



Annual Comprehensive Financial Report

Santa Fe Irrigation District

A Special District of the State of California

For the Fiscal Year Ended June 30, 2021

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021



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November 11, 2021

Board of Directors
Santa Fe Irrigation District
PO Box 409
Rancho Santa Fe, CA 92067-0409



We are pleased to submit the Annual Comprehensive Financial Report (ACFR) for the Santa Fe Irrigation District (District) for the fiscal year ended June 30, 2021. The purpose of this report is to provide the Board, the public, and other interested parties, with reliable financial information about the District. The Government Accounting Standards Board's (GASB) requires proprietary fund governments to use the full accrual basis of accounting. The accompanying statements have been prepared using the full accrual basis.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Pun Group LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the Santa Fe Irrigation District's financial statements for the year ended June 30, 2021. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report in the Financial Section and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. Following the MD&A are the basic financial statements, notes to the statements, and an unaudited section of statistical information.

History & Current Profile of Santa Fe Irrigation District

The District was formed in February 1923 under the laws of the state of California for the purpose of delivering water to its service area. It is located in the western central portion of San Diego County, which is in the southwest corner of the state. The District covers an area of 10,300 acres and serves a population of more than 19,000 in the communities of Rancho Santa Fe and Fairbanks Ranch, and the City of Solana Beach. It is governed by a five-member Board of Directors which is elected for four-year terms on a non-partisan basis by division.

The District's distribution system includes 157 miles of pipeline. There are over 7,500 service connections, approximately 85% of which are residential. The District owns a potable water reservoir with a capacity of six million gallons. In addition, the District is co-owner with San Dieguito Water District (SDWD) of the R. E. Badger Filtration Plant (Plant), the 800 acre foot raw water San Dieguito Reservoir (SDR), and Cielo and San Dieguito pump stations.

Raw (untreated) water is delivered to the Plant from three sources: SDR, Lake Hodges, and the San Diego County Water Authority's (SDCWA) raw & treated water aqueducts. At its inception, the District

acquired rights to a portion of the water in Lake Hodges, a local water reservoir owned by the City of San Diego. In 1948 the District became a member of SDCWA. The following year imported water became available from the SDCWA. The District's current imported water purchases from SDCWA include both raw and treated water, and range in any one year from 55-80% of the District's total water purchases. San Diego County as a whole meets approximately 60% of its needs from imported water (down from over 95% in 1991 due to supply diversification efforts and conservation). In 2001 the District began distributing recycled (reclaimed) water for non-potable purposes from the San Elijo Joint Powers Authority, a local wastewater agency. Approximately five percent of the District's total water demand is currently met with recycled water.

The Plant was constructed in 1970 and provides treatment and quality assurance for the potable water systems of both the District and SDWD. Operational and capital costs are shared by the Districts. Additional information on this joint venture is included in separate schedules in the notes section of this set of statements.

The District's financial accounting is on a proprietary enterprise fund basis, similar to the way a private going-concern business is treated. This means that revenues are recognized in the period they are earned and expensed in the period they are incurred. The District is empowered to fix and collect charges on its services and to levy and collect a share of property taxes as well as invest its funds in interest-bearing accounts and securities.

District Structure

A five-member Board of Directors elected for four-year terms governs the District. Each Director represents a geographical division of the service area. The Board meets monthly on the third Thursday of each month. Members of the Board are appointed to serve on various committees that consider most District business prior to being presented to the full Board. These committees are the Executive Committee, the Administrative and Finance Committee, and the Water Resources Committee.

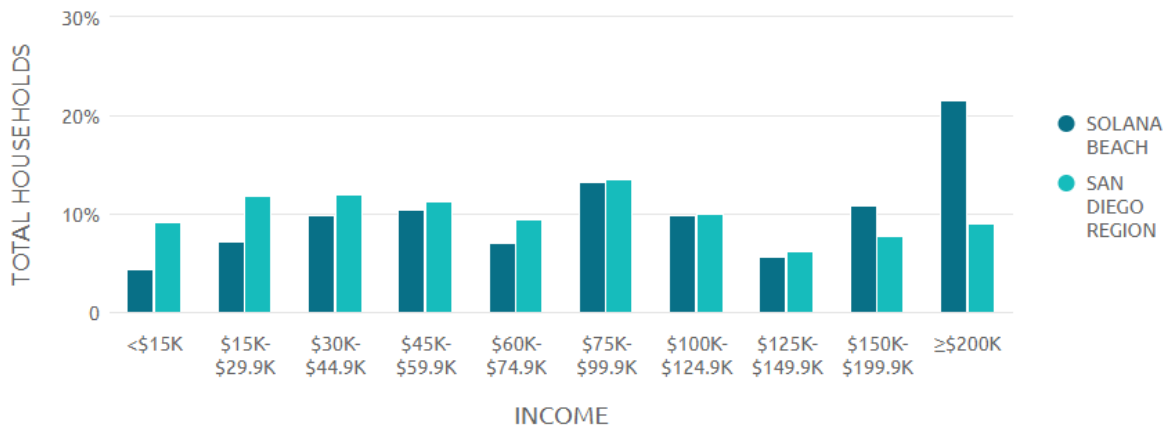
Day-to-day operations and strategic policy development is headed by the District's General Manager. Specific autonomous authority is granted to staff at certain levels for purchasing and other operations as outlined in the District's Administrative Code, with Board approval for other specific actions. Operationally, the District has two primary departments: District operations and joint facility operations. District operations are classified as all administrative, engineering, distribution, and construction services. Joint facility operations are for District and SDWD procurement (SDCWA) or transmission of water (Lake Hodges, SDR), treatment (R.E. Badger Treatment Plant), and conveyance to each agency's unique distribution system.

Local Economy

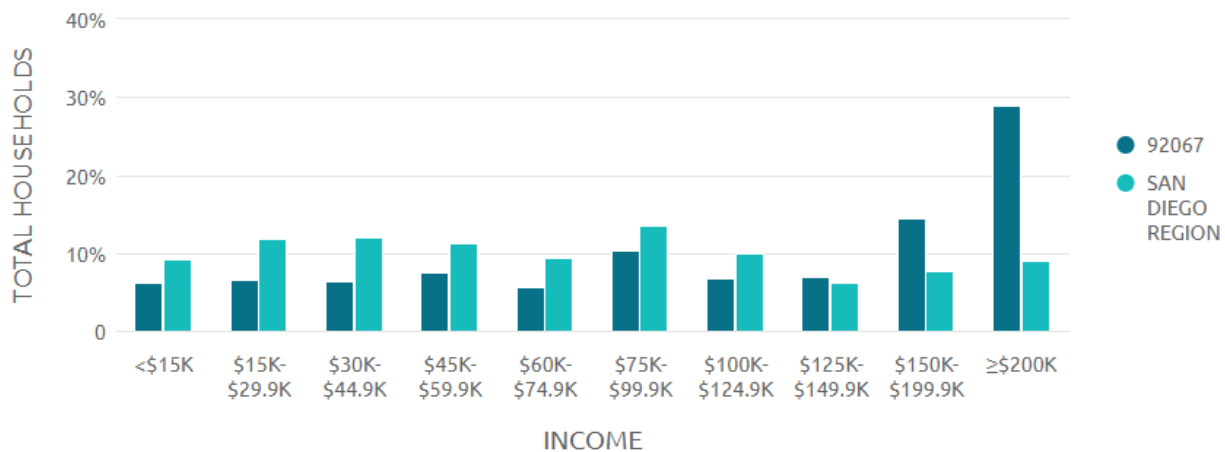
The District's service area is comprised of distinctly differing communities. The coastal region contains medium-density, single-family dwellings with some multiple-family residences. The inland section is primarily low-density residential with large single-family estate lots. Both of these areas are considerably built-out, focusing the District's capital plans on replacement and improvement rather than system expansion. Employment in the District is primarily local government (school district) and leisure / tourism (country club, restaurants, etc.) as the communities that comprise the District are primarily "bedroom communities" with some low density retail interspersed.

The cost of living for the coastal region of the District's service area is more than 200% of the national average while the inland section is more than 300% of the national average. The demographics of the District support this increase in cost of living, as average age and income levels are proportionally higher than the region. San Diego County's median population age was 36.1 in 2019, according to the U.S. Census Bureau. By contrast, SANDAG data defines the District's customer base as relatively affluent and older, with a median age of 42.4 in the City of Solana Beach and a median income of \$114,609 (2019 estimate). Additionally, the District's unincorporated service area (as represented by zip code 92067) has a median age of 41.0 and a median income of \$150,617 (2019 estimate). The County-wide median income is approximately \$79,000.

Solana Beach Household Income Distribution (source: SANDAG)



Unincorporated Area Household Income Distribution – Zip 92067 (source: SANDAG)



In April 2020, the County-wide unemployment rate was 15.9% due to impacts from the pandemic, with high job losses in tourism, retail, and education. These three areas accounted for 89% of the job losses at this time (source: SANDAG). The District having a higher median income than the County, Covid-19 impacts were not felt as significantly. The following chart shows the percent change in employment by income category in the San Diego region up until December 2020 (source: SANDAG). As can be seen, higher income employment grew during the observed time period. While other regional

water agencies saw a dramatic rise in aged accounts receivables (120+ days), the District did not see a significant increase or the need to establish an allowance for doubtful accounts.



The September 2021 County-wide unemployment rate has fallen to 5.6% due to workers returning to the tourism, retail, and education industries.

Financial Policies

The District's Board of Directors has adopted six policies that guide the financial management of the District. Financial policies are a critical component of a comprehensive government financial management program and provide guidelines for operational and strategic decision making. Good financial policies identify acceptable and unacceptable courses of action, establish parameters within which the organization can operate, and provide a standard against which fiscal performance can be measured. Additionally, policies establish consistency and quality control by serving as an ongoing context for management decisions, not only with the current staff and Board members, but also for future management and elected officials. Lastly, these policies are all living documents, designed to be reviewed regularly and modified as necessary. All changes to the financial policies must be approved by the Board of Directors.

Budget Policy

The Board of Directors adopted a Budget Policy that establishes the definition of a balanced budget, outlines the budget process, and assigns control and accountability. Operating and capital budgets for both the District and the Plant are prepared by departments annually and are reviewed and modified by management before being consolidated into a comprehensive document for approval by the Board. The consolidated budget is adopted prior to the beginning of the fiscal year. Actual results are compared to the budget on a monthly basis by Staff, with a comprehensive mid-year comparison presented to the Board and public. Further information may be found in the budget, copies of which are available at the District offices or on the website at www.sfidwater.org.

Capitalization Policy

The Capitalization Policy sets the parameters for capitalizing assets and equipment, establishes valuation thresholds, defines the useful life of various assets, and outlines the process for disposition of assets.

Debt Management Policy

The District has implemented a Debt Management Policy that establishes goals for the use of debt instruments and provides guidelines for debt used to finance the District's capital improvement program.

Investment Policy

The District invests temporarily idle cash in accordance with the Board-adopted Investment Policy and California Government Code Section 536i01 et seq. The objectives of the Investment Policy are to protect the District's investment capital, maintain liquidity, achieve a market rate of return, avoid unreasonable risk, and to conform to applicable regulations. This policy is reviewed annually by the Board and revised as necessary to respond to statutory and regulatory changes.

Reserve Funds Policy

The District's Reserve Funds Policy sets funding levels for capital improvements and replacement, operational needs, and rate stabilization and emergencies. The policy establishes minimum and maximum targets for each reserve fund, and identifies sources and uses of those funds. At the end of each fiscal year, the District's reserve fund balances are reconciled and adjusted to account for any activity that has occurred in the funds and to reset balances to at least minimum levels. The Reserve Funds Policy was most recently updated as of November 2020, modifying the total number of Policy designated reserves and revising the minimum and maximum reserve levels where determined appropriate by the Board. Included in Major Initiatives is the modification of the Reserve Funds Policy to include the Pension Stabilization Reserve established in the recently adopted Pension Funding Policy.

Pension Funding Policy

The Board of Directors adopted a Pension Funding Policy in September 2021 to help provide guidance to the current and future Board members & staff in regard to managing pension liabilities. This includes establishment of a Section 115 Trust as a Pension Stabilization Reserve and utilizing undesignated fund balance to pre-fund District pension obligations with CalPERS.

Long Range Planning / Strategic Plan

The Board adopted a revised Strategic Plan in August 2021 that updated the District's Mission, Vision, and Goals. This updated Mission and Vision are:

Mission

The mission of Santa Fe Irrigation District is to meet the water supply needs of all its customers- safely, sustainably, reliably, and cost-effectively.

Vision

Santa Fe Irrigation District will proactively ensure:

- Sustainable water supplies - providing, efficiently using, and managing water resources to cost effectively meet long-term goals.

- Reliable infrastructure - planning, improving, and managing facilities to cost-effectively meet customer needs.
- High-performing staff - creative, forward-thinking staff that provide excellent service in an inclusive, team-oriented environment.
- Cost-effective operations - continually improving operations to efficiently deliver quality.
- Customer service focus - transparently communicating and engaging with customers, considering their interests, and exceeding expectations.
- Environmental stewardship - adapting to our changing climate and decreasing our environmental impact.
- Resiliency - planning and preparing for potentially significant events and threats to mitigate their effects.

Major Initiatives

These major initiatives described below may also be discussed in the accompanying MD&A. Additional information may be incorporated in one or both sections, and therefore should be read together.

Lake Hodges

One of the largest contributing factors to the District's low rates in comparison to most County of San Diego water agencies is due to the availability of local water from Lake Hodges. The lake has a total of 30,000 AF of storage available at 315 feet (dam) elevation. Based on this, the District and SDWD have a combined 5,000 acre feet (AF) of storage rights in the lake, the City of San Diego has 5,000 AF of rights, and the SDCWA has 20,000 AF of storage rights to operate the supply reliability project connection with Olivenhain Reservoir and facilitate emergency storage. These storage rights for the District and SDWD, and associated right to water run-off accumulated in the lake, enables both districts to provide a low cost source of water to its ratepayers. Though the dam and lake are owned by the City of San Diego (City), the District (and SDWD) are required to pay a proportional share of operating and capital costs based on these storage rights.

In 2019, the City of San Diego was informed by the California Department of Water Resources' Division of Safety of Dams (DSOD) that a level restriction on Lake Hodges was to be enforced at 295 feet (out of 315 feet elevation of total storage) due to the deteriorated condition of Hodges Dam. This reduced the available combined storage for the District and SDWD to less than 3,000 AF. Due to the importance of local water on the District's customer rates, the District will continue to work with the City of San Diego (as owner) and all stakeholders on the long-term repair or replacement of the Hodges Dam. The process to determine the most effective path forward on this will take a number of years & Staff is unable to currently properly assess what the financial and / or operating impact may be on the District and its customers.

However, based on this reduction, the District and SDWD took proactive steps to ensure that local water may continue to be captured and utilized. Both the District and SDWD entered into an agreement with SDCWA to be able to utilize their connection to move local water from Lake Hodges to the Olivenhain Reservoir for storage. This agreement specifies the District and SDWD pay for this transportation and an associated storage fee. Comparatively, the District and SDWD would potentially be required to release any additional local water above the restricted storage level to continue to

comply with the DSOD requirement. This enables the District and SDWD to continue to capture a larger amount of local water to meet customer demands at a price that is still significantly lower than imported water prices from SDCWA, despite paying for transportation and storage.

District Rates

The District's last of the Board approved rate adjustments to pay for operations & maintenance expenditure increases is January 1, 2022. Based on the expiration of this cost-of-service review period, the District will engage a new consultant to perform a cost, rate structure, and rate sufficiency review starting in January 2022 with new rate implementation anticipated for January 2023. This process will be performed through special Board workshops open to the public for review and comment.

Pressures on District Operations

The new cost-of-service process will take into account a number of pressures the District currently faces including potential drought impacts and inflationary pressures. The Governor of California declared a state-wide drought emergency in October 2021, with a request to voluntarily conserve 15% as compared to the same period in the year prior. The District is currently under a level 1 drought, which means a voluntary 10% reduction from the year prior, which the District has currently achieved. A continuing drought and conservation will reduce District potable water sales, with some savings on water purchases, but will have a detrimental effect on the District's overall net position. If the Governor mandates conservation targets, District Staff and the Board will work to determine the best method in applying these mandates. As previously seen in 2015, the District was mandated to cut over 30% water use, which required a significant utilization of District Rate Stabilization Funds to maintain operations and maintenance with reduced water sales revenues. Staff and the Board have reviewed reserve levels and believe that the District is well positioned financially to accommodate several unknown impacts from drought in addition to having the ability to implement increased water rates to offset the loss of revenue, if the Board should choose to do so.

The District is also facing pressure from an increase in both raw and finished goods, and for services. The San Diego area consumer price index increased 6.5% from the year prior in September. This increase is regional, state, and nation-wide with both price and supply issues becoming increasingly common. Staff have been notified by several vendors in regard to their inability to hold contractual pricing, difficulty sourcing the materials, and other pricing pressure they are passing on to their customers. Staff will continue to evaluate these impacts and incorporate any necessary adjustments into the upcoming cost-of-service review in CY22.

Updated Capital Plan

The Board adopted a new Joint Facilities and District Asset Management Master Program and 10-year capital plan. This revised capital plan included an extensive look at the condition of our current assets and the needs the District faces over the same time period to advance its mission and vision. This capital plan will be initiated in the coming months / years with new project planning, scope, and engineering estimate reviews, among others.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Santa Fe Irrigation District for

its annual financial report for the fiscal year ended June 30, 2020. This is the fifteenth consecutive year the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. District Staff believe that the current annual financial report continues to meet the Certificate of Achievement Program's requirements, and are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

Management would like to thank the Board of Directors for their continued leadership and support. Additionally, preparation of this report could not have been accomplished without support and input from all departments, and from our independent auditors, The Pun Group LLP, Certified Public Accountants.

Respectfully submitted,



Albert C. Lau, P.E.
General Manager



Seth M. Gates
Administrative Services Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Santa Fe Irrigation District
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

DISTRICT OFFICIALS

A five-member Board of Directors elected for four-year terms governs the District. Each Director represents a geographical division of the service area. Elections are held every two years, with two divisions voting and then three divisions voting two years after.



