Metropolitan Water District Strategic Planning Process*** - In April, 2002, the MWD Board of Directors adopted its new rate structure which continued the interruptible agricultural water pricing program, and also relieved agricultural water deliveries from the Readiness to Serve Charge. Both features of the new rate structure will be of great financial benefit to the District.

***Cal-PERS Program*** - In early 2001-2002, the District finalized the transition from the District's private pension program to the California Public Employees Retirement Program. By joining the state program, the District avoids the costs of administering its own plan.

***Classification and Compensation Study*** - The District conducted and successfully implemented an in-house Classification and Compensation Survey, focused on ensuring competitive compensation for specialty positions possibly vulnerable to outside recruitment.

***Energy Resources Evaluation*** - Following the California Energy Crisis, the Board authorized a comprehensive "Energy Resources Evaluation" which was completed and presented to the Board in April 2002. While the report did conclude that the District was operating in an energy efficient manner and there were no economically feasible opportunities for alternative energy development and utilization, it did recommend an accelerated pump, motor, and pumping station refurbishment, upgrade, and replacement program to reduce energy consumption and costs. It also recommended that the District operations

manual be updated and re-written. Both of those efforts were funded in the 2002-2003 budget and are now underway.

***Agricultural Water Management Program*** - Due largely to the efforts of the San Diego County Water Authority Water Conservation staff, with some assistance from District staff, the Agricultural Water Management Plan was completed and submitted to the statewide Agricultural Water Management Council for review, comment and approval. Final approval of the document is anticipated by mid-2002-2003.

## **PLANNING AND CONSTRUCTION PROJECTS**

***Water Master Plan*** - District staff completed the update of the Water System Master Plan and used the system analysis to recommend Board adoption of an updated capacity charge for new meters. The Master Plan outlines the need for \$64 million in water system improvements, including \$36 million for infrastructure replacement, over the next decade. The District has engaged a financial advisor to complete a long term capital financing plan to determine how to best finance the required improvements.

***Transmission and Distribution Facilities Improvements*** - The replacement of one and a half miles of waterline in McNally Road, Couser Canyon Road, and Triple "J" Road, was completed. Construction was initiated on Lilac Pump Station Replacement, Shadow Lake Road, and the VC #8 aqueduct connection projects.

Plans were completed and bids received to replace two more under ground pressure reducing valve stations, Upper Welks and Gordon Hill to improve access and safety. Design was underway on projects in Lilac Road and Jesmond Dene Road.

***Central Valley Sewer*** - Sewer facilities proposed for the District's central valley area include three small wastewater treatment facilities to be constructed by the developers of the Woods Valley Ranch, Orchard Run, and Live Oak Creek developments. The year saw significant progress in the Woods Valley Ranch project. With a change in ownership of the project, activity flourished. An assessment district was formed to provide a reliable funding source for operation of the proposed wastewater treatment facilities. Plans for interim and permanent treatment facility were finalized and submitted for review by staff. The developer has begun installation of the subdivision and golf course improvements.

Progress has been made on the approval of the waste discharge permit for the treatment facilities proposed by the Orchard Run project, with approval by the State Regional Water Quality Control Board expected in November 2002. Live Oak Ranch continues on hold with the developers making no substantial progress on the wastewater treatment facility design or permit.

***Lower Moosa Canyon Water Reclamation Facility*** -The Lower Moosa Canyon Water Reclamation Facility provides sewer service to the Interstate 15 corridor area of the District, from the Lawrence Welk development on the southern end, east to Hidden Meadows, and north to Circle R Drive. Currently, the capacity of the plant is 0.5 mgd (million gallons per day) and easily accommodates the existing average daily flow rate of approximately 0.25 mgd. Ultimate capacity requirements for the service area are projected at 1.0 m.g.d. (5,000 Equivalent Dwelling Units). Timing for further expansion depends on the

growth rate in the service area.

The year saw the completion of several projects which have been under construction at the plant for the last several years to improve operational efficiency, and reliability of the existing equipment.

Expansion of the facility to 1.0 m.g.d. may require the effluent be treated to full Title 22 standards for use as irrigation. The District has contracts for the use of reclaimed water on the Lawrence Welk and Castle Creek Golf Courses as a fail safe disposal area. Because the golf courses are irrigated with private well water, the District will seek additional customers for the reclaimed water that would reduce imported water demands and generate higher returns to help offset the cost of plant operation and production of reclaimed water. Future developments in the vicinity of the plant will be required to provide on-site facilities suitable for the use of reclaimed water.



*Betsworth Forebay*

## SAYING GOODBYE

In May, the District said goodbye to three long-time employees who retired with a total of eighty-seven years of experience.

Larry Watson, an employee since September of 1974, began his employment as a Meter Installer and, following certification and job training, rose to the position of Sr. Operations and Telemetry Technician. During his nearly 28 years of service at the District, Larry was instrumental in developing, installing, and maintaining the current water telemetry system. He was recognized for his diligent work ethics by being named Employee of the Month several times and also had the distinction of never having had a lost-time work accident during his career at the District.

Kenneth Simon retired from the District on May 14th culminating 34 years of service. Ken began his employment as a Utilityman and increased his value to the District through work training and certification to hold his current position of Operations/Wastewater Supervisor. He has been the supervisor of both the water and wastewater operations for the District since 1988, which is a rarity in the California water community. In recognition of his contributions, Ken was named Employee of the Year in 1971 and several times throughout his career was the recipient of the Employee of the Month award.

Jere Jarrell served as the District's Director of Finance since February 22, 1977. In managing the Finance Department, he and his department received five consecutive Certificates of Award for Excellence in Operational Budgeting from the California Society of Municipal Finance Officers and ten consecutive Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. During his tenure at the District, he oversaw development and implementation of the District's computer system and network, the 1990-1991 drought response program, human resources function, medical for retirees' program, the electronic data management program, power purchase arrangements and contracts and the study of and conversion to the CalPERS Retirement System. Jere also contributed to the water community state-wide by serving as Chairman of the Association of California Water Agencies Joint Powers Insurance Authority Finance and Audit Committee and was the founder and member of the ACWA Utilities Services Authority. Further, he was recognized for his contributions to the Valley Center community by being named Valley Center Kiwanian of the Year in 1993.

The District expresses its appreciation to these employees for their outstanding years of service to the District and the community of Valley Center. Their experience, talents, and insight will be missed.



*Ken Simon, Jere Jarrell, and Larry Watson*

## ACCOUNTING SYSTEM

District records are maintained on an enterprise basis, as it is the intent of the Board of Directors that the costs of providing water and sewer to the customers of the District are financed primarily through user charges. Revenues and expenses are recognized on the accrual basis in that both revenues and expenses are recognized in the accounting period they are earned or incurred. Fixed assets are recorded in the subfund purchasing the asset.

## INTERNAL CONTROLS

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

All internal control evaluations occur within the above framework. Management believes the District's internal accounting controls, procedures and policies adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

In addition, the District maintains controls to provide for compliance with all finance related legal and contractual provisions. Management believes the activities reported within the presented comprehensive financial annual report comply with these finance related legal and contractual provisions, including bond covenants and fiduciary responsibilities.

## BUDGETING CONTROLS

The District is not legally required to adopt and adhere to a budget or report on compliance with any prepared budgets. However, the Board of Directors approves a budget annually to be used solely as a management tool. Depending upon the timing and level of the demand for water services, the revenues and expenditures may vary significantly and cannot be strictly controlled by means of detailed and rigid appropriations. Therefore, the annual budgets must be viewed as estimates only. Budget

appropriations for major capital projects continue from year to year until the project is completed.

## CASH MANAGEMENT

Cash temporarily idle during the year was invested in government securities, the State of California Local Agency Investment Fund (LAIF), and other money market instruments in accordance with the Board of Directors adopted investment policy. The average monthly percentage of inactive funds invested was approximately 100%. The amount of investment income recorded by all funds in the District in 2001-02 was \$899,580, down from the \$1,665,958 in earnings reported in the prior year. The average yield on the District's investments decreased from 6.2% for 2000-01 to 4.1% for 2001-02, reflecting a drop in the federal funds rate of 200 basis points during the year.

## DEBT ADMINISTRATION

At June 30, 2002, the District had \$4.1 million in long-term debt, further described as follows:

District-wide revenue bonds	\$ 900,000
Note payable for Moosa Expansion	\$ 1,500,000
Retiree's health benefits plan liability	\$ 1,666,128
Annexation fees payable	\$ 7,930
Total long-term debt	<u>\$ 4,074,058</u>

The District had no general obligation bonded debt at June 30, 2002. As the District has issued no bonded debt for public placement since 1968, it is not rated by any investment rating service.

## RISK MANAGEMENT ACTIVITIES

Since 1979, the District has been a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The JPIA provides joint protection coverage for losses in excess of District deductible for general, auto and public liability, and workers' compensation coverage. Property and fidelity coverage is purchased through sources provided by the JPIA. Risk management is more thoroughly discussed in Note 13 to the financial statements.

## ANALYSIS OF SUBFUNDS

### General Subfund:

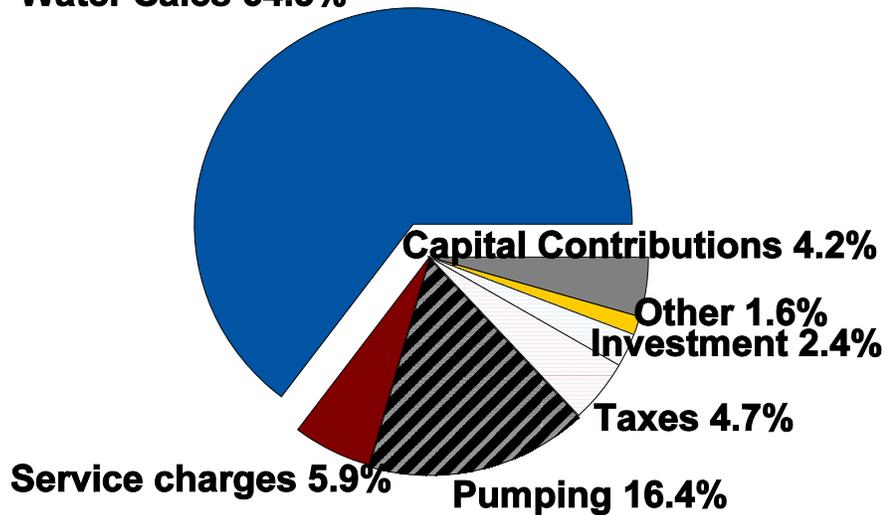
**General Subfund Revenues** for the year ended June 30, 2002, totaled \$36,513,496, which is a 20% increase from the prior year. Details of this increase in revenues are as follows:

- ▶ Water sales increased by 15%, or \$3,161,771, from the prior year. There was a 12% increase in the volume of water sold and a 0.9% increase in municipal water rates during the year. In 2001-02, 47,147 acre feet of water were billed compared to 42,003 acre feet in the prior year. Meter charges increased 2% from \$2,107,494 in 2000-01 to \$2,142,362 in 2001-02.
- ▶ Energy and pumping revenues increased 62.9%, or \$2,314,963, due to rate increases during spring of 2001 needed to cover increases in our energy costs.
- ▶ Property taxes and assessments increased by 5%, or \$84,599, from 2000-01 to 2001-02. This increase is due to an increase in assessed valuation in the District. The District has adopted San Diego County's alternative method of distribution of tax levies and collections under which the County advances 100% of the secured tax levies due to the District each year without consideration for delinquencies.
- ▶ Investment income decreased 46%, or \$752,292, from the prior year. This decrease is due to market conditions, including unrealized appreciation on investments. Yields decreased from 6.2% to 4.1% during the course of the year. Interest income includes interest earned by the general subfund from advances to the sewer subfunds.
- ▶ Other revenues increased \$18,450 in 2001-02. These consist primarily of rents received from leases for telecommunications facilities.
- ▶ Capital contributions vary based on developer projects. The year saw the highest level of developer-contributed infrastructure for at least the last ten years.

