Vista Irrigation District
2016 Annual Report

Cover photo: Lake Henshaw

2016 Annual Report

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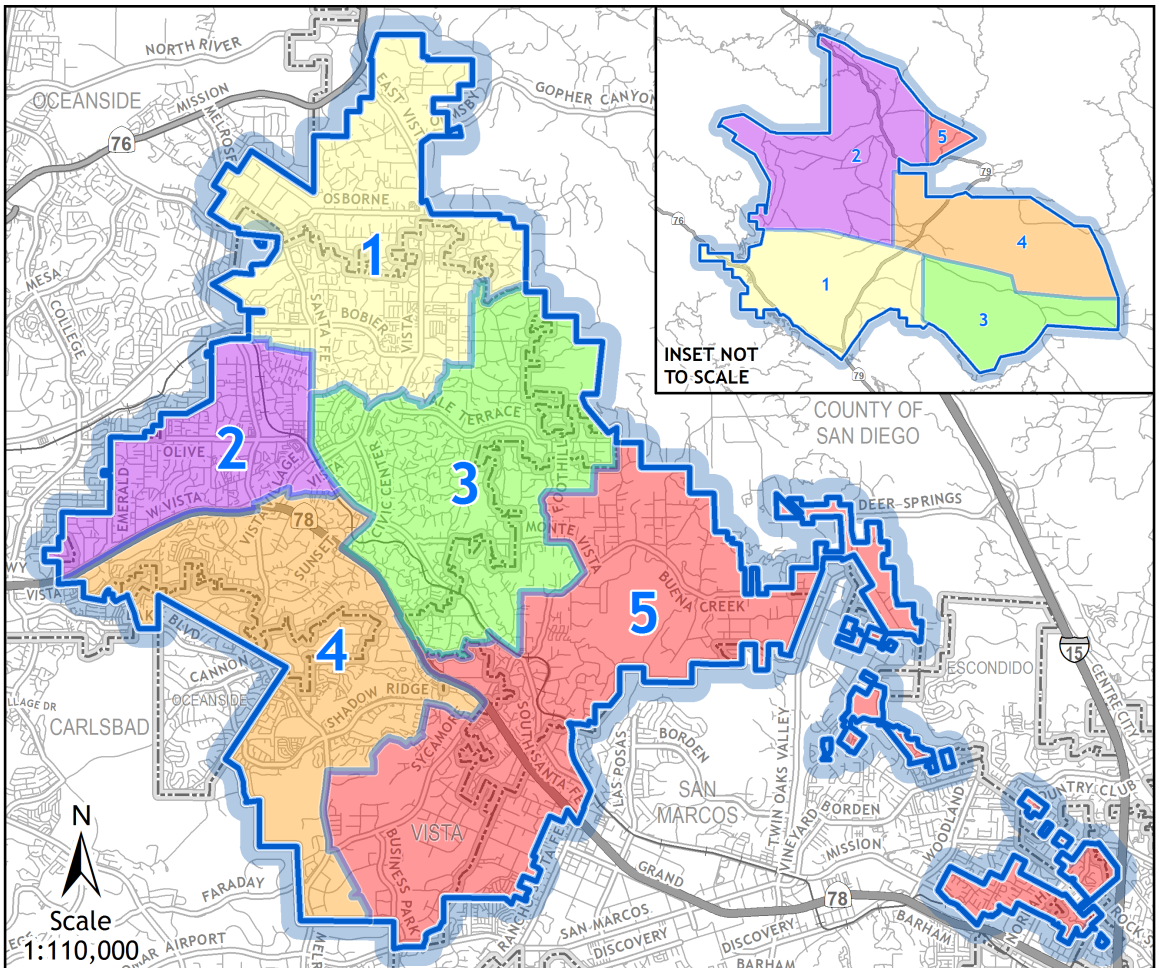
Division Boundary Map



DIVISION BOUNDARIES AND DIRECTORS

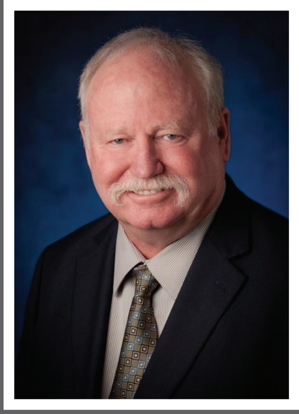
- 1 Marty Miller
- 2 Richard L. Vásquez
- 3 Paul E. Dorey
- 4 Randy L. Reznicek
- 5 Jo MacKenzie

The Vista Irrigation District serves more than 129,000 people through approximately 28,500 residential and business connections in Vista and portions of Escondido, Oceanside, San Marcos and unincorporated areas of San Diego County.

Vista Irrigation District

Board of Directors

Marty Miller
Division 1



Richard L. Vásquez
Division 2

Paul E. Dorey
Division 3

Randy L. Reznicek
Division 4

Jo MacKenzie
Division 5

Board meetings are generally held on the first and third Wednesday of each month. Standing committees meet on an as needed basis. All meetings are held at the District office. Meetings are open to the public, and agendas are posted the Friday prior to the scheduled meeting. For further information about a meeting, or to request a copy of an agenda or staff report, please contact the Board Secretary at (760) 597-3128.

Richard Vásquez, 2016 Board President
Director, Division 2

A Message from the Board President

The past year was filled with the many achievements and milestones, most notably the approval of legislation that will settle a decades old dispute between the federal government, five Indian Bands, City of Escondido and Vista Irrigation District. It was also a bitter-sweet year because we bid a fond farewell and extended our best wishes in retirement to our long time General Manager, Roy Coox, but welcomed two very savvy individuals to lead the District.

The Board selected Eldon Boone to succeed Mr. Coox and become the District's 12th General Manager in its 93 year history. He began working for the District as its Accounting Manager in 1994 and became the Director of Finance in 1996. In 2008, Mr. Boone was promoted to Assistant General Manager and has served as the District's Treasurer since that time. He has also served as the Auditor/Controller for the Association of California Water Agencies-Joint Powers Insurance Authority from 2005 through 2015. Prior to joining the District, Mr. Boone worked for KPMG Peat Marwick as a certified public accountant.

"The District is in good hands and will continue to provide safe, reliable and economical water, just as it has for the better part of a century, well into the future."

~ R. Vásquez

Brett Hodgkiss was promoted to Assistant General Manager. Before being promoted, he had served as the District's Administrative Services Manager since 2001. Prior to working at the District, Mr. Hodgkiss was the Administrative Services Manager at the Cambria Community Services District located on the central coast of California and spent eight years in administrative positions at the city of Encinitas.

I encourage you to contact the District to offer insights and suggestions as they will help us to better serve you in the future. I think you will find that these two individuals, as well as the rest of our District staff, are as dedicated and passionate about what they do and that they will be eager to assist you. The District is in good hands and will continue to provide safe, reliable and economical water, just as it has for the better part of a century, well into the future.

Eldon Boone
General Manager

A Message from the General Manager

Serving you, our customers, is a privilege. Whether it is answering your calls for assistance, repairing a broken fire hydrant in the middle of the night or ensuring the quality of your drinking water, we are committed to providing you with excellent service.

Much has changed over the last 93 years since the District was formed. What hasn't changed, though, is our commitment to providing high-quality, reliable water service at a fair price. Our dedicated staff continually ensures that the District provides the best quality and value possible for our product and our service.

"Every day, our employees put our customers first to ensure that residents and businesses have safe water when they turn on their taps."

~ E. Boone

Our employees are some of the most knowledgeable and skilled in the water industry, and it is a pleasure to observe their dedication and enthusiasm each day. While our industry and environment continue to change, we remain mindful of your needs and are constantly looking for ways to improve. Every day, our employees put our customers first to ensure that residents and businesses have safe water when they turn on their taps. That is why I am very proud of the employees of Vista Irrigation District. It is their efforts that made 2016 a successful year for the District.

As you will see in the pages that follow, Vista Irrigation District ended the fiscal year in a strong position. The employees and Board of Directors managed costs well, provided certainty for long-term water rates and continued an aggressive capital replacement program while remaining debt-free.

It has been a pleasure to lead Vista Irrigation District and I look forward to working with customers, staff and the Board of Directors to continue to improve the vital services that we provide every day.

San Diego County Water Authority Report

Region's Water Supplies Sufficient for 2017

Claude "Bud" Lewis Carlsbad Desalination Plant

The region's projected water supplies will be sufficient to meet demand in 2017 and beyond, according to the San Diego County Water Authority (Water Authority). However, continued water-use efficiency remains essential to help the region manage those supplies.

Even if dry conditions return, the Water Authority's investments in diversifying its water supply portfolio will help meet the region's demands. Examples of these investments include the purchase of desalinated seawater from the Claude "Bud" Lewis Carlsbad Desalination Plant, which produces approximately 50 million gallons of potable water per day, and the conservation-and-transfer contracts and agreements for high-priority water from the Colorado River. These resources as well as others allowed the Water Authority and its member agencies to pass the State Water Resources Control Board's water reliability stress test, which requires water agencies to demonstrate they have adequate water supplies to meet demands even if they experience three consecutive dry years.

San Diego County is benefiting from the development of alternative water supplies and major infrastructure that began in the early 1990s. This long-term strategy, implemented after successive years of drought conditions and a significant reduction in water deliveries (31%) to the region, was crafted to help the region withstand droughts or other water supply challenges. These developments have greatly improved the region's water supply reliability; however, the need to continue using our water resources efficiently remains.

Residents and businesses throughout the region have a track record for reducing their water use through long-term efficiency efforts and through the implementation of short-term conservation measures in response to drought. According to the Water Authority, the region has decreased its per capita water use by nearly 40 percent between 1990 and 2015. Actions to comply with state mandates drove per capita potable water use even lower; by June 2016, per capita water use had dropped to 119 gallons per day which is nearly half of the amount consumed per person in the region in 1990 (235 gallons per day).