Michael T. Hogan – President
Division 4, Term Expires 12/2022



Frank J. Creede – Vice President
Division 1, Term Expires 12/2024



Dana Frieauf
Division 2, Term Expires 12/2024

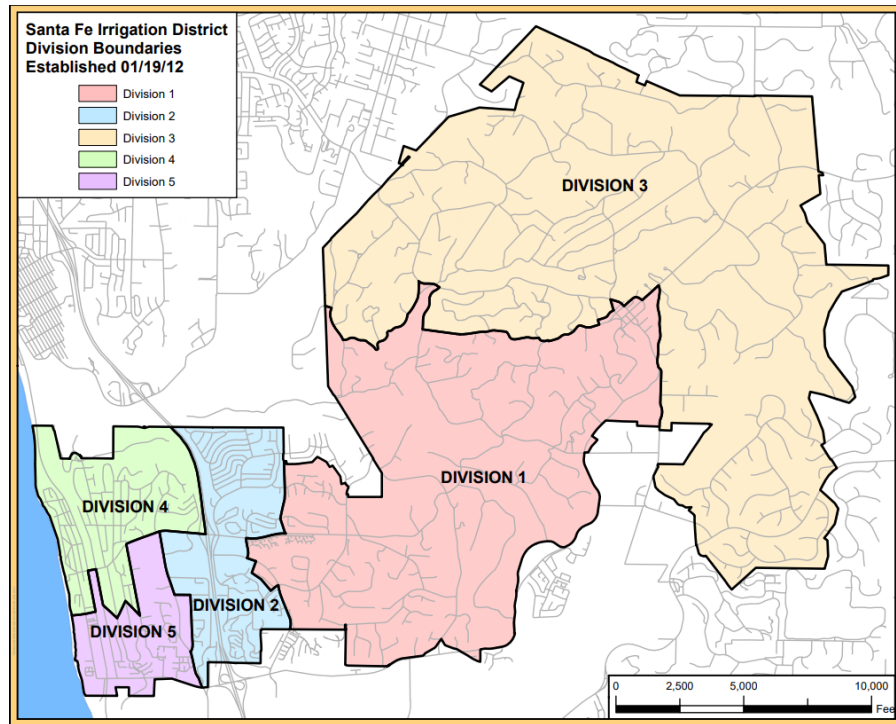


Sandra D. Johnson
Division 3, Term Expires 12/2022



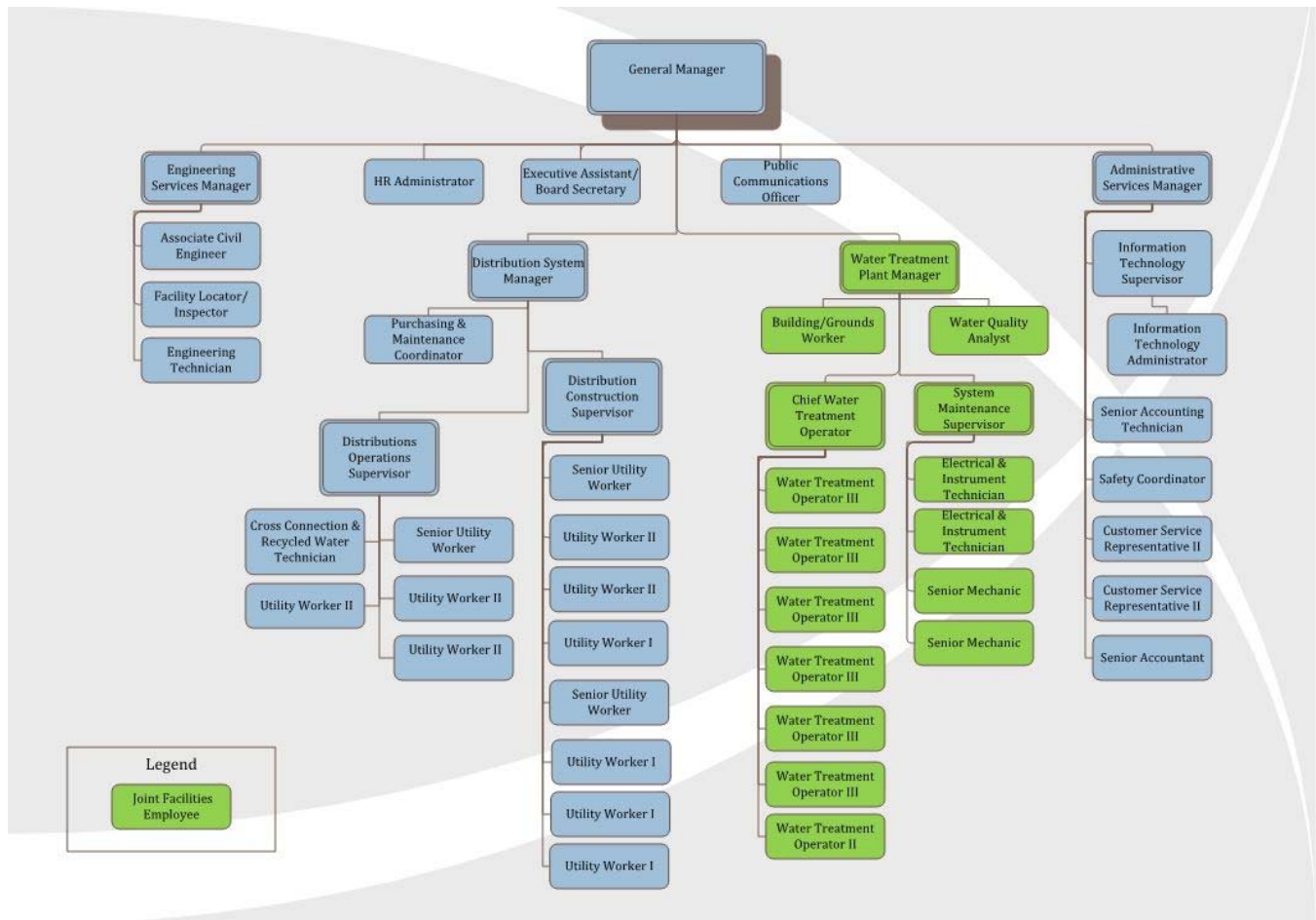
Andrew Menshek
Division 5, Term Expires 12/2022

A map of the District's divisions is as follows. These boundaries were put into effect in January 2012 after the completion of the nationwide 2010 census. Currently, the 2020 census is completed & the District is anticipating the requirement to evaluate these borders in FY22 to ensure substantially equal populations in conformance with applicable laws.

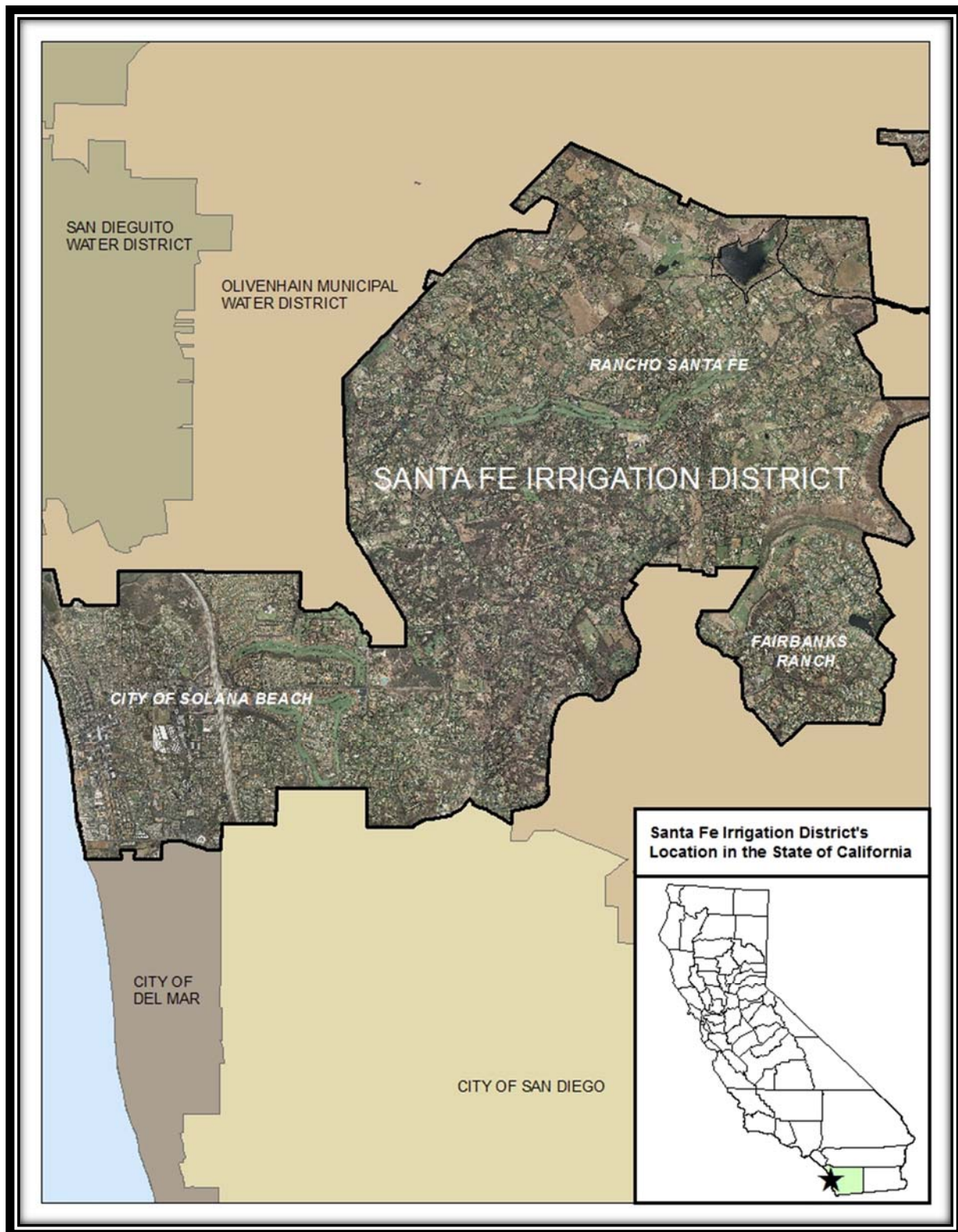


The Board contracts directly with the General Manager, which leads the day-to-day operations of the District, with 48 full-time employees under their direction. The Board may amend the District's Administrative Code (which is the District's controlling document) per Staff's recommendation & as required by legislative or other action. Additionally, the Board may adopt certain policies that direct Staff to operate certain parts of District day-to-day operations in a prescribed manner.

SANTA FE IRRIGATION DISTRICT ORGANIZATIONAL CHART



SERVICE AREA MAP





INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Santa Fe Irrigation District
Rancho Santa Fe, California

Report on Financial Statements

We have audited the accompanying financial statements of the Santa Fe Irrigation District, California (the "District"), which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2021 and 2020, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of Net Pension Liability and Related Ratios, the Schedule of Contributions – CalPERS Pension Plan, the Schedule of Changes in Net OPEB Liability and Related Ratios, and the Schedule of Contributions – Other Post-Employment Benefits Plan on pages 17 through 27 and 73 through 76, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, Combining Schedule of Net Position, Combining Schedule of Revenues, Expenses and Changes in Net Position, Supplementary Schedule of Net Position – R.E. Badger Filtration Plan, Supplementary Schedule of Revenues, Expenses and Changes in Net Position – R.E. Badger Filtration Plan, Supplementary Reconciliation of Billings – R.E. Badger Filtration Plan, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Schedule of Net Position, Combining Schedule of Revenues, Expenses and Changes in Net Position, Supplementary Schedule of Net Position – R.E. Badger Filtration Plan, Supplementary Schedule of Revenues, Expenses and Changes in Net Position – R.E. Badger Filtration Plan, Supplementary Reconciliation of Billings – R.E. Badger Filtration Plan, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The PwC Group, LLP

San Diego, California
November 11, 2021

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Board of Directors
of the Santa Fe Irrigation District
Rancho Santa Fe, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Fe Irrigation District, California (the "District"), which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
of the Santa Fe Irrigation District
Page 2

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Pex Group, LLP

San Diego, California
November 11, 2021

Management's Discussion and Analysis

This section of the Santa Fe Irrigation District's (District) Annual Comprehensive Financial Report (ACFR) presents management's discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2021. Topics covered in this section are:

- Financial Statements Overview
- Financial Highlights
- Financial Analysis
- Investments
- Infrastructure and Capital Assets
- Debt Administration
- Currently Known Facts, Conditions or Decisions

Interested parties are encouraged to read this section in conjunction with the letter of transmittal and the detailed financial statements included in the report.

Financial Statements Overview

The financial statements report information about the District's financial position and result of operations using the accrual basis of accounting, similar to methods used by private sector companies. The statements also present changes in cash balances, and information about both short and long-term activities. This section of the annual report contains three components: Management's Discussion and Analysis, the Basic Financial Statements, and the Notes to the Financial Statements.

The District's financial statements are presented in the same format as FY20, with comparative statements included. However, these statements are modified as compared to fiscal years prior to FY19, and are noted as such. FY18 and prior financial statements included the District operations (distribution, construction, engineering, and administration) presented as the financial statements, while R.E Badger Filtration Plant & joint facilities¹ operations were presented in the Supplementary Schedules to the Financial Statements. The District budgets and operates the Plant as a separate entity from District operations due to the joint interest with San Dieguito Water District (SDWD). The District and SDWD pay their proportional share of Plant expenditures (as determined through contractual agreements) on a monthly basis, which are then reconciled at fiscal year-end. Conversely, any expenditure incurred by the District for Plant operations are netted from these proportional payments to ensure proper cost allocation.

The District engaged The Pun Group, LLC, certified public accountants, to audit and prepare the financial statements for all operations beginning in FY19. The Pun Group consulted both District and Governmental Accounting Standards Board staff in regards to the presentation of District and Plant financial statements. Based on feedback received from all parties, it was determined that the most transparent presentation format would be Financial Statements that combine District and Plant operations. To accomplish this, transactions between the District and the Plant that allow each to maintain proper cost allocation need to be eliminated

¹ Includes Cielo and San Dieguito pump stations and other assets for raw water conveyance

to avoid overstating portions of the financial statements. These eliminating entries are shown in the Notes to the Financial Statements.

The Financial Statements include the following:

- The Statements of Net Position present financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The Statements of Revenues, Expenses and Changes in Net Position accounts for the District's activities during the last two years. It provides the basis for measuring the relative success in recovering operational costs.
- The Statements of Cash Flows report the District's cash receipts and disbursements during the periods, classified into operating, financing, and investing categories.
- 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 generally accepted accounting principles that are not otherwise visible in the financial statements. The notes immediately follow the statements.

Supplementary Schedules include the following, among other items:

- The Combining Schedule of Net Position & Combining Schedule of Revenues, Expenses, and Changes in Net Position Schedule, both of which detail eliminating duplicative entries between District and Plant operations to show accurate revenues, expenditures, assets, and liabilities for combined operations.
- The Supplementary Reconciliation of Billings—R. E. Badger Filtration Plant reconciles the operating and capital amounts billed to the District and SDWD to the filtration revenue and capital contributions of the Plant.

Financial Highlights

Total operating revenues of \$33,756,001 is an increase of \$5,887,883 or 21.1% from FY20 due to an increase in potable and recycled water sales of \$4,090,617 due to dryer weather and an increase in filtration revenue of \$2,095,212, which represent reimbursements from SDWD for their proportional share of Plant operating and capital expenditures in FY21.

Total operating expenditures of \$29,778,315 is an increase of \$1,721,727 or 6.1% from FY20 due to an increase in water purchases to fill the previously outlined increased potable and recycled water demand. This increase was partially offset by a decline in departmental operating expenditures and depreciation & amortization.

Total non-operating revenues and expenses of \$617,046 is a decrease of \$3,782,659 or 86.0% from FY20 due primarily to a \$5,709,515 expense for a non-cash adjustment in the District's undivided interest in the joint facilities (R.E. Badger). This adjustment is to properly recognize SDWD's increased investment in the joint facilities due to an increase in their capital expenditures in FY21 and based on the District including all Joint Facilities as an operating department in these financial statements. This adjustment was offset by a \$3,288,104 increase in other revenues due primarily to \$1,664,110 in additional grant revenues (for

seismic retrofit expenditures at the R.E. Badger Filtration Plant) and \$1,395,114 in litigation settlement funds from the San Diego County Water Authority's (SDCWA) lawsuit against the Metropolitan Water District of Southern California

During the year the District's overall financial position (change in net position) improved by \$8,240,555 to \$91,168,660, compared to \$82,928,105 as of June 30, 2020. The increase in net position is how the District annually generates sufficient net income to then spend on capital improvement projects on a pay-go basis in the same fiscal year.

Financial Analysis

TABLE 1

Santa Fe Irrigation District

Statement of Net Position

Fiscal Year Ending June 30, 2021 / 2020

	FYE 2021	FYE 2020	\$ Change	% Change
Cash and investments	36,625,967	33,587,609	3,038,358	9.0%
Accounts receivable	9,237,695	4,585,896	4,651,799	101.4%
Other	728,084	732,955	(4,871)	-0.7%
Current assets	\$ 46,591,746	\$ 38,906,460	\$ 7,685,286	19.8%
Non current assets	416,769	427,651	(10,882)	-2.5%
Capital assets	90,609,316	81,408,521	9,200,795	11.3%
Total assets	<u>\$ 137,617,831</u>	<u>\$ 120,742,632</u>	<u>\$ 16,875,199</u>	<u>14.0%</u>
Deferred outflow of resources	\$ 3,845,131	\$ 3,412,908	\$ 432,223	12.7%
Accounts payable	5,738,548	2,870,430	2,868,118	99.9%
Other	1,035,852	1,203,032	(167,180)	-13.9%
Current liabilities	\$ 6,774,400	\$ 4,073,462	\$ 2,700,938	66.3%
Net pension liability	14,353,263	13,364,298	988,965	7.4%
Net OPEB liability	3,080,407	3,620,450	(540,043)	-14.9%
Undivided interest - San Dieguito Water District	24,731,437	19,021,922	5,709,515	30.0%
Other	468,202	328,144	140,058	42.7%
Non current liabilities	\$ 42,633,309	\$ 36,334,814	\$ 6,298,495	17.3%
Total liabilities	<u>\$ 49,407,709</u>	<u>\$ 40,408,276</u>	<u>\$ 8,999,433</u>	<u>22.3%</u>
Deferred inflow of resources	886,593	819,159	67,434	8.2%
Net investment in capital assets	65,877,879	62,386,599	3,491,280	5.6%
Unrestricted	25,290,781	20,541,506	4,749,275	23.1%
Total Net Position	<u>\$ 91,168,660</u>	<u>\$ 82,928,105</u>	<u>\$ 8,240,555</u>	<u>9.9%</u>

Statement of Net Position – FY21 compared to FY20

Assets and Deferred Outflow of Resources

Current assets are \$46,591,746, which is a \$7,685,286 or 19.8% increase from FY20, which is due to a \$3,038,358 increase in cash and investments and \$4,585,896 in accounts receivable (primarily due to an increase in water sales receivables due to dryer weather in FY21). The increase in cash and investments is due to an increase in accounts payable (listed in liabilities) from payments due to vendors for capital projects that were submitted at the end of the fiscal year. As noted in the FY20 ACFR, there were a number of capital projects that were delayed to receive grant funding. This cash balance was subsequently spent on these capital projects and grant revenue received.

Total assets are \$137,617,831, which is a \$16,875,199 or 14.0% increase from FY20. In addition to the aforementioned increase in cash and receivables, there was a \$9,200,795 increase in capital assets. This represents the increase in capital spending on District and joint facilities, net of depreciation. This increase is offset by SDWD's undivided interest in joint facilities as shown the liabilities. Deferred outflows, which represents contributions to the District OPEB and pension after the measurement date of June 30, 2020 is \$3,845,131, an increase of \$432,223 or 12.7% from FY20 due primarily to an increase in mandatory employer contributions and timing differences.

Liabilities and Deferred Inflow of Resources

Current liabilities are \$6,774,400, which is a \$2,700,938 or 66.3% increase from FY20, which is due to a \$2,868,118 or 99.9% increase in accounts payable from an increase in vendor invoices on capital projects at the joint facilities at year-end.

Non-current liabilities are \$42,633,309, which is a \$6,298,495 or 17.3% increase from FY20, which is due to an increase in retiree obligations and SDWD's undivided interest in joint facilities. The District's combined net pension and OPEB liabilities are \$17,433,670, which is an increase of \$448,922 or 2.6% from FY20 due to a decline in investment returns from CalPERS projected levels, among others. The District continues to make its full payment on the actuarial determined contribution for both its pension and OPEB obligations. SDWD's undivided interest in joint facilities increased by \$5,709,515 in FY21 due to their contribution to capital investments in these facilities in FY21.

Total liabilities are \$49,407,709, which is an increase of \$8,999,433 or 22.3% from FY20. Deferred inflows, which represents the District's portion of required contributions to pension and OPEB plans post valuation dates, are \$886,593, which is an increase of \$67,434 or 8.2% from FY20. This increase can be attributed again to the changes in actuarial assumptions and historical plan experience verses projections.

Net Position

The District's net investment in capital assets (capital assets net of the District's undivided interest) increased \$3,491,280 or 5.6% to \$65,877,879 from FY20. The District's unrestricted assets totaled \$25,290,781, which is an increase of \$4,749,275 or 23.1% from FY20. The total of net investment in capital assets and unrestricted assets gives the District's current total net position of \$91,168,660, a \$8,240,555 or 9.9% increase from FY20.

TABLE 2
Santa Fe Irrigation District
Statement of Revenues, Expenses, and Change in Net Position
Fiscal Year Ending June 30, 2021 / 2020

	FYE 2021	FYE 2020	\$ Change	% Change
Water sales	\$ 22,956,425	\$ 18,865,808	\$ 4,090,617	21.7%
Base meter fees	5,388,296	5,507,678	(119,382)	-2.2%
Filtration Revenues	5,112,807	3,017,595	2,095,212	69.4%
Other	298,473	477,037	(178,564)	-37.4%
Total operating revenues	\$ 33,756,001	\$ 27,868,118	\$ 5,887,883	21.1%
Water purchased	\$ 11,805,372	\$ 9,908,066	\$ 1,897,306	19.1%
Water treatment	4,821,055	4,850,871	(29,816)	-0.6%
Admin / engineering / transmission / distribution	9,989,884	10,018,991	(29,107)	-0.3%
Depreciation & amortization	3,162,004	3,278,660	(116,656)	-3.6%
Total operating expenses	\$ 29,778,315	\$ 28,056,588	\$ 1,721,727	6.1%
Operating income (loss)	\$ 3,977,686	\$ (188,470)	\$ 4,166,156	N/A
Property taxes and assessments	\$ 2,742,685	\$ 2,645,623	\$ 97,062	3.7%
Investment income	43,528	750,509	(706,981)	-94.2%
R.E. Badger income (loss) - undivided interest	(5,709,515)	751,329	(6,460,844)	-859.9%
Other	3,540,348	252,244	3,288,104	1303.5%
Total nonoperating revenues (expenses)	\$ 617,046	\$ 4,399,705	\$ (3,782,659)	-86.0%
Income (Loss) before capital contributions	\$ 4,594,732	\$ 4,211,235	\$ 383,497	9.1%
Capital contributions	3,645,823	380,762	3,265,061	857.5%
Changes in net position	8,240,555	4,591,997	3,648,558	79.5%
Net Position, Beginning of year	\$ 82,928,105	\$ 78,336,108	\$ 4,591,997	5.9%
Net Position, End of year	\$ 91,168,660	\$ 82,928,105	\$ 8,240,555	9.9%

Statement of Revenues, Expenses, and Change in Net Position – FY21 compared to FY20

Revenues

The District's three main sources of revenue — water sales, base meter fees, and property taxes — fund operating expenses and replacement of the treatment and distribution systems. Since the District's service area is essentially built out, capital contributions for construction in the form of capacity fees from development activity are comparatively small to other District's that may continue to have single family residential building and other activity.