## GENERAL SUBFUND REVENUE

Fiscal Year 2001-02

**Water Sales 64.8%**



**General subfund expenses** for the year ended June 30, 2002, totaled \$31,625,482, a decrease of 1% or \$384,425. Certain significant expenses are as follows:

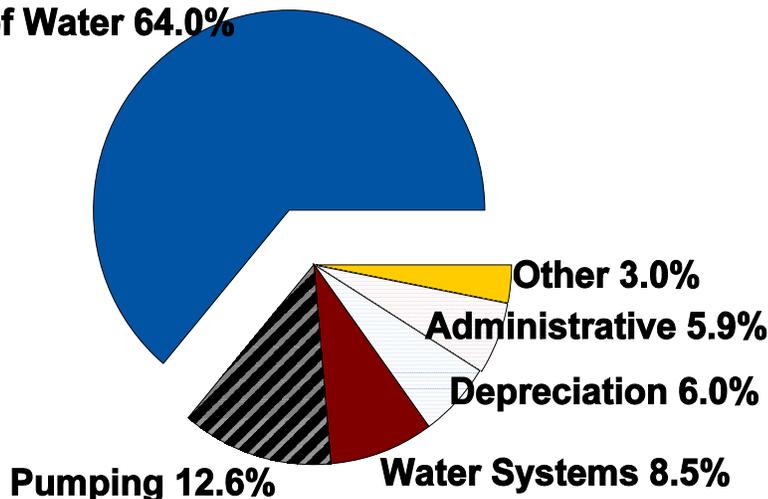
- ▶ The cost of water sold increased 4% due to increased water deliveries caused by a lack of rain. In 2000-01, the District purchased 44,598 acre feet of water at an average price of \$434 per acre foot. In the current year, the District purchased 49,524 acre feet of water at an average price of \$409 per acre foot, a decrease of 5.8% or \$25 per acre foot. Cost of water sold includes Metropolitan Water District’s readiness-to-serve charge which is based on historical water purchases. The District’s readiness-to-serve charge was \$1,171,883 (\$24 per acre foot sold) for 2001-02 and \$1,170,305 (\$26 per acre foot) for 2000-01. The District also received credits from Metropolitan Water District and the Authority of \$1,070,737, representing surplus funds, which reduced the net cost of water purchased by \$22 per acre foot. These credits provided partial funding for the District’s water system improvements.

Excluding the readiness-to-serve charge and the credits, the price of water purchased for delivery to agricultural customers was \$374 per acre foot compared to \$526 per acre foot for other users in 2001-02. This cost reduction for agricultural water is passed through to the District’s qualified agricultural customers.

## GENERAL SUBFUND EXPENSES

Fiscal Year 2001-02

**Cost of Water 64.0%**



- ▶ Energy and other pumping costs associated with the distribution of water for the District decreased 29%, or \$1,647,113, from the prior year. Of this decrease, \$358,274 came from a refund from our energy provider for overcharges in the prior year, and the remainder from a tempering of energy rates. Even with these savings, energy and pumping costs were still 25% higher than they were two years ago.

- ▶ Water systems operations and maintenance expenses decreased 0.5%, or \$14,267, from the prior year.

- ▶ Depreciation expense in 2001-02 increased 5%, or \$122,103, from the prior year due to plant additions.

- ▶ General and administrative expenses increased 7% or \$122,103. Most of this increase is related to the cost of an additional administrative assistant, legal fees regarding energy deregulation, and increased insurance costs.
- ▶ Interest expense continued to decline due to the decline in principal balances and lower interest rates.
- ▶ Other expenses include a loss of \$230,863 for the undepreciated balance of assets which were replaced.

**GENERAL SUBFUND  
REVENUES AND EXPENSES**

	<u>2002</u> <u>Amount</u>	<u>2001</u> <u>Amount</u>	Increase (Decrease) From <u>2001</u>	<u>Percent</u> <u>Change</u>
<b>REVENUES:</b>				
Water sales	\$ 23,672,436	\$ 20,510,665	\$ 3,161,771	15.4 %
Meter service charges	2,142,362	2,107,494	34,868	1.7
Pumping and energy charges	5,995,290	3,680,327	2,314,963	62.9
Property taxes and assessments	1,703,781	1,619,182	84,599	5.2
Investment income	880,230	1,632,522	(752,292)	(46.1)
Customer fees and charges	477,946	383,382	94,564	24.7
Other revenues	111,756	93,306	18,450	19.8
Capital contributions	<u>1,529,696</u>	<u>459,454</u>	<u>1,070,242</u>	<u>232.9</u>
Total revenues	<u>36,513,497</u>	<u>30,486,332</u>	<u>6,027,165</u>	<u>19.8</u>
<b>EXPENSES:</b>				
Cost of water sold	20,245,538	19,374,345	871,193	4.5
Energy and other pumping costs	3,986,296	5,633,409	(1,647,113)	(29.2)
Water systems operation & maint.	2,699,794	2,714,061	(14,267)	(0.5)
Depreciation	1,898,247	1,812,100	86,147	4.8
General and administrative	1,860,706	1,738,603	122,103	7.0
Engineering	673,468	673,504	(36)	0.0
Interest	30,572	53,544	(22,972)	(42.9)
Other expenses	<u>230,863</u>	<u>10,341</u>	<u>220,522</u>	<u>2,132.5</u>
Total expenses	<u>31,625,484</u>	<u>32,009,907</u>	<u>(384,423)</u>	<u>(1.2)</u>
<b>Net income (loss)</b>	<u>\$ 4,888,013</u>	<u>\$ (1,523,575)</u>	<u>\$ 6,411,588</u>	<u>(420.8) %</u>

**General Subfund Retained Earnings:**

At June 30, 2002, the retained earnings of the General subfund amounted to \$52,217,962. All of this was appropriated for rate stabilization, capital construction, and operating expenses. The amount appropriated for operating expenses equaled 100% of the annual budget.

**Sewer Treatment Subfunds:**

**The Lower Moosa Sewer Treatment** subfund serves 2,231 customers in a limited geographic area on the west side of the District. The revenue from sewer charges was \$719,572 for 2001-02, an increase of \$158,908 from the prior year. The monthly sewer service charge increased \$3.00 per unit on January 1, 2002. At that time, 39% of the sewer service charge was designated for energy costs.

**LOWER MOOSA REVENUES & EXPENSES**

	2002	2001	Change	%
	<u>Amount</u>	<u>Amount</u>	<u>From</u>	<u>Chg.</u>
			<u>2001</u>	
<b>REVENUES:</b>				
Sewer charges	\$ 719,572	\$ 560,664	\$ 158,908	28.3 %
Investment	17,241	31,475	(14,234)	(45.2)
Capital contrib.	210,469	32,519	177,950	547.2
Total revenues	<u>947,282</u>	<u>624,658</u>	<u>322,624</u>	<u>51.6</u>
<b>EXPENSES:</b>				
Energy & pump	72,175	170,332	(98,157)	(57.6)
Operations	309,087	334,644	(25,557)	(7.6)
Depreciation	429,861	388,832	41,029	10.6
Administrative	72,052	67,065	4,987	7.4
Interest	63,750	63,750	0	0.0
Other	68,931	0	68,931	100.0
Total expenses	<u>1,015,856</u>	<u>1,024,623</u>	<u>(8,767)</u>	<u>(0.9)</u>
<b>Net loss</b>	<u>\$ (68,574)</u>	<u>\$(399,965)</u>	<u>\$ 331,391</u>	<u>(82.9) %</u>

**Assessment District No. 96-1** issued bonds in February 1997 under the Improvement Act of 1915 to fund part of the expansion of the Moosa facility. These bonds are not a general obligation of the District and are not presented in this report.

**The Skyline Ranch Sewer Treatment** subfund serves 222 customers in a single mobile home park on the east side of the District. The agreement between the District and the park requires the park to pay the full cost of maintenance, operation and replacement of the facilities. Net income in one year is used to reduce rates in the subsequent year, while losses are recovered in the subsequent year..

**SKYLINE RANCH REVENUES & EXPENSES**

	2002	2001	Change	%
	<u>Amount</u>	<u>Amount</u>	<u>From</u>	<u>Chg.</u>
			<u>2001</u>	
Total revenues	71,715	85,821	(14,106)	(16.4)
Total expenses	<u>80,283</u>	<u>72,329</u>	<u>7,954</u>	<u>11.0</u>
<b>Net income</b>	<u>\$ (8,568)</u>	<u>\$ 13,492</u>	<u>\$ (22,060)</u>	<u>(165.9) %</u>

**The Woods Valley Ranch Sewer** subfund presently is used to account for the expansion of the proposed developer-constructed sewer system. Other proposed sewer systems are currently accounted for as developer projects.

**Debt Service Subfunds**

General obligation bonds and bank loans were issued to finance certain facility improvements in improvement districts. These debts were funded through tax or special assessment revenues on property within the specific area's boundaries. All such improvement district bonds and Community Facilities District loans were fully paid by June 30, 2000, and the subfunds were closed to the general subfund on June 30, 2002.

**COMPENSATION PLANS**

Currently, the District does not participate in Social Security. However, effective June 3, 2001, the District provides a defined benefit pension plan for its employees through the California Public Employees' Retirement System (CalPERS). The District contributes a specified percentage of covered employees' payroll which is invested by CalPERS. Upon retirement, District employees are entitled to a specified retirement benefit. The plan is more fully described in Note 9 to the financial statements.

Prior to joining CalPERS, the District provided a defined contribution retirement plan for its employees. The plan was fully funded with the District contributing 19% of eligible payroll. This plan was terminated on June 2, 2001, with all employees becoming fully vested at that time. The first in a series of liquidating distributions was made on June 12, 2001, to the participants, and the plan was completely liquidated on April 26, 2002. The plan is more fully described in Note 8 o the financial statements.

The District also offers its employees a deferred compensation plan under Internal Revenue Code section 457. At June 30, 2002, the plan had assets of \$2,048,218 and 60 participants.

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to Valley Center Municipal Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The 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. Valley Center Municipal Water District has received a Certificate of Achievement for the last ten consecutive years (fiscal years ended 1992 through 2001). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

## ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the contribution of the Finance Department staff. Special thanks are extended to the members of the District's Board of Directors for their continued interest and support in all aspects of financial management.

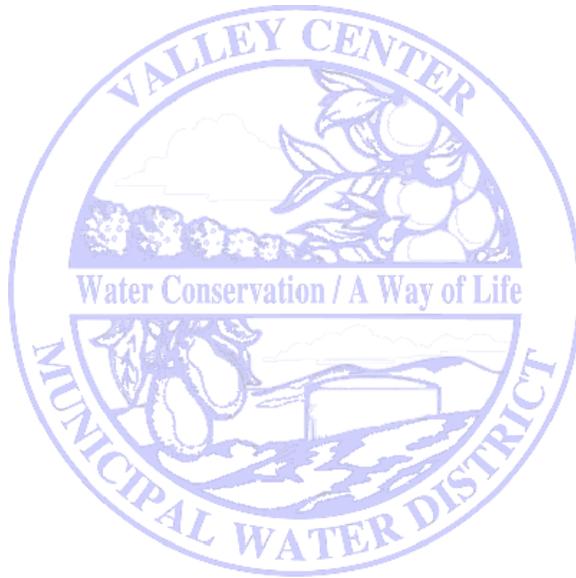
Respectfully Submitted:



Gary T. Avant  
General Manager



William J. Jeffrey  
Director of Finance



# FINANCIAL SECTION



**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Valley Center Municipal Water District  
Valley Center, California

We have audited the accompanying balance sheets of Valley Center Municipal Water District as of June 30, 2002 and 2001, and the related statements of revenues, expenses, and changes in retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Center Municipal Water District at June 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining information in Schedules 1 and 2 has been subjected to the auditing procedures applied in the audits of the financial statements and is presented for purposes of additional analysis of the financial statements rather than to present financial position and results of operations of the District's individual accounting subfunds. Accordingly, we do not express an opinion on the financial position and results of operations of the District's individual accounting subfunds. However, in our opinion, the combining information in Schedules 1 and 2 is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Gilchrist, Steen, Stanfield & Newquist*

November 6, 2002

VALLEY CENTER MUNICIPAL WATER DISTRICT

Balance Sheets

June 30, 2002 and 2001

Assets

	<u>2002</u>	<u>2001</u>
Current assets:		
Cash and cash equivalents	\$ 11,058,542	9,484,794
Accounts receivable - water and sewer, net	4,816,014	4,193,111
Interest receivable	208,698	333,207
Other receivables	108,780	190,867
Inventories	340,464	285,866
Prepaid expenses and deposits	172,538	181,822
Work in progress for others	327,091	230,777
	<u>17,032,127</u>	<u>14,900,444</u>
Total current assets		
Restricted assets:		
Cash and cash equivalents	3,619,872	3,181,826
Marketable securities	9,075,405	10,703,337
Other receivables	-	26,371
	<u>12,695,277</u>	<u>13,911,534</u>
Total restricted assets		
Utility plant, net	<u>50,440,068</u>	<u>46,333,386</u>
	<u>\$ 80,167,472</u>	<u>75,145,364</u>

See accompanying notes to financial statements.