The Water Authority has invested in diversifying its water supply portfolio and improving its infrastructure. Those investments coupled with the water-use efficiency measures implemented by residents and businesses across San Diego County mean that the region will continue to have a sufficient water supply in the future.

Photo credit: San Diego County Water Authority www.sdcwa.org

California Drought Update

California entered its fifth consecutive year of drought in 2015. The state remained in a declared drought emergency with water agencies mandated by the State Water Resources Control Board (State Board) to reduce water use an average of 25%. Vista Irrigation District (District) was assigned a reduction target of 20%; as a result, the District instituted mandatory water use restrictions, including assigned watering days and limiting irrigation run times, in June 2015.

While water suppliers were working with their customers to reduce water use, hope of relief from the drought began to take shape in the Pacific Ocean. An El Niño condition began forming in the Pacific and would grow over the fall to become one of the strongest El Niño conditions ever measured. Californians were warned to prepare for a very wet winter and hopefully a possible end to drought conditions.

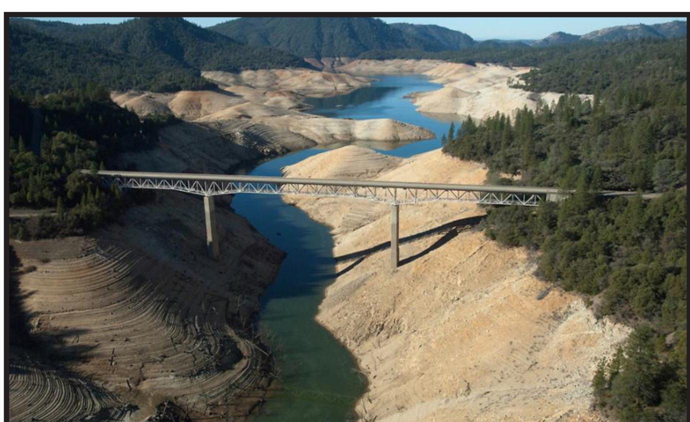
As fall turned to winter, the weather remained hot and dry in southern California. El Niño would not provide the drought relief the region had anticipated. However, the northern part of the state received much needed precipitation with run-off filling the state's two largest reservoirs, Lake Shasta and Lake Oroville (pictured below).

Responding to improving water supply conditions and feedback from urban water agencies, the State Board adopted revised emergency water conservation regulations in February 2016. Under the revised regulations, water agencies were allowed to adjust their conservation targets by taking into account local climate, water efficient growth and investments in new drought resilient sources of potable water supply. Taking into account the regional drought resilient water supply provided by the Claude "Bud" Lewis Carlsbad Desalination Plant, the District was able to reduce its conservation target from 20% to 12%, easing the burden of the mandatory water use reductions on its customers.

In May 2016, after making the final assessment of the state's water supply condition, the State Board would again change its approach to urban water conservation. The State Board replaced the percentage reduction based water conservation targets with a "stress test" approach that would allow urban water agencies to determine their individual conservation target based upon each agency's verifiable supplies if three more years of drought were to occur. Once again, investments in diversifying the region's water supply portfolio made by the region's water wholesaler, the San Diego County Water Authority, and its member agencies paid dividends and allowed all San Diego County water agencies to demonstrate to the State Board that they had sufficient water supplies to meet all of its customers' needs should the state experience three more years of drought. Consequently, the District's mandated conservation target percentage was reduced to zero, and the District declared an end to mandatory water use restrictions in June 2016.

As we enter 2017, water supply conditions continue to improve with much needed snowfall in the Colorado River Basin and in the Sierra Mountain Range in addition to rainfall throughout California. That being said, it is important to maintain water wise practices and continue to make permanent changes to the way that we use water so we can remain efficient and resilient. The District appreciates its customers continuing water conservation efforts and looks forward to working with them to meet any future water supply challenges.

Lake Oroville 2014

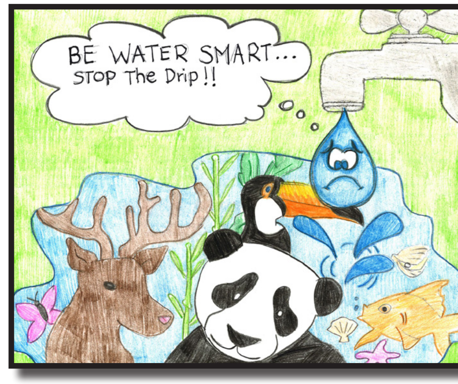


Lake Oroville 2016

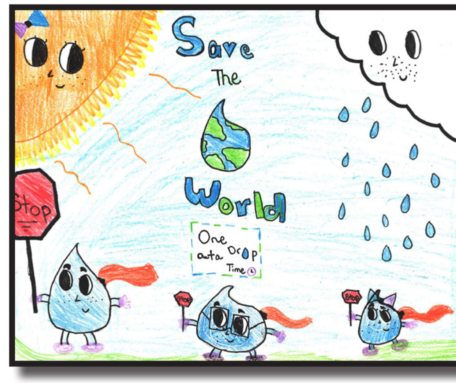
Pictured above are comparison aerial photos of Lake Oroville, one of California's largest reservoirs. The photo on the left shows the water level at the height of the drought in January 2014 . The photo on the right, taken in May 2016 shows Lake Oroville at 96% capacity following a much needed rainy season in Northern California.

Photo credit: California Department of Water Resources http://pixel-ca-dwr.photoshelter.com/index

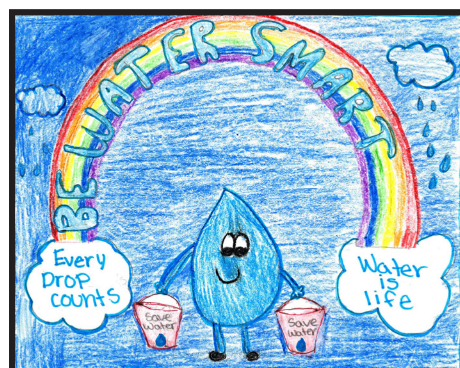
Awareness Conservation and Education



1st Place - Lanea Rico
Mission Meadows Elementary School



2nd Place - Rebecca Gutierrez
Tri-City Christian School



3rd Place - Ariana Barragan
Joli Anne Leichtag Elementary School

A Conservation Message from the Kids

May is "Water Awareness Month" and the Vista Irrigation District, in conjunction with other North County water agencies, sponsors a poster contest to promote awareness of the importance of water. Fourth grade students in each of the North County water agencies' service areas submit posters illustrating the significance of water in everyday life. The theme of the 2016 contest was "Be Water Smart."

The District received 262 entries from students in its service area. The top three winners received cash prizes and the winner's poster will appear in the 2017 Water Awareness Calendar. Lanea Rico from Mission Meadows Elementary School won first place in the District's contest. Rebecca Gutierrez from Tri-City Christian School was VID's second place winner, and Ariana Barragan from Joli Ann Leichtag Elementary School was VID's third place winner. A limited number of 2017 Water Awareness calendars, displaying artwork of District winners, are available at the District office.

High School Seniors Learn About Water Supply Challenges

The Vista Irrigation District also sponsors a scholarship contest. The purpose of the contest is to increase the knowledge and awareness of water related issues impacting the Vista Irrigation District.

Congratulations to Nicholas Smith from Tri-City Christian School. He was the winner of the District's 2016 scholarship contest. Marcy Faison from North County Trade Tech High School and Randy Robbins from Rancho Buena Vista High School were the runners-up in the contest. All participants are congratulated for a job well done.

CUSTOMERS SHOWCASE THEIR WATER WISE LANDSCAPES

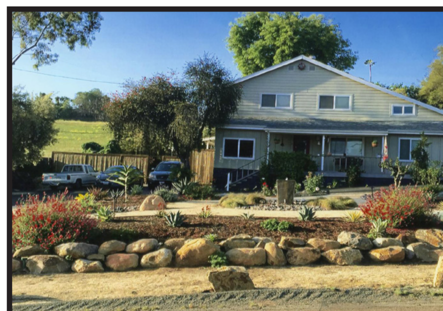
Whether you have a cleared lot or want to replace your natural grass, selecting water wise plants can be a formidable task. You can look on the Internet, peruse books and visit local nurseries and water conservation gardens to research what types of flora are available. However, seeing plants in an established residential landscape may be the best way to judge if a particular plant will work in your garden.

There are many examples of water wise landscapes close to where we live; people just don't know about them. The Vista Irrigation District, along with twelve other local water agencies, held California-Friendly Landscape Contests this year, providing an opportunity for water wise landscapes to be showcased throughout the region. The Vista Irrigation District was fortunate to receive a large number of submissions, and its top entries showed how beautiful water wise landscaping can be when used in the proper setting and mixed with other landscape elements, such as hardscape and garden art.

John and Marcia Rea received the Best in District award. In summer 2015, the Reas removed the dying lawn in their front yard and replaced it with low maintenance, decomposed granite pathways that wind through colorful planting beds. Incorporated in their design are boulders and rocks that define and blend in with the pathways and plants, creating a natural looking landscape with great curb appeal. They say the best part of the whole project was getting to know more of their neighbors who would see their yard and stop by to compliment them on their landscape transformation. Their new landscape has reduced their water use by 27 percent as compared to the same period last year.

Tamara Diaz was recognized with an honorable mention award. She wanted to remove 5,000 square feet of lawn in her front yard. Ms. Diaz researched and designed her own landscape, carefully picking appropriate and colorful plants. Since replacing her lawn, Ms. Diaz's annual water use has dropped by 64 percent. She says her landscape transformation was a fun journey and now recommends to her neighbors with suffering lawns to take a drive by her home and see how a California-Friendly landscape can be beautiful and aesthetically pleasing.