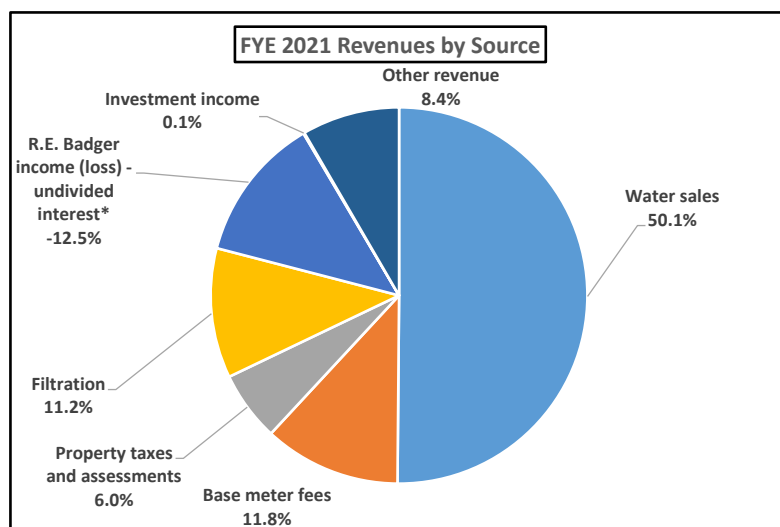


FIGURE 1

Operating revenues from water sales, base meter fees, and other operating revenues (which include filtration revenues, which are the proportional share of treatment expenses incurred by SDWD at the Plant) totaled \$33,756,001, an increase of \$5,887,883, due to increases water sales from a drier year than FY20 and SDWD reimbursements for operating and capital expenditures.

The \$4,090,617 increase in water sales can be attributed to the following:

1. As shown in table 3, total potable water volume sold increased by approximately 13.3% or 1,125 acre feet (AF) due demand changes from weather and other factors;
2. As shown in table 3, total recycled water volume sold increase by approximately 16.7% or 82 AF, as its use is directly correlated to potable water;
3. Recycled water rate increase from \$3.63 per hundred cubic feet (HCF) to \$3.77 on July 1, 2020;

Table 3

Acre Feet of Water Sold FY21 v. FY20

	Potable	Recycled	Total
FY 21	9,607.1	573.9	10,181.0
FY 20	8,481.7	491.6	8,973.3
Variance	1,125.4	82.3	1,207.7

* No accrual impacts, just water used in FY21

Filtration revenues of \$5,112,807 is an increase of \$2,095,212 or 69.4% from FY20 due to the increase in capital expenditures at joint facilities, which were reimbursed by SDWD based on their proportionate contractual ownership.

Net non-operating revenues decreased by \$3,782,659 or 86.0% due \$6,460,844 year-over-year change in SDWD's undivided interest in joint facilities from their capital investment. This was offset by the \$3,288,104 increase in other non-operating revenues due primarily to \$1,664,110 in additional grant revenues (for seismic retrofit expenditures at the R.E. Badger Filtration Plant) and \$1,395,114 in litigation settlement funds from the San Diego County Water Authority's (SDCWA) lawsuit against the Metropolitan Water District of Southern California

Figure 1 shows the sources of District revenue and highlights the fact that the District relies heavily on water sales and fixed meter charges for its income. Total revenues are \$34,373,047, which is an increase of \$2,105,224 or 6.5% from FY20 due to water sales, reimbursements, and other revenues.

Table 4 lists the major revenues by source for FY21 and FY20 that are the basis for Figure 1.

TABLE 4

Revenues by Source	FYE 2021	FYE 2020	\$ Change	% Change
Water sales	\$ 22,956,425	\$ 18,865,808	\$ 4,090,617	21.7%
Base meter fees	5,388,296	5,507,678	(119,382)	-2.2%
Property taxes and assessments	2,742,685	2,645,623	97,062	3.7%
Filtration	5,112,807	3,017,595	2,095,212	69.4%
R.E. Badger income (loss) - undivided interest*	(5,709,515)	751,329	(6,460,844)	-
Investment income	43,528	750,509	(706,981)	-94.2%
Other revenue	3,838,821	729,281	3,109,540	426.4%
Total Revenues	\$ 34,373,047	\$ 32,267,823	\$ 2,105,224	6.5%

The decline in base meter fees is attributable to the new potable water rate structure the District implemented in February 2020. Though there was an increase of 3% in the overall District revenue requirement / rates, the Board adopted a lower fixed base meter fee to reflect conservation pricing, which reduced FY21 revenues.

Expenses

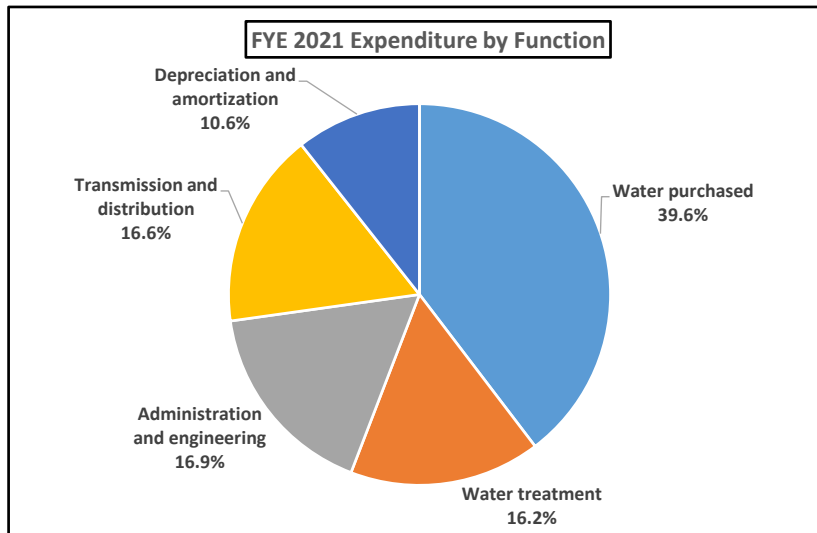


FIGURE 2

Figure 2 shows a summary of expenses by category for FY21. As can be seen, District expenditures are primarily for the purchase of imported water to meet demands, treatment expenditures for imported and local water sources, operating department costs, and depreciation / amortization. Total expenditures are \$29,778,315, which is an increase of \$1,558,041 or 5.5% from FY20. Water purchases are \$11,805,372 and account for 39.6% of total expenditures, and is a \$1,897,306 or a 19.1% increase

from FY20. As shown in Table 5, the total amount of untreated and treated water purchased from SDCWA increased 773AF and 443AF from FY20, respectively. This increase was due to drier weather and increased demands in FY21, in addition to a reduction in local yield of 190AF from Lake Hodges. With the reduction in storage capacity in Lake Hodges due to the Department of Safety of Dam level restriction and variability in precipitation, it is unknown what local water yield will be in FY22 and upcoming years.

Table 5

Acre Feet of Water Sources FY21 v. FY20

	Untreated	Treated	Local	Recycled	Total
FY 21	6,189.6	700.3	3,214.0	639.9	10,743.8
FY 20	5,416.6	257.6	3,403.5	512.7	9,590.4
Variance	773.0	442.7	(189.5)	127.2	1,153.4

Table 6 provides a comparison of expenses over the prior fiscal year for each operating department.

TABLE 6

	FYE 2021	FYE 2020	\$ Change	% Change
Water Treatment	\$ 4,821,055	\$ 4,850,871	(29,816)	-0.6%
Salaries	1,622,623	1,622,156	467	0.0%
Personnel Benefits	1,100,141	1,038,944	61,197	5.9%
Plant Electricity	226,905	21,100	205,805	975.4%
Repairs, Parts, and Maintenance	307,599	238,886	68,713	28.8%
Chemicals	908,383	1,077,295	(168,912)	-15.7%
Other Non-Personnel	655,404	852,489	(197,085)	-23.1%
	FYE 2021	FYE 2020	\$ Change	% Change
Administration & Engineering	\$ 5,046,793	\$ 4,955,372	91,421	1.8%
Salaries	1,984,822	1,794,636	190,186	12.0%
Personnel Benefits	1,354,699	1,586,609	(231,910)	0.0%
Legal / Consulting	738,952	564,175	174,777	31.0%
Charges to Joint Facilities	453,945	425,144	28,801	6.8%
Other Non-Personnel	514,375	584,808	(70,433)	-12.0%
	FYE 2021	FYE 2020	\$ Change	% Change
Transmission & Distribution	\$ 4,943,091	\$ 5,063,619	(120,528)	-2.4%
Salaries	1,423,272	1,473,781	(50,509)	-4.4%
Personnel Benefits	842,906	1,138,666	(295,760)	0.0%
Pumping (Electric / Repairs)	1,059,102	1,110,329	(51,227)	-4.6%
Pipes, Paving, Traffic Control	635,186	503,075	132,111	26.3%
Valves, Meters, Equipment, Fuel, Hydrants	290,675	203,147	87,528	43.1%
Other Non-Personnel	691,950	634,621	57,329	9.0%
	FYE 2021	FYE 2020	\$ Change	% Change
COMBINED DEPARTMENTAL EXPENSES	\$ 14,810,939	\$ 14,869,862	(58,923)	-0.4%
Salaries	5,030,717	4,890,573	140,144	3.7%
Personnel Benefits	3,297,746	3,764,219	(466,473)	0.0%
Non-Personnel	6,482,476	6,215,069	267,407	4.3%

Water treatment expenditures are \$4,821,055, which is a \$29,816 or 0.6% reduction from FY20, and is mainly due attributable to reduced chemical utilization and GASB 68 adjustments, among other items. Administration and Engineering expenditures are \$5,046,793, which is a \$91,421 or 1.8% increase from FY20, and is mainly due attributable to an increase in salaries due to a vacant position being filled and from an increase in consultant expenditures to complete one-time requirements (Urban Water Management Plan, Asset Management Plan, Energy Management Plan, etc.). Transmission and Distribution expenditures are \$4,946,091, which is a \$120,528 or 2.4% decrease from FY20, primarily due to GASB 68 adjustments and one vacant Utility Worker position left vacant, among others. As can be seen, combined departmental expenditures decreased marginally by FY20, which is a testament to Staff's cost control.

Table 7 lists expenditures by function for FY21 and FY20 that are the basis for Figure 2.

TABLE 7

Expenditures by Function	FYE 2021	FYE 2020	\$ Change	% Change
Water purchased	\$ 11,805,372	\$ 9,908,066	\$ 1,897,306	19.1%
Water treatment	4,821,055	4,850,871	(29,816)	-0.6%
Administration and engineering	5,046,793	4,955,372	91,421	1.8%
Transmission and distribution	4,943,091	5,063,619	(120,528)	-2.4%
Depreciation and amortization	3,162,004	3,278,660	(116,656)	-3.6%
Interest expense, net	-	163,686	(163,686)	-100.0%
Total Expenditures	\$ 29,778,315	\$ 28,220,274	\$ 1,558,041	5.5%

Investments

Balances in cash and investment accounts increased by \$3,038,358 from FY20 due to a \$2,868,118 increase in accounts payable. The District's portfolio consists solely of pooled investments funds with average maturities of less than 12 months. The three pooled funds are the California Local Agency Investment Fund (LAIF), the San Diego County Treasurer's Pooled Money Fund, and the California Asset Management Program (CAMP). The pools provide a flexible, liquid source of funds for the District's operating and capital expenses, and comply with all California Government Code requirements for investment of public entity funds. Average yields on each of the three pooled investment funds were between 0.05% and 0.72% for FY21 and each pooled investment fund invests in various fixed income securities. These pooled returns are reflective of the continued low interest rate environment and high level of demand for fixed income securities.

It should be noted that the District's investment income in FY21 decreased by \$706,981 or 94.2% due to the combined effects of declining interest rates in FY21 and the mark-to-market basis of accrual accounting. In FY20, the pools the District invests in saw positive yield-to-maturity as interest rates were declining, creating an unrealized gain on investments of \$189,649. However, as these pools' investments mature, they are reinvested at lower interest rates, which decreased yield-to-maturity in FY21. Based on this, the unrealized gain on investments in FY21 was \$168,346 lower than in FY20, reducing interest income in this ACFR.

Infrastructure & Capital Assets

The District spent \$2,229,616 on capital improvement projects (CIP), which is a continuation of the implementation of the District and joint facilities (R.E. Badger Filtration Plant and other jointly owned assets with San Dieguito Water District) current ten-year capital improvement program. The District's total CIP projects were \$1,799,346, which includes \$1,269,397 for the fifth phase (out of six) of the Automated Meter Infrastructure project and \$402,802 on vehicles and equipment and \$127,147 spent on other smaller projects. The District share of joint facility expenditures totaled \$430,270, which included \$253,847 for improvements for the mechanical dewatering / filter equipment replacement project; \$110,678 on vehicles and equipment; \$21,303 for a polymer tank, and \$44,442 spent on other smaller projects.

See Note 4 in the Notes to the Financial Statements for a summary of capital asset activity.

The District is currently working toward development of a new District and joint facilities asset management master program (AMMP), which are expected to be complete in the fall / winter of 2021. This new AMMP after thorough review and input by the Board will determine the new 10-year capital plan that will determine spending plans, and consequently, impact District rates.

See Note 4 in the Notes to the Financial Statements for a summary of capital asset activity.

Debt Administration

The District currently does not have any outstanding debt obligations & does not anticipate issuing any in the near future. Current capital project financing is accomplished through a pay-go basis, primarily funded through property tax revenues and expensing amortization & depreciation.

Currently Known Facts, Conditions, or Decisions

Water Rates and Charges

The District approved a three-year cost-of-service study in January 2020, with potential rate adjustments approved for operations / maintenance expenditures for the District and pass-through of SDCWA wholesale water increases through calendar year 2022 and 2024, respectively. Based on the expiration of the cost-of-service for the District at the end of 2022, Staff issued a request-for-proposal to begin the process of engaging a new consultant to offer options for public input and Board consideration on water rates and how they are structured. These options include the potential for budget-based rate structure(s) and others that may change how the District recovers sufficient revenue to pay for operations and capital improvements. This process will also determine the District's spending plan for operations and capital improvements over the next three years. It is anticipated that any adjustment(s) to rates and their structure will be effective January 1, 2023.

Unrestricted Funds & Pension Funding

With review of the ACFR, the District undertakes reconciliation and designation of reserves in compliance with the Board adopted Reserve Policy. As part of this process, any net cash and investments (cash and investments less accounts payable) that is not designated for one of the four total reserves in the Policy, remains undesignated and available for utilization for any Board directed purposes. Staff has been engaging the Board on potential utilization for these undesignated amounts, with an ultimate purpose of reducing the District's unfunded pension liability having been identified. In combination with this & to guide discussions, the Board adopted a Pension Funding Policy in September 2021. Staff and the Board are currently in the process of establishing a Section 115 Trust for pension obligations to act as a Pension Stabilization Fund, which was identified as a solution established in the Pension Funding Policy to aid in reducing unfunded obligations. Staff estimates that \$1.0 million of the undesignated funding will be utilized to fund the Pension Stabilization Fund with an Internal Revenue Service approved administrator that will be selected through a competitive process.

Additionally, the Board is determining an amount of the available undesignated funds that will be remitted to CalPERS to directly pay down the District's unfunded liability (pre-funding) & to create a level payment on this obligation over future years. It is anticipated that this pre-funding will be approximately \$2.0 to \$3.0 million in addition to the amount of undesignated funds utilized to establish the Pension Stabilization Reserve.

Lake Hodges Known Condition and Impacts

Lake Hodges Dam and Reservoir was built in 1918 and acquired by the City of San Diego (City) in 1925. Since that time, SFID and SDWD (Districts) have continued to retain local water rights in Lake Hodges water pursuant to a series of agreements with the City.

In 2014, an Amendment to the March 17, 1998 Agreement between the City, SFID, and SDWD Regarding Lake Hodges (Amended and Restated Agreement) was developed and executed to account for changes in the operation of Lake Hodges due to the SDCWA Emergency Storage Project. The Amended and Restated Agreement clarified certain key terms including the Districts' water and storage rights in Lake Hodges. The Districts receive 50% of the local inflow into Lake Hodges. That inflow is then divided between the Districts, with SFID receiving 57.33% and SDWD receiving 42.67%.

Under the Amended and Restated Agreement, the Districts were also granted the right to divert or sell water out of Lake Hodges. The Districts and the City equally share available capacity of the Lake Hodges Projects' facilities in order to move water from Lake Hodges. As a result, the Districts have the ability to move and potentially store water in another agency's reservoir or sell excess water to SDCWA or other agencies.

In August 2019, the DSOD imposed a water level restriction for Lake Hodges due to the need to implement various dam performance and safety improvements. This resulted in a reduction of storage from 315ft elevation to 295ft; which translates to an overall reduction in the Lake Hodges' capacity by approximately 60%. This reduction hinders the Districts' ability to maximize the capture and use of local water. In January 2020, the Hodges Operating Plan was updated in collaboration between City, Districts, and SDCWA to maintain the new water level at 295ft. The main goals of this Operating Plan are to maintain dam safety and to minimize the loss of local water, while considering environmental and community impacts.

Based on this agreement, the collaboration between all parties subject to the revised Hodges Operating Plan, and the District's conservative estimate for local water yield in setting potable water rates, no material financial impact to future operating results is anticipated due to the DSOD restriction currently.

Requests for Information

This financial report is designed to provide a general overview of Santa Fe Irrigation District's finances for stakeholders, elected officials, investors, and creditors. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to Santa Fe Irrigation District, Administrative Department, PO Box 409, Rancho Santa Fe, California 92067.