Liabilities and Fund Equity

	<u>2002</u>	<u>2001</u>
Current liabilities (payable from current assets):		
Current installments of long-term debt	\$ 65,000	60,000
Accounts payable	4,957,065	5,138,215
Accrued payroll and compensated absences	1,073,180	1,009,097
Customer deposits	953,709	554,737
Total current liabilities (payable from current assets)	<u>7,048,954</u>	<u>6,762,049</u>
Current liabilities (payable from restricted assets):		
Customer deposits	<u>6,812</u>	<u>6,812</u>
Long-term debt, excluding current installments	<u>4,009,058</u>	<u>4,018,213</u>
Total liabilities	<u>11,064,824</u>	<u>10,787,074</u>
Fund equity:		
Contributed capital	15,287,990	14,401,673
Retained earnings	53,814,658	49,956,617
Total fund equity	<u>69,102,648</u>	<u>64,358,290</u>
	<u>\$ 80,167,472</u>	<u>75,145,364</u>

VALLEY CENTER MUNICIPAL WATER DISTRICT

Statements of Revenues, Expenses, and Changes in Retained Earnings

Years ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Operating revenues:		
Water sales and pumping charges	\$ 31,810,088	26,298,486
Meter installation fees	176,456	147,515
Sewer charges	783,632	637,280
Other water operating revenues	301,490	235,867
Total operating revenues	<u>33,071,666</u>	<u>27,319,148</u>
Operating expenses:		
Cost of water sold	20,245,538	19,374,345
Energy and pumping costs	4,066,764	5,808,455
Water systems operations	2,699,794	2,714,061
Sewer collection and treatment	365,518	387,476
Engineering	673,468	673,504
Depreciation	2,401,004	2,273,538
General and administrative	1,943,113	1,815,537
Total operating expenses	<u>32,395,199</u>	<u>33,046,916</u>
Net operating income (loss)	<u>676,467</u>	<u>(5,727,768)</u>
Nonoperating revenues (expenses):		
Investment income	899,579	1,665,958
Property taxes and assessments	1,703,844	1,620,418
Capital contributions	1,746,828	501,139
Other nonoperating revenues	111,756	93,306
Interest expense	(94,322)	(117,294)
Other nonoperating expenses	(299,794)	(10,341)
Net nonoperating revenues	<u>4,067,891</u>	<u>3,753,186</u>
Net income (loss)	4,744,358	(1,974,582)
Adjustment for capital contributions and depreciation on contributed assets closed to contributed capital	<u>(886,317)</u>	<u>187,489</u>
Net income (loss) closed to retained earnings	3,858,041	(1,787,093)
Retained earnings, beginning of year	<u>49,956,617</u>	<u>51,743,710</u>
Retained earnings, end of year	<u>\$ 53,814,658</u>	<u>49,956,617</u>

See accompanying notes to financial statements.

VALLEY CENTER MUNICIPAL WATER DISTRICT

Statements of Cash Flows

Years ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Net operating income (loss)	\$ 676,467	(5,727,768)
Adjustments to reconcile net operating income (loss) to net cash from operating activities:		
Depreciation	2,401,004	2,273,538
Retirees' health benefits plan expense	66,317	330,550
Changes in:		
Receivables	(540,816)	(352,153)
Inventories	(54,598)	(25,593)
Prepaid expenses and deposits	9,284	(40,997)
Work in progress for others	(96,314)	(58,436)
Accounts payable	(295,553)	466,320
Accrued payroll and compensated absences	64,083	113,245
Customer deposits	402,826	135,632
Net cash provided (used) by operating activities	<u>2,632,700</u>	<u>(2,885,662)</u>
Cash flows from noncapital financing activities:		
Property taxes received	<u>1,703,844</u>	<u>1,620,418</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of utility plant	(5,203,462)	(3,253,266)
Principal paid on bonds payable	(60,000)	(50,000)
Interest paid on bonds and loans payable	(94,322)	(117,294)
Capital contributions received	255,247	230,891
Proceeds from disposition of equipment	6,528	3,918
Lease income received	92,813	92,588
Other capital and related financing cash flows received	26,426	1,101
Net cash used by capital and related financing activities	<u>(4,976,770)</u>	<u>(3,092,062)</u>
Cash flows from investing activities:		
Purchases of marketable securities	(8,500,000)	(5,998,500)
Proceeds from maturities of marketable securities	10,120,355	12,700,000
Investment income received	1,031,665	1,365,832
Net cash provided by investing activities	<u>2,652,020</u>	<u>8,067,332</u>
Net increase in cash	2,011,794	3,710,026
Cash, beginning of year	<u>12,666,620</u>	<u>8,956,594</u>
Cash, end of year	<u>\$ 14,678,414</u>	<u>12,666,620</u>

Continued

VALLEY CENTER MUNICIPAL WATER DISTRICT

Statements of Cash Flows, Continued

Years ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash, end of year:		
Cash and cash equivalents - current assets	\$ 11,058,542	9,484,794
Cash and cash equivalents - restricted assets	<u>3,619,872</u>	<u>3,181,826</u>
	<u>\$ 14,678,414</u>	<u>12,666,620</u>
Noncash capital and related financing activities:		
Customer contributions of utility plant	<u>\$ 1,489,613</u>	<u>268,400</u>
Customer payments of annexation fees	<u>\$ 1,968</u>	<u>1,848</u>
Noncash investing activities:		
Discount accretion and fair value gains, net of fair value losses	<u>\$ (7,577)</u>	<u>300,126</u>

See accompanying notes to financial statements.

# VALLEY CENTER MUNICIPAL WATER DISTRICT

## Notes to Financial Statements

June 30, 2002 and 2001

(1) Summary of Significant Accounting Policies

(a) Description of Reporting Entity

The Valley Center Municipal Water District (the District) is a governmental corporation governed by an elected five-member board of directors. The District was incorporated July 12, 1954, under the provisions of the California Municipal Water District Act of 1911. The District's 100 square mile service area lies in northern San Diego County and the majority of its sales are to agricultural users. The District's offices are located in Valley Center, California.

In keeping its books and records, the District has established various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are subfunds of the reporting entity, are identified in the District's books and records as the General Fund, Lower Moosa Sewer Treatment Fund, Moosa Expansion and Reclamation Fund, Improvement District U-12 Fund, Community Facilities District No. 1 Fund, Skyline Ranch Sewer Fund and Woods Valley Ranch Sewer Fund. All significant intersubfund transactions and accounts are eliminated in the combination of the accounts of the subfunds for the financial statements of the reporting entity.

In addition to the above subfunds, the District has established the Assessment District No. 96-1 Lower Moosa Canyon Fund (AD 96-1) to account for the special assessment bonds described in Note 11. The financial position and results of operations of AD 96-1 are excluded from these financial statements.

(b) Basis of Accounting

The District's financial statements are prepared on the accrual basis of accounting with a "capital maintenance" measurement focus. Accordingly, all assets and liabilities are reflected within the balance sheet with the equity section representing "net total assets."

(c) Accounting and Financial Reporting Standards

The District applies all relevant pronouncements of the Governmental Accounting Standards Board (GASB) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

(d) Cash and Cash Equivalents

Cash and cash equivalents include deposits in money market mutual funds (SEC registered), deposits in external investment pools, and marketable securities that mature within three months of purchase. Such marketable securities and deposits in money market funds are carried at fair value. Investment pool deposits are carried at the District's proportionate share of the fair value of each pool's underlying portfolio.

(e) Marketable Securities

Marketable securities are carried at fair value.

VALLEY CENTER MUNICIPAL WATER DISTRICT

Notes to Financial Statements, Continued

(f) Water Sales

Water sales revenue is recorded when the service is rendered, including an estimated amount for unbilled service.

(g) Allowance for Doubtful Accounts

The District recognizes bad debt expense relating to receivables when it is probable that the accounts will be uncollectible. Water and sewer accounts receivable at June 30, 2002 and 2001, have been reduced by an allowance for doubtful accounts of \$20,034 and \$5,462, respectively.

(h) Inventories

Materials inventory is stated at the lower of current average cost or market. Water inventory is stated at cost.

(i) Utility Plant and Depreciation

Assets acquired from District funds and contributed cash are recorded at cost. Contributions in kind are recorded at fair values based upon engineering estimates of costs to construct. Major additions and betterments are capitalized, and expenditures for repairs and maintenance are charged to operations. Depreciation on contributed assets is charged to operations and closed to contributed capital. Depreciation is computed using the straight-line method at rates recommended by the State Controller's Office, which are based upon the estimated useful lives of the assets. The ranges of the estimated useful lives of the assets are as follows:

Transmission and distribution system	10-40 years
Treatment plants	40 years
General plant	3-40 years

(j) Restricted Assets

Amounts shown as restricted assets have been restricted by District Board of Directors action, by law, or by contractual obligations to be used for specified purposes, such as construction of utility plant and payment of certain employee benefits.

(k) Capitalized Interest

Interest costs, less interest earned on related tax-exempt borrowings, are capitalized during the construction period of major utility plant additions. The capitalized interest is recorded as part of the asset to which it is related and is depreciated over the estimated useful life of the related asset. No interest was capitalized during the years ended June 30, 2002 and 2001.

(l) Compensated Absences

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees.

(m) Retirees' Health Benefits Plan Expense

Expense is recognized on the pay-as-you-go basis, and is more fully described in Note 10.

VALLEY CENTER MUNICIPAL WATER DISTRICT

Notes to Financial Statements, Continued

(n) Capital Contributions

Capital contributions are recorded when capacity charges are collected, Federal and State construction grants are received, annexation fees are paid by property owners on behalf of the District, or the District accepts contributions of utility plant in kind. Capacity charges are paid by new customers prior to connecting to the District's system. Such charges are periodically adjusted based upon changes in construction costs and other factors, and are intended to compensate the District for a new customer's equitable share of current and future system capacity. Capital contributions are accounted for as nonoperating revenues and closed to contributed capital.

(o) Budgetary Information

The District prepares and adopts an annual budget for operations, debt service, and capital additions, but budgetary information is not presented because the District is not legally required to adopt and adhere to a budget.

(p) Property Tax Calendar

Property taxes, including assessments, are billed by San Diego County (County) to property owners. The District's property tax calendar for the fiscal year ended June 30, 2002, was as follows:

January 1, 2001	Lien date
December 10, 2001	Due date for first installment (50%)
April 10, 2002	Due date for final installment (50%)

The County collects the taxes from the property owners and remits the funds to the District intermittently during the year. The District has an arrangement with the County whereby the County remits taxes which are delinquent as of each June 30 to the District in exchange for the right to retain the delinquent taxes, penalties, and interest when these amounts are subsequently collected.

(2) Cash and Investments

(a) Authorized Investment Instruments

The District is legally empowered by statute and ordinance to invest in obligations of the United States, its agencies and instrumentalities, time certificates of deposit at commercial banks and savings and loans when insured or collateralized in accordance with law, the State of California Local Agency Investment Fund, the County of San Diego Investment Pool, bonds issued by the District and shares of beneficial interest issued by a diversified management company as authorized by Government Code Section 53601(k). Current policy provides that no investments with maturities greater than five years shall be acquired.