With a majority of their water consumption going to watering landscapes, homeowners are searching for ways to decrease their water use outdoors. By showcasing their beautiful landscapes in the California-Friendly Landscape Contest, these Vista Irrigation District customers are providing other homeowners with great ideas about how to reduce their own outdoor water use by installing attractive water wise landscaping. For more information about the contest and to see more examples of water wise landscaping, visit www.landscapecontest.com.



Best In District
John and Marcia Rea

Honorable Mention
Tamara Diaz

Water Supply Facts

Water Sources

The Vista Irrigation District's original source of water, dating back to 1926, was from Lake Henshaw. The lake was later purchased by the District, along with the 43,000 acre Warner Ranch, in 1946. However, drought conditions and population growth eventually caused the District to look for other sources of water. In 1954, the District became a member of the San Diego County Water Authority to take advantage of water imported from the Colorado River and Northern California.

Local Water Source: Lake Henshaw

Imported Water Source: Colorado River

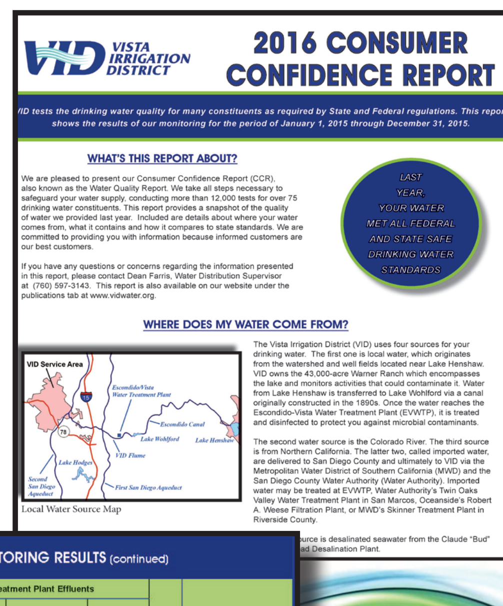
Typically, 30 percent of the District's water has come from Lake Henshaw and 70 percent has come from imported water from the Colorado River and Northern California. In fiscal year 2016, just ten percent of the District's water came from Lake Henshaw. During years when rainfall is significantly below average and the availability of local water is limited, well over ninety percent of the District's water supply can come from imported sources.

Water Quality

The Vista Irrigation District takes all steps necessary to safeguard its water supply. Each year staff conducts more than 12,000 tests for over 75 drinking water contaminants, ensuring that the District's water meets safe drinking water standards. Last year, the District's water met or exceeded all Federal and State safe drinking water standards.

In June of each year, the District makes available its Consumer Confidence Report, also known as the Water Quality Report. The report provides a snapshot of the quality of water provided during the past year. Included are details about what is in your water and how it compares to prescribed standards. It also provides answers to commonly asked questions, such as "what affects the taste of my water?"

The District is committed to providing its customers with information about drinking water because informed customers are the District's best customers. If customers have questions or concerns about water quality, they may contact the District and speak with the water distribution supervisor.



VID VISTA IRRIGATION DISTRICT

2016 CONSUMER CONFIDENCE REPORT

VID tests the drinking water quality for many constituents as required by State and Federal regulations. This report shows the results of our monitoring for the period of January 1, 2015 through December 31, 2015.

WHAT'S THIS REPORT ABOUT?

We are pleased to present our Consumer Confidence Report (CCR), also known as the Water Quality Report. We take all steps necessary to safeguard your water supply, conducting more than 12,000 tests for over 75 drinking water constituents. This report provides a snapshot of the quality of water we provided last year. Included are details about where your water comes from, what it contains and how it compares to state standards. We are committed to providing you with information because informed customers are our best customers.

If you have any questions or concerns regarding the information presented in this report, please contact Dean Farris, Water Distribution Supervisor at (760) 597-3143. This report is also available on our website under the publications tab at www.vidwater.org.

LAST YEAR, YOUR WATER MET ALL FEDERAL AND STATE SAFE DRINKING WATER STANDARDS

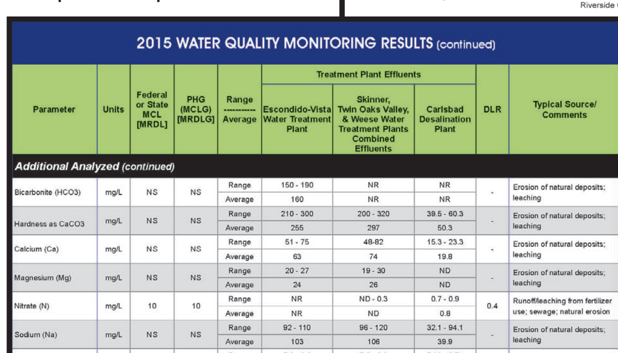
WHERE DOES MY WATER COME FROM?

Local Water Source Map

The Vista Irrigation District (VID) uses four sources for your drinking water. The first one is local water, which originates from the watershed and well fields located near Lake Henshaw. VID owns the 43,000-acre Warner Ranch which encompasses the lake and monitors activities that could contaminate it. Water from Lake Henshaw is transferred to Lake Wohlford via a canal originally constructed in the 1890s. Once the water reaches the Escondido-Vista Water Treatment Plant (EVWTP), it is treated and disinfected to protect you against microbial contaminants.

The second water source is the Colorado River. The third source is from Northern California. The latter two, called imported water, are delivered to San Diego County and ultimately to VID via the Metropolitan Water District of Southern California (MWD) and the San Diego County Water Authority (Water Authority). Imported water may be treated at EVWTP, Water Authority's Twin Oaks Valley Water Treatment Plant in San Marcos, Oceanside's Robert A. Weese Filtration Plant, or MWD's Skinner Treatment Plant in Riverside County.

…urce is desalinated seawater from the Claude "Bud" …ad Desalination Plant.



2015 WATER QUALITY MONITORING RESULTS (continued)

Parameter	Units	Federal or State MCL [MRDL]	PHG (MCLG) [MRDLG]	Range / Average	Treatment Plant Effluents: Escondido-Vista Water Treatment Plant	Treatment Plant Effluents: Skinner, Twin Oaks Valley, & Weese Water Treatment Plants Combined Effluents	Treatment Plant Effluents: Carlsbad Desalination Plant	DLR	Typical Source/ Comments
Additional Analyzed (continued)									
Bicarbonite (HCO3)	mg/L	NS	NS	Range	150 - 190	NR	NR	-	Erosion of natural deposits; leaching
				Average	160	NR	NR		
Hardness as CaCO3	mg/L	NS	NS	Range	210 - 300	200 - 320	39.5 - 60.3	-	Erosion of natural deposits; leaching
				Average	255	297	50.3		
Calcium (Ca)	mg/L	NS	NS	Range	51 - 75	48-82	15.3 - 23.3	-	Erosion of natural deposits; leaching
				Average	63	74	19.8		
Magnesium (Mg)	mg/L	NS	NS	Range	20 - 27	19 - 30	ND	-	Erosion of natural deposits; leaching
				Average	24	26	ND		
Nitrate (N)	mg/L	10	10	Range	NR	ND - 0.3	0.7 - 0.9	0.4	Runoff/leaching from fertilizer use; sewage; natural erosion
				Average	NR	ND	0.8		
Sodium (Na)	mg/L	NS	NS	Range	92 - 110	96 - 120	32.1 - 94.1	-	Erosion of natural deposits; leaching
				Average	103	106	39.9		
				Range	7.8 - 8.2	7.2 - 8.3	7.99 - 8.74		Measurement of acidity/

Excerpts from the 2016 Consumer Confidence Report (CCR). The 2017 CCR will be available July 1, 2017.

Water Supply Facts

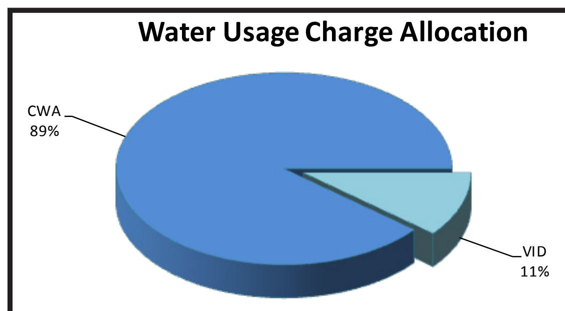
Continued

Water Infrastructure

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

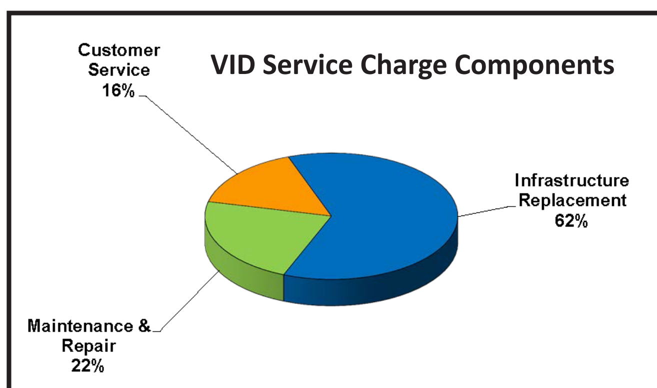
Since its inception, the Board has allocated $21.4 million to this program which has allowed the replacement of 28 miles of older pipe ranging in size from 4 to 20 inches. The Board approved another $2.5 million for this program as part of the capital improvement program for fiscal year 2017.

Water Rates and Charges



Approximately 11% of the revenue generated by water usage charges is utilized by the Vista Irrigation District to cover operating and maintenance expenses. The remaining 89% is used to pay the San Diego County Water Authority (Water Authority) for water purchases.

The Water Authority is responsible for supplying water to 24 member agencies within San Diego County. Not simply a water provider, the Water Authority is also responsible for the construction and maintenance of regional storage, delivery and treatment infrastructure necessary to ensure the reliable delivery of water to local water agencies like the Vista Irrigation District.