FINANCIAL STATEMENTS

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Santa Fe Irrigation District
Statements of Net Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and investments	\$ 36,625,967	\$ 33,587,608
Accounts receivable - water sales, net	4,870,687	4,022,729
Accounts receivable - other	4,367,008	563,168
Property taxes and assessments collectible	9,891	25,968
Interest receivable	23,297	90,636
Inventories	573,425	546,744
Prepaid expenses and deposits	121,471	69,607
Total current assets	<u>46,591,746</u>	<u>38,906,460</u>
Noncurrent assets:		
Capital assets, nondepreciable	14,814,343	4,849,618
Capital assets, depreciable/amortizable, net	<u>75,794,973</u>	<u>76,558,903</u>
Capital assets, net	90,609,316	81,408,521
Reimbursement agreement receivable - San Elijo JPA	<u>416,769</u>	<u>427,651</u>
Total noncurrent assets	<u>91,026,085</u>	<u>81,836,172</u>
Total assets	<u>137,617,831</u>	<u>120,742,632</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related deferred outflows of resources	2,870,792	2,615,346
OPEB-related deferred outflows of resources	<u>974,339</u>	<u>797,562</u>
Total deferred outflows of resources	<u>3,845,131</u>	<u>3,412,908</u>

(Continued)

Santa Fe Irrigation District
Statements of Net Position (Continued)
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 5,738,548	\$ 2,870,430
Accrued payroll	150,437	267,463
Unearned revenue	64,299	91,812
Customer deposits	464,084	458,546
Compensated absences, current portion	357,032	385,211
Total current liabilities	<u>6,774,400</u>	<u>4,073,462</u>
Noncurrent liabilities:		
Compensated absences	468,202	328,144
Undivided interest - San Dieguito Water District	24,731,437	19,021,922
Net pension liability	14,353,263	13,364,298
Net OPEB liability	3,080,407	3,620,450
Total noncurrent liabilities	<u>42,633,309</u>	<u>36,334,814</u>
Total liabilities	<u>49,407,709</u>	<u>40,408,276</u>
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows of resources	519,886	657,356
OPEB-related deferred inflows of resources	366,707	161,803
Total deferred inflows of resources	<u>886,593</u>	<u>819,159</u>
NET POSITION		
Net investment in capital assets	65,877,879	62,386,599
Unrestricted	25,290,781	20,541,506
Total net position	<u>\$ 91,168,660</u>	<u>\$ 82,928,105</u>

(Concluded)

Santa Fe Irrigation District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Water sales	\$ 22,956,425	\$ 18,865,808
Filtration	5,112,807	3,017,595
Base meter fees	5,388,296	5,507,678
Other operating revenues	298,473	477,037
Total operating revenues	<u>33,756,001</u>	<u>27,868,118</u>
OPERATING EXPENSES		
Water purchased	11,805,372	9,908,066
Water treatment	4,821,055	4,850,871
Administration and engineering	5,046,793	4,955,372
Transmission and distribution	4,943,091	5,063,619
Depreciation and amortization	3,162,004	3,278,660
Total operating expenses	<u>29,778,315</u>	<u>28,056,588</u>
Operating income (loss)	<u>3,977,686</u>	<u>(188,470)</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes and assessments	2,742,685	2,645,623
Investment income	43,528	750,509
Rental revenue	82,400	84,365
Other revenue	1,614,991	167,429
Grant revenue	1,842,957	178,847
R.E. Badger income (loss) - undivided interest	(5,709,515)	751,329
Net (loss) on disposal of assets	-	(14,711)
Interest expense, net	-	(163,686)
Total nonoperating revenues (expenses)	<u>617,046</u>	<u>4,399,705</u>
Income before capital contributions	4,594,732	4,211,235
Capital contributions	<u>3,645,823</u>	<u>380,762</u>
Changes in net position	8,240,555	4,591,997
Net position, beginning of year	<u>82,928,105</u>	<u>78,336,108</u>
Net position, end of year	<u><u>\$ 91,168,660</u></u>	<u><u>\$ 82,928,105</u></u>

Santa Fe Irrigation District
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers for water sales and service	\$ 28,783,755	\$ 26,965,066
Payments to vendors and suppliers for materials and services	(15,515,340)	(15,034,451)
Payments for employee wages, benefits and related costs	(8,232,412)	(7,658,671)
Other revenue	298,473	477,037
Net cash provided by operating activities	5,334,476	4,748,981
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes and benefit assessments received	2,758,762	2,638,050
Rental revenue received	82,400	84,365
Grant revenue received	1,842,957	178,847
Other revenue received	1,614,991	167,429
Net cash provided by noncapital financing activities	6,299,110	3,068,691
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(12,362,799)	(2,571,323)
Cash contributions for capital-related purposes	3,645,823	380,762
Interest payments on R.E. Badger Water Facilities Financing Authority installment purchase agreement	-	(178,210)
Principal payments on R.E. Badger Water Facilities Financing Authority installment purchase agreement	-	(1,325,000)
Collection of amounts due from R.E. Badger Water Facilities Financing Authority	-	1,500,974
Net cash (used in) capital and related financing activities	(8,716,976)	(2,192,797)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from reimbursement agreement receivable - San Elijo JPA	10,882	2,212
Investment income	110,867	814,796
Net cash provided by investing activities	121,749	817,008
Net increase in cash and cash equivalents	3,038,359	6,441,883
Cash and cash equivalents, beginning of year	33,587,608	27,145,725
Cash and cash equivalents, end of year	\$ 36,625,967	\$ 33,587,608

(Continued)

Santa Fe Irrigation District
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING (LOSS) TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss)	\$ 3,977,686	\$ (188,470)
Adjustments to reconcile operating (loss) to		
net cash provided by operating activities:		
Depreciation and amortization	3,162,004	3,278,660
Changes in operating assets and liabilities:		
Accounts receivable - water sales	(847,958)	(232,860)
Accounts receivable - other	(3,803,840)	(165,987)
Inventories	(26,681)	(111,036)
Prepaid expenses and deposits	(51,864)	(9,926)
Pension-related deferred outflows of resources	(255,446)	(47,261)
OPEB-related deferred outflows of resources	(176,777)	(222,730)
Accounts payable	2,868,118	1,211,494
Accrued payroll	(117,026)	124,197
Unearned revenue	(27,513)	(28,706)
Compensated absences	111,879	97,783
Customer deposits	5,538	1,538
Net pension liability	988,965	1,012,932
Net OPEB liability	(540,043)	(187,238)
Pension-related deferred inflows of resources	(137,470)	150,672
OPEB-related deferred inflows of resources	204,904	65,919
Net cash provided by operating activities	<u><u>\$ 5,334,476</u></u>	<u><u>\$ 4,748,981</u></u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Unrealized gain on investments	<u><u>\$ 21,323</u></u>	<u><u>\$ 190,816</u></u>

(Concluded)

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Santa Fe Irrigation District
Index to the Notes to the Basic Financial Statements
For the Years Ended June 30, 2021 and 2020

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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6	Undivided Interest - San Dieguito Water District	
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Santa Fe Irrigation District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 1 – Reporting Entity

The Santa Fe Irrigation District, (“District”) was formed February 26, 1923 under the California Irrigation District Act. The District provides water and related services to residential and commercial customers in the San Diego County communities of Rancho Santa Fe and Fairbanks Ranch, and the City of Solana Beach.

The District and the San Dieguito Water District (SDWD) entered into an agreement for joint construction and operation of water treatment, storage and transmission facilities. This facility is known as the R.E. Badger Filtration Plant (“Plant”). The District and SDWD provide revenue to the Plant to fund operations (exclusive of depreciation) based on their respective usage of treated water. Effective July 1, 1977 the District was designated as the Contracting Authority for the Plant, and the Administering Agency. The Plant is not a separate legal entity. SDWD’s undivided share of the investment in capital assets of the Plant has been included in the consolidated statement of net position of the District as an Undivided Interest – San Dieguito Water District in the amounts of \$24,731,437 and \$19,021,922 at June 30, 2021 and 2020, respectively.

The District entered into a joint exercise of powers agreement dated September 22, 1999, with SDWD, creating the R.E. Badger Water Facilities Financing Authority (“Authority”). The Authority was formed to provide financing in connection with the acquisition, construction and improvement of public capital infrastructure. In order to provide working capital necessary for certain capital improvements, the Authority is authorized by the Installment Purchase Agreements to issue water revenue bonds. The District and SDWD are each responsible for their respective share of the net costs of the revenue bonds. Amounts due from and to the Authority by the District have been included in these financial statements as Due from R.E. Badger Water Facilities Financing Authority and R.E. Badger Water Facilities Financing Authority - Installment Purchase Agreement, respectively. These financial statements do not include the net position of the Authority. The separate financial statements of the Authority can be obtained upon request from the District.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Cod. Sec. 2100 *“Defining the Financial Reporting Entity”*. The District is the primary government unit. 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. The District has no component units.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the Santa Fe Irrigation District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes. The more significant of the District’s accounting policies are described below:

A. Financial Statement

The financial statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the District. The statement of revenues, expenses, and changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The financial statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering water in connection with the District’s principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. 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. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses and Changes in Net Position.

C. Use of Restricted/Unrestricted Assets

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

D. Cash, Cash Equivalents, and Investments

Cash and cash equivalents – For purposes of the statement of cash flows, cash and cash equivalents include petty cash, demand deposits with financial institutions, deposits in money market mutual funds (SEC registered), and deposits in external investment pools, and marketable securities that mature within 90 days of purchase. Such marketable securities and deposits in money market funds are carried at fair value. Investment pool deposits are carried at the District’s proportionate share of the fair value of each pool’s underlying portfolio.

Risk Disclosures – Certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Water Sales

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

F. Accounts Receivable

Management believes that all receivables are fully collectible based on historical trends; therefore allowance for doubtful accounts were estimated as \$0 as of June 30, 2021 and 2020.

G. Inventories

Inventory consists of water stored in the San Dieguito Reservoir as well as materials used in the construction and maintenance of capital assets which is valued at cost using the first-in, first-out (FIFO) method.

H. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

I. Capital Assets, Depreciation and Amortization

Capital assets purchased or acquired with a cost exceeding \$7,500 and an estimated useful life of at least two years are reported at historical cost. Contributed assets are recorded at acquisition value as of the date received. Donated capital assets, donated works of art and similar assets, and capital assets received in a service concession arrangement are reported at acquisition value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation or amortization on capital assets in service, excluding land, is computed using the straight-line method over the estimated useful lives of such assets and is reported as an operating expense. The ranges of estimated useful lives of capital assets are as follows:

Asset Type	Years
Intangible assets	51
Land improvements	15-50
Transmission and distributions systems	15-50
Reservoirs	15-50
Buildings	5-40
Shop equipment	3-10
Office furniture and equipment	3-10
Autos and trucks	5-10

J. Capital Contributions

Capital contributions are recorded when the District receives cash contributions or accepts contributions of capital assets in kind or when governmental construction grants are earned. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses, and Changes in Net Position.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation time up to a maximum of 400 hours. Sick pay may be accumulated without limitation; however, at time of voluntary termination, payment will be made for twenty-five percent of accumulated unused sick leave up to a maximum of 600 hours; upon termination due to retirement or death, payment will be made for fifty percent of accumulated unused sick leave up to a maximum of 600 hours. All personal leave time may not accumulate from one year to the next, and there is no payout for unused personal leave.

L. Pensions

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

The following timeframes are used for pension reporting:

CalPERS	2021	2020
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019
Measurement period	July 1, 2019 to June 30, 2020	July 1, 2018 to June 30, 2019

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the Net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 11).

The following timeframes are used for OPEB reporting:

OPEB	2021	2020
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019
Measurement period	July 1, 2019 to June 30, 2020	July 1, 2018 to June 30, 2019

N. Property Taxes

The County of San Diego (the "County") bills and collects property taxes on behalf of the District. The County's tax calendar year is July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

O. Net Position

Net position of the District is classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets and the Undivided interest - San Dieguito Water District. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted Net Position – This component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component of net position consists of net position that does not meet the definition of “net investment in capital assets,” or “restricted net position”.

P. Economic Dependency

The District purchases water from the Metropolitan Water District through the San Diego County Water Authority. Interruption of this source would negatively impact the District.

Q. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

R. Implementation of New GASB Pronouncements For the Year Ended June 30, 2021

During fiscal year ended June 30, 2021, the District has implemented the following new GASB Pronouncements:

GASB Statement No. 84 - In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Application of this statement did not have a material effect on the District’s financial statements for the fiscal year ending June 30, 2021.

GASB Statement No. 90 - In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* (GASB Statement No. 90), to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Application of this statement did not have a material effect on the District’s financial statements for the fiscal year ending June 30, 2021.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

R. Implementation of New GASB Pronouncements For the Year Ended June 30, 2021 (Continued)

GASB Statement No. 98 - In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*, to establish the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. Application of this statement did not have a material effect on the District's financial statements for the fiscal year ending June 30, 2021.

S. Upcoming Governmental Accounting Standards Implementation

The District is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

GASB Statement No. 87 - In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Application of this statement is effective for the District's fiscal year ending June 30, 2022.

GASB Statement No. 89 - In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB Statement No. 89), to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement is effective for the District's fiscal year ending June 30, 2022, as amended by GASB 95.

GASB Statement No. 91 - In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Application of this statement is effective for the District's fiscal year ending June 30, 2023, as amended by GASB 95.

GASB Statement No. 92 - In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Application of this statement is effective for the District's fiscal year ending June 30, 2022, as amended by GASB 95.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

S. Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 93 - In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Application of this statement is effective for the District's fiscal year ending June 30, 2022, as amended by GASB 95.

GASB Statement No. 94 - In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Application of this statement is effective for the District's fiscal year ending June 30, 2023.

GASB Statement No. 96 - In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Application of this statement is effective for the District's fiscal year ending June 30, 2023.

GASB Statement No. 97 - In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Application of this statement is effective for the District's fiscal year ending June 30, 2022.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash, Cash Equivalents, and Investments

Cash and investments at June 30, 2021 and 2020 consist of the following:

	2021	2020
Cash and investments consist of the following:		
Cash on hand	\$ 1,500	\$ 1,500
Deposits with financial institutions	1,643,443	2,049,000
Investments	34,981,024	31,537,108
Total cash and investments	<u>\$ 36,625,967</u>	<u>\$ 33,587,608</u>

A. Demand Deposits

As of June 30, 2021, the carrying amount of demand deposits was \$1,643,443 and the bank balance was \$2,693,606 compared to \$2,049,000 and the bank balance was \$2,255,969 at June 30, 2020, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in the District's name as discussed below under *Disclosures Relating Custodial Credit Risk*.

B. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code that address interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provision of the California Government Code or the District's investment policy:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Quality Requirements (S & P Rating)
U.S. Treasury Obligations	5 years	None	None	None
Federal Agencies	5 years	None	GNMA (only)	None
Federal Instrumentalities	5 years	None	FHLB, FNMA, FFCB, FHLMC (only)	None
State and Local Agencies:				
District's own Bonds	5 years	20%	None	AA
State Instruments	5 years	20%	None	AA or A-1+
Other Local Agency (within CA only)	5 years	20%	None	AA or F-1+
Repurchase Agreements	1 year	20%	None	A - short-term or A long-term
Prime Commercial Paper	270 Days	25%	10%	A or A-1
Bankers' Acceptances	180 Days	15%	30%	A
Medium-Term Notes	5 years	20%	None	AA-
Local Agency Investment Fund (LAIF)	N/A	\$65 Million	N/A	None
San Diego County Treasurer's Pooled Money Fund	N/A	20% or \$5 Million	N/A	None
California Asset Management Program	N/A	20% or \$5 Million	N/A	None
Money Market Funds	5 years	20%	10%	AAAm

The District's investment policy is more restrictive than the California Government code. The policy restricts the maximum percentage of the portfolio in various investment types beyond the limits prescribed by the California Government code, as well as the maximum percentage in any one issuer. The District's policy also restricts investment to only certain federal instrumentalities.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

C. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2021.

Investment Type	Total	Remaining Maturity (in Months)
		12 Months or Less
Local Agency Investment Fund (LAIF)	\$ 29,746,723	\$ 29,746,723
California Asset Management Program (CAMP)	710,179	710,179
San Diego County Treasurer's Pooled Money Fund	4,524,122	4,524,122
Total	<u>\$ 34,981,024</u>	<u>\$ 34,981,024</u>

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2020.

Investment Type	Total	Remaining Maturity (in Months)
		12 Months or Less
Local Agency Investment Fund (LAIF)	\$ 26,304,462	\$ 26,304,462
California Asset Management Program (CAMP)	709,083	709,083
San Diego County Treasurer's Pooled Money Fund	4,523,563	4,523,563
Total	<u>\$ 31,537,108</u>	<u>\$ 31,537,108</u>

D. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2021.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End	
			AAA	Not Rated
Local Agency Investment Fund (LAIF)	\$ 29,746,723	Not Rated	\$ -	\$ 29,746,723
California Asset Management Program (CAMP)	710,179	AAA	710,179	-
San Diego County Treasurer's Pooled Money Fund	4,524,122	N/A	4,524,122	-
Total	<u>\$ 34,981,024</u>		<u>\$ 5,234,301</u>	<u>\$ 29,746,723</u>

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

D. Disclosures Relating to Credit Risk (Continued)

Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2020.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End	
			AAA	Not Rated
Local Agency Investment Fund (LAIF)	\$ 26,304,462	Not Rated	\$ -	\$ 26,304,462
California Asset Management Program (CAMP)	709,083	AAA	709,083	-
San Diego County Treasurer's Pooled Money Fund	4,523,563	N/A	4,523,563	-
Total	<u>\$ 31,537,108</u>		<u>\$ 5,232,646</u>	<u>\$ 26,304,462</u>

E. Disclosures Relating to Concentration of Credit Risk

The investment policy of the District is in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. The District is in compliance with the investment policy with respect to investment type percentages for the total portfolio.

F. Disclosures Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2021 and 2020, \$2,182,466 and \$1,609,251, respectively, of the District's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

G. Local Agency Investment Fund (LAIF)

The District's investments with Local Agency Investment Fund (LAIF) include a portion of the pool funds invested in structured notes and asset-backed securities. These investments include the following:

Structured Notes - debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises.

Asset-Backed Securities - entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's), small business loans or credit card receivables.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

G. Local Agency Investment Fund (LAIF) (Continued)

LAIF is overseen by the Local Investment Advisory Board, which consists of five members, in accordance with State statute. The fair value of our position in the pool is the same as the value of the pool shares.

As of June 30, 2021, the District had \$29,746,723 invested in LAIF, which had invested 1.10% of the pool investment funds in structured notes and asset-backed securities compared to \$26,304,462 and 3.37% at June 30, 2020. LAIF is part of the State's Pooled Money Investment Account (PMIA). The District valued its investments in LAIF as of June 30 by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.00008297 and 1.004912795 as of June 30, 2021 and 2020, respectively.

H. California Asset Management Program (CAMP)

The District is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act for the purpose of exercising the common power of its Participants to invest funds. The investments are limited to investments permitted by California Government Code. The total amount invested by all public agencies in CAMP at June 30, 2021 and 2020 was \$6.6 billion and \$6.6 billion, respectively. A board of five trustees who are officials or employees of public agencies has oversight responsibility for CAMP. The value of the pool shares in CAMP, which may be withdrawn at any time, is determined on an amortized cost basis, which is different from the fair value of the District's position in the pool. At June 30, 2021 and 2020 the amortized cost approximated is the District's cost.