VALLEY CENTER MUNICIPAL WATER DISTRICT

Notes to Financial Statements, Continued

(b) Cash

(i) Summary

Cash is summarized as follows at June 30:

	<u>2002</u>	<u>2001</u>
Cash and cash equivalents - current assets	\$ 11,058,542	9,484,794
Cash and cash equivalents - restricted assets	<u>3,619,872</u>	<u>3,181,826</u>
	<u>\$ 14,678,414</u>	<u>12,666,620</u>

Cash consisted of the following at June 30:

Deposits with financial institutions	\$ 264,622	209,103
Deposits with the State of California Local Agency Investment Fund	14,555,452	12,591,163
Petty cash	1,200	1,200
Outstanding checks	<u>(142,860)</u>	<u>(134,846)</u>
	<u>\$ 14,678,414</u>	<u>12,666,620</u>

(ii) Deposits with Financial Institutions

Deposits with financial institutions at June 30, 2002, are fully insured.

(iii) Deposits with State of California Local Agency Investment Fund

The total amount in the District's account with the State of California Local Agency Investment Fund (State LAIF) can be withdrawn on demand without penalty. Such a withdrawal would not include a pro rata share of any unrealized appreciation or uncollected income on the State LAIF's investments. The State LAIF is administered by the State of California, Office of the Treasurer, as provided by Section 16429 of the California Government Code.

(c) Marketable Securities

Marketable securities are summarized as follows at June 30:

	<u>2002</u>	<u>2001</u>
Marketable securities - restricted assets	\$ <u>9,075,405</u>	<u>10,703,337</u>

Marketable securities consisted of the following at June 30:

U.S. Treasury bills and notes	\$ -	2,030,000
U.S. agency obligations	<u>9,075,405</u>	<u>8,673,337</u>
	<u>\$ 9,075,405</u>	<u>10,703,337</u>

VALLEY CENTER MUNICIPAL WATER DISTRICT

Notes to Financial Statements, Continued

The District's marketable securities are held by its broker and fully insured. The additional coverage beyond the \$500,000 Securities Investor Protection Corporation (SIPC) limit is subject to and follows the terms, conditions and limitations of SIPC coverage.

(3) Inventories

Inventories are as follows at June 30:

	<u>2002</u>	<u>2001</u>
Water inventory	\$ 128,458	106,331
Materials inventory	<u>212,006</u>	<u>179,535</u>
	<u>\$ 340,464</u>	<u>285,866</u>

(4) Restricted Assets

Restricted assets are as follows at June 30:

	<u>2002</u>	<u>2001</u>
Restricted for construction:		
Cash and cash equivalents	\$ 3,619,872	3,181,826
Marketable securities	7,409,277	9,095,022
Other receivables	<u>-</u>	<u>26,371</u>
Total for construction	11,029,149	12,303,219
Restricted for employee benefits:		
Marketable securities	<u>1,666,128</u>	<u>1,608,315</u>
Total restricted assets	<u>\$ 12,695,277</u>	<u>13,911,534</u>

(5) Utility Plant

Changes in utility plant for the year ended June 30, 2002, are as follows:

	Balance <u>June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2002</u>
Land	\$ 1,361,233	-	-	1,361,233
Transmission and distribution system	71,844,732	5,071,786	1,343,400	75,573,118
General plant	4,119,141	401,443	172,865	4,347,719
Annexation fees	<u>786,185</u>	<u>-</u>	<u>-</u>	<u>786,185</u>
	78,111,291	5,473,229	1,516,265	82,068,255
Less accumulated depreciation	<u>35,297,918</u>	<u>2,401,004</u>	<u>1,216,473</u>	<u>36,482,449</u>
Net utility plant in service	42,813,373	3,072,225	299,792	45,585,806
Construction in progress	<u>3,520,013</u>	<u>4,990,879</u>	<u>3,656,630</u>	<u>4,854,262</u>
Net utility plant	<u>\$ 46,333,386</u>	<u>8,063,104</u>	<u>3,956,422</u>	<u>50,440,068</u>

VALLEY CENTER MUNICIPAL WATER DISTRICT

Notes to Financial Statements, Continued

(6) Long-Term Debt

(a) Revenue Bonds Payable

On June 29, 1993, the District issued to a bank \$1,400,000 of water revenue bonds, the proceeds of which were used to pay off a previous loan which had been obtained to finance legally required water system improvements. Revenue bonds outstanding at June 30, 2002 and 2001, are \$900,000 and \$960,000, respectively. Varying amounts of principal plus interest currently at 2.94% are payable semiannually. The final maturity date for the currently outstanding bonds is July 1, 2012. Interest is payable at 62% of the bank's prime rate, but not to exceed 12%. The net water revenues of the District are pledged to pay the principal and interest on the bonds, and the bonds are subject to call and redemption prior to maturity on any date at par plus accrued interest to the redemption date.

Future debt service requirements at the current interest rate for the above bonds are as follows:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 65,000	12,789	77,789
2004	70,000	24,035	94,035
2005	70,000	21,977	91,977
2006	80,000	19,846	99,846
2007	80,000	17,494	97,494
2008 through 2012	480,000	48,734	528,734
2013	<u>55,000</u>	<u>809</u>	<u>55,809</u>
	\$ <u>900,000</u>	<u>145,684</u>	<u>1,045,684</u>

(b) Loan Payable

Loan payable as follows at June 30:

	<u>2002</u>	<u>2001</u>
Municipal Finance Corporation original amount \$1,500,000, on December 28, 1998, to partially finance the Moosa expansion project. Interest at 4.25% payable semiannually and principal payable December 28, 2003, from assets restricted for that purpose and secured by capacity charges collected for the Moosa expansion.	\$ <u>1,500,000</u>	<u>1,500,000</u>

Future debt service requirements for the above loans are as follows:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ -	63,750	63,750
2004	<u>1,500,000</u>	<u>31,875</u>	<u>1,531,875</u>
	\$ <u>1,500,000</u>	<u>95,625</u>	<u>1,595,625</u>

VALLEY CENTER MUNICIPAL WATER DISTRICT

Notes to Financial Statements, Continued

(c) Annexation Fees Payable

In 1960 and 1967, the District annexed certain uninhabited territory and thereby incurred annexation charges of \$786,185 payable to the Metropolitan Water District of Southern California (MWD) and the San Diego County Water Authority. The unpaid balances of such charges to MWD at June 30, 2002 and 2001, are \$7,930 and \$9,898, respectively. The charges are paid by property tax owners through property tax levies collected by the County of San Diego and remitted directly to MWD. The District accounts for the periodic reduction in the recorded annexation fee liability as a capital contribution.

(d) Retirees' Health Benefits Plan Liability

On January 16, 1995, the District's Board of Directors established the Valley Center Municipal Water District Retirees' Health Benefits Plan. Under the terms of the Plan, further described in Note 10, the District's liability, payable from assets restricted for that purpose, to employees or for the benefit of Plan participants at June 30, 2002 and 2001, was \$1,666,128 and \$1,608,315, respectively. The liability will become payable upon the sooner of Plan termination or the commencement of the payment of participants' health insurance premiums under the Plan.

(e) Summary

Long-term debt is summarized as follows at June 30:

	<u>2002</u>	<u>2001</u>
Revenue bonds payable	\$ 900,000	960,000
Loans payable	<u>1,500,000</u>	<u>1,500,000</u>
Total bonds and loans payable	2,400,000	2,460,000
Annexation fees payable	7,930	9,898
Retirees' health benefits plan liability	<u>1,666,128</u>	<u>1,608,315</u>
Total long-term debt	4,074,058	4,078,213
Less current installments of bonds payable from current assets	<u>(65,000)</u>	<u>(60,000)</u>
	<u>\$ 4,009,058</u>	<u>4,018,213</u>

Future debt service requirements at the current interest rates for bonds and loan payable are as follows:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 65,000	76,539	141,539
2004	1,570,000	55,910	1,625,910
2005	70,000	21,977	91,977
2006	80,000	19,846	99,846
2007	80,000	17,494	97,494
2008 through 2012	480,000	48,734	528,734
2013	<u>55,000</u>	<u>809</u>	<u>55,809</u>
	<u>\$ 2,400,000</u>	<u>241,309</u>	<u>2,641,309</u>

VALLEY CENTER MUNICIPAL WATER DISTRICT

Notes to Financial Statements, Continued

(7) Contributed Capital

Changes in contributed capital are as follows for the years ended June 30:

	<u>2002</u>	<u>2001</u>
Capital contributions	\$ 1,746,828	501,139
Less depreciation on contributed assets	<u>(860,511)</u>	<u>(688,628)</u>
Net activity closed to contributed capital	886,317	(187,489)
Balance, beginning of year	<u>14,401,673</u>	<u>14,589,162</u>
Balance, end of year	<u>\$ 15,287,990</u>	<u>14,401,673</u>

(8) Defined Contribution Retirement Plan

The Valley Center Municipal Water District Retirement Plan 002 (Plan 002) was a single-employer defined contribution plan established July 1, 1979, by the District as sponsor to provide retirement benefits to its employees (excluding members of the Board of Directors) under Water Code Section 71595. Plan 002 was administered by a committee appointed by the District's Board of Directors. The sponsor also appointed Plan 002 trustees. Plan 002 trustees, through the committee, directed investments and accounting.

Generally, all full-time employees were required to participate in Plan 002 upon the date employment commences. Vesting was based on years of service, with 20% vesting for each year of service and 100% vesting after 5 or more years of service. Plan income was allocated to accounts of individual participants at year-end by a formula, which was based on beginning of year balances, plus contributions for the year. The District retained the right to make any amendments to Plan 002 which did not cause any assets to be diverted to any purpose other than the exclusive benefit of Plan 002 participants.

Plan 002 provided for yearly sponsor contributions equal to 19% of eligible employees' base compensation. Participant contributions were not required, but participants could voluntarily contribute up to 10% of their compensation.

The District's contribution to Plan 002 for the year ended June 30, 2001, amounted to \$574,160. No contributions were made by individual participants during the year.

Plan 002 was terminated effective June 2, 2001, in order for employees to participate in the pension plan described in Note 9. All contributions to Plan 002 for periods beginning after June 2, 2001, ceased and the interests of all participants in Plan 002 became 100% vested, with no amount reverting to the District. The first in a series of liquidating distributions was made on June 12, 2001 to participants and the Plan 002 was completely liquidated by June 2, 2002.

## VALLEY CENTER MUNICIPAL WATER DISTRICT

### Notes to Financial Statements, Continued

#### (9) Defined Benefit Pension Plan

##### (a) Plan Description

The District began participation in the pension plan described herein on June 3, 2001. The District's defined benefit pension plan, Miscellaneous Plan for Valley Center Municipal Water District (District's Plan), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The District's Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The District's Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

##### (b) Funding Policy

The District has elected to make contributions on behalf of its employees at the required amount of 7% of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The initial required employer contribution rate for the years ended June 30, 2002 and 2001 was 18.889%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The contribution rates were estimated by CalPERS in February 2001, and will remain in effect until June 30, 2003.

##### (c) Additional Information

For the year ended June 30, 2002, the District's annual pension cost was \$887,112 and the District actually contributed \$887,112. Additional information appropriate for disclosure under Governmental Accounting Standards Board Statement No. 27 will not be available from CalPERS until future years.

#### (10) Retirees' Health Benefits Plan

The District's Board of Directors adopted the Retirees' Health Benefits Plan (Plan) on January 16, 1995, for the benefit of all individuals (excluding members of the Board of Directors) employed by the District. The Plan is permitted under Government Code Section 53200 et seq. and generally provides that the District will pay all or a portion of the premiums for certain postemployment health insurance coverage for participants. The Plan administrator is a committee appointed by the District's Board of Directors.

Plan benefits are based upon certain age and service requirements, as well as the particular participation option elected by a retiring eligible employee. After an eligible employee (and a dependent spouse for an electing eligible employee) begins participation in the Plan and until the employee reaches Medicare-eligible age, the District will pay all or a portion of the premium for health insurance coverage under its group plan for current employees. After Medicare-eligible age is reached, the District will pay indefinitely all or a portion of the premium for coverage under the Medicare supplement of its group plan for current employees plus coverage under Medicare Part B. As of June 30, 2002, three retired employees are participating in the Plan.