The Vista Irrigation District's service charge helps pay the District's fixed costs, which exist regardless of the amount of water pumped and delivered. Fixed costs continue without regard to the amount of water that a customer uses, and are sometimes called "readiness-to-serve" charges because they are incurred as part of keeping the water system ready to deliver water to any customer at a moment's notice. The largest component of the service charge recovers the cost of replacing the District's aging water system infrastructure.

More Information About the Vista Irrigation District

Information about the Vista Irrigation District's water supply as well as an electronic copy of the latest Consumer Confidence Report can be found on the District's website, www.vidwater.org. Additionally, you can find out more information about District services, rates, water conservation, and recent announcements. Customers can also download publications, such as the District's direct payment program application and engineering standard specifications/drawings.

Employee APPRECIATION Awards

Annually the Board of Directors recognizes employees who have reached major milestones in their careers with the District. Longevity is a hallmark of VID and this year was no exception. The employees pictured here received service awards commemorating their involvement with VID.

15 Years of Service

Brett Hodgkiss

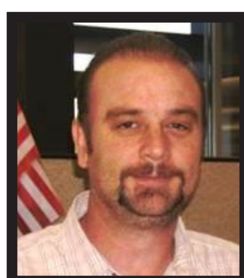
Johnna Pokojni

Jay Vittachi

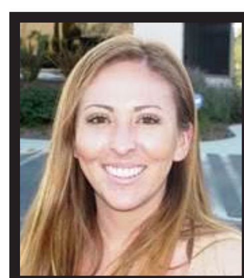
10 Years of Service

Lee Hodges

Sabrina Willis



Mark Saltz



Susie Castro

Dean Farris

Marlene Kelleher

Brent Reyes

DISTRICT DEMOGRAPHICS

Distribution System

This table shows the District's treated water storage capacity by reservoir. The elevation numbers represent each reservoirs height above mean sea level.

RESERVOIR	SIZE AND TYPE	EXISTING CAPACITY (Million Gallons)	FLOOR ELEVATIONS (Feet)	TOP WATER ELEVATIONS (Feet)
Lupine Hills	Prestressed Concrete – 137' Dia. – 31' High	3.4	537.0	568.0
Pechstein	Prestressed Concrete – 355' Dia. - 27' High	20.0	810.0	837.0
Deodar	Prestressed Concrete - 86' Dia. - 30' High	1.3	869.0	899.0
San Luis Rey	Concrete - 156' x 136' x 25' High	3.1	540.0	565.0
Virginia Pl. (A)	Concrete - 100' Dia. - 13' High	0.8	695.0	708.0
Summit Trail (C)	Concrete - 100' Dia. - 13' High	0.8	625.0	638.0
Edgehill (E)	Concrete - 96' Dia. - 12' High	1.5	741.0	753.0
Cabrillo Cir. (E-1)	Concrete - 90' Dia. - 13' High	0.6	546.0	559.0
Rockhill (MD)	Concrete - 55' Dia. - 11' High	0.2	886.0	887.0
Edgehill (HP)	Prestressed Concrete – 160' Dia. – 30' High	4.5	943.0	973.0
Buena Creek (HB)	Prestressed Concrete – 160' Dia. – 30' High	4.5	951.0	981.0
Elevado (H)	Prestressed Concrete – 160' Dia. – 36' High	5.4	774.0	810.0
Total		**46.1**		

Water Transmission Facilities

Escondido Canal and Intake	Carrying Capacity: 70 CFS	VID rights = 2/3rds
Vista Main Canal (Flume)	Carrying Capacity: 44 CFS	Twelve miles of conduit from the Escondido-Vista Water Treatment Plant to Pechstein Reservoir

Water Meters

This table shows the total number of meters in service by the use type.

Residential (Single and Multi-Family)	24,069
Commercial/Industrial	1,586
Irrigation	919
Agricultural	575
Fire Service (Fire Sprinklers)	1,238
Governmental	91
Total	**28,478**

Water Equivalents

- 1 Acre Foot equals 325,900 gallons
- 1 Acre Foot equals 43,560 cubic feet
- 1 Cubic Foot equals 7.48 gallons
- 1 Cubic Foot per Second (CFS) equals 449 gallons per minute and in 24 hours equals 1.983-acre feet

VID Pipelines

This table shows miles of pipeline in the District's distribution system by size and material type.

8" to 36" Concrete Gravity	8 miles
4" to 12" AC	265 miles
14" to 36" AC	17 miles
4" to 12" PVC	84 miles
14" to 18" PVC	1 mile
4" to 12" Steel	67 miles
14" to 42" Steel	26 miles
All other materials larger than 4"	5 miles
Total	**473 miles**

District Demographics

Performance of Distribution Systems

(Fiscal Year 2015–2016)

This table shows water delivered to the District (from imported and local sources) versus how much was delivered to customers. Losses encompass water that was delivered to the District but not sold to customers. Water losses can be attributable to a number of factors, including pipeline leaks and breaks, theft, hit fire hydrants and fire suppression activities.

	Water In	Water Out
Received at Intake of Main Conduit (Henshaw Water)	1,582	
Received from San Diego Aqueduct (Imported)	14,230	
Miscellaneous Purchases	0	
Metered to VID users		14,375
Losses		1,437
Total	**15,812**	**15,812**

Lake Henshaw Properties

Warner Ranch:
43,402 acres (68 square miles)

Groundwater Development:
21 wells and 91,000 feet of conduit

Semi-Hydraulic Earth Fill Dam:
Height 110 feet, Length 1,950 feet

Reservoir (Lake Henshaw):
51,774 acre feet capacity;
2,219 acres in area, 203 square mile watershed

Ownership of Lake Henshaw Waters

This table presents a snapshot of ownership of the water stored in the lake at the beginning and end of the fiscal year. The categories of water listed are defined in terms of contractual obligations.

Information gathered from Ownership Analysis Report.

	July 1, 2015	July 1, 2016
Rincon Band	0	6
Escondido Replacement	0	0
Vista Replacement	0	0
Escondido Pumped	0	0
Escondido Contract	716	593
Vista Contract	4,035	3,888
Vista Pumped	0	0
Unallocated Henshaw Surplus	(144)	(85)
Total	**4,607**	**4,402**

Lake Henshaw Releases

(Fiscal Year 2015-2016)

This table accounts for the fate of water released from the lake in terms of contract deliveries and losses. The contracts with the Rincon Band of Mission Indians and the City of Escondido (formerly the Escondido Mutual Water Company), who had senior water rights on the San Luis Rey River, were entered into in 1923 when the Henshaw Dam was built and diverted flow on the river.

Losses in San Luis Rey River	249
Delivered to Rincon Band	0
Escondido "A" Water*	0
In Lieu "A" Water*	107
Escondido "B" Water*	1,183
In Lieu "B" Water, Esc. Joint Well Water*	522
Replacement Water to Lake Wohlford	1,582
Loss of Release below Intake	70
Total Releases	**3,713**

"A", "B", and "In Lieu" refer to different classes of water provided to the City of Escondido from Lake Henshaw per the terms of historic water contracts. These classes of water correspond to historic water rights and are available in quantities, times, and costs that vary per the terms of those contracts.

Lake Henshaw Performance

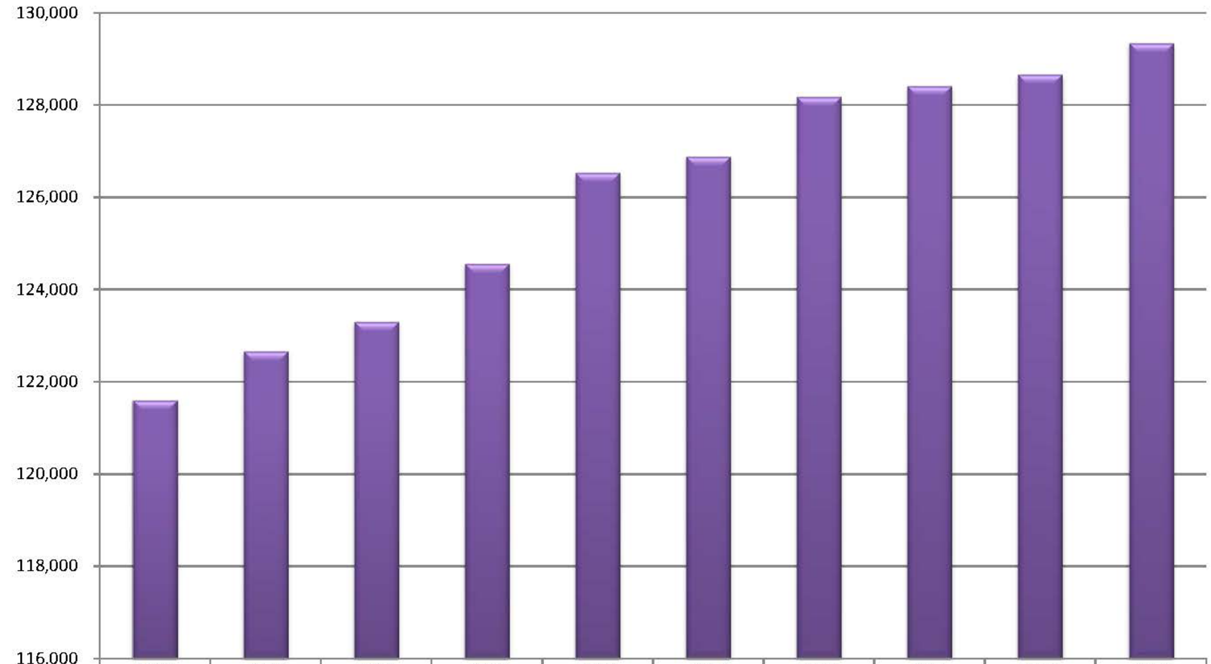
This table presents an annual accounting of various sources of inflows, such as run-off and pumped water from the Warner Basin aquifer, and outflows of water from the lake.