I. San Diego County Investment Pool

The District is a participant in the San Diego County Treasury Pool (County Pool) which is regulated under the oversight of the Treasurer of the County of San Diego. The fair value of the District's investment in the County Pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by the County Pool for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the Pool. Included in the County Pool's investment portfolio are collateralized and negotiable certificates of deposit, floating rate securities issued by federal agencies and corporations, money market funds, repurchase agreements and commercial paper. The value of the pool shares in the County Pool, which may be withdrawn at any time, is determined on an amortized cost basis, which is different from the fair value of the District's position in the pool. At June 30, 2021 and 2020 the amortized cost approximated is the District's cost. At June 30, 2021 and 2020, the District had \$4,524,122 and \$4,523,563 invested in the San Diego County Investment Pool, respectively.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 4 – Capital Assets

Summary of changes in capital assets for the year ended June 30, 2021, were as follows:

	Balance July 1, 2020	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2021
Capital assets, not being depreciated:					
Land	\$ 1,533,105	\$ -	\$ -	\$ -	\$ 1,533,105
Construction in progress	3,316,513	11,337,970	-	(1,373,245)	13,281,238
Total capital assets, not being depreciated	4,849,618	11,337,970	-	(1,373,245)	14,814,343
Capital assets, being depreciated/amortized:					
Land improvements	163,215	-	-	-	163,215
Transmission and distribution system	49,636,251	-	-	1,373,245	51,009,496
Treatment Facilities	72,592,370	405,201	-	-	72,997,571
Reservoirs	1,646,540	-	-	-	1,646,540
Buildings	3,213,456	92,417	-	-	3,305,873
Shop equipment	1,224,784	-	-	(8,501)	1,216,283
Office furniture and equipment	2,151,402	194,783	-	-	2,346,185
Autos and trucks	1,760,593	332,428	-	8,501	2,101,522
Total capital assets, being depreciated/amortized	132,388,611	1,024,829	-	1,373,245	134,786,685
Accumulated depreciation/amortization:					
Land improvements	(104,292)	(1,080)	-	-	(105,372)
Transmission and distribution system	(19,506,665)	(1,227,128)	-	-	(20,733,793)
Treatment Facilities	(29,447,760)	(1,566,791)	-	-	(31,014,551)
Reservoirs	(1,582,226)	(9,599)	-	-	(1,591,825)
Buildings	(1,860,602)	(15,997)	-	-	(1,876,599)
Shop equipment	(782,370)	(18,718)	-	-	(801,088)
Office furniture and equipment	(1,722,345)	(187,282)	-	-	(1,909,627)
Autos and trucks	(1,215,568)	(120,327)	-	-	(1,335,895)
Total accumulated depreciation	(56,221,828)	(3,146,922)	-	-	(59,368,750)
Total capital assets, being depreciated, net	76,166,783	(2,122,093)	-	1,373,245	75,417,935
Intangible assets, being amortized	980,052	-	-	-	980,052
Less accumulated amortization	(587,932)	(15,082)	-	-	(603,014)
Total intangible assets, net	392,120	(15,082)	-	-	377,038
Total capital assets, being depreciated/amortized, net	76,558,903	(2,137,175)	-	1,373,245	75,794,973
Total capital assets, net	\$ 81,408,521	\$ 9,200,795	\$ -	\$ -	\$ 90,609,316

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 4 – Capital Assets (Continued)

Summary of changes in capital assets for the year ended June 30, 2020, were as follows:

	Balance July 1, 2019	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 1,533,105	\$ -	\$ -	\$ -	\$ 1,533,105
Construction in progress	1,457,769	1,858,744	-	-	3,316,513
Total capital assets, not being depreciated	2,990,874	1,858,744	-	-	4,849,618
Capital assets, being depreciated/amortized:					
Land improvements	163,215	-	-	-	163,215
Transmission and distribution system	49,636,251	-	-	-	49,636,251
Treatment Facilities	72,572,181	38,734	-	(18,545)	72,592,370
Reservoirs	1,636,307	10,233	-	-	1,646,540
Buildings	3,153,876	59,580	-	-	3,213,456
Shop equipment	1,224,784	-	-	-	1,224,784
Office furniture and equipment	2,058,428	110,895	(17,921)	-	2,151,402
Autos and trucks	1,248,910	493,138	-	18,545	1,760,593
Total capital assets, being depreciated/amortized	131,693,952	712,580	(17,921)	-	132,388,611
Accumulated depreciation/amortization:					
Land improvements	(103,213)	(1,079)	-	-	(104,292)
Transmission and distribution system	(18,279,537)	(1,227,128)	-	-	(19,506,665)
Treatment Facilities	(27,880,970)	(1,566,790)	-	-	(29,447,760)
Reservoirs	(1,572,627)	(9,599)	-	-	(1,582,226)
Buildings	(1,748,880)	(111,722)	-	-	(1,860,602)
Shop equipment	(763,652)	(18,718)	-	-	(782,370)
Office furniture and equipment	(1,517,580)	(207,974)	3,209	-	(1,722,345)
Autos and trucks	(1,095,000)	(120,568)	-	-	(1,215,568)
Total accumulated depreciation	(52,961,459)	(3,263,578)	3,209	-	(56,221,828)
Total capital assets, being depreciated, net	78,732,493	(2,550,998)	(14,712)	-	76,166,783
Intangible assets, being amortized	980,052	-	-	-	980,052
Less accumulated amortization	(572,850)	(15,082)	-	-	(587,932)
Total intangible assets, net	407,202	(15,082)	-	-	392,120
Total capital assets, being depreciated/amortized, net	79,139,695	(2,566,080)	(14,712)	-	76,558,903
Total capital assets, net	\$ 82,130,569	\$ (707,336)	\$ (14,712)	\$ -	\$ 81,408,521

Depreciation expense for depreciable capital assets was \$3,146,922 and \$3,263,578 for the years ended June 30, 2021 and 2020, respectively. Amortization expense for amortizable capital assets was \$15,082 and \$15,082 for the years ending 2021 and 2020, respectively.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 5 – Reimbursement Agreement Receivable – San Elijo JPA

The District constructed a recycled water distribution pipeline extension of 3,400 linear feet to the San Elijo JPA (SEJPA) recycled water distribution system in order to extend SEJPA's existing recycled water distribution system and enable the District to serve new recycled water customers. SEJPA agreed to reimburse the District for the cost of design and construction of the extension in the amount of \$526,149 and the District agreed to convey ownership of the extension to SEJPA. Under the terms of the agreement, the reimbursement amount shall be increased each July 1st by adding interest at the rate equivalent to the average LAIF rate for the past four quarters, but not less than 1% nor greater than 2.5% calculated on the unpaid monthly balance.

SEJPA shall reimburse the District at a monthly rate of \$450 per acre foot of recycled water delivered through the extension including water delivered to purveyors other than the District. In addition, SEJPA made an initial down payment of \$50,000. SEJPA will further make a lump sum payment of all remaining principal and interest due after completion of the 20th year of this agreement if the average annual delivery volume of the extension from year 13 through year 15 exceeds 50 acre feet annually to all purveyors.

Reimbursement Agreement receivable activity consists of the following for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Payments	Interest	Balance June 30, 2021
Reimbursement Agreement:					
Receivable - San Elijo JPA	\$ 427,651	\$ -	\$ (15,468)	\$ 4,586	\$ 416,769

Reimbursement Agreement receivable activity consists of the following for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Payments	Interest	Balance June 30, 2020
Reimbursement Agreement:					
Receivable - San Elijo JPA	\$ 429,863	\$ -	\$ (10,914)	\$ 8,702	\$ 427,651

Note 6 – Undivided Interest - San Dieguito Water District

Pursuant to an agreement for joint construction and operation of water treatment, storage, and transmission facilities between the District and the San Dieguito Water District (SDWD), the District is the Contracting Authority and the Administering Agency for the R.E. Badger Water Treatment Facilities (Plant). The Plant is not a separate legal entity. SDWD's interest in the Plant is reflected in the statement of net position of the District as an Undivided Interest in the amount of \$24,731,437 and \$19,021,922 at June 30, 2021 and 2020, respectively. SDWD is billed for its share of the operating expenses (exclusive of depreciation). In addition, SDWD is billed for its share of any capital assets. As such, SDWD's undivided interest is adjusted each year by its share of the capital assets and its share of the depreciation expense. The financial statements of the Plant for the year ended June 30, 2021, are presented as supplementary information to these financial statements.

Based on various agreements, the operating costs of the Plant are allocated based on annual usage of treated water, except for the operating costs of the San Dieguito Reservoir & Dam, Flume, 30" line, Cielo Pump station and Pipeline which is allocated based on ownership and the Hydroelectric Generator which is based on CWA raw water purchases.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 6 – Undivided Interest - San Dieguito Water District (Continued)

Capital expenditures are based on ownership percentages of the various components as follows:

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

Note 7 – Installment Purchase Agreement

There was no balance on the installment purchase agreement for the year ended June 30, 2021.

Summary of changes in the installment purchase agreement for the year ended June 30, 2020 were as follows:

	Balance July 1, 2019	Debt Issuance	Debt Retirement	Balance June 30, 2020	Due within One Year	Due in More Than One Year
Installment purchase agreement	\$ 1,349,975	\$ -	\$ (1,349,975)	\$ -	\$ -	\$ -

On November 1, 2007 The District entered into an Installment Purchase Agreement with the R.E. Badger Water Facilities Financing Authority (Authority) in the amount of \$20,685,000 to repay certain revenue bonds issued by the Authority to fund construction of water treatment, storage and transmission facilities (R.E. Badger Water Treatment Facilities). Interest rates range from 3.449% to 4.500%, and principal amounts range from \$1,045,000 to \$1,325,000 due annually to October 2019. The District has pledged revenues to repay the debt. As of June 2020, the District has paid the debt in full.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 8 – Compensated Absences

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees. Summary of changes in compensated absences for the year ended June 30, 2021, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
Compensated absences	\$ 713,355	\$ 493,665	\$ (381,786)	\$ 825,234	\$ 357,032	\$ 468,202

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees. Summary of changes in compensated absences for the year ended June 30, 2020, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
Compensated absences	\$ 615,572	\$ 432,399	\$ (334,616)	\$ 713,355	\$ 385,211	\$ 328,144

Note 9 – Pension Plans

A. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in one of the District's following plans: 2.7% at 55 (Miscellaneous Plan), 2.0% at 60 (Tier 2 Miscellaneous Plan), or 2% at 62 (PEPRA Miscellaneous Plan). All plans are cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 10 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.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Pension Plans (Continued)

A. General Information about the Pension Plans (Continued)

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous Plan	Tier 2 Misc Plan	PEPRA Misc Plan
	Prior to	On or After	On or After
Hire Date	January 1, 2013	January 1, 2013	January 1, 2013
Benefit formula	2.7% @ 55	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 - 55	52 - 67	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.000%	6.250%
Required employer contribution rates	14.194%	8.794%	7.732%
Final Annual Compensation	1 year	1 year	1 year

At June 30, 2020 and 2019, measurement dates, the following employees were covered by the benefit terms for the plan:

	Measurement Date	
	2020	2019
Active employees	47	46
Inactive employees or beneficiaries currently receiving benefits	56	55
Inactive employees entitled to, but not yet receiving benefits	22	17
Total	125	115

Contributions

Section 20814(c) of the California Public Employees' Retirement Law 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. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2021 and 2020, the contributions recognized as part of pension expense for each Plan were as follows:

	2021	2020
Contributions - employer	\$ 1,478,590	\$ 1,316,260

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Pension Plans (Continued)

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

As of June 30, 2021 and 2020 respectively, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	2021	2020
Proportionate share of net pension liability	\$ 14,353,263	\$ 13,364,298

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of the measurement date ended June 30, 2019 and 2020 was as follows:

	2021
Proportion - June 30, 2019	0.333732%
Proportion - June 30, 2020	0.340280%
Change - Increase/(Decrease)	0.006548%
	2020
Proportion - June 30, 2018	0.327734%
Proportion - June 30, 2019	0.333732%
Change - Increase/(Decrease)	0.005998%

For the year ended June 30, 2021, the District recognized pension expense of \$2,074,638. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 1,478,590	\$ -
Difference between expected and actual experience	739,666	-
Changes of assumptions	-	102,373
Net difference between projected and actual earnings on pension plan investments	426,386	-
Employer contributions in excess/(under) proportionate share of contributions	-	417,513
Adjustments due to difference in proportions	226,150	-
Total	\$ 2,870,792	\$ 519,886

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Pension Plans (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2020, the District recognized pension expense of \$2,432,604. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020	
	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 1,316,260	\$ -
Difference between expected and actual experience	856,290	-
Changes of assumptions	411,364	-
Net difference between projected and actual earnings on pension plan investments	-	233,649
Employer contributions in excess/(under) proportionate share of contributions	-	423,707
Adjustments due to difference in proportions	31,432	-
Total	<u>\$ 2,615,346</u>	<u>\$ 657,356</u>

For the District's plans \$1,478,590 was reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date and will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2022	\$ 17,715
2023	350,336
2024	299,761
2025	204,504
2026	-
Thereafter	-
Total	<u>\$ 872,316</u>

For the District's plans \$1,316,260 was reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date and will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2021	\$ 753,341
2022	(243,583)
2023	84,760
2024	47,212
2025	-
Thereafter	-
Total	<u>\$ 641,730</u>

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Pension Plans (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019 total pension liability determined in the June 30, 2019 actuarial accounting valuation. The June 30, 2020 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. 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.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

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 table below 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.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 9 – Pension Plans (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Discount Rate (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11 + ²
Global equity	50.00%	4.80%	5.98%
Global fixed income	28.00%	1.00%	2.62%
Inflation sensitive assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

¹ An expected inflation of 2.00% was used for this period.

² An expected inflation of 2.92% was used for this period.

The discount rate used to measure the total pension liability was 7.15% 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 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% 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 from the CalPERS website under the GASB 68 Section.

Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the Net Pension Liability/(Asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2021	2020
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 21,035,885	\$ 19,861,299
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 14,353,263	\$ 13,364,298
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 8,831,623	\$ 8,001,485

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

The District had no outstanding amount of contributions to the pension plan required for the years ending June 30, 2021 and 2020.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 10 – Other Postemployment Benefits

A. General Information about OPEB

Plan Description

The District provides postemployment health care benefits established by District resolution to all qualifying employees. The plan is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. Eligible active employees are offered a choice of medical (including prescription drug coverage) plans through the CalPERS Health Program under the Public Employees' Medical and Hospital Care Act (PEMHCA), an agent multiple-employer plan. The District offers the same medical plans to eligible retirees, except once a retiree is eligible for Medicare, the retiree must join a Medicare HMO or Supplement Plan with Medicare being the primary payer and the District's Plan being the secondary payer.

Eligibility for retiree health benefits requires retirement from the District and PERS on or after age 50 with at least 5 years of District eligible service. Directors are not eligible to continue health benefits at retirement. For employees hired prior to September 20, 2007, the District's contribution is equal to the benefit paid for active employees and their dependents at the time of their retirement. For employees hired on or after September 20, 2007, the District's contribution is the CalPERS statutory minimum employer contribution. Surviving spouses and/or dependents of the eligible retiree are also eligible for the District's contributions. Retirees are not eligible for dental or vision benefits at retirement other than COBRA continuation.

Contribution

The District's plan and its contribution requirements are established by District policy and may be amended by the Board of Directors. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2021 and 2020, the District's contributions were \$686,468 and \$582,553, respectively, in payments to the trust.

Employees Covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms:

Active employees	48
Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to, but not yet receiving benefits	-
Total	<u>90</u>

B. Net OPEB Liability

The District's net OPEB liability at June 30, 2021, was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District's net OPEB liability at June 30, 2020, was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 10 – Other Postemployment Benefits (Continued)

B. Net OPEB Liability (Continued)

Actuarial Assumptions

The total OPEB liability, measured as of June 30, 2020 and 2019, was determined using the following actuarial assumptions:

Actuarial Assumptions	
Actuarial Valuation Date	July 1, 2019
Actuarial Cost Method	Early Age Normal, Level Percentage of Pay
Amortization Method	Level Percent
Asset Valuation Method	Fair Value
Inflation	2.75%
Payroll Growth	2.75% Plus Merit
Discount Rate	7.00%

The actuarial assumptions used in the June 30, 2019 valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the District.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	59.00%	5.50%
Global Debt Securities	25.00%	2.35%
Inflation Assets	5.00%	1.50%
Commodities	3.00%	1.75%
REITs	8.00%	3.65%
Total	100.00%	4.25%
Long-term expected rate of return		7.00%

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 10 – Other Postemployment Benefits (Continued)

B. Net OPEB Liability (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the District plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement periods ended June 30, 2020 and 2019:

	2021	2020
1% Decrease	6.00%	6.00%
Net OPEB Liability	\$ 4,072,877	\$ 4,655,115
Current Discount Rate	7.00%	7.00%
Net OPEB Liability	\$ 3,080,407	\$ 3,620,450
1% Increase	8.00%	8.00%
Net OPEB Liability	\$ 2,251,345	\$ 2,758,559

The following presents the net OPEB liability of the District, as well as what the net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates, for the measurement periods ended June 30, 2020 and 2019:

	2021	2020
1% Decrease	\$ 2,139,011	\$ 2,712,423
Current Trend Rate	\$ 3,080,407	\$ 3,620,450
1% Increase	\$ 4,217,804	\$ 4,717,950

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 10 – Other Postemployment Benefits (Continued)

D. Change in Net OPEB Liability

Summary of changes in net OPEB liability for the year ended June 30, 2021, were as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019 (Measurement Date)	\$ 8,467,016	\$ 4,846,566	\$ 3,620,450
Changes Recognized for the Measurement Period:			
Service cost	129,492	-	129,492
Interest on the total OPEB liability	582,771	-	582,771
Changes in benefit terms	(56,271)	-	(56,271)
Difference between expected and actual experience	(329,297)	-	(329,297)
Changes in assumptions	-	-	-
Contribution from the employer	-	698,557	(698,557)
Net investment income	-	172,410	(172,410)
Administrative expenses	-	(4,229)	4,229
Benefit payments	(551,760)	(551,760)	-
Net changes during July 1, 2019 to June 30, 2020	(225,065)	314,978	(540,043)
Balance at June 30, 2020 (Measurement Date)	<u>\$ 8,241,951</u>	<u>\$ 5,161,544</u>	<u>\$ 3,080,407</u>

Summary of changes in net OPEB liability for the year ended June 30, 2020, were as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018 (Measurement Date)	\$ 8,149,701	\$ 4,342,013	\$ 3,807,688
Changes Recognized for the Measurement Period:			
Service cost	144,347	-	144,347
Interest on the total OPEB liability	562,756	-	562,756
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(138,439)	-	(138,439)
Changes in assumptions	258,011	-	258,011
Contribution from the employer	-	729,112	(729,112)
Net investment income	-	287,004	(287,004)
Administrative expenses	-	(2,203)	2,203
Benefit payments	(509,360)	(509,360)	-
Net changes during July 1, 2018 to June 30, 2019	317,315	504,553	(187,238)
Balance at June 30, 2019 (Measurement Date)	<u>\$ 8,467,016</u>	<u>\$ 4,846,566</u>	<u>\$ 3,620,450</u>

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 10 – Other Postemployment Benefits (Continued)

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2021 and 2020, OPEB expense in the amount of \$392,783 and \$390,731, respectively is included in the accompanying statement of activities.

At June 30, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 686,468	\$ -	\$ 582,553	\$ -
Differences between expected and actual experience	-	366,707	-	115,366
Changes in assumptions	172,007	-	215,009	-
Net difference between projected and actual earnings of OPEB Plan investments	115,864	-	-	46,437
	<u>\$ 974,339</u>	<u>\$ 366,707</u>	<u>\$ 797,562</u>	<u>\$ 161,803</u>

For the District's OPEB plan \$686,468 was reported as deferred outflows of resources related to OPEB resulting from District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2022	\$ (25,502)
2023	(2,155)
2024	4,308
2025	(605)
2026	(54,882)
Thereafter	-
Total	<u>\$ (78,836)</u>

For the District's OPEB plan \$582,553 was reported as deferred outflows of resources related to OPEB resulting from District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2021	\$ (4,968)
2022	(4,970)
2023	18,377
2024	24,840
2025	19,927
Thereafter	-
Total	<u>\$ 53,206</u>

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 11 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (“Insurance Authority”). The Insurance 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.

At June 30, 2021, the District participated in the self-insurance programs of the Insurance Authority and the Authority provides coverage as follows:

Property Program - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$500,000,000 (total insurable value \$60,989,124). The District has a \$25,000 deductible for buildings, personal property and fixed equipment, a \$5,000 deductible on mobile equipment, a \$500 deductible for licensed vehicles, and a \$1,000 deductible for Crime.

General Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$60,000,000, subject to various aggregate limits.

Auto Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$60,000,000, subject to various aggregate limits.

Public Officials’ Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$60,000,000, subject to various aggregate limits.

Crime - The Insurance Authority has pooled self-insurance up to \$100,000. The District has a \$1,000 deductible.

Workers’ Compensation - Insured for statutory limits. Workers’ compensation is self-insured up to \$2,000,000 and excess insurance coverage has been purchased.

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

Note 12 – Commitments and Contingencies

A. Contracts

The District has entered into various contracts for the purchase of material, and construction of facilities. The amounts contracted for are based on the contractor’s estimated cost of construction. The total outstanding commitments on these contracts were \$6,945,406 and \$5,286,803 at June 30, 2021 and 2020, respectively.

B. Litigation

Management is of the opinion that there are no legal litigations that would have a material effect on the basic financial statements.