## VALLEY CENTER MUNICIPAL WATER DISTRICT

### Notes to Financial Statements, Continued

The Plan provides that the premium cost of benefits is to be paid solely from the general assets of the District and there is no Plan requirement for the District to advance-fund Plan benefits, thus the District accounts for the Plan on a pay-as-you-go basis. The District's Board of Directors, wholly in its discretion and based in part on the nonbinding recommendation of consulting actuaries, periodically resolves to restrict assets for the payment of Plan benefits. No assets have been transferred to the Plan administrator. The Board presently intends to similarly restrict or to pay to the Plan administrator for all future years an annual amount that is no more than 8% of eligible payroll plus interest on previously accumulated amounts at a rate equivalent to the District's overall actual annual investment yield. If in the future these accumulated amounts appear insufficient to pay for Plan benefits, it is presently the Board's intention that the Plan would be amended to reduce its benefits. The present intentions of the Board are described herein solely for informational purposes and do not bind current and future members of the District's Board of Directors.

The Plan requires that any separately accumulated funds will, upon Plan discontinuance or termination and after payment of necessary expenses, be distributed equitably among the District's then active employees, eligible employees, and Plan participants. As described in Note 6(d), the Board restricted assets of \$1,666,128 and \$1,608,315 as of June 30, 2002 and 2001, respectively, for the payment of benefits under the Plan. Management construes the provisions of the Plan to require that funds so restricted cannot revert to the District. Recorded expense for the Plan for the years ended June 30, 2002 and 2001, amounted to \$66,317 and \$330,550, respectively.

#### (11) Special Assessment Bonds

On February 5, 1997, Valley Center Municipal Water District Assessment District No. 96-1 (AD 96-1) issued \$1,743,654 of limited obligation improvement bonds pursuant to the provisions of the Municipal Improvement Act of 1913 and the Improvement Bond Act of 1915. Under the Acts, the District is not obligated to repay the AD 96-1 bonds and the District does not intend in any manner to assume responsibility for the repayment of such debt. The bond proceeds were used to establish reserve funds, pay bond issuance costs, refund to certain AD 96-1 property owners previous costs advanced, and expand the Lower Moosa Canyon water reclamation facility. AD 96-1 bonds payable at June 30, 2002 and 2001, amounted to \$1,515,000 and \$1,580,000, respectively.

The bonds and interest are paid from annual special assessments on property within AD 96-1. The annual assessments are billed to and collected from the AD 96-1 property owners, along with other property taxes and assessments, and remitted to the District. The District remits the annual assessments as well as any prepaid assessments received from property owners to the AD 96-1 trustee (a commercial trust company) for eventual payment to the bondholders.

VALLEY CENTER MUNICIPAL WATER DISTRICT

Notes to Financial Statements, Continued

(12) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District manages these risks with its participation in the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The JPIA is a risk-pooling self-insurance authority created under the provisions of the California Government Code for the purpose of providing insurance coverage for its member districts. The JPIA purchases excess insurance from commercial insurance carriers to reduce its exposure to large losses. The JPIA also administers and settles all claims under the various contracts.

The District pays annual premiums for its liability (auto, general, and public officials), property loss, workers' compensation and fidelity bond coverage. They are subject to retrospective adjustments based on claims experience. The nature and amounts of these adjustments cannot be estimated and are charged or credited to expense as invoiced. The District's JPIA insurance expense for the years ending June 30, 2002 and 2001, amounted to \$190,551 and \$238,560, respectively. There were no instances in the past three years where a settlement exceeded the District's coverage.

(13) Economic Dependency

All water sold by the District is purchased from the San Diego County Water Authority. All energy (electricity and natural gas) needed by the District for pumping and other uses is delivered through the transmission facilities of San Diego Gas & Electric Co.

(14) Commitments and Contingencies

(a) Contracts

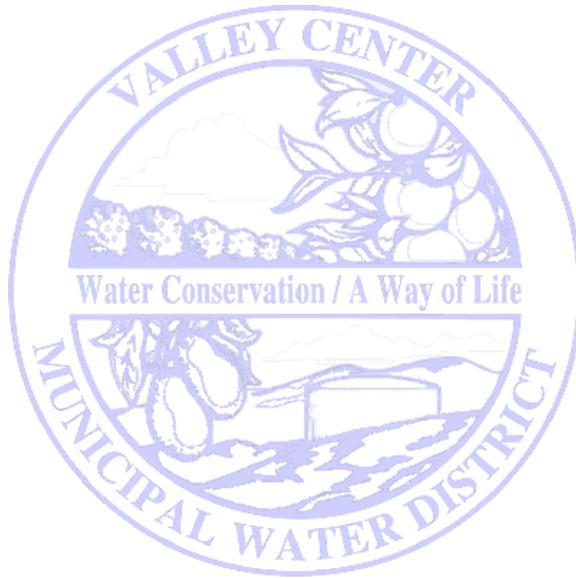
The District entered into several contracts for engineering and construction of additions to utility plant. Unfulfilled commitments under open contracts as of June 30, 2002, are summarized as follows:

Total open contracts	\$ 2,041,377
Costs incurred as of June 30, 2002	<u>1,053,352</u>
Remaining contractual commitments	\$ <u>988,025</u>

(b) Litigation

The District is named as defendant in various pending legal actions. Management is of the opinion that any potential liability which could result, if unfavorable decisions are rendered in these pending legal actions, would not have a material effect on the financial statements.





# COMBINING SCHEDULES



VALLEY CENTER MUNICIPAL WATER DISTRICT

Combining Balance Sheet Schedules

June 30, 2002 and 2001

<u>Assets</u>	<u>Total</u>	<u>General subfund</u>
Current assets:		
Cash and cash equivalents	\$ 11,058,542	11,075,021
Accounts receivable - water and sewer, net	4,816,014	4,816,014
Interest receivable	208,698	208,698
Other receivables	108,780	108,780
Inventories	340,464	340,464
Prepaid expenses	127,978	127,978
Deposits	44,560	44,560
Work in progress for others	327,091	327,091
Total current assets	<u>17,032,127</u>	<u>17,048,606</u>
Restricted assets:		
Cash and cash equivalents	3,619,872	3,264,953
Marketable securities	9,075,405	9,075,405
Total restricted assets	<u>12,695,277</u>	<u>12,340,358</u>
Utility plant:		
Total utility plant in service	82,068,255	72,693,395
Less accumulated depreciation	36,482,449	33,498,489
Net utility plant in service	<u>45,585,806</u>	<u>39,194,906</u>
Construction in progress	4,854,262	4,800,695
Net utility plant	<u>50,440,068</u>	<u>43,995,601</u>
	<u>\$ 80,167,472</u>	<u>73,384,565</u>

2002

Lower Moosa sewer subfunds	Skyline Ranch sewer subfund	Woods Valley Ranch sewer subfund	Debt service subfunds
-	(451)	(16,028)	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	(451)	(16,028)	-
283,938	70,981	-	-
-	-	-	-
283,938	70,981	-	-
9,133,929	240,931	-	-
2,883,298	100,662	-	-
6,250,631	140,269	-	-
11,526	-	42,041	-
6,262,157	140,269	42,041	-
6,546,095	210,799	26,013	-

Continued

VALLEY CENTER MUNICIPAL WATER DISTRICT

Combining Balance Sheet Schedules, Continued

June 30, 2002 and 2001

<u>Liabilities and Fund Equity</u>	<u>Total</u>	<u>General subfund</u>
Current liabilities (payable from current assets):		
Current installments of revenue bonds payable	\$ 65,000	65,000
Accounts payable	4,957,065	4,957,065
Accrued payroll	149,099	149,099
Accrued vacation and sick leave	924,081	924,081
Customer deposits	953,709	940,209
Total current liabilities (payable from current assets)	<u>7,048,954</u>	<u>7,035,454</u>
Current liabilities (payable from restricted assets):		
Customer deposits	<u>6,812</u>	<u>-</u>
Long-term debt, excluding current installments:		
Revenue bonds payable	835,000	835,000
Loan payable (payable from restricted assets)	1,500,000	-
Annexation fees payable	7,930	7,930
Retirees' health benefits plan liability (payable from restricted assets)	1,666,128	1,666,128
Total long-term debt, excluding current installments	<u>4,009,058</u>	<u>2,509,058</u>
Total liabilities	<u>11,064,824</u>	<u>9,544,512</u>
Fund equity:		
Contributed capital	15,287,990	11,622,091
Retained earnings (deficit)	<u>53,814,658</u>	<u>52,217,962</u>
Total fund equity	<u>69,102,648</u>	<u>63,840,053</u>
	<u>\$ 80,167,472</u>	<u>73,384,565</u>

2002			
Lower Moosa sewer subfunds	Skyline Ranch sewer subfund	Woods Valley Ranch sewer subfund	Debt service subfunds
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
13,500	-	-	-
<u>13,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	6,812	-
-	-	-	-
1,500,000	-	-	-
-	-	-	-
-	-	-	-
<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,513,500	-	6,812	-
3,433,628	211,250	21,021	-
1,598,967	(451)	(1,820)	-
<u>5,032,595</u>	<u>210,799</u>	<u>19,201</u>	<u>-</u>
<u>6,546,095</u>	<u>210,799</u>	<u>26,013</u>	<u>-</u>

Continued

VALLEY CENTER MUNICIPAL WATER DISTRICT

Combining Balance Sheet Schedules, Continued

June 30, 2002 and 2001

<u>Assets</u>	<u>Total</u>	<u>General subfund</u>
Current assets:		
Cash and cash equivalents	\$ 9,484,794	9,490,610
Accounts receivable - water and sewer, net	4,193,111	4,193,111
Interest receivable	333,207	333,207
Other receivables	190,867	190,867
Inventories	285,866	285,866
Prepaid expenses	122,512	122,512
Deposits	59,310	59,310
Work in progress for others	230,777	230,777
Total current assets	<u>14,900,444</u>	<u>14,906,260</u>
Restricted assets:		
Cash and cash equivalents	3,181,826	2,543,600
Marketable securities	10,703,337	10,703,337
Other receivables	26,371	-
Total restricted assets	<u>13,911,534</u>	<u>13,246,937</u>
Utility plant:		
Total utility plant in service	78,111,291	66,641,643
Less accumulated depreciation	<u>35,297,918</u>	<u>31,189,566</u>
Net utility plant in service	42,813,373	35,452,077
Construction in progress	<u>3,520,013</u>	<u>3,265,175</u>
Net utility plant	<u>46,333,386</u>	<u>38,717,252</u>
	<u>\$ 75,145,364</u>	<u>66,870,449</u>

2001

Lower Moosa sewer subfunds	Skyline Ranch sewer subfund	Woods Valley Ranch sewer subfund	Debt service subfunds
-	9,576	(15,392)	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	9,576	(15,392)	-
522,023	99,072	-	17,131
-	-	-	-
-	-	-	26,371
522,023	99,072	-	43,502
8,411,389	206,177	-	2,852,082
2,541,790	95,458	-	1,471,104
5,869,599	110,719	-	1,380,978
212,797	-	42,041	-
6,082,396	110,719	42,041	1,380,978
6,604,419	219,367	26,649	1,424,480

Continued

VALLEY CENTER MUNICIPAL WATER DISTRICT

Combining Balance Sheet Schedules, Continued

June 30, 2002 and 2001

<u>Liabilities and Fund Equity</u>	<u>Total</u>	<u>General subfund</u>
Current liabilities (payable from current assets):		
Current installments of revenue bonds payable	\$ 60,000	60,000
Accounts payable	5,138,215	5,138,215
Accrued payroll	142,797	142,797
Accrued vacation and sick leave	866,300	866,300
Customer deposits	554,737	551,487
Total current liabilities (payable from current assets)	<u>6,762,049</u>	<u>6,758,799</u>
Current liabilities (payable from restricted assets):		
Customer deposits	<u>6,812</u>	<u>-</u>
Long-term debt, excluding current installments:		
Revenue bonds payable	900,000	900,000
Loan payable (payable from restricted assets)	1,500,000	-
Annexation fees payable	9,898	9,898
Retirees' health benefits plan liability (payable from restricted assets)	1,608,315	1,608,315
Total long-term debt, excluding current installments	<u>4,018,213</u>	<u>2,518,213</u>
Total liabilities	<u>10,787,074</u>	<u>9,277,012</u>
Fund equity:		
Contributed capital	14,401,673	10,551,198
Retained earnings (deficit)	49,956,617	47,042,239
Total fund equity	<u>64,358,290</u>	<u>57,593,437</u>
	<u>\$ 75,145,364</u>	<u>66,870,449</u>