	Acre Feet
Total Storage July 1, 2015	4,607
Less Release	(3,713)
Less Evaporation	(4,001)
Less Spill	0
Plus Pumped Water	7,177
Plus Runoff*	332
Total Storage July 1, 2016	**4,402**

* Computed Runoff plus Rainfall, Conserved Evaporation, and Bank Storage

Population

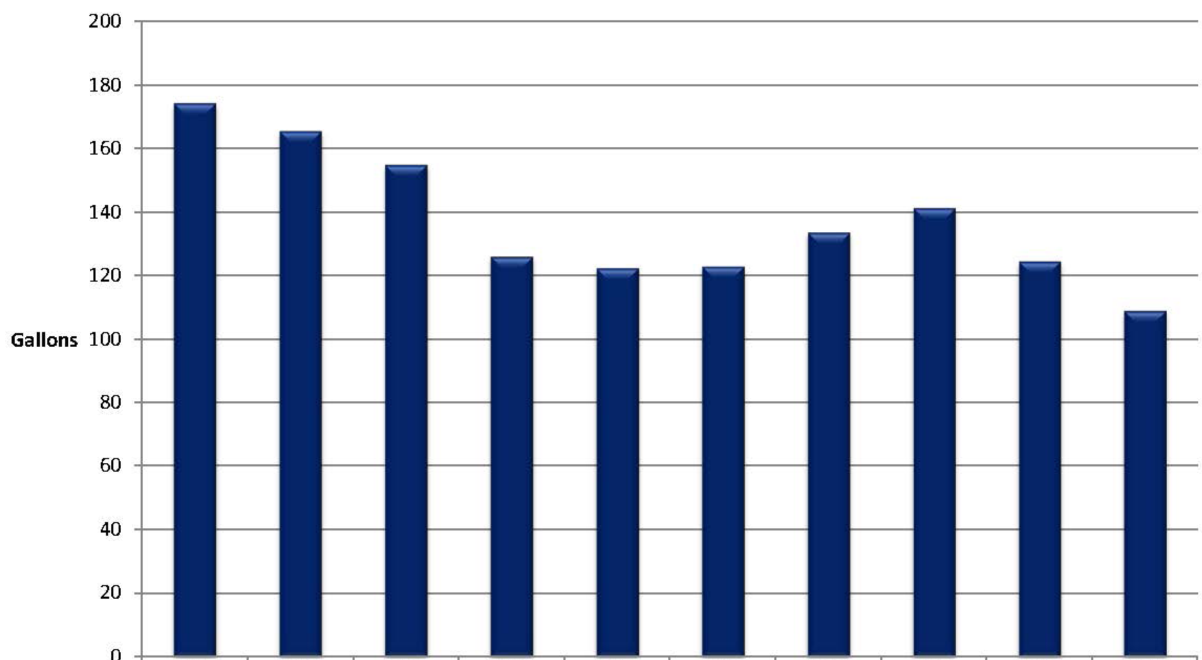
This graph depicts population growth within the District's service area, which is comprised of the City of Vista as well as portions of San Marcos, Escondido, Oceanside, and unincorporated areas of the county. Source: San Diego Association of Governments.



Fiscal Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population	121,602	122,677	123,312	124,569	126,533	126,891	128,185	128,424	128,667	129,353

Average Daily Water Use Per Person

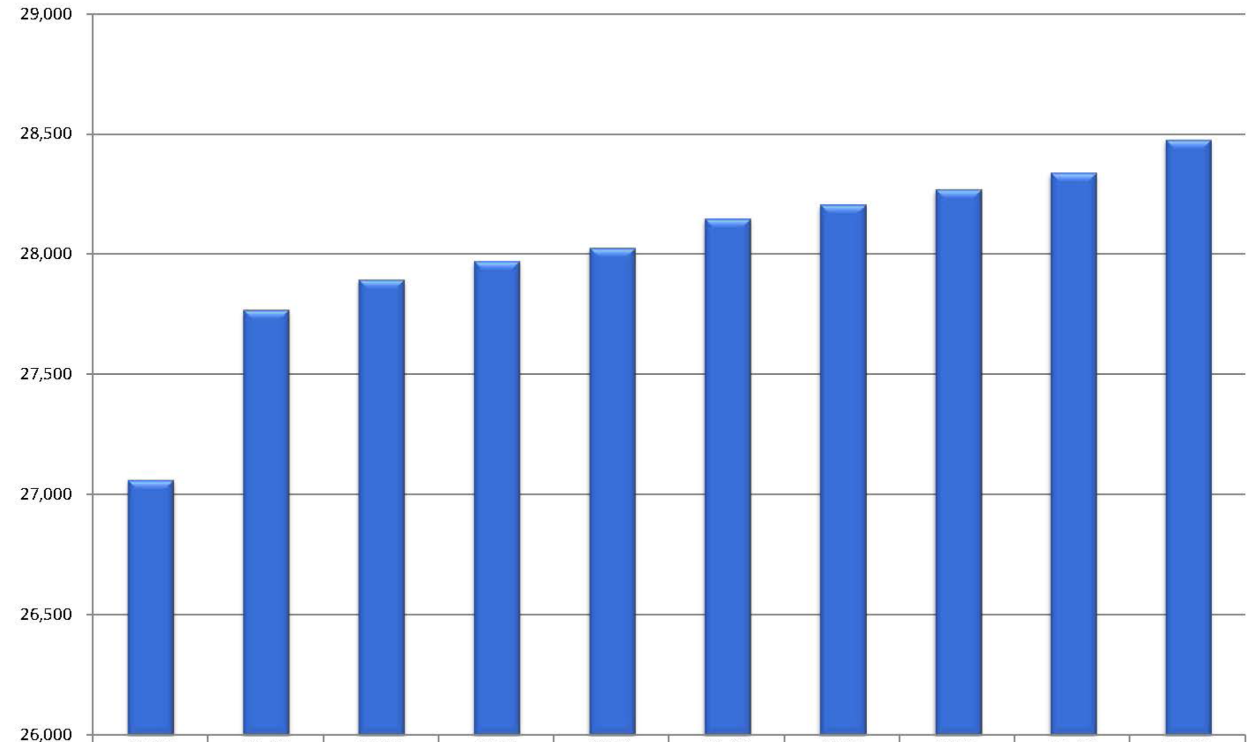
SBX 7-7 requires retail water agencies to achieve a 10% reduction in per capita water use by 2015 and 20% reduction in per capita water use by December 31, 2020 (referred to as "20 X 2020"). The District's 2020 target is 142 GPCD. The District's estimated daily per capita water use in 2016 was 109 gallons per capita per day (GPCD), which is 33 GPCD less than its 2020 target.



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GPCD	174	166	155	126	123	123	134	142	125	109

Meters in Use

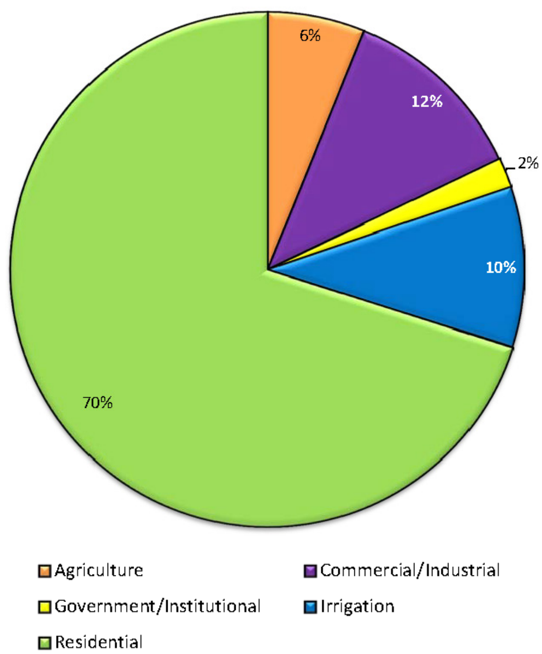
This graph shows the increase in the number of meters in use over a ten year period.



Fiscal Year	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
Number of Meters	27,062	27,770	27,896	27,974	28,028	28,149	28,208	28,272	28,341	28,478

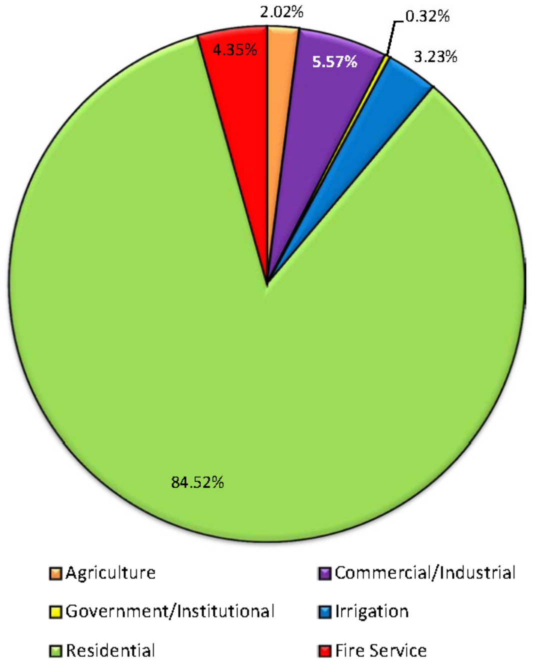
Water Delivered by Use Type

This graph shows how much water is delivered for different uses. As illustrated, a majority of the water delivered to District Customers (70%) is for residential use. The balance is delivered for irrigation, commercial/industrial (business), agriculture and governmental/institutional (parks, libraries, schools) uses.