Santa Fe Irrigation District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 12 – Commitments and Contingencies (Continued)

C. Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Note 13 – Metropolitan Water District of Southern California Legal Settlements

The District received a refund in the amount of \$1,395,114 from San Diego County Water Authority (SDCWA), the District's potable water wholesaler, for damages and interest received by SDCWA from Metropolitan Water District of Southern California (MWD) as a result of overcharges on MWD Water Stewardship Rate to SDCWA from 2011-2017, which were then passed on to all SDCWA member agencies, including the District. The settlement is included in the other non-operating revenues line item on the Statement of Revenues, Expenses and Changes in Net Position.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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Santa Fe Irrigation District
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios
Last Ten Years*

	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014 ¹
Plan's proportion of the net pension liability	0.3402800%	0.3337320%	0.3277343%	0.3181480%	0.3141870%	0.2931300%	0.2630800%
Plan's proportionate share of the net pension liability	\$ 14,353,263	\$ 13,364,298	\$ 12,351,366	\$ 12,541,558	\$ 10,914,488	\$ 8,566,324	\$ 6,501,904
Plan's covered payroll	\$ 4,840,771	\$ 4,269,661	\$ 4,399,153	\$ 4,173,185	\$ 4,103,213	\$ 3,719,325	\$ 3,855,463
Plan's proportionate share of the net pension liability as a percentage of covered payroll	296.51%	313.01%	280.77%	300.53%	266.00%	230.32%	168.64%
Plan's fiduciary net position	\$ 35,863,470	\$ 34,939,432	\$ 33,196,300	\$ 31,394,784	\$ 29,195,811	\$ 30,358,307	\$ 31,049,358
Plan's fiduciary net position as a percentage of the total pension liability	71.42%	72.33%	72.88%	71.46%	72.79%	77.99%	82.69%
Plan's proportionate share of aggregate employer contributions	\$ 1,316,260	\$ 1,131,392	\$ 1,013,764	\$ 917,461	\$ 832,671	\$ 628,467	\$ 650,656

¹ Information only presented from the implementation year

Santa Fe Irrigation District
Schedule of Contributions – CalPERS Pension Plan
Last Ten Years*

	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Contractually determined contribution (actuarially determined)	\$ 1,478,590	\$ 1,316,260	\$ 1,131,392	\$ 1,013,764	\$ 917,461	\$ 832,671	\$ 628,467
Contributions in relation to the actuarially determined contributions	(1,478,590)	(1,316,260)	(1,131,392)	(1,013,764)	(917,461)	(832,671)	(628,467)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,784,874	\$ 4,840,771	\$ 4,269,661	\$ 4,399,153	\$ 4,173,185	\$ 4,103,213	\$ 3,719,325
Contributions as a percentage of covered payroll	30.90%	27.19%	26.50%	23.04%	21.98%	20.29%	16.90%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumption used to set the actuarially determined contributions for Fiscal Year 2021 were derived from the June 30, 2019 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2019 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2017 Funding Valuation Report.
Inflation	2.63%
Salary increases	Varies by entry age and service
Payroll growth	2.875%
Investment rate of return	7.00% net of pension plan investment and administrative expenses.
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

¹ Information only presented from the implementation year

Santa Fe Irrigation District
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Years*

	2019-2020	2018-2019	2017-2018	2016-2017 ¹
Total OPEB Liability:				
Service cost	\$ 129,492	\$ 144,347	\$ 140,143	\$ 130,975
Interest on the total OPEB liability	582,771	562,756	548,559	534,737
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(329,297)	(138,439)	-	-
Changes in assumptions	-	258,011	-	-
Benefit payments including				
refunds of member contributions	(551,760)	(509,360)	(470,834)	(484,002)
Net changes in total OPEB liability	(168,794)	317,315	217,868	181,710
Beginning of Year	8,467,016	8,149,701	7,931,833	7,750,123
End of Year	<u>\$ 8,298,222</u>	<u>\$ 8,467,016</u>	<u>\$ 8,149,701</u>	<u>\$ 7,931,833</u>
	174265.14			
Plan Fiduciary Net Position:				
Employer contribution	\$ 698,557	\$ 729,112	\$ 680,316	\$ 725,486
Employee contributions	-	-	-	-
Net investment income	172,410	287,004	307,635	351,945
Benefit payments including				
refunds of member contributions	(551,760)	(509,360)	(470,834)	(484,002)
Administrative expenses	(4,229)	(2,203)	(2,092)	(1,778)
Other	-	-	(5,069)	-
Net changes in Fiduciary Net Position	314,978	504,553	509,956	591,651
Beginning of Year	4,846,566	4,342,013	3,832,057	3,240,406
End of Year	<u>\$ 5,161,544</u>	<u>\$ 4,846,566</u>	<u>\$ 4,342,013</u>	<u>\$ 3,832,057</u>
Net OPEB Liability	<u>\$ 3,136,678</u>	<u>\$ 3,620,450</u>	<u>\$ 3,807,688</u>	<u>\$ 4,099,776</u>
Fiduciary Net Position as a % of Total OPEB Liability	62.20%	57.24%	53.28%	48.31%
Covered Payroll	\$ 4,738,275	\$ 4,611,430	\$ 4,173,185	\$ 4,173,185
Net OPEB Liability as a % of Payroll	66.20%	78.51%	91.24%	98.24%

¹ Information only presented from the implementation year

Santa Fe Irrigation District
Schedule of Contributions – Other Postemployment Benefits Plan
Last Ten Years*

	<u>2020-2021</u>	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017¹</u>
Actuarially Determined Contributions	\$ 531,716	\$ 579,646	\$ 509,360	\$ 660,194	\$ 646,183
Contributions in relation to the actuarially determined contribution	<u>(686,468)</u>	<u>(698,557)</u>	<u>(729,112)</u>	<u>(680,316)</u>	<u>(725,486)</u>
Contribution deficiency (excess)	<u>\$ (154,752)</u>	<u>\$ (118,911)</u>	<u>\$ (219,752)</u>	<u>\$ (20,122)</u>	<u>\$ (79,303)</u>
Covered payroll	<u>\$ 4,880,423</u>	<u>\$ 4,738,275</u>	<u>\$ 4,611,430</u>	<u>\$ 4,173,185</u>	<u>\$ 4,173,185</u>
Contributions as a percentage of covered payroll	-14.07%	-14.74%	-15.81%	-16.30%	-17.38%

¹ Information only presented from the implementation year

SUPPLEMENTARY INFORMATION

Santa Fe Irrigation District
Combining Schedule of Net Position
June 30, 2021

	District	Plant	Eliminations	Total
ASSETS				
Current assets:				
Cash and investments	\$ 35,377,051	\$ 1,248,916	\$ -	\$ 36,625,967
Accounts receivable - water sales, net	4,870,687	-	-	4,870,687
Accounts receivable - R.E.Badger Filtration Plant	106,266	-	(106,266)	-
Accounts receivable - District	-	72,829	(72,829)	-
Accounts receivable - other	731,416	3,635,592	-	4,367,008
Property taxes and assessments collectible	9,891	-	-	9,891
Interest receivable	23,102	195	-	23,297
Inventories	430,766	142,659	-	573,425
Prepaid expenses and deposits	67,327	54,144	-	121,471
Total current assets	41,616,506	5,154,335	(179,095)	46,591,746
Noncurrent assets:				
Capital assets, nondepreciable	1,146,840	13,667,503	-	14,814,343
Capital assets, depreciable/amortizable, net	33,376,278	42,418,695	-	75,794,973
Capital assets, net	34,523,118	56,086,198	-	90,609,316
Reimbursement agreement receivable - San Elijo JPA	416,769	-	-	416,769
Deposit in the R.E.Badger Water Treatment Facilities	291,000	-	(291,000)	-
Investment in the R.E.Badger Water Treatment Facilities	27,101,890	-	(27,101,890)	-
Total noncurrent assets	62,332,777	56,086,198	(27,392,890)	91,026,085
Total assets	103,949,283	61,240,533	(27,571,985)	137,617,831
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related deferred outflows of resources	1,866,661	1,004,131	-	2,870,792
OPEB-related deferred outflows of resources	703,435	270,904	-	974,339
Total deferred outflows of resources	2,570,096	1,275,035	-	3,845,131

(Continued)

Santa Fe Irrigation District
Combining Schedule of Net Position (Continued)
June 30, 2021

	District	Plant	Reclassifications/ Eliminations	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,310,878	\$ 3,427,670	\$ -	\$ 5,738,548
Accounts payable - District	-	106,266	(106,266)	-
Accounts payable - R.E.Badger Filtration Plant	72,829	-	(72,829)	-
Accrued payroll	91,882	58,555	-	150,437
Unearned revenue	-	64,299	-	64,299
Deposits	165,134	298,950	-	464,084
Deposits - District	-	291,000	(291,000)	-
Compensated absences, current portion	238,962	118,070	-	357,032
Total current liabilities	2,879,685	4,364,810	(470,095)	6,774,400
Noncurrent liabilities:				
Compensated absences	311,458	156,744	-	468,202
Undivided interest - San Dieguito Water District	-	-	24,731,437	24,731,437
Net pension liability	9,332,853	5,020,410	-	14,353,263
Net OPEB liability	2,223,932	856,475	-	3,080,407
Total noncurrent liabilities	11,868,243	6,033,629	24,731,437	42,633,309
Total liabilities	14,747,928	10,398,439	24,261,342	49,407,709
DEFERRED INFLOWS OF RESOURCES				
Pension-related deferred inflows of resources	338,043	181,843	-	519,886
OPEB-related deferred inflows of resources	264,748	101,959	-	366,707
Total deferred inflows of resources	602,791	283,802	-	886,593
NET POSITION				
Net investment in capital assets	34,523,118	56,086,198	(24,731,437)	65,877,879
Unrestricted (deficit)	56,645,542	(4,252,871)	(27,101,890)	25,290,781
Total net position	\$ 91,168,660	\$ 51,833,327	\$ (51,833,327)	\$ 91,168,660

(Concluded)

Santa Fe Irrigation District
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

	District	Plant	Eliminations	Total
OPERATING REVENUES				
Water sales	\$ 22,892,417	\$ 150,000	\$ (85,992)	\$ 22,956,425
Filtration	-	6,975,153	(1,862,346)	5,112,807
Base meter fees	5,388,296	-	-	5,388,296
Other operating revenues	256,611	41,862	-	298,473
Total operating revenues	28,537,324	7,167,015	(1,948,338)	33,756,001
OPERATING EXPENSES				
Water purchased	11,741,364	150,000	(85,992)	11,805,372
Water treatment	8,344,492	4,821,055	(8,344,492)	4,821,055
Administration and engineering	3,661,524	1,385,269	-	5,046,793
Transmission and distribution	3,883,989	1,059,102	-	4,943,091
Depreciation and amortization	1,542,844	1,619,160	-	3,162,004
Total operating expenses	29,174,213	9,034,586	(8,430,484)	29,778,315
Operating income (loss)	(636,889)	(1,867,571)	6,482,146	3,977,686
NONOPERATING REVENUES (EXPENSES)				
Property taxes and assessments	2,742,685	-	-	2,742,685
Investment income	43,140	388	-	43,528
Rental revenue	39,000	43,400	-	82,400
Other revenue	1,614,991	-	-	1,614,991
Grant revenue	11,633	1,831,324	-	1,842,957
Investment in R.E. Badger income (loss)	4,123,828	-	(4,123,828)	-
R.E. Badger income (loss) - undivided interest	-	-	(5,709,515)	(5,709,515)
Net gain on disposal of assets	-	-	-	-
Interest expense, net	-	-	-	-
Total nonoperating revenues (expenses)	8,575,277	1,875,112	(9,833,343)	617,046
Income (loss) before capital contributions	7,938,388	7,541	(3,351,197)	4,594,732
Capital contributions	302,167	9,825,802	(6,482,146)	3,645,823
Changes in net position	8,240,555	9,833,343	(9,833,343)	8,240,555
Net Position, Beginning of year	82,928,105	41,999,984	(41,999,984)	82,928,105
Net Position, End of year	\$ 91,168,660	\$ 51,833,327	\$ (51,833,327)	\$ 91,168,660

Santa Fe Irrigation District
Supplementary Schedule of Net Position
R.E. Badger Filtration Plant
June 30, 2021

ASSETS

Current Assets:

Cash and investments	\$ 1,248,916
Accounts receivable:	
Santa Fe Irrigation District receivable	1,653,729
San Dieguito Water District receivable	1,384,593
Accrued interest receivable	195
Other receivables	670,099
Inventory	142,659
Prepaid expense	54,144
	<hr/>
Total Current Assets	5,154,335
	<hr/>

Noncurrent assets:

Capital assets, nondepreciable	13,667,503
Capital assets, depreciable, net of accumulated depreciation	42,418,695
	<hr/>
Total Capital assets, net	56,086,198
	<hr/>
Total Assets	61,240,533
	<hr/>

DEFERRED OUTFLOWS OF RESOURCES

Pension-related deferred outflows of resources	1,004,131
OPEB-related deferred outflows of resources	270,904
	<hr/>
Total Deferred Outflows of Resources	1,275,035
	<hr/>

LIABILITIES

Current liabilities:

Accounts payable	3,427,670
Accounts payable - District	106,266
Accrued payroll	58,555
Unearned revenue	64,299
Compensated absences, current portion	118,070
	<hr/>
Total Current Liabilities	3,774,860
	<hr/>

Noncurrent Liabilities:

Compensated absences	156,744
Net pension liability	5,020,410
Net OPEB liability	856,475
Deposits:	
San Dieguito Water District deposits	291,000
Santa Fe Irrigation District deposits	291,000
Other	7,950
	<hr/>
Total Noncurrent Liabilities	6,623,579
	<hr/>
Total Liabilities	10,398,439
	<hr/>

DEFERRED INFLOWS OF RESOURCES

Pension-related deferred inflows of resources	181,843
OPEB-related deferred inflows of resources	101,959
	<hr/>
Total Deferred Inflows of Resources	283,802
	<hr/>

NET POSITION

Net position - San Dieguito Water District	24,731,437
Net position - Santa Fe Irrigation District	27,101,890
	<hr/>
Total Net Position	\$ 51,833,327
	<hr/>

Santa Fe Irrigation District
Supplementary Schedule of Revenues, Expenses and Changes in Net Position
R.E. Badger Filtration Plant
For the Year Ended June 30, 2021

OPERATING REVENUES

Filtration	\$ 6,975,153
Water sales	150,000
Miscellaneous	<u>41,862</u>
Total operating revenues	<u>7,167,015</u>

OPERATING EXPENSES

Transmission and distribution	1,059,102
Water purchased	150,000
Water treatment:	
Chemicals	908,383
Salaries	1,622,623
Operations and maintenance	1,189,908
Employee retirement and other benefits	1,100,141
Administration and General:	
Salaries	152,405
Employee retirement and other benefits	261,949
Administrative	623,360
Insurance	85,309
Professional fees	262,246
Depreciation	<u>1,619,160</u>
Total operating expenses	<u>9,034,586</u>
Operating (loss)	<u>(1,867,571)</u>

NONOPERATING REVENUES (EXPENSES)

Investment income	388
Rental revenue	43,400
Grant revenue	<u>1,831,324</u>
Total nonoperating revenues (expenses)	<u>1,875,112</u>
Loss before capital contributions	<u>7,541</u>
Capital Contributions	<u>9,825,802</u>
Changes in net position	9,833,343

Net Position, Beginning of year	<u>41,999,984</u>
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Net Position, End of year	<u><u>\$ 51,833,327</u></u>
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Santa Fe Irrigation District
Supplementary Reconciliation of Billings
R.E. Badger Filtration Plant
For the Year Ended June 30, 2021

	Operations			Capital			Total		
	<u>SFID</u>	<u>SDWD</u>	<u>Total</u>	<u>SFID</u>	<u>SDWD</u>	<u>Total</u>	<u>SFID</u>	<u>SDWD</u>	<u>Total</u>
July	\$ 628,138	\$ 347,312	\$ 975,450	\$ 22,203	\$ 17,778	\$ 39,981	\$ 650,341	\$ 365,090	\$ 1,015,431
August	590,266	316,391	906,657	237,735	193,767	431,502	828,001	510,158	1,338,159
September	320,530	183,149	503,679	153,325	124,933	278,258	473,855	308,082	781,937
October	378,296	231,162	609,458	512,435	345,728	858,163	890,731	576,890	1,467,621
November	330,017	244,460	574,477	47,603	36,352	83,955	377,620	280,812	658,432
December	285,848	200,802	486,650	754,687	498,807	1,253,494	1,040,535	699,609	1,740,144
January	276,901	223,077	499,978	399,142	281,329	680,471	676,043	504,406	1,180,449
February	227,902	171,474	399,376	327,582	264,420	592,002	555,484	435,894	991,378
March	252,080	194,094	446,174	504,993	391,653	896,646	757,073	585,747	1,342,820
April	415,747	265,752	681,499	855,871	620,136	1,476,007	1,271,618	885,888	2,157,506
May	264,166	167,305	431,471	307,035	235,096	542,131	571,201	402,401	973,602
June	336,764	198,480	535,244	1,217	861	2,078	337,981	199,341	537,322
	4,306,655	2,743,458	7,050,113	4,123,828	3,010,860	7,134,688	8,430,483	5,754,318	14,184,801
Year End Capital									
Reconciliation	(1,058,531)	(643,764)	(1,702,295)	2,358,318	1,656,187	4,014,505	1,299,787	1,012,423	2,312,210
Total	<u>\$ 3,248,124</u>	<u>\$ 2,099,694</u>	<u>\$ 5,347,818</u>	<u>\$ 6,482,146</u>	<u>\$ 4,667,047</u>	<u>\$ 11,149,193</u>	<u>\$ 9,730,270</u>	<u>\$ 6,766,741</u>	<u>\$ 16,497,011</u>

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Statistical Section

The following pages of statistical information are intended to help the reader understand the information presented in the Financial Statements, Notes to the Financial Statements, and required supplementary information by providing additional data and context.

Financial Trends 88

These schedules contain trend information for understanding how the District's financial performance and well-being have changed over time.

Revenue Capacity 90

These schedules are intended to aid in assessing the District's largest revenue source, water rates, and its property tax revenue.

Debt Capacity 94

These schedules present information on the affordability of any District's outstanding debt and its ability to issue additional debt.

Demographic and Economic Indicators 96

These schedules contain information related to the environment in which the District operates.

Operating Information 98

These schedules present historical data on the District's infrastructure and services to the community.



Net Position
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019 ¹	2020 ¹	2021 ¹
ASSETS										
Current Assets	\$ 25,202,954	\$ 30,106,279	\$ 34,052,713	\$ 30,211,137	\$ 27,324,118	\$ 22,671,870	\$ 28,396,139	\$ 32,001,482	\$ 38,906,460	\$ 46,591,746
Other Noncurrent Assets	24,028,622	24,011,579	23,857,307	22,317,144	25,412,170	27,379,521	26,281,444	1,930,837	427,651	416,769
Capital Assets	29,694,786	28,723,300	29,998,134	32,471,117	32,299,863	34,920,910	34,796,885	82,130,569	81,408,521	90,609,316
Total Assets	78,926,362	82,841,158	87,908,154	84,999,398	85,036,151	84,972,301	89,474,468	116,062,888	120,742,632	137,617,831
DEFERRED OUTFLOWS OF RESOURCES										
Deferred Amounts on Pensions	-	-	-	476,021	894,516	1,991,124	2,896,672	3,142,917	3,412,908	3,845,131
LIABILITIES										
Current Liabilities	3,249,607	3,221,980	5,493,624	3,423,269	4,630,656	4,118,568	4,363,043	4,053,868	4,073,462	6,774,400
Noncurrent Liabilities	8,453,100	7,439,577	6,347,677	9,460,928	9,612,571	10,236,691	13,050,478	36,213,261	36,334,814	42,633,309
Total Liabilities	11,702,707	10,661,557	11,841,301	12,884,197	14,243,227	14,355,259	17,413,521	40,267,129	40,408,276	49,407,709
DEFERRED INFLOWS OF RESOURCES										
Deferred Amounts on Pension & OPEB	-	-	-	1,577,661	676,616	528,167	624,474	602,568	819,159	886,593
NET POSITION										
Investment in Capital Assets	29,271,501	28,696,088	29,558,493	32,462,069	32,299,863	34,920,910	34,817,964	61,032,318	62,386,599	65,877,879
Unrestricted	37,952,154	43,483,513	46,508,360	38,551,492	38,710,961	37,159,089	39,515,181	17,303,790	20,541,506	25,290,781
TOTAL NET POSITION	\$ 67,223,655	\$ 72,179,601	\$ 76,066,853	\$ 71,013,561	\$ 71,010,824	\$ 72,079,999	\$ 74,460,379	\$ 78,475,404	\$ 82,928,105	\$ 91,168,660

Source: Santa Fe Irrigation District

¹Beginning in FY19 reporting includes the consolidation of the District and R.E. Badger Filtration Plant per Auditor and GASB recommendations.