2001

Lower Moosa sewer subfunds	Skyline Ranch sewer subfund	Woods Valley Ranch sewer subfund	Debt service subfunds
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,250	-	-	-
<u>3,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	6,812	-
-	-	-	-
1,500,000	-	-	-
-	-	-	-
-	-	-	-
<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,503,250</u>	<u>-</u>	<u>6,812</u>	<u>-</u>
3,619,663	209,791	21,021	-
<u>1,481,506</u>	<u>9,576</u>	<u>(1,184)</u>	<u>1,424,480</u>
<u>5,101,169</u>	<u>219,367</u>	<u>19,837</u>	<u>1,424,480</u>
<u>6,604,419</u>	<u>219,367</u>	<u>26,649</u>	<u>1,424,480</u>

VALLEY CENTER MUNICIPAL WATER DISTRICT

Combining Schedules of Revenues, Expenses, and Changes in Retained Earnings

Years ended June 30, 2002 and 2001

	Total	General subfund
Operating revenues:		
Water sales and pumping charges	\$ 31,810,088	31,810,088
Meter installation fees	176,456	176,456
Sewer charges	783,632	-
Other water operating revenues	301,490	301,490
Total operating revenues	33,071,666	32,288,034
Operating expenses:		
Cost of water sold	20,245,538	20,245,538
Energy and pumping costs	4,066,764	3,986,296
Water systems operations	2,699,794	2,699,794
Sewer collection and treatment	365,518	-
Engineering	673,468	673,468
Depreciation	2,401,004	1,898,247
General and administrative	1,943,113	1,860,706
Total operating expenses	32,395,199	31,364,049
Net operating income (loss)	676,467	923,985
Nonoperating revenues (expenses):		
Investment income	899,579	880,230
Property taxes and assessments	1,703,844	1,703,781
Capital contributions	1,746,828	1,529,696
Other nonoperating revenues	111,756	111,756
Interest expense	(94,322)	(30,572)
Other nonoperating expenses	(299,794)	(230,863)
Net nonoperating revenues	4,067,891	3,964,028
Net income (loss)	4,744,358	4,888,013
Adjustment for capital contributions and depreciation on contributed assets closed to contributed capital	(886,317)	(1,070,893)
Net income (loss) closed to retained earnings	3,858,041	3,817,120
Retained earnings transfers	-	1,358,603
Retained earnings (deficit), beginning of year	49,956,617	47,042,239
Retained earnings (deficit), end of year	\$ 53,814,658	52,217,962

Year ended June 30, 2002

Lower Moosa sewer subfunds	Skyline Ranch sewer subfund	Woods Valley Ranch sewer subfund	Debt service subfunds
-	-	-	-
-	-	-	-
719,572	64,060	-	-
-	-	-	-
<u>719,572</u>	<u>64,060</u>	<u>-</u>	<u>-</u>
-	-	-	-
72,175	8,293	-	-
-	-	-	-
309,087	56,431	-	-
-	-	-	-
429,861	5,204	-	67,692
72,052	10,355	-	-
<u>883,175</u>	<u>80,283</u>	<u>-</u>	<u>67,692</u>
<u>(163,603)</u>	<u>(16,223)</u>	<u>-</u>	<u>(67,692)</u>
17,241	992	(636)	1,752
-	-	-	63
210,469	6,663	-	-
-	-	-	-
(63,750)	-	-	-
(68,931)	-	-	-
<u>95,029</u>	<u>7,655</u>	<u>(636)</u>	<u>1,815</u>
(68,574)	(8,568)	(636)	(65,877)
186,035	(1,459)	-	-
117,461	(10,027)	(636)	(65,877)
-	-	-	(1,358,603)
<u>1,481,506</u>	<u>9,576</u>	<u>(1,184)</u>	<u>1,424,480</u>
<u>1,598,967</u>	<u>(451)</u>	<u>(1,820)</u>	<u>-</u>

Continued

VALLEY CENTER MUNICIPAL WATER DISTRICT

Combining Schedules of Revenues, Expenses, and Changes in Retained Earnings, Continued

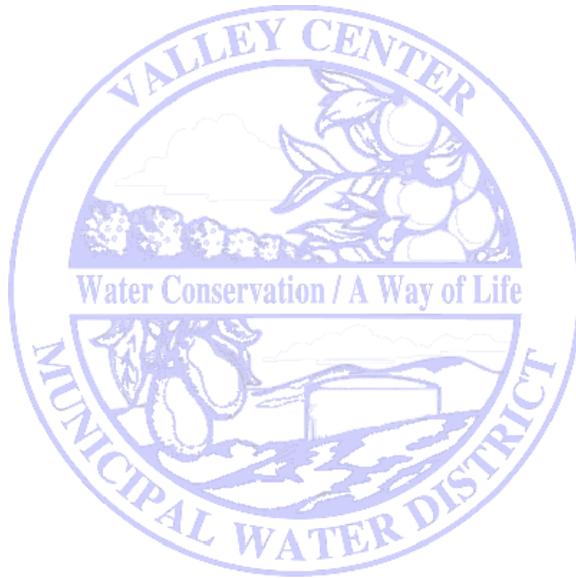
Years ended June 30, 2002 and 2001

	Total	General subfund
Operating revenues:		
Water sales and pumping charges	\$ 26,298,486	26,298,486
Meter installation fees	147,515	147,515
Sewer charges	637,280	-
Other water operating revenues	235,867	235,867
Total operating revenues	<u>27,319,148</u>	<u>26,681,868</u>
Operating expenses:		
Cost of water sold	19,374,345	19,374,345
Energy and pumping costs	5,808,455	5,633,409
Water systems operations	2,714,061	2,714,061
Sewer collection and treatment	387,476	-
Engineering	673,504	673,504
Depreciation	2,273,538	1,812,100
General and administrative	1,815,537	1,738,603
Total operating expenses	<u>33,046,916</u>	<u>31,946,022</u>
Net operating income (loss)	<u>(5,727,768)</u>	<u>(5,264,154)</u>
Nonoperating revenues (expenses):		
Investment income	1,665,958	1,632,522
Property taxes and assessments	1,620,418	1,619,182
Capital contributions	501,139	459,454
Other nonoperating revenues	93,306	93,306
Interest expense	(117,294)	(53,544)
Other nonoperating expenses	(10,341)	(10,341)
Net nonoperating revenues	<u>3,753,186</u>	<u>3,740,579</u>
Net income (loss)	<u>(1,974,582)</u>	<u>(1,523,575)</u>
Adjustment for capital contributions and depreciation on contributed assets closed to contributed capital	<u>187,489</u>	<u>(94,876)</u>
Net income (loss) closed to retained earnings	<u>(1,787,093)</u>	<u>(1,618,451)</u>
Retained earnings transfers	-	(38,193)
Retained earnings (deficit), beginning of year	<u>51,743,710</u>	<u>48,698,883</u>
Retained earnings (deficit), end of year	<u>\$ 49,956,617</u>	<u>47,042,239</u>

Year ended June 30, 2001

Lower Moosa sewer subfunds	Skyline Ranch sewer subfund	Woods Valley Ranch sewer subfund	Debt service subfunds
-	-	-	-
-	-	-	-
560,664	76,616	-	-
-	-	-	-
<u>560,664</u>	<u>76,616</u>	<u>-</u>	<u>-</u>
-	-	-	-
170,332	4,714	-	-
-	-	-	-
334,644	52,832	-	-
-	-	-	-
388,832	4,914	-	67,692
67,065	9,869	-	-
<u>960,873</u>	<u>72,329</u>	<u>-</u>	<u>67,692</u>
<u>(400,209)</u>	<u>4,287</u>	<u>-</u>	<u>(67,692)</u>
31,475	892	(881)	1,950
-	-	-	1,236
32,519	8,313	853	-
-	-	-	-
(63,750)	-	-	-
-	-	-	-
<u>244</u>	<u>9,205</u>	<u>(28)</u>	<u>3,186</u>
(399,965)	13,492	(28)	(64,506)
286,617	(3,399)	(853)	-
(113,348)	10,093	(881)	(64,506)
35,299	2,894	-	-
<u>1,559,555</u>	<u>(3,411)</u>	<u>(303)</u>	<u>1,488,986</u>
<u>1,481,506</u>	<u>9,576</u>	<u>(1,184)</u>	<u>1,424,480</u>





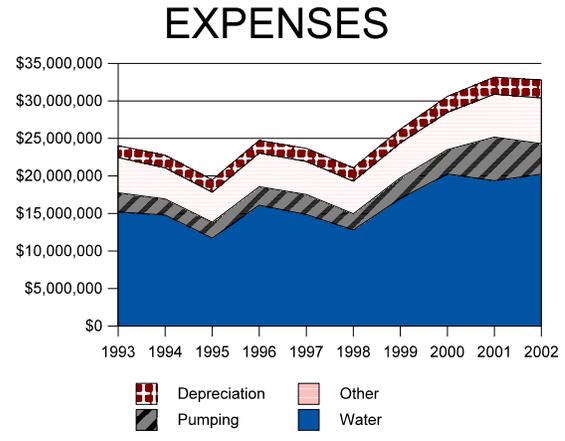
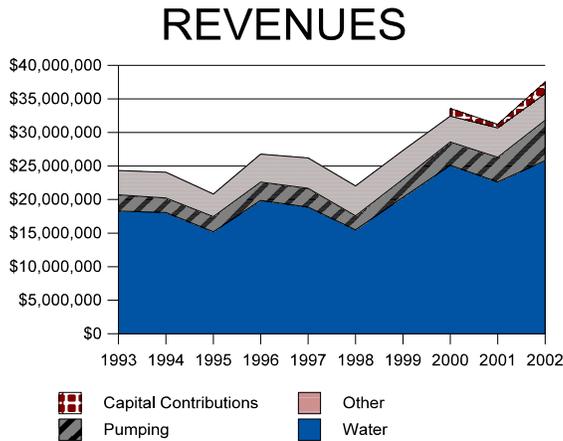
# STATISTICAL SECTION

**Table I  
REVENUES BY SOURCE  
Last Ten Fiscal Years**

FISCAL YEAR ENDED	OPERATING REVENUES						NON-OPERATING REVENUES					TOTAL REVENUES
	WATER SALES (1)	PUMPING	METER INSTALLS	SEWER	OTHER	TOTAL OPERATING REVENUES	PROPERTY TAXES	INVESTMENT INCOME (3)	CAPITAL CONTRIBUTIONS(4)	OTHER		
2002	\$ 25,814,798	\$ 5,995,290	\$ 176,456	\$ 783,632	\$ 301,490	\$ 33,071,666	\$ 1,703,844	\$ 899,579	\$ 1,746,828	\$ 111,756	\$ 37,533,673	
2001	22,618,159 (2)	3,680,327	147,515	637,280	235,867	27,319,148	1,620,418	1,665,958	501,139	93,306	31,199,969	
2000	25,108,504	3,454,067	171,129	522,761	210,456	29,466,917	1,644,952	1,276,155	1,134,538	65,255	33,587,817	
1999	20,316,890	2,721,762	161,875	449,749	195,906	23,846,182	2,085,844	1,144,186	N/A	255,394	27,331,606	
1998	15,482,401	2,089,971	132,914	437,531	247,353	18,390,170	2,140,125	1,451,859	N/A	61,986	22,044,140	
1997	18,869,070 (2)	2,804,603	77,175	449,362	289,167	22,489,377	2,161,410	1,515,412	N/A	43,746	26,209,945	
1996	19,863,773	2,736,839	84,676	391,710	305,971	23,382,969	2,243,932	1,092,160	N/A	68,702	26,787,763	
1995	15,213,425	2,242,800	83,749	369,111	267,265	18,176,350	1,802,471	836,812	N/A	7,392	20,823,025	
1994	18,080,490	2,140,070	80,835	360,177	297,989	20,959,561	2,266,810	680,189	N/A	149,065	24,055,625	
1993	18,275,847	2,422,302	57,587	316,754	326,753	21,399,243	1,958,086	905,531	N/A	67,744	24,330,604	

- (1) A detailed schedule of water sales is presented on Table VIII.  
 (2) Net of credits for Metropolitan Water District refunds of \$544,111 in 2001 and \$954,799 in 1997.  
 (3) Restated for unrealized gain and losses pursuant to GASB Statement No. 31, which was effective in 1998.  
 (4) Capital contributions reported as additions to contributed equity until GASB Statement No. 33 in 2000.