Meters in Service by Use Type

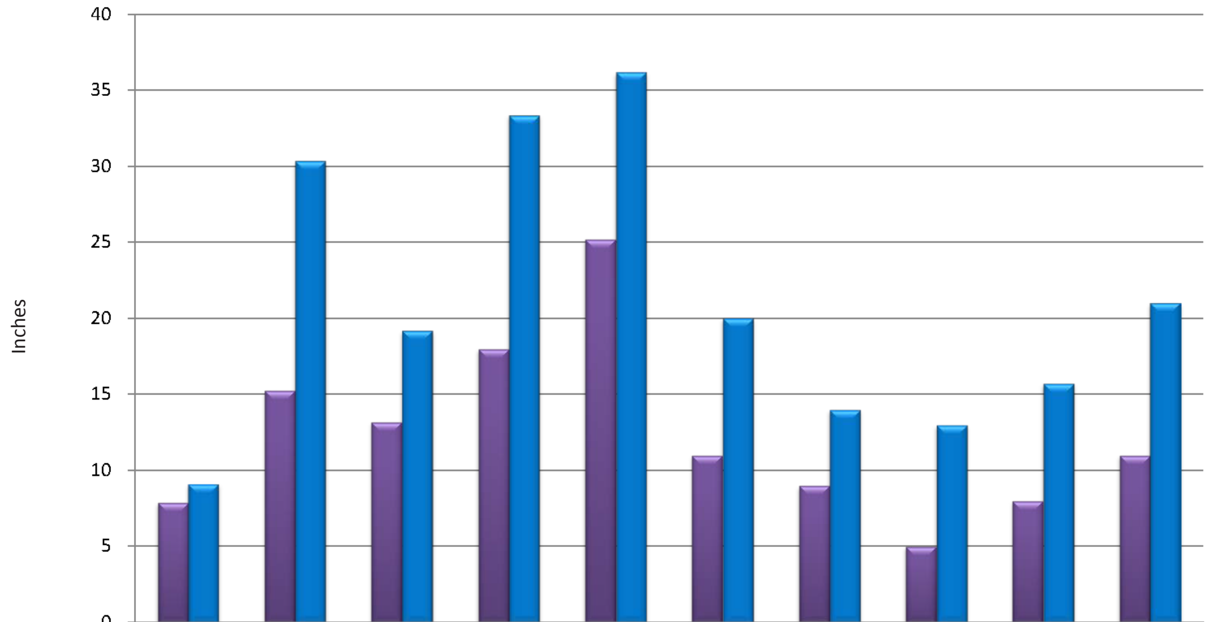
This graph shows meters in service by use. Almost 85% of the District's 28,478 meters are used to supply water to single-family residences.



Rainfall

(July 1 - June 30)

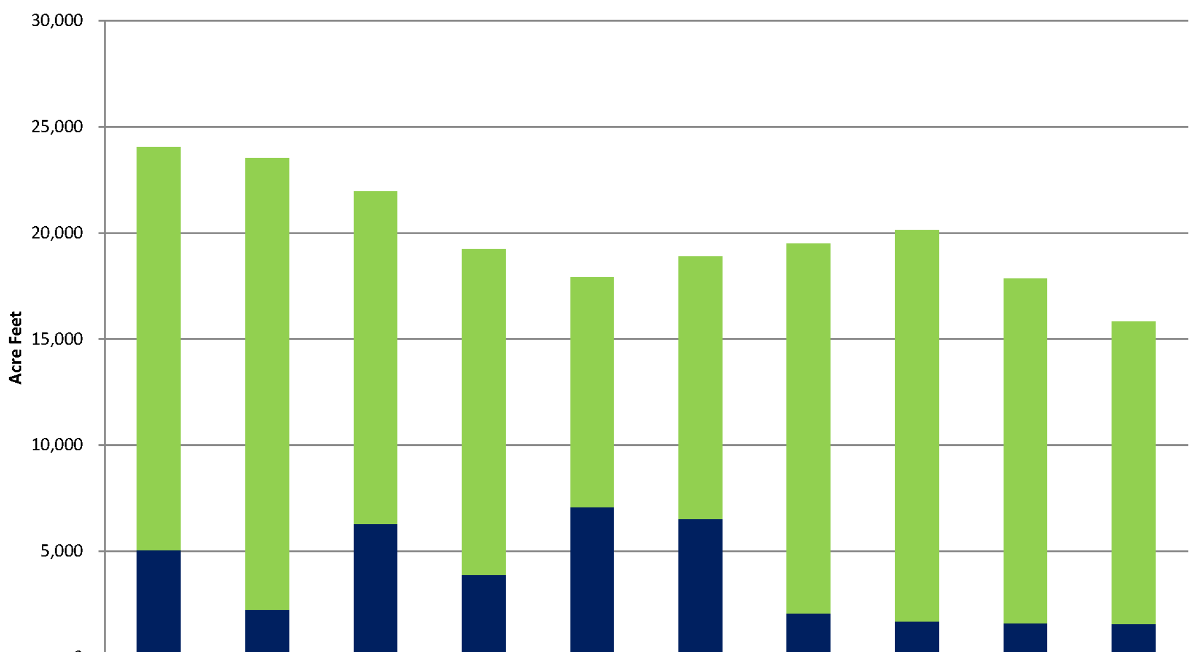
This graph shows rainfall totals for Vista and the Lake Henshaw area over the past ten years.



Fiscal Year	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
Vista	7.90	15.25	13.17	18.00	25.22	11.00	9.00	5.00	8.00	11.00
Henshaw	9.14	30.36	19.17	33.38	36.19	20.00	14.00	13.00	15.74	21.00

Water Received

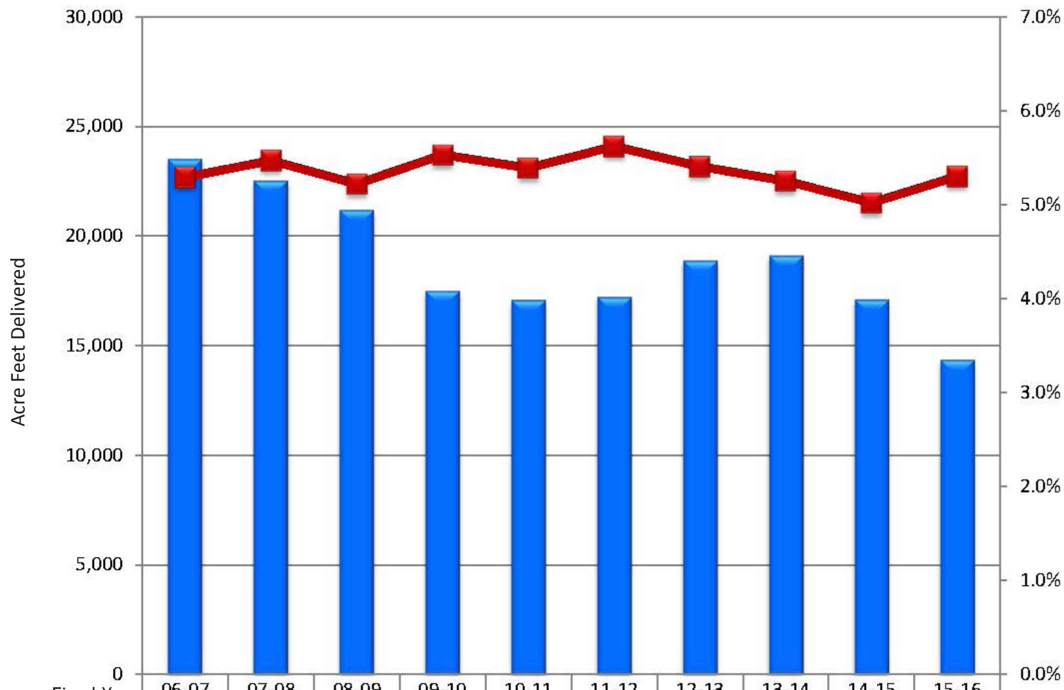
The District receives water from Lake Henshaw (local) and from Northern California and the Colorado River (imported). This graph shows how much of each source was received in a given year.



Fiscal Year	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
Imported	18,967	21,280	15,668	15,336	10,819	12,354	17,398	18,439	16,215	14,230
Local	5,062	2,245	6,296	3,899	7,097	6,547	2,092	1,695	1,618	1,582

Distribution Efficiency

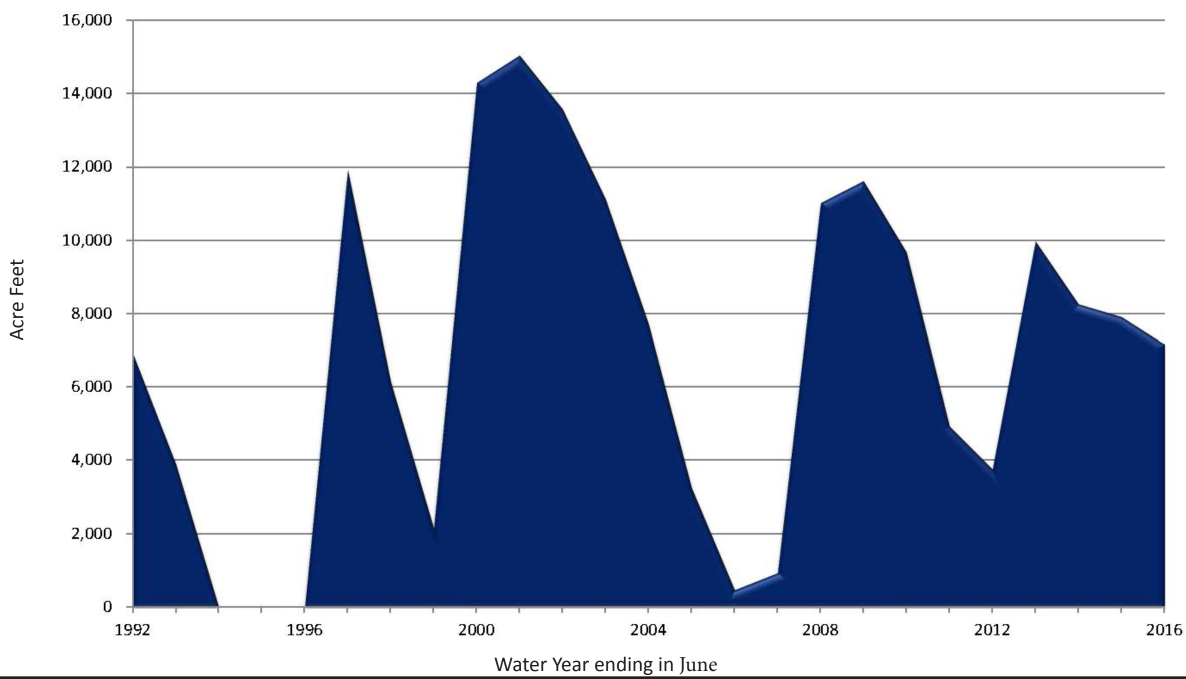
The Distribution Efficiency graph shows water delivered to customers (from imported and local sources) which is represented by the blue bars. The red line shows historical water losses. Losses encompass water that was delivered to the District but not sold to customers. Water losses can be attributable to a number of factors, including pipeline leaks and breaks, under-registering meters, evaporation, theft, hit fire hydrants and fire suppression activities.