**Changes in Net Position
Last Ten Fiscal Years**

	2012	2013	2014	2015	2016	2017	2018	2019 ¹	2020 ¹	2021 ¹
OPERATING REVENUES										
Water Sales	\$ 15,705,818	\$ 18,166,721	\$ 19,899,004	\$ 17,598,000	\$ 13,755,595	\$ 16,548,196	\$ 20,864,372	\$ 18,472,415	\$ 18,865,808	\$ 22,956,425
Fixed Charges	3,379,145	3,582,598	3,661,918	3,672,959	3,700,610	4,895,700	5,352,584	5,535,582	5,507,678	5,388,296
Other	123,482	119,581	126,179	243,020	338,752	349,789	245,188	2,581,047	3,494,632	5,411,280
Total Operating Revenues	19,208,445	21,868,900	23,687,101	21,513,979	17,794,957	21,793,685	26,462,144	26,589,044	27,868,118	33,756,001
OPERATING EXPENSES										
Water Purchased	7,101,708	7,715,504	11,804,846	11,339,922	8,726,055	10,767,457	9,855,760	10,459,108	9,908,066	11,805,372
Water Treatment	4,578,172	4,267,793	3,443,310	3,290,620	3,524,262	3,796,508	5,040,433	4,239,608	4,850,871	4,821,055
Transmission and Distribution	2,874,452	2,649,696	2,745,603	2,712,079	2,959,956	3,577,141	3,653,614	4,633,305	5,063,619	4,943,091
Administration and Engineering	3,152,926	2,689,500	2,716,725	2,920,762	3,568,376	3,623,753	3,745,485	4,486,328	4,955,372	5,046,793
Depreciation and Amortization	1,101,648	1,203,775	1,157,728	1,286,139	1,294,022	1,372,239	1,359,335	3,243,425	3,278,660	3,162,004
Total Operating Expenses	18,808,906	18,526,268	21,868,212	21,549,522	20,072,671	23,137,098	23,654,627	27,061,774	28,056,588	29,778,315
Operating Income (Loss)	399,539	3,342,632	1,818,889	(35,543)	(2,277,714)	(1,343,413)	2,807,517	(472,730)	(188,470)	3,977,686
NONOPERATING REVENUES (EXPENSES)										
Property Taxes	1,856,557	1,937,730	1,983,907	2,080,791	2,190,932	2,285,521	2,406,427	2,518,010	2,645,623	2,742,685
Investment Income	137,278	(9,103)	265,601	213,087	225,566	114,260	260,625	646,817	750,509	43,528
Gain (Loss) on Sale of Assets	(31,405)	1,500	5,740	4,883	(65,710)	10,955	6,968	31,465	(14,711)	-
Other Revenue	81,380	87,610	65,233	55,425	86,277	64,667	98,264	817,514	1,003,123	(4,012,124)
Grant Revenue	81,235	6,272	2,589	12,321	26,700	57,349	44,758	66,827	178,847	1,842,957
Interest Expense	(395,963)	(432,120)	(311,164)	(264,546)	(224,073)	(178,973)	(115,188)	(53,341)	(163,686)	-
Total Nonoperating Revenues	1,729,082	1,591,889	2,011,906	2,101,961	2,239,692	2,353,779	2,701,854	4,027,292	4,399,705	617,046
Capital Contributions	25,540	21,425	56,457	145,852	35,285	58,809	215,428	448,401	380,762	3,645,823
Changes in Net Position	\$ 2,154,161	\$ 4,955,946	\$ 3,887,252	\$ 2,212,270	\$ (2,737)	\$ 1,069,175	\$ 5,724,799	\$ 4,002,963	\$ 4,591,997	\$ 8,240,555

Source: Santa Fe Irrigation District

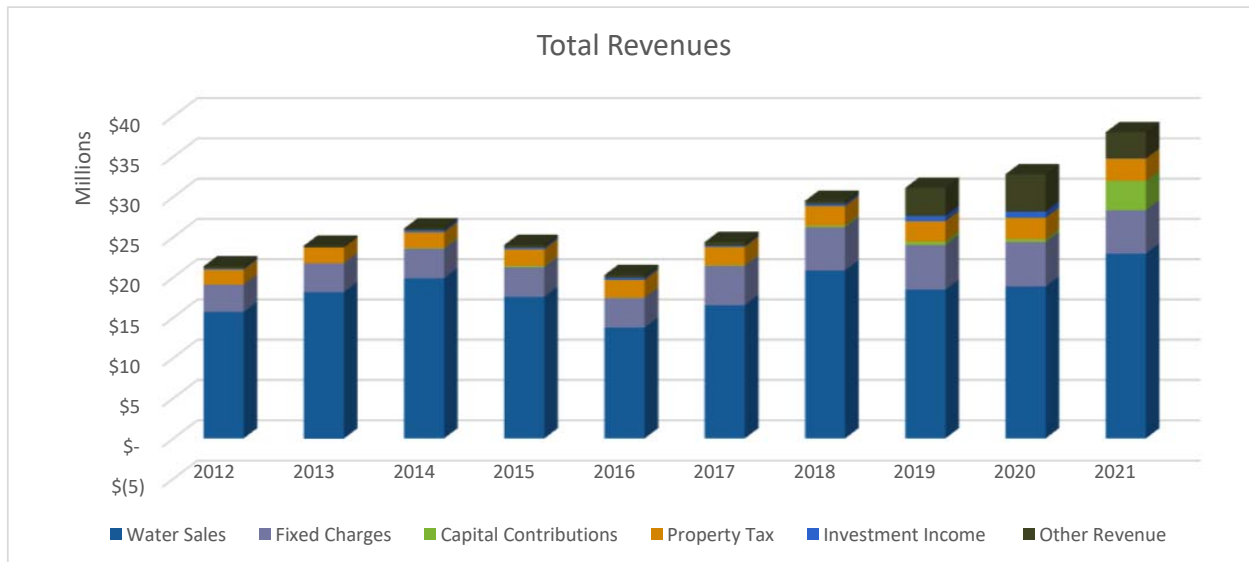
¹Beginning in FY19 reporting includes the consolidation of the District and R.E. Badger Filtration Plant per Auditor and GASB recommendations.

Revenues by Source Last Ten Fiscal Years

Fiscal Year	Water Sales	Fixed Charges	Capital Contributions	Property Tax	Investment Income	Other Revenue	Total Revenues
2012	15,705,818	3,379,145	25,540	1,856,557	137,278	254,692	21,359,030
2013	18,166,721	3,582,598	21,425	1,937,730	(9,103)	214,963	23,914,334
2014	19,899,004	3,661,918	56,457	1,983,907	265,601	199,741	26,066,628
2015	17,598,000	3,672,959	145,852	2,080,791	213,087	315,649	24,026,338
2016	13,755,595	3,700,610	35,285	2,190,932	225,566	386,019	20,294,007
2017	16,548,196	4,895,700	58,809	2,285,521	114,260	482,760	24,385,246
2018	20,864,372	5,352,584	215,428	2,406,427	260,625	395,178	29,494,614
2019 ¹	18,472,415	5,535,582	448,401	2,518,010	646,817	3,496,853	31,118,078
2020 ¹	18,865,808	5,507,678	380,762	2,645,623	750,509	4,661,891	32,812,271
2021 ¹	22,956,425	5,388,296	3,645,823	2,742,685	43,528	3,242,113	38,018,870

¹The District has made accounting changes and reclassifications regarding the R. E. Badger Filtration Plant (Plant) and began consolidating the Plant and the District financials beginning in FY19. Water Sales includes local water sales (revenue derived from the Plant from San Dieguito Water District (SDWD)) and Other Revenue includes filtration revenue from reimbursement of Plant expenditures from SDWD.

Source: Santa Fe Irrigation District



Water Sales by Customer Classification Last Ten Fiscal Years

Fiscal Year	Domestic & Commercial		Agricultural		Recycled Water		Total		
	Sales	Acre Feet	Sales	Acre Feet	Sales	Acre Feet	Sales	Acre Feet	Direct Rate ¹
2012	14,988,584	9,985.4	84,867	57.2	632,367	479.2	15,705,818	10,521.8	1,492.69
2013	17,357,718	10,562.7	68,850	43.0	740,353	519.8	18,166,921	11,125.5	1,632.89
2014	19,101,985	11,257.2	n/a	n/a ²	797,019	563.1	19,899,004	11,820.3	1,683.46
2015	16,866,347	10,687.4	n/a	n/a	731,653	552.6	17,598,000	11,240.0	1,572.26
2016	12,976,620	7,029.9	n/a	n/a	778,975	490.9	13,755,595	7,520.8	1,829.01
2017	15,677,994	8,269.1	156,817	76.0 ³	713,386	477.8	16,548,196	8,822.9	1,875.60
2018	20,008,276	9,446.1	122,458	54.8	733,638	524.8	20,864,372	10,025.7	2,081.09
2019	17,554,567	8,218.8	214,462	93.6	703,386	459.4	18,472,415	8,771.8	2,105.89
2020	17,836,924	8,372.1	268,044	109.6	760,840	491.6	18,865,808	8,973.3	2,102.44
2021	21,677,459	9,429.6	381,587	177.5	897,379	573.9	22,956,425	10,181.0	2,254.84

¹ Average rate of water sold per acre foot

² MWD Agricultural program ended 12/31/12

³ SFID Agricultural Classification created

Source: Santa Fe Irrigation District - volume based on FY sales w/out accrual, sales based on financial information w/accrual

Water Rate History Last Ten Fiscal Years

Fiscal Year	Rates per Hundred Cubic Feet at Fiscal Year End						
	Residential	Agricultural			Recycled	Temp Construction	Irrigation/ Commercial Agriculture ²
		Non-Residential	Agricultural 1-52 HCF ¹	Over 52 HCF ¹			
2012	3.62	3.50	3.57	3.62	3.19	4.14	3.81
2013	3.84	3.71	3.62	3.57	3.19	4.39	4.04
2014	3.84	3.71	n/a	n/a	3.19	4.39	4.04
2015	3.84	3.71	n/a	n/a	3.19	4.39	4.04
2016	3.84	3.71	n/a	n/a	3.19	4.39	4.24
2017	4.66	4.38	n/a	n/a	3.32	5.19	5.00
2018	4.60	4.62	n/a	n/a	3.45	5.46	5.26
2019	4.60	4.62	n/a	n/a	3.45	5.46	5.26
2020	5.19	4.85	n/a	n/a	3.63	6.06	6.11
2021	5.26	4.85	n/a	n/a	3.77	6.06	6.11

¹The Interim Agricultural Water Program was discontinued by MWD as of 1/1/2013

²Commercial Agriculture classification was established in FY17 - PSAWR program no started until FY22

Principal Water Customers Current and Ninth Prior Fiscal Year

FISCAL YEAR 2021			FISCAL YEAR 2012		
Customer	Sales in Acre Feet ¹	Percent of Water Sold	Customer	Sales in Acre Feet ¹	Percent of Water Sold
Golf Course	244.4	2.3%	Golf Course	288.1	2.7%
Golf Course	225.2	2.1%	Golf Course	234.6	2.2%
Golf Course	82.6	0.8%	Residence	74.6	0.7%
Residence	52.4	0.5%	Golf Course	73.5	0.7%
Agricultural	42.4	0.4%	Golf Course	44.5	0.4%
Golf Course	36.9	0.4%	Residence	31.9	0.3%
Residence	36.9	0.4%	Residence	30.9	0.3%
Residence	34.6	0.3%	Residence	27.7	0.3%
Public Agency	33.0	0.3%	Public Agency	25.5	0.2%
Residence	27.6	0.3%	Residence	24.8	0.2%
Residence	26.3	0.2%	Agricultural	22.8	0.2%
Residence	24.8	0.2%	Residence	22.6	0.2%
Residence	23.3	0.2%	Residence	20.7	0.2%
Public Agency	22.3	0.2%	Residence	19.4	0.2%
Public Agency	22.2	0.2%	Residence	18.7	0.2%
Total Top Fifteen Customers	934.9	8.9%	Total Top Fifteen Customers	960.3	9.1%
All Others	9,246.1	91.1%	All Others	9,561.5	90.9%
Total Water Billed	10,181.0	100.0%	Total Water Billed	10,521.8	100.0%

¹Generally Accepted Accounting Principles (GAAP) require amounts delivered but not billed by year end be included as revenue in the basic financial statements. The Figures in this table do not include adjustments for that accrual.

Source: Santa Fe Irrigation District

Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year	Total Levies ¹	Collected During the Year		Net Delinquent at Year-End	
		Amount	Percent	Amount	Percent
2012	1,942,834	1,917,107	98.7%	25,727	1.3%
2013	2,010,326	1,983,202	98.7%	27,124	1.3%
2014	2,058,031	2,028,139	98.5%	29,892	1.5%
2015	2,151,195	2,123,527	98.7%	27,668	1.3%
2016	2,253,376	2,225,236	98.8%	28,140	1.2%
2017	2,347,699	2,316,802	98.7%	30,897	1.3%
2018	2,456,569	2,428,364	98.9%	28,205	1.1%
2019	2,593,717	2,559,723	98.7%	33,994	1.3%
2020	2,682,341	2,648,725	98.7%	33,616	1.3%
2021	2,792,473	2,755,093	98.7%	37,380	1.3%

¹Total amount levied by the County of San Diego on behalf of the District prior to deduction of administrative fees by the County.

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

Assessed Valuation of Taxable Property Last Ten Fiscal Years

Fiscal Year	Local Secured Property	State Secured Property	Exemptions ¹	Total Assessed Value	Secured Tax Rate ²
2012	5,039,490,344	-	-	5,039,490,344	-
2013	5,123,844,802	-	-	5,123,844,802	-
2014	5,191,855,070	-	-	5,191,855,070	-
2015	5,525,587,841	-	-	5,525,587,841	-
2016	5,845,259,490	-	-	5,845,259,490	-
2017	6,114,075,282	-	-	6,069,608,102	-
2018	6,475,273,651	-	-	6,475,273,651	-
2019	6,860,002,562	-	-	6,860,002,562	-
2020	7,071,402,508	-	-	7,071,402,508	-
2021	7,436,314,652	-	-	7,436,314,652	-

¹Irrigation district taxes are levied on land values only and are not allowed exemptions

²The District does not assess a tax rate. It receives a proportionate share of property taxes levied by the County of San Diego.

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

**Computation of Direct and Overlapping Debt
As of June 30, 2021**

2020-21 Land Only Assessed Valuation: \$7,436,314,652

	Debt Outstanding 6/30/21	% Applicable (2)	District Share of Overlapping Debt Debt 6/30/21
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT (1):</u>			
Metropolitan Water District	\$26,830,000	0.382%	\$ 102,491
Mira Costa Community College District	306,265,000	10.398	31,845,435
Encinitas Union School District	45,278,945	0.032	14,489
Rancho Santa Fe School District	30,842,074	72.393	22,327,503
Solana Beach School District School Facilities Improvement District No. 2016-1	93,095,000	42.081	39,175,307
San Dieguito Union High School District	431,325,000	17.149	73,967,924
Santa Fe Irrigation District	0	100.	0
Olivenhain Municipal Water District Assessment District No. 96-1	6,315,000	0.048	3031
San Dieguito Union High School District Community Facilities District No. 95-1	27,780,000	1.303	361,973
City of Solana Beach 1915 Act Bonds	2,220,000	100.	2,220,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$170,018,153
<u>OVERLAPPING GENERAL FUND DEBT (1):</u>			
San Diego County General Fund Obligations	\$211,585,000	2.128%	\$ 4,502,529
San Diego County Pension Obligation Bonds	400,125,000	2.128	8,514,660
San Diego County Superintendent of Schools Obligations	8,585,000	2.128	182,689
San Dieguito Union High School District General Fund Obligations	12,730,000	17.149	2,183,068
City of Solana Beach General Fund Obligations	287,700	97.314	279,972
TOTAL OVERLAPPING GENERAL FUND DEBT			\$15,662,918
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	\$2,289,900	100. %	\$2,289,900
TOTAL DIRECT DEBT			\$0
TOTAL OVERLAPPING DEBT			\$187,970,971
COMBINED TOTAL DEBT			\$187,970,971 (3)

- (1) Based on 2020-21 All Property Assessed Valuation of \$12,465,019,051.
- (2) The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the irrigation district divided by the district's total taxable assessed value.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to Land Only Assessed Valuation:

Direct Debt.....0.00%

Ratios to All Property Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt.....1.36%

Combined Total Debt.....1.51%

Ratios to All Property Redevelopment Successor Agency Incremental Valuation (\$115,107,141):

Total Overlapping Tax Increment Debt.....1.99%

Outstanding Long-Term Revenue Bonds and Debt Service Coverage
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019 ³	2020 ⁴	2021 ⁴
Gross Revenues	\$ 21,390,435	\$ 23,914,334	\$ 26,066,628	\$ 24,026,338	\$ 20,359,717	\$ 24,385,246	\$ 29,494,614	\$ 31,118,078	\$ 32,812,271	\$ 38,018,870
Less Expenses ¹	\$ 17,707,258	\$ 17,322,493	\$ 20,710,484	\$ 20,263,383	\$ 18,778,649	\$ 21,764,859	\$ 22,295,292	\$ 23,818,349	\$ 24,777,928	\$ 26,616,311
Net Revenue Available for Debt Service	\$ 3,683,177	\$ 6,591,841	\$ 5,356,144	\$ 3,762,955	\$ 1,581,068	\$ 2,620,387	\$ 7,199,322	\$ 7,299,729	\$ 8,034,343	\$ 11,402,559
Debt Service Requirements										
Principal	\$ 965,000	\$ 1,005,000	\$ 1,045,000	\$ 1,085,000	\$ 1,135,000	\$ 1,175,000	\$ 1,220,000	\$ 1,270,000		
Interest	387,475	345,950	305,150	260,250	206,150	172,750	126,575	76,875		
Total Debt Service Requirements	\$ 1,352,475	\$ 1,350,950	\$ 1,350,150	\$ 1,345,250	\$ 1,341,150	\$ 1,347,750	\$ 1,346,575	\$ 1,346,875		
Debt Service Coverage Ratio	272%	488%	397%	280%	118%	194%	535%	542%		
Total Outstanding Long-Term Revenue Bonds	\$ 9,260,000	\$ 8,255,000	\$ 7,210,000	\$ 6,125,000	\$ 4,990,000	\$ 3,815,000	\$ 2,595,000	\$ 1,325,000		
Ratio of Net Bonded Debt to Assessed Value ²	0.18%	0.16%	0.14%	0.12%	0.08%	0.06%	0.04%	0.02%		
Net Bonded Debt Per Capita ²	\$ 478	\$ 426	\$ 372	\$ 312	\$ 257	\$ 193	\$ 130	\$ 66		
Unrestricted Days Cash	432	537	510	485	484	323	375	416		

No Debt Outstanding at Fiscal Year-End

No Debt Outstanding at Fiscal Year-End

¹Includes all operating expenses except depreciation, amortization, and bond interest.

²This information takes the place of a separate table for "Ratio of General Bonded Debt Outstanding".

³The District has made accounting changes and reclassifications regarding the R. E. Badger Filtration Plant and began consolidating the Plant and the District financials beginning in FY19.

⁴No outstanding indebtedness in FY20 & FY21

Source: Santa Fe Irrigation District

**Demographic and Economic Indicators
As of June 30, 2021**

Service Areas - SFID only	Solana Beach, Rancho Santa Fe, Fairbanks Ranch	
Service Areas - SDWD only	Cardiff, Encinitas, Leucadia	
SFID Service Area (square miles)	15.9	
Plant Service Area (square miles)	25.2	
Miles of Water Main ¹	157	
Number of Reservoirs ¹	2	
Number of Customer Service Connections ¹	7,606	
District Estimated Population Served ²	20,000	
Plant Approximate Population Served ²	60,000	
Unemployment Rate ³ (San Diego County)	7.0%	
Current Year Water Delivered (acre feet) ¹ (1 acre foot = 325,853 gallons)	10,103.9	
Current Year Water Supply (acre feet) - SFID only ¹		
Imported Treated	700.3	6.5%
Imported Raw	6,189.6	57.6%
Local Raw	3,214.0	29.9%
Recycled	639.9	6.0%
Total	10,743.8	100.0%
Current Year Water Use (acre feet) - SFID only ¹		
Residential	8,386.4	82.4%
Commercial/Industrial	360.7	3.5%
Irrigation	583.8	5.7%
Agricultural	177.5	1.7%
Public and Other	98.7	1.0%
Recycled	573.9	5.6%
Total	10,181.0	100.0%
Current Year Water Production by Source (acre feet) - SFID & SDWD ^{4,5}		
Imported Treated Water	1,153.1	7.1%
Imported Untreated Water	9,556.8	58.6%
Local Untreated Water	5,606.8	34.4%
Total	16,316.7	100.0%
Current Year Water Production by District (acre feet) - SFID & SDWD ^{4,5}		
Santa Fe Irrigation District	10,104.4	61.9%
San Dieguito Water District	<u>6,212.3</u>	<u>38.1%</u>
Total	16,316.7	100.0%

¹ Source: Santa Fe Irrigation District, difference between water supply and use is due to non-revenue water and timing differences

² Source: San Diego Association of Governments

³ Source: California Employment Development Department

⁴ One Acre Foot = 325,851 gallons. SDWD = San Dieguito Water District

⁵ Source: R.E. Badger Filtration Plant, any difference between current year water supply and production are due to non-revenue water, bill timing, local interconnects, and other items.

Demographics on Personal Income, Per Capital Income: Because the District's boundaries include unincorporated areas of San Diego County, as well as one city, it would be difficult to collect any meaningful data for these demographics from existing data sources. Therefore, this information is not being included in the CAFR statistical section.