Source: Valley Center Municipal Water District



**Table II  
EXPENSES BY FUNCTION  
Last Ten Fiscal Years**

FISCAL YEAR ENDED	OPERATING EXPENSES						NON-OPERATING EXPENSES		TOTAL EXPENSES		
	COST OF WATER SOLD	ENERGY AND PUMPING	WATER SYSTEMS OPERATIONS	SEWER COLLECTION & TREATMENT	ENGINEER	GENERAL ADMIN. & FINANCE	DEPRECIATION	TOTAL OPERATING EXPENSES		INTEREST ON DEBT	OTHER (2)
2002	\$20,245,538	\$ 4,066,764	\$ 2,699,794	\$ 365,518	\$ 673,468	\$ 1,943,113	\$ 2,401,004	\$ 32,395,199	\$ 94,322	\$ 299,794	\$32,789,315
2001	19,374,345	5,808,455	2,714,061	387,476	673,504	1,815,537	2,273,538	33,046,916	117,294	10,341	33,174,551
2000	20,266,611	3,249,934	2,353,394	275,825	604,677	1,594,982	2,136,247	30,481,670	121,885	12,281	30,615,836
1999	16,995,191	2,757,191	2,051,169	279,198	531,482	1,560,855	1,803,750	25,978,836	94,362	141,638	26,214,836
1998	12,795,462	2,164,899	2,075,988	203,910	502,083	1,399,502	1,783,522	20,925,366	145,547	11,313	21,082,226
1997	14,859,285 (1)	2,667,979	2,033,254	196,233	463,948	1,311,340	1,745,892	23,277,931	188,735	219,040	23,685,706
1996	16,119,824	2,444,408	2,106,420	206,380	478,911	1,232,549	1,681,968	24,270,460	238,584	229,142	24,738,186
1995	11,718,702	2,109,596	2,046,825	175,439	428,032	1,037,960	1,639,702	19,156,256	298,539	16,797	19,471,592
1994	14,792,381	2,155,369	1,981,680	140,135	464,610	1,184,095	1,660,998	22,379,268	306,365	65,747	22,751,380
1993	15,225,334	2,518,634	1,996,973	141,328	447,985	1,455,395	1,572,821	23,358,470	674,571	10,101	24,043,142

- (1) Net of \$1,333,039 rate credit for Metropolitan Water District.  
 (2) Includes loss on termination of projects and disposition of assets.

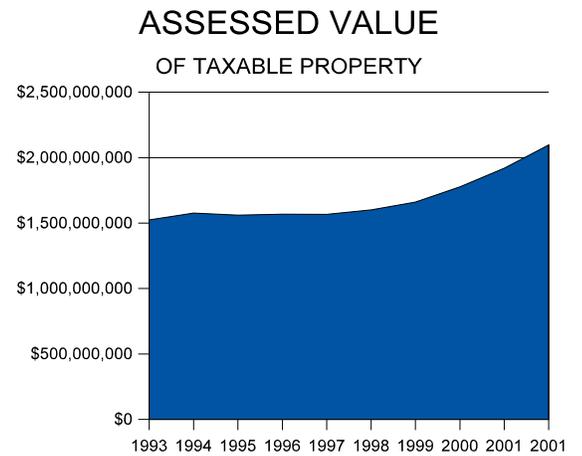
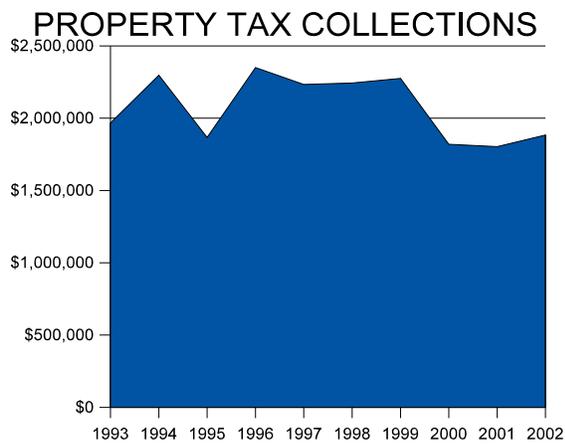
Source: Valley Center Municipal Water District

**Table III**  
**PROPERTY TAX AND ASSESSMENT LEVIES AND COLLECTIONS <sup>(1)</sup>**  
**Last Ten Fiscal Years**

FISCAL YEAR ENDED	LEVY			TOTAL COLLECTIONS (2)	NET DELINQUENT (3)	PERCENT DELINQUENT (4)
	PROPERTY TAXES	SPECIAL ASSESSMENTS	TOTAL LEVY			
2002	\$ 1,153,893	\$ 743,418	1,897,311	\$ 1,883,406	13,905	0.0%
2001	1,078,238	742,248	1,820,486	1,803,398	17,088	0.0%
2000	1,078,652	759,020	1,837,672	1,820,215	17,457	0.0%
1999	1,436,622	863,270	2,299,892	2,275,044	24,848	0.0%
1998	1,477,490	787,469	2,264,959	2,243,518	21,441	0.0%
1997	1,492,188	760,836	2,253,024	2,233,312	19,712	0.0%
1996	1,558,108	807,542	2,365,650	2,350,680	14,970	0.0%
1995	1,393,566	490,099	1,883,665	1,867,564	16,101	0.0%
1994	1,894,997	412,778	2,307,775	2,296,992	10,783	0.0%
1993	1,833,691	454,146	2,287,837	1,966,807	321,030	7.0%

- (1) Percent delinquencies for assessments and property taxes are the same since they are both collected on one tax bill.  
(2) Collections do not include miscellaneous adjustments.  
(3) Net Delinquent includes uncollectible portion.  
(4) Percent delinquent represents current secured only. Beginning in fiscal year 1993-94, the County of San Diego remitted to the District 100% of the secured property taxes and special assessments assessed. The County of San Diego then pursued collection of any remaining delinquencies through the Teeter Plan.

Source: Valley Center Municipal Water District and the Office of the Auditor Controller, County of San Diego



**Table IV**  
**ASSESSED VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**

FISCAL YEAR ENDED	SECURED			NET ASSESSED VALUE	ASSESSED UNSECURED VALUE	TOTAL ASSESSED VALUE	TAX RATE
	REAL PROPERTY	PERSONAL PROPERTY	EXEMPTIONS				
2002	\$ 2,093,743,877	\$ 437,106	\$ 10,936,903	\$ 2,083,244,080	\$ 13,674,153	\$ 2,096,918,233	0.00000
2001	1,916,554,247	525,794	10,881,145	1,906,198,896	12,541,411	1,918,740,307	0.00000
2000	1,774,453,328	594,351	10,722,016	1,764,325,663	12,474,511	1,776,800,174	0.00000
1999	1,656,826,114	1,218,439	9,627,329	1,648,417,224	12,888,452	1,661,305,676	0.02462
1998	1,598,769,552	774,021	9,087,383	1,590,456,190	10,068,791	1,580,387,399	0.02922
1997	1,566,898,632	759,275	8,973,430	1,558,684,477	8,670,874	1,550,013,603	0.03408
1996	1,565,745,748	926,532	7,991,451	1,558,680,829	9,393,715	1,549,287,114	0.03636
1995	1,558,964,694	1,381,257	8,246,150	1,552,099,801	8,551,863	1,543,547,938	0.02771
1994	1,573,962,375	993,745	7,735,487	1,567,220,633	8,534,298	1,558,686,335	0.03567
1993	1,520,737,362	814,176	7,052,946	1,514,498,592	9,382,465	1,505,116,127	0.03276

Source: Office of the Auditor Controller, County of San Diego

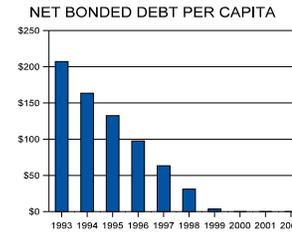
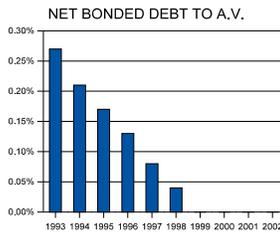
**Table V**

## RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA Last Ten Fiscal Years

FISCAL YEAR ENDED	POPULATION ESTIMATE	ASSESSED VALUATION	GROSS BONDED DEBT (1)	LESS DEBT SERVICE FUNDS (2)	NET BONDED DEBT	NET BONDED DEBT TO ASSESSED VALUATION	NET BONDED DEBT PER CAPITA
2002	21,949	\$ 2,096,918,233	\$ 0	\$ 0	\$ 0	0.00%	\$ 0.00
2001	21,776	1,918,740,307	0	0	0	0.00%	0.00
2000	21,108	1,776,800,174	0	0	0	0.00%	0.00
1999	20,551	1,661,305,676	291,606	216,044	75,562	0.00%	3.68
1998	19,960	1,600,524,981	1,044,004	380,667	663,337	0.04%	33.23
1997	19,721	1,567,355,351	1,739,973	423,686	1,316,287	0.08%	66.75
1996	19,539	1,568,074,544	2,443,413	437,699	2,005,714	0.13%	102.65
1995	19,511	1,560,651,664	3,215,415	522,498	2,692,917	0.17%	138.02
1994	19,338	1,575,754,931	3,999,074	725,683	3,273,391	0.21%	169.27
1993	19,279	1,523,881,057	4,699,353	609,238	4,090,115	0.27%	212.15

- (1) Includes general obligation bonds and loans; excludes revenue bonds. All general obligation bonds were paid in full by June 30, 2000.  
(2) Comprised of cash and cash equivalents restricted by the Board of Directors for debt service.

Source: Valley Center Municipal Water District and the Office of the Auditor Controller, County of San Diego, and State of California Department of Finance



**Table VI  
DIRECT AND  
OVERLAPPING BONDED DEBT  
June 30, 2002**

2001-02 Assessed Valuation	\$2,096,918,233	Percent Applicable	Debt June 30, 2002
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Metropolitan Water District		0.20	\$ 996,089
San Diego County Water Authority		1.12	36,000
Valley Center Municipal Water District - Assessment District No. 96-1		100.00	1,515,000
Escondido Union High School District		6.72	2,905,928
Fallbrook Union High School District		1.66	403,796
Escondido Union School District		7.03	1,436,261
Valley Center Unified School District		80.05	3,710,096
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>11,003,170</b>
<b><u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u></b>			
San Diego County General Fund Obligations		1.08	5,613,797
San Diego County Pension Obligations		1.08	3,487,860
San Diego County Superintendent of Schools Certificates of Participation		1.08	22,923
Palomar Community College District Certificates of Participation		4.86	473,072
Escondido Union School District Certificates of Participation		7.03	1,005,980
City of Escondido Certificates of Participation		0.05	48,138
<b>TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>			<b>10,651,770</b>
<b>COMBINED TOTAL DEBT</b>			<b>\$ 21,654,940</b>
<b><u>Ratios to Assessed Valuation:</u></b>			
Direct Debt		0.00%	
Total Direct and Overlapping Tax and Assessment Debt		0.52%	
Combined Total Debt		1.03%	
<b>STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/02</b>			<b>\$ 0</b>

Note: Bonded debt for Valley Center Municipal Water District includes all debt for which taxes are levied.