Fiscal Year	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
AF Delivered	23,536	22,553	21,211	17,518	17,101	17,241	18,904	19,128	17,117	14,375
Water Loss Eff.	5.29%	5.47%	5.22%	5.53%	5.39%	5.62%	5.41%	5.25%	5.02%	5.30%

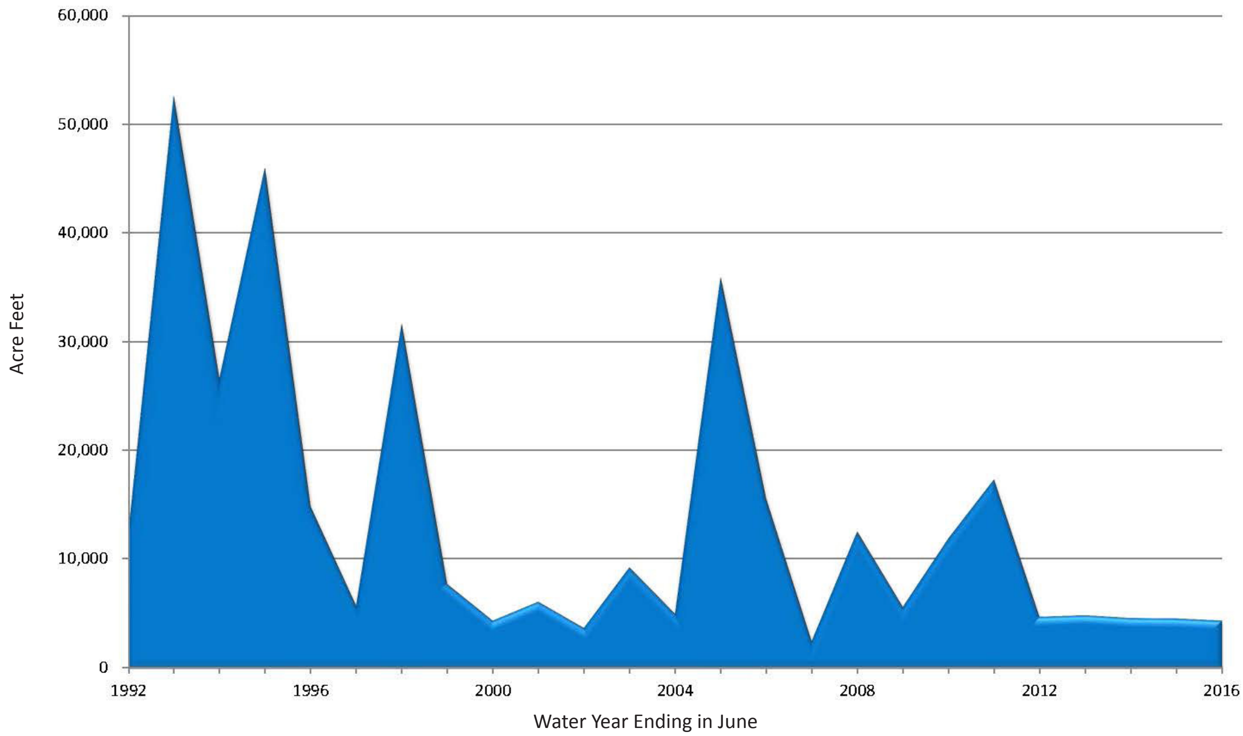
Water Pumped from Warner Basin (Yearly Totals)

Lake Henshaw's water comes from run-off as well as pumped groundwater from the Warner Basin, which surrounds the lake. This graph shows pumped water totals from 1992 to 2016. Typically, pumped water is more heavily relied on during extended dry periods.