**Principal Employers
San Diego County
2021 and Ten Years Prior**

2021			2011		
Employer Name	Employees ¹	% of Total County Employment ²	Employer Name	Employees ¹	% of Total County Employment ²
UC San Diego	35,802	2.33%	Federal Government	44,000	3.14%
Naval Base San Diego	34,534	2.25%	State of California	42,300	3.01%
Sharp HealthCare	19,468	1.27%	University of California, San Diego	26,823	1.91%
Scripps Health	16,295	1.06%	County of San Diego	16,415	1.17%
General Atomics Aeronautical Systems, Inc.	6,745	0.44%	Sharp HealthCare	14,832	1.06%
San Diego State University	6,454	0.42%	Scripps Health	13,823	0.98%
Rady Children's Hospital-San Diego	5,711	0.37%	Qualcomm	11,847	0.84%
San Diego Community College District	5,400	0.35%	City of San Diego	10,470	0.75%
Sempra Energy	5,063	0.33%	Kaiser Permanente	7,404	0.53%
YMCA of San Diego County	5,057	0.33%	U.S. Postal Service, San Diego District	6,050	0.43%
Total Top Ten County Employers	140,529	9.16%	Total Top Ten County Employers	193,964	13.82%
All Other Employers	1,394,171	90.84%	All Other Employers	1,209,538	86.18%
Total Employment - San Diego County	1,534,700	100.00%	Total Employment - San Diego County	1,403,502	100.00%

¹ San Diego Business Journal - 2021 & 2011 Book of Lists - list based off of responses received by Business Journal – may not represent all San Diego County employers

² California EDD - Labor Market Info

**Operating Indicators
Last Ten Fiscal Years**

	2012	2013	2014	2015	2016	2017	2018	2019 ¹	2020 ¹	2021 ¹
Full-Time Equivalent Employees	30.2	30.5	30.0	29.8	31.0	33.5	32.0	45.0	48.0	48.0
Average Years of Employment	12.0	12.4	13.4	10.4	8.4	9.4	10.6	11.4	10.9	11.0
Employee Turnover	3.00%	6.30%	0.00%	18.50%	8.50%	11.10%	0.03%	8.89%	9.43%	12.50%
Percentage of Water Losses	6.14%	6.99%	3.31%	5.80%	6.56%	3.35%	6.10%	4.90%	5.20%	5.20%
Demand for Services										
New Connections	2	1	6	12	7	3	15	6	4	8
New Fire line Connections	22	18	22	34	47	38	51	47	41	33
Water Main Breaks	12	4	17	12	17	10	10	7	10	4
Average Daily Consumption (acre feet)	30.1	33.1	35.5	30.8	20.6	24.6	27.5	23.4	24.9	27.7
Capital Assets										
Water Mains (miles of pipe)	144	144	148	148	148	157	157	157	157	157
Fire Hydrants	1,256	1,258	1,261	1,260	1,267	1,269	1,283	1,283	1,283	1,295
Maximum Daily Capacity ²	16.67	23.71	18.67	16.39	12.32	14.33	13.16	14.4	14.4	14.4
(millions of gallons)										
Water Production by District (acre feet)										
Santa Fe Irrigation District	10,576.10	11,472.60	12,365.70	10,691.10	7,999.40	9,396.30	10,462.20	8,533.90	9,098.90	10,104.40
San Dieguito Water District	6,382.20	6,594.90	6,719.20	6,329.20	5,238.40	5,429.90	6,109.40	5,246.50	5,682.50	6,212.30
Totals	16,958.30	18,067.50	19,084.90	17,020.30	13,237.80	14,826.20	16,571.60	13,780.40	14,781.40	16,316.70
Water Production by Source (acre Feet)										
Imported Water	7,512.60	8,391.70	16,417.20	15,601.50	9,957.60	11,469.00	8,486.40	9,896.60	8,793.10	10,709.90
Local Water	8,152.80	10,662.10	2,661.90	1,413.20	3,280.20	3,357.10	8,085.20	3,883.80	5,988.30	5,606.80
Totals	15,665.40	19,053.80	19,079.10	17,014.70	13,237.80	14,826.10	16,571.60	13,780.40	14,781.40	16,316.70

Source: Santa Fe Irrigation District & R.E. Badger Filtration Plant

¹The District has made accounting changes and reclassifications regarding the R. E. Badger Filtration Plant and began consolidating the Plant and the District figures beginning in FY19.

²The Maximum Daily Capacity includes only the SFID portion only.

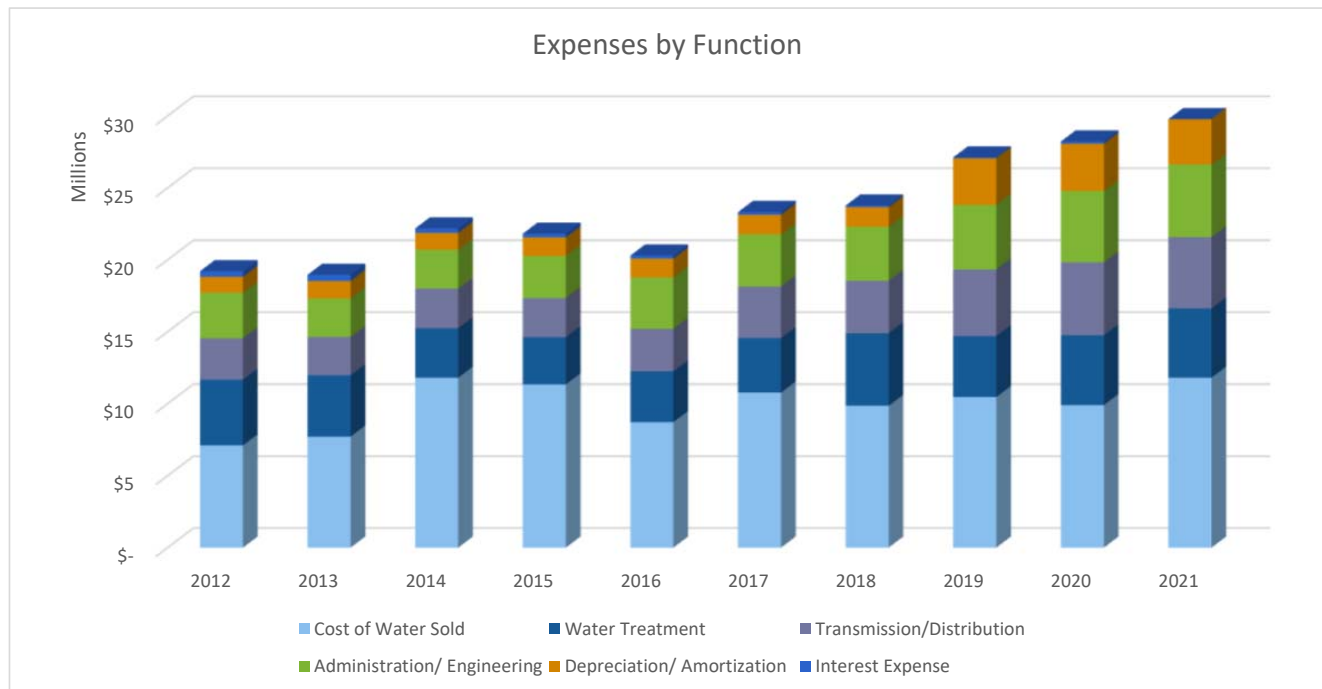
Expenses by Function Last Ten Fiscal Years

Fiscal Year	Cost of Water Sold	Water Treatment	Transmission/Distribution	Administration/Engineering	Depreciation/Amortization	Interest Expense	Total Expenses
2012	7,101,708	4,578,172	2,874,452	3,152,926	1,101,648	395,963	19,204,869
2013	7,715,504	4,267,793	2,649,696	2,689,500	1,203,775	432,120	18,958,388
2014	11,804,846	3,443,310	2,745,603	2,716,725	1,157,728	311,164	22,179,376
2015	11,339,922	3,290,620	2,712,079	2,920,762	1,286,139	264,546	21,814,068
2016	8,726,055	3,524,262	2,959,956	3,568,376	1,294,022	224,073	20,296,744
2017	10,767,457	3,796,508	3,577,141	3,623,753	1,372,239	178,973	23,316,071
2018	9,855,760	5,040,433	3,653,614	3,745,485	1,359,335	115,188	23,769,815
2019 ¹	10,459,108	4,239,608	4,633,305	4,486,328	3,243,425	53,341	27,115,115
2020 ¹	9,908,066	4,850,871	5,063,619	4,955,372	3,278,660	163,686	28,220,274
2021 ¹	11,805,372	4,821,055	4,943,091	5,046,793	3,162,004	-	29,778,315

Note: Fluctuations from year to year in various expenditure categories are generally a function of changes in the organizational structure, purchase and treatment of water, or capital financing. Readers should refer to the specific fiscal year financial statements and MD&As for further explanation of such variances.

¹The District has made accounting changes and reclassifications regarding the R. E. Badger Filtration Plant and began consolidating the Plant and the District financials beginning in FY19.

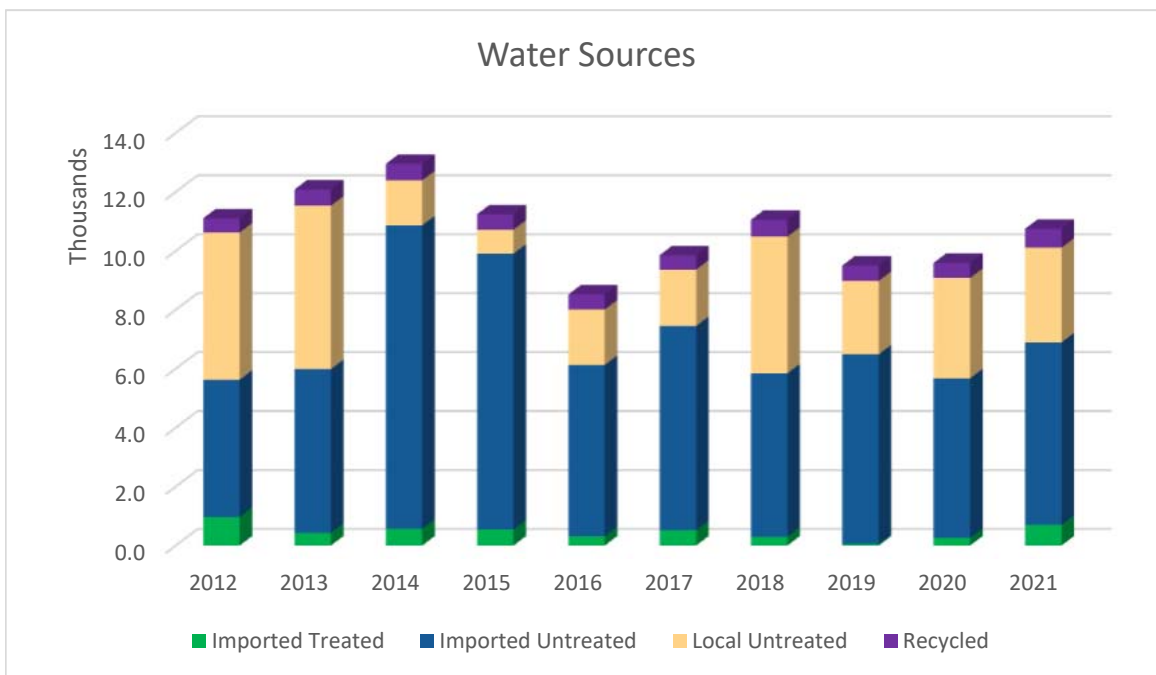
Source: Santa Fe Irrigation District



Water Supply Sources (in Acre Feet) Last Ten Fiscal Years

Fiscal Year	Imported Treated	Imported Untreated	Local Untreated	Recycled	Total
2012	971.1	4,653.3	4,998.4	478.7	11,101.5
2013	429.8	5,557.0	5,544.6	547.2	12,078.6
2014	568.7	10,295.3	1,526.3	557.5	12,947.8
2015	542.4	9,362.2	811.6	522.8	11,239.0
2016	312.8	5,815.0	1,880.7	508.9	8,517.4
2017	518.0	6,931.0	1,911.1	489.6	9,849.7
2018	299.4	5,547.0	4,635.5	568.1	11,050.0
2019	56.6	6,432.9	2,492.3	517.7	9,499.5
2020	257.6	5,416.6	3,403.5	512.7	9,590.4
2021	700.3	6,189.6	3,214.0	639.9	10,743.8

Source: Santa Fe Irrigation District

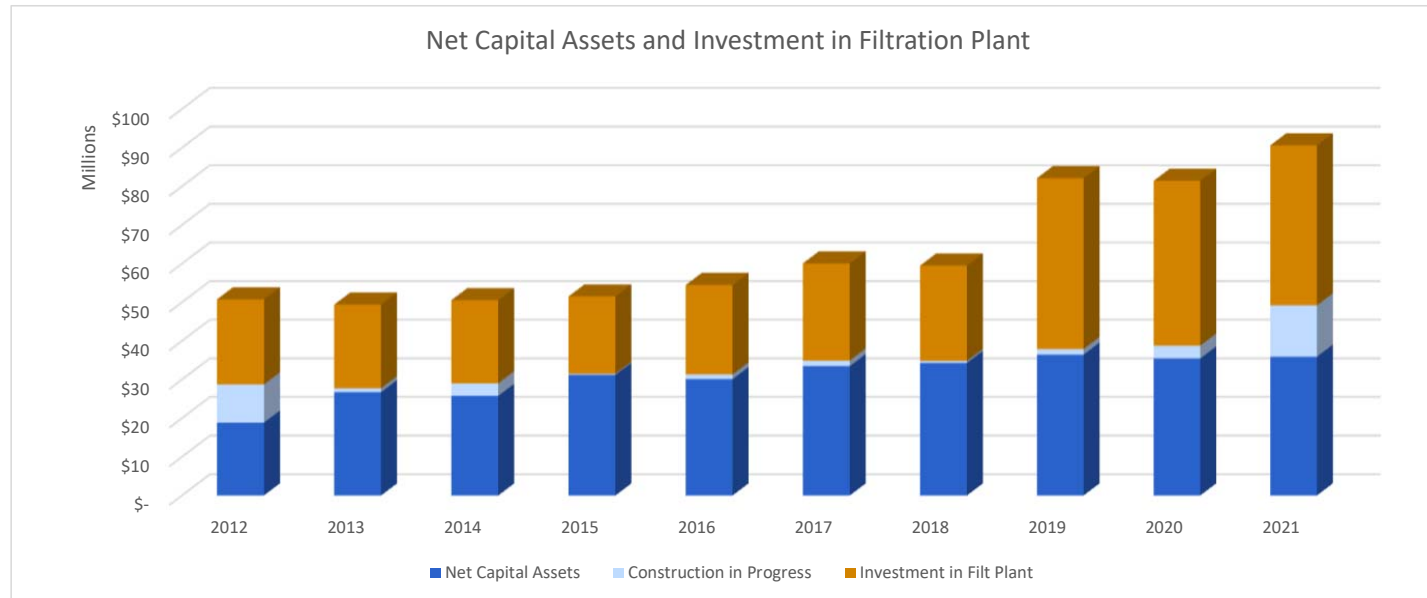


Net Capital Assets and Investment in Filtration Plant Last Ten Fiscal Years

Fiscal Year ¹	Land & Imprvmts	Buildings	Distrib System	Reservoirs	Misc Equipment	Gross Capital Assets	Accumulated Depreciation	Net Capital Assets	Construction in Progress	Investment in Filt Plant	Total Net Capital Assets
2012	319,555	3,062,387	27,764,652	1,618,072	2,715,332	35,479,997	(16,621,571)	18,858,426	9,856,308	22,058,712	50,773,446
2013	319,555	3,062,387	36,561,388	1,618,072	2,980,588	44,541,990	(17,782,697)	26,759,293	983,957	21,666,819	49,410,069
2014	319,555	3,062,387	36,656,363	1,618,071	3,033,534	44,689,910	(18,910,647)	25,779,263	3,238,819	21,539,867	50,557,949
2015	319,555	3,062,387	43,242,246	1,618,071	3,072,418	51,314,677	(20,099,174)	31,215,503	275,562	20,026,372	51,517,437
2016	319,555	3,003,823	43,175,427	1,620,731	3,110,173	51,229,709	(21,117,469)	30,112,240	1,207,571	23,146,050	54,465,861
2017	319,555	3,036,599	46,776,681	1,620,731	4,202,289	55,955,855	(22,489,708)	33,466,147	1,454,763	25,139,648	60,060,558
2018	319,555	3,036,599	48,687,635	1,620,731	4,462,256	58,126,776	(23,832,759)	34,294,017	502,867	24,688,286	59,485,170
2019	1,696,320	3,153,876	49,636,251	1,636,307	5,512,174	61,634,928	(25,183,915)	36,451,013	1,457,769	44,221,787	82,130,569
2020	1,696,320	3,213,456	49,636,251	1,646,540	6,116,209	62,308,776	(26,843,176)	35,465,600	3,318,260	42,641,120	81,424,980
2021	1,696,320	3,305,873	51,009,497	1,646,540	6,644,043	64,302,273	(28,386,019)	35,916,254	13,282,985	41,411,826	90,611,065

Source: Santa Fe Irrigation District

¹The District has made accounting changes and reclassifications regarding the R. E. Badger Filtration Plant and began consolidating the Plant and the District financials beginning in FY19. The Investment in the Filtration Plant was eliminated on the financial statements and the Filtration Plant fixed assets were combined with the District.



**Schedule of Water Rates and Charges
As of June 30, 2021**

Single Family Residential

Schedule below based on meter size

METER SIZE		3/4"		1"		1.5"		2"+	
Tier #	Price	Beg. HCF ¹	End HCF	Beg. HCF	End HCF	Beg. HCF	End HCF	Beg. HCF	End HCF
Tier 1	\$ 2.48	0	10	0	10	0	10	0	10
Tier 2	\$ 3.35	11	32	11	32	11	32	11	32
Tier 3	\$ 4.90	33	41	33	66	33	123	33	214
Tier 4	\$ 5.32	42	87	67	140	124	261	215	453
Tier 5	\$ 6.42	88 +		141 +		262 +		454 +	

Multi-Family Residence	\$ 5.19
Non-Residential	\$ 4.85
Irrigation/Commercial Agriculture	\$ 6.11
Temporary Construction Use	\$ 6.06
Fire Line Use	\$ 6.06
Recycled	\$ 3.63

**Bi-Monthly Meter System Access Charges
June 30, 2021**

Meter Size	Potable Meter Fees (Bi- Monthly)	Agriculture / Irrigation (Bi- Monthly)	Private Fire Service (Bi- Monthly)	Recycled Meter Fees (Monthly)
5/8" and 3/4"	\$ 82.85	\$ 74.42	\$ 9.90	\$ 38.30
1"	130.83	117.34	15.84	59.55
1 1/2"	242.77	217.48	29.69	109.12
2"	418.69	374.85	51.46	187.03
3"	770.51	689.58		342.83
4"	1,314.24	1,175.99		583.62
6"	2,401.69	2,148.79		1,065.20
8"	4,160.81	3,722.45		1,844.22
10"	6,239.77	5,582.23		2,764.88

¹ HCF is one hundred cubic feet = 748 gallons

Source: Santa Fe Irrigation District

**Historic Service Connections
Last Ten Fiscal Years**

Fiscal Year	Service Connections	Percent Change
2012	7,271	-0.3%
2013	7,290	0.3%
2014	7,297	0.1%
2015	7,382	1.2%
2016	7,467	1.2%
2017	7,517	0.7%
2018	7,520	0.0%
2019	7,606	1.1%
2020	7,641	0.5%
2021	7,652	0.1%

**Historic Water Revenue
Last Ten Fiscal Years**

Fiscal Year	Water Sales	Percent Change	Fixed Charges	Percent Change
2012	15,705,818	14.2%	3,379,145	9.7%
2013	18,166,721	15.7%	3,582,598	6.0%
2014	19,899,004	9.5%	3,661,918	2.2%
2015	17,598,000	-11.6%	3,672,959	0.3%
2016	13,755,595	-21.8%	3,700,610	0.8%
2017	16,548,196	20.3%	4,895,700	32.3%
2018	20,864,372	26.1%	5,352,584	9.3%
2019	18,472,415	-11.5%	5,535,582	3.4%
2020	18,865,808	2.1%	5,507,678	-0.5%
2021	22,956,425	21.7%	5,388,296	-2.2%

Source: Santa Fe Irrigation District

Schedule of Pension and OPEB Contributions
Last Nine Fiscal Years¹

Fiscal Year	Pension Contributions	OPEB Contributions	Total Contributions
2021	1,478,590	686,468	2,165,058
2020	1,316,260	582,553	1,898,813
2019	1,131,392	574,832	1,706,224
2018	1,013,764	660,194	1,673,958
2017	917,461	646,183	1,563,644
2016	832,671	554,215	1,386,886
2015	628,467	540,700	1,169,167
2014	650,656	585,413	1,236,069
2013	683,471	634,988	1,318,459

¹FY 2013 was most recent fiscal year information available

Source: Santa Fe Irrigation District