



**West Valley Water District**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Years Ended June 30, 2011 and 2010**



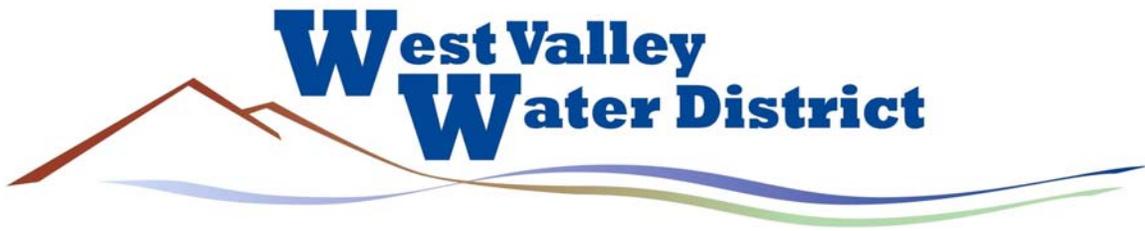
## Our Mission Statement

*“To provide a reliable, safe drinking water supply to meet our customers’ present and future needs at a reasonable cost and to promote water-use efficiency and conservation”*

### **West Valley Water District Board of Directors as of June 30, 2011**

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Earl Tillman, Jr.	President	Elected	12/11 - 11/15
Betty Gosney	Vice President	Elected	12/11 - 11/15
Alan G. Dyer	Director	Elected	12/11 - 11/15
Donald D. Olinger	Director	Elected	12/09 - 11/13
Jackie Cox	Director	Elected	12/09 - 11/13

**West Valley Water District  
Anthony W. Araiza, General Manager  
855 W. Baseline Road  
Rialto, California 92376  
(909) 875-1804 – [www.wvwd.org](http://www.wvwd.org)**



**Comprehensive Annual Financial Report**

**For the Fiscal Years Ended**

**June 30, 2011 and 2010**

**WEST VALLEY WATER DISTRICT**

855 W. Baseline Road  
Rialto, California 92376

Prepared by:

*Deborah L. Sousa, C.C.M.T., Treasurer*

**West Valley Water District  
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**Table of Contents**

	<b><u>Page No.</u></b>
Table of Contents	i
<b>Introductory Section</b>	
Letter of Transmittal	1-5
Board of Directors	6
Organizational Chart	7
<b>Financial Section</b>	
Independent Auditor’s Report	8-9
Management’s Discussion and Analysis	10-16
Basic Financial Statements:	
Statements of Net Assets	17
Statements of Revenues, Expenses, and Changes in Net Assets	18
Statements of Cash Flows	19-20
Notes to the Basic Financial Statements	21-40
<b>Required Supplementary Information Section</b>	
Schedule of Funding Progress – Other Post Employment Benefits (OPEB) Plan	41
<b>Supplemental Information Section</b>	
Combining Schedule of Net Assets as of June 30, 2011	42
Combining Schedule of Net Assets as of June 30, 2010	43
Combining Schedule of Revenues, Expenses, and Changes in Net Assets For the Fiscal Year Ended June 30, 2011	44
Combining Schedule of Revenues, Expenses, and Changes in Net Assets For the Fiscal Year Ended June 30, 2010	45
<b>Statistical Information Section</b>	
Statistical Section – Table of Contents	46
Changes in Net Assets by Component – Last Ten Fiscal Years	47-48
Operating Revenues by Source – Last Ten Fiscal Years	49
Operating Expenses by Activity – Last Ten Fiscal Years	50
Revenue Base – Last Ten Fiscal Years	51
Revenue Rates – Last Ten Fiscal Years	52
Customers by Type – Last Ten Fiscal Years	53
Principal Customers – Current Fiscal Year and Nine Years Ago	54
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	55
Pledged-Revenue Coverage – Last Ten