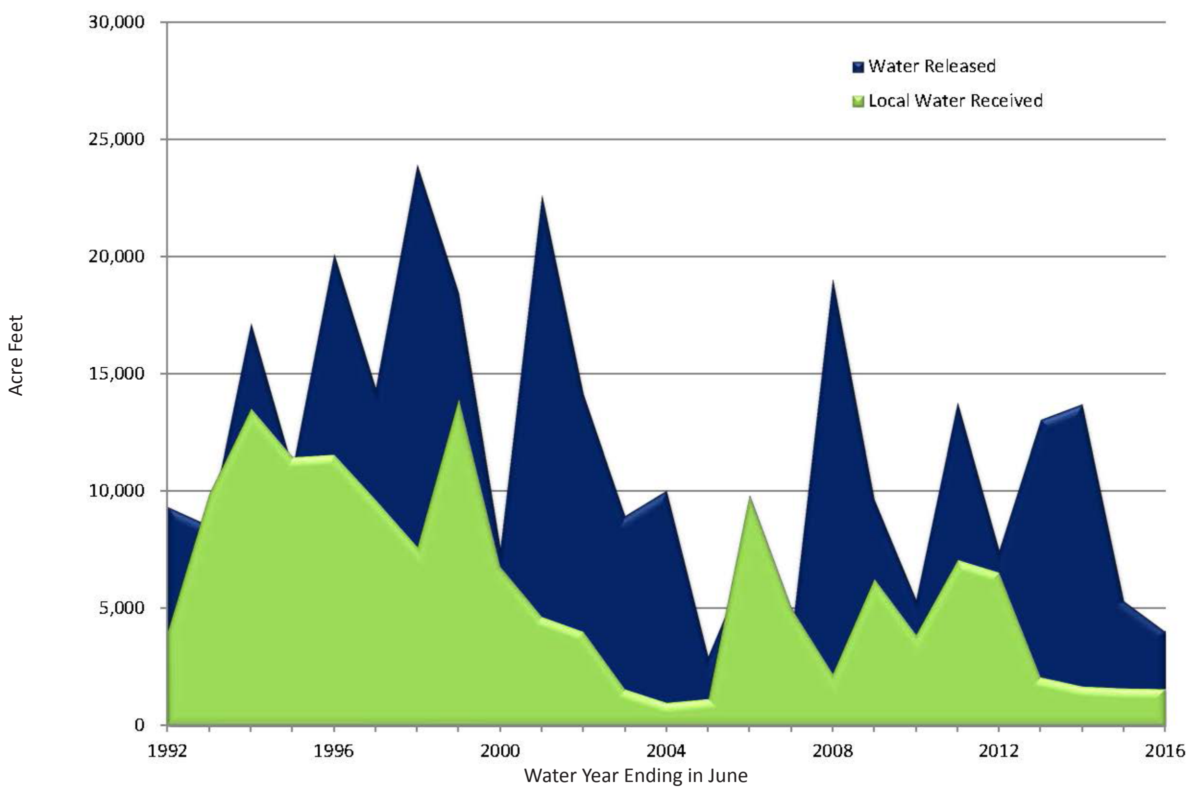
Water Stored in Lake Henshaw

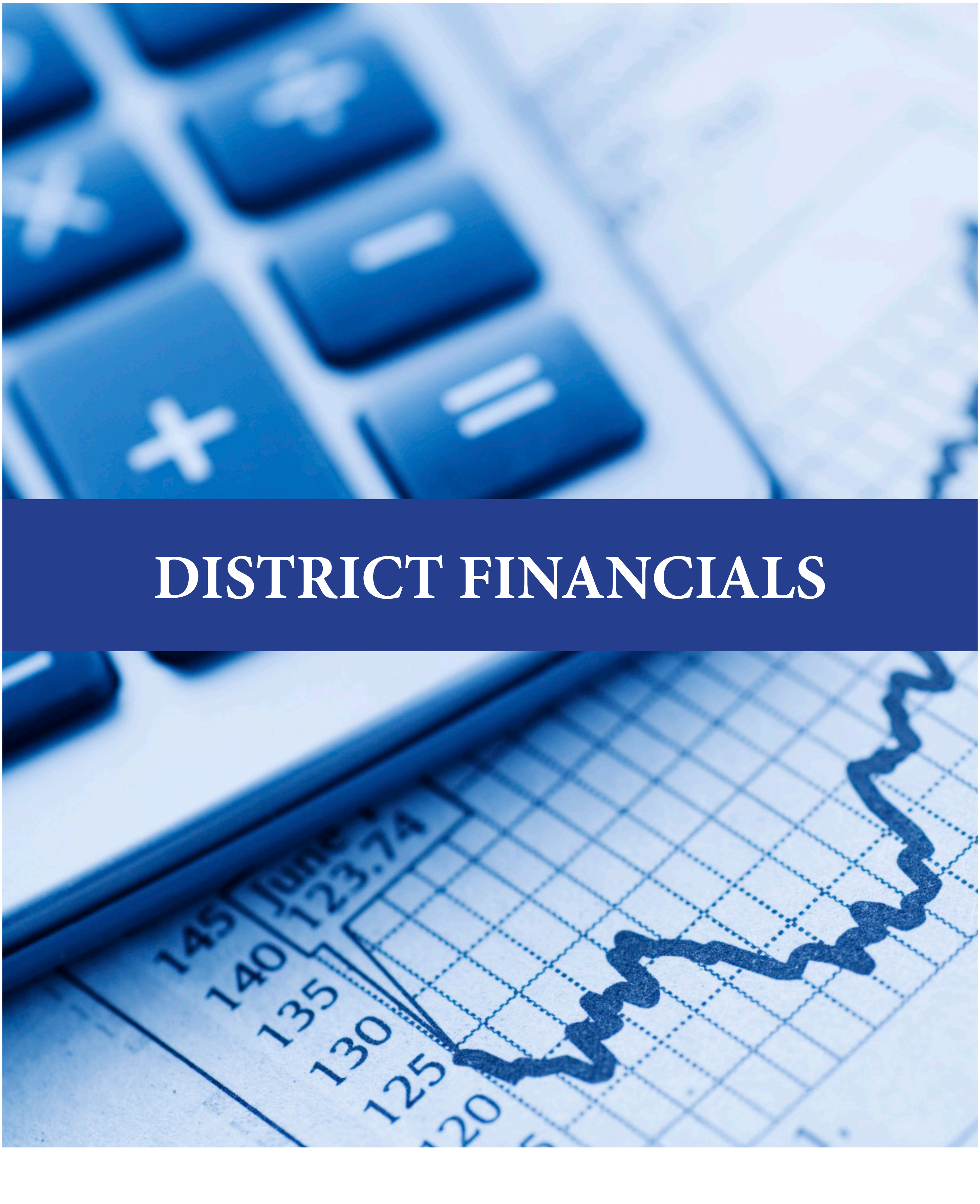
Lake Henshaw's storage capacity is 51,774 acre feet. As depicted in the graph, the lake has been full once in the last 25 years; the last time the lake was full was 1993.



Water Released from Lake Henshaw versus Local Water Received

This graph compares water released from Lake Henshaw with local water received by the District. Typically, the amount of water received is less than the amount of water released because, by contract, the District must release a percentage of water to the City of Escondido and Rincon Band of Mission Indians.





DISTRICT FINANCIALS

Management's Discussion and Analysis

Our discussion and analysis of the Vista Irrigation District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2016. Please read it in conjunction with the District's financial statements which begin on page 26. This annual financial report consists of two parts -- Management's Discussion and Analysis (this section) and the Financial Statements.

<ins>Financial Statements</ins>

The District's financial statements include four components:

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

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

- Net investment in capital assets
- Unrestricted

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

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

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

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

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

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

Financial Highlights

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

Financial Analysis of the District

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

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

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

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

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

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

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

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

Capital Assets

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

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

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

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

Capital Debt

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

Contacting the District's Financial Management

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

Statements of Net Position
June 30, 2016 with Comparative Totals for June 30, 2015

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

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

(Continued)

Statements of Net Position
June 30, 2016 with Comparative Totals for June 30, 2015

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

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

Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016 with Comparative Totals
for the Fiscal Year Ended June 30, 2015

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

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

Statements of Cash Flows
For the Year Ended June 30, 2016 with Comparative Totals for the Fiscal Year Ended June 30, 2015

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

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

(Continued)

Statements of Cash Flows
For the Year Ended June 30, 2016 with Comparative Totals
for the Fiscal Year Ended June 30, 2015

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

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

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

Description of the Reporting Entity

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

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

Basic Financial Statements

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

Basis of Presentation

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

Measurement Focus and Basis of Accounting

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

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

Use of Estimates

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

Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived. Certain reclassifications have been made to the prior year amounts to conform to the current year's presentation. There is no effect on the change in net position.

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable

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

Inventories of Materials and Supplies

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

Prepaid Expenses

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

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

Capital Assets and Depreciation

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

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

Burden Allocation

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

Vacation and Sick Leave

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

Pension Plans

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

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

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

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

Deferred Outflows/Inflows of Resources

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

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

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

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

- Deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over five years.

- Deferred inflows from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans, which is 3.8 years.

- Deferred inflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans, which is 3.8 years.

Operating Revenues and Expenses

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

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

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

Net Position

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

- Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

- Restricted net position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

- Unrestricted net position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

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

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

Property Taxes

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

Risk Management

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

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

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

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

Risk Management (Continued)

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

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

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

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

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

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

New Accounting Pronouncements

GASB Current Year Standards

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

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

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

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

New Accounting Pronouncements (Continued)

GASB Current Year Standards (Continued)

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

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

GASB Pending Accounting Standards

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

- GASB 73 - "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016.

- GASB 74 - "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", effective for periods beginning after June 15, 2016.

- GASB 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", effective for periods beginning after June 15, 2017.

- GASB 77 - "Tax Abatement Disclosure", effective for periods beginning after December 15, 2015.

- GASB 78 - "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans", effective for periods beginning after December 15, 2015.

- GASB 79 - "Certain External Investment Pools and Pool Participants", the certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.

- GASB 80 - "Blending Requirements for Certain Component Units", effective for periods beginning after June 15, 2016.

- GASB 81 - "Irrevocable Split-Interest Agreements", effective for periods beginning after December 15, 2016.

- GASB 82 - "Pension Issues", effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which is effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Note 2 - Cash and Investments

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

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

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

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

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

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

Note 2 - Cash and Investments (Continued)

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

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

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

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

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

Fair Value Measures

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

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

Note 2 - Cash and Investments (Continued)

Fair Value Measurements (Continued)

Level 2: Inputs to the valuation methodology include:

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

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

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

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

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

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

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

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

Note 2 - Cash and Investments (Continued)

Fair Value Measurements (Continued)

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

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

*Not subject to fair value measurement.

Note 3 - Accounts Receivable, Net

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

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

Note 4 - Capital Assets

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

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

Note 4 - Capital Assets (Continued)

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

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

Note 5 - Accounts Payable

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

Note 6 - Noncurrent Liabilities

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

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

Fiscal Year	Beginning Balance	Consumer Price Index Adjustment	Ending Balance
2015	$ 4,190,193	$ 55,172	$ 4,245,365
2016	$ 4,245,365	$ 83,906	$ 4,329,271

Note 6 - Noncurrent Liabilities (Continued)

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

Note 7 - Unrestricted Net Position

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

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

Note 8 - Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

Note 8 - Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

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

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

Contributions

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

B. Net Pension Liability

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

Note 8 - Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

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

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

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

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

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

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

Change of Assumptions

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

Note 8 - Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

Discount Rate

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

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

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

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

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

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

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

Note 8 - Defined Benefit Pension Plan (Continued)

C. Proportionate Share of Net Pension Liability

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

Miscellaneous Plan:

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

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

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

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

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

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

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

Note 8 - Defined Benefit Pension Plan (Continued)

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

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

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

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

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

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

E. Payable to the Pension Plan

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

Note 9 - Other Postemployment Benefits

Plan Description

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

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

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

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

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

Note 9 - Other Postemployment Benefits (Continued)

Funding Policy and Annual OPEB Cost

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

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

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

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

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

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

Note 9 - Other Postemployment Benefits (Continued)

Funded Status and Funding Progress

The funded status of the plan was as follows:

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

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

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

Actuarial Methods and Assumptions

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

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

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit with service prorated. The actuarial assumptions included a 7.28% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.5% HMO and 7.0% PPO for 2017, each declining by 0.5% per year through 2020, and a trend rate of 5.0% per year for both HMO and PPO for all years after 2020. Both rates included

Note 9 - Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

a 2.8% inflation assumption. The UAAL is being amortized over an initial 30 years using the level-percentage of pay method on a closed-basis. The remaining amortization period at June 30, 2015 is assumed to be 22 years. It is assumed the District's payroll will increase 3.00% per year.

Note 10 - Commitments and Contingencies

Commitments

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

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

1. Allocation of Local Water and Supplemental Water

   a) The Rincon Band shall receive its historic right to the first 6 cubic feet per second of the natural flow of the San Luis Rey River (local water). The District and Escondido shall have the right to use the remaining local water, subject to the right of the Bands to divert and use local water through an acre foot for acre foot exchange with supplemental water.

   b) The Indian Water Authority (an intertribal entity established by the Bands) shall be entitled to the benefit of the 16,000 acre feet of supplemental water provided by the Settlement Act. The Indian Water Authority may exchange supplemental water for local water.

2. Financial Obligations

   a) The Indian Water Authority is responsible for all costs associated with obtaining supplemental water. The District and Escondido are responsible for all costs associated with maintaining and operating the local water system, including the cost of a proposed canal undergrounding on the San Pasqual Indian Reservation (currently estimated to cost $30 million). The cost of the proposed undergrounding project will be divided evenly between the District and Escondido.

   b) In return for the Bands' and the United States' agreement that the Settlement shall be an entire agreement, and no obligations among the parties from the 1894, 1914, and 1922 contracts shall endure, there shall be no annual charges paid by the District or Escondido for the use of tribal lands, and all liability among the parties shall be waived prior to the effective date of the Settlement Agreement. The District and Escondido agree to each pay the Indian Water Authority $3.85 million on October 1, 2008. This amount can be paid either as a lump sum, or paid over the next 20 years at

Note 10 - Commitments and Contingencies (Continued)

Commitments (Continued)

5% interest, or paid over 20 years, delayed for 5 years, at 6% interest. Any payment may be prepaid without a prepayment penalty.

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

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

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

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

Litigation

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

Note 10 - Commitments and Contingencies (Continued)

Litigation (Continued)

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

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

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

Note 11 – Subsequent Events

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

Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date
Last 10 Years*

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

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

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

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

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

Schedule of Plan Contributions
Last 10 Years*

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

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

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

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