Source: California Municipal Statistics, Inc., and Valley Center Municipal Water District

**Table VII**  
**REVENUE DEBT COVERAGE**  
**Last Ten Fiscal Years**

FISCAL YEAR ENDED	GROSS REVENUE (1)	OPERATING EXPENSE (2)	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			COVERAGE FACTOR
				PRINCIPAL	INTEREST	TOTAL	
2002	\$ 35,786,845	\$ 29,994,195	\$ 5,792,650	\$ 60,000	\$ 94,322	\$ 154,322	3,754%
2001	30,698,830	30,773,378	(74,548)	50,000	117,294	167,294	(45)% (6)
2000	32,453,279	28,345,423	4,107,856	50,000	119,150	169,150	2,429%
1999	27,331,606	24,175,086	3,156,520	170,000	88,052	258,052	1,223%
1998	22,044,140	19,141,844	2,902,296	40,000	67,889	107,889	2,690%
1997	26,209,945	21,532,039	4,677,906	40,000	70,591	110,591	4,230%
1996	26,787,763	22,588,492	4,199,271	40,000	75,574	115,574	3,633%
1995	20,823,025	17,516,554	3,306,471	35,000	87,981	122,981	2,689%
1994	24,055,625	20,718,270	3,337,355	15,000	69,741	84,741	3,938%
1993	25,730,604 (3)	21,785,649	3,944,955	1,390,880 (4)	367,520 (5)	1,758,400	224%

(1) Gross revenues exclude capital contributions.

(2) Operating expenses exclude depreciation.

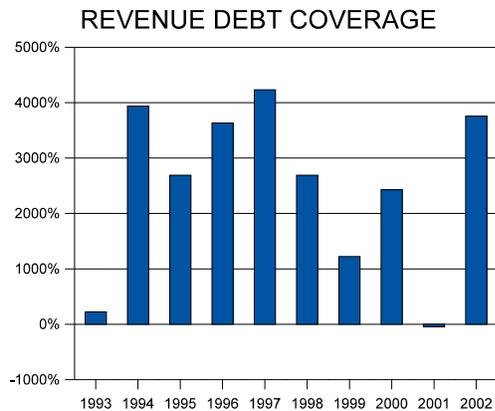
(3) Gross revenues include \$1,400,000 of funds received to refinance Safe Drinking Water loan.

(4) Amount includes payoff of \$1,390,880 due to refinancing of Safe Drinking Water loan.

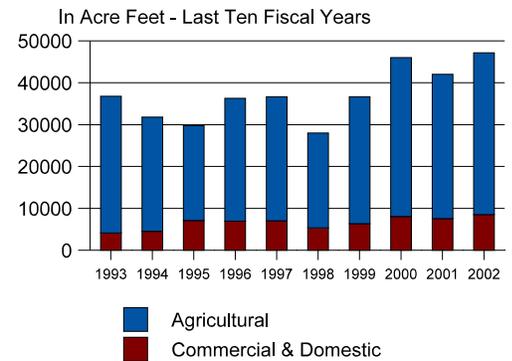
(5) Amount includes \$278,510 of retroactive interest on Safe Drinking Water loan.

(6) Deficit resulted from increased energy costs which were met by using rate stabilization reserves of \$965,695. Coverage factor including the use of reserves as revenue is 533%.

Source: Valley Center Municipal Water District.



**WATER SALES BY CLASSIFICATION**



**Table VIII**  
**WATER SALES BY CLASSIFICATION (1)**  
**Last Ten Fiscal Years**

FISCAL YEAR END	DOMESTIC		COMMERCIAL		AGRICULTURAL (2)		TOTAL	
	VALUE	ACRE FEET	VALUE	ACRE FEET	VALUE	ACRE FEET	VALUE	ACRE FEET
2002	\$ 5,475,800	6,527.7	\$ 1,349,913	1,964.1	\$ 18,989,085	38,655.6	\$ 25,814,798	47,147.4
2001	4,534,067	5,991.8	1,079,219	1,563.4	17,004,873	34,447.5	22,618,159 (3)	42,002.7
2000	5,266,215	6,431.8	1,126,417	1,617.3	18,715,871	37,967.5	25,108,504	46,016.6
1999	4,590,299	5,131.5	805,696	1,228.9	14,920,895	30,321.7	20,316,890	36,682.1
1998	3,575,546	4,350.6	695,353	1,032.3	11,211,503	22,614.0	15,482,402	27,996.9
1997	3,356,730	5,484.2	1,046,339	1,538.9	14,466,001	29,633.5	18,869,070 (3)	36,656.6
1996	4,584,382	5,360.2	1,084,017	1,612.0	14,195,374	29,322.7	19,863,773	36,294.9
1995	3,700,340	5,071.0	1,251,672	2,031.7	10,261,413	22,661.1	15,213,425	29,763.8
1994	3,237,932	4,061.8	313,668	481.6	14,528,890	27,261.0	18,080,490	31,804.4
1993	2,386,214	3,505.8	348,879	637.2	15,540,754	32,651.1	18,275,847	36,794.1

(1) Water sales include monthly meter charges but exclude pumping charges. Amounts in acre feet are water billed.

(2) Beginning in fiscal year ended 1995, includes only certified MWD IAWP agricultural water sales.

(3) Net of credits for Metropolitan Water District refunds of \$544,111 in 2001 and \$954,799 in 1997.

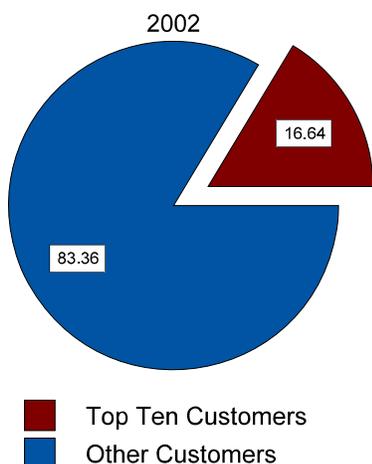
Source: Valley Center Municipal Water District.

**Table IX  
PRINCIPAL WATER CUSTOMERS**

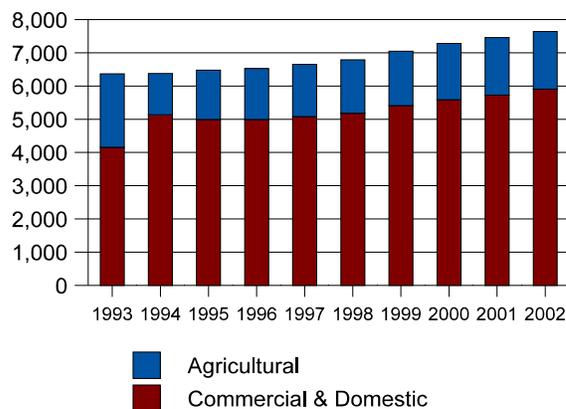
Fiscal Year Ended 2002			Fiscal Year Ended 2001		
CUSTOMER NAME	USAGE IN PERCENT OF		CUSTOMER NAME	USAGE IN PERCENT OF	
	ACRE FEET	WATER SOLD		ACRE FEET	WATER SOLD
Sierra Pacific Farms	1,245.9	2.64%	Sierra Pacific Farms	1,196.8	2.85%
BSTCO	1,173.6	2.49	BSTCO	997.5	2.37
Stehly, N. J. C.	996.0	2.11	Stehly, N. J. C.	966.6	2.30
Harlan Beck & Associates	964.9	2.05	Harlan Beck & Associates	870.4	2.07
DeJong, John	679.6	1.44	DeJong, John	615.0	1.46
Paradise Leased	676.9	1.44	P-K-B Farms	557.0	1.33
Coykendall, H.C.J.	558.0	1.18	Paradise Leased	543.0	1.29
Segal, G.	535.1	1.14	Segal, G.	462.1	1.10
Rancho Sereno	524.4	1.11	Rancho Trio	431.6	1.03
Rancho Trio	<u>488.1</u>	<u>1.04</u>	Rancho Sereno	<u>430.3</u>	<u>1.02</u>
Total top ten customers	7,842.5	16.64	Total top ten customers	7,070.3	16.82
Other customers	<u>39,304.9</u>	<u>83.36</u>	Other customers	<u>34,932.4</u>	<u>83.18</u>
Total water sales	47,147.4	<u>100.00%</u>	Total water sales	<u>42,002.7</u>	<u>100.00%</u>

Source: Valley Center Municipal Water District.

**Principal Water Customers**



**ACTIVE METERS**



**Table X**

**ACTIVE METERS  
Last Ten Fiscal Years**

FISCAL YEAR ENDED	ACTIVE METERS					INACTIVE METERS	
	POPULATION	DOMESTIC	AGRICULTURAL	COMMERCIAL	TOTAL ACTIVE	ALL CLASSES	TOTAL
2002	21,949	5,603	1,734	306	7,643	656	8,299
2001	21,776	5,423	1,732	303	7,458	662	8,120
2000	21,108	5,244	1,696	345	7,285	675	7,960
1999	20,551	5,055	1,640	356	7,051	734	7,785
1998	19,660	4,824	1,610	353	6,787	778	7,565
1997	19,721	4,723	1,576	354	6,653	790	7,443
1996	19,539	4,640	1,530	357	6,527	807	7,334
1995	19,511	4,633	1,489	357	6,479	800	7,279
1994	19,338	4,649	1,240	488	6,377	794	7,171
1993	19,279	3,986	2,211	170	6,367	775	7,142

Source: Valley Center Municipal Water District.

**Table XI  
DEMOGRAPHIC STATISTICS  
June 30, 2002**

WATER SYSTEM

Service Area	62,100 acres
Miles of Water Main (8 inches and larger)	270 miles
Number of Enclosed Reservoirs	41
Maximum Capacity of Enclosed Reservoirs	415 acre feet
Number of Open Reservoirs (non-potable)	1
Maximum Capacity of Open Reservoir	1,612 acre feet
Number of Pump Stations	26
Number of Pumps	96
Total Pump Capacity	19,940 horsepower
Number of Service Connections	8,299
Number of Meters in Service	7,643
Production Peak, Fiscal Year 2001-02 (Feb. 2, 2002)	76.91 m.g.d.
Average Production, Fiscal Year 2001-02	44.21 m.g.d.

SEWER SYSTEM

Miles of Sewer Lines	46 miles
Number of Treatment Plants	2
Maximum Capacity of Treatment Plants	0.54 m.g.d.
Number of Sewer Connection	2,453

GENERAL INFORMATION

Estimated Population	21,949
Number of Authorized Employee Positions	65
Average Years of Service of Employees	12.81 years

*Source: Valley Center Municipal Water District.*

**VALLEY CENTER MUNICIPAL WATER DISTRICT EMPLOYEES  
2001-02**

GARY ARANT  
BARBARA BAKER  
DAVID BEAN  
RICHARD BEATH  
VELMA BLAKE  
TOMAS BORROEL  
MICHAEL BULL  
JEFFREY BURTON  
CRISTI BUSH  
SCOTT BUTLER  
CHRISTIAN CASTAING  
RICHARD CUNNINGHAM  
CHARLES DACUS  
RAMIRO DE ALBA JIMENEZ  
ROMAN DE MANRIQUEZ  
NICK DEILE  
DANIEL DENTINO  
LAURIE DOERR  
WILLIAM FINTON  
BRIAN FOWLER  
IRENE FRANTZ  
PATRICIA GARCIA  
DALE GERTZEN

CHRISTINE GOOTEE  
TROY GOSWICK  
WALLY GRABBE  
LINDA HALE  
DEREK HANSEN  
SA HATLAVONGSA  
CLARENCE HICKS  
ALBERT HOYLE  
TONY JACQUEZ  
JERE JARRELL  
WILLIAM JEFFREY  
PATRIC JEWELL  
CHRISTINE JOHNSON  
DOUGLAS JOHNSON  
ROBERT JONES  
THAD KLIMAS  
ERIC LAVENTURE  
RICHARD LEARUE  
ANTHONY LOPRESTI  
BRIAN LOVELADY  
DAVID MANCINO

JOHN MARTINEAU  
ANNE MASLEY  
WILLIAM MORRIS  
ISMAEL NAVAROO  
EDWARD OLSON  
GABRIELA OLSON  
ROBERT PANEK  
LEON PENA-CONTRERAS  
THANG PHAM  
MIKE PUMAR  
BETTY RANDOLPH  
CLIFFORD REEH  
THOMAS REGAN  
ROY RUTHERFORD  
YVETTE SERRATO  
FRAN SHOUGH  
KENNETH SIMON  
JOHN STETSON  
KATHY STETSON  
DEBORAH TILLEY  
JAMES TURNER  
JOHN VON BORSTEL  
LAWRENCE WATSON

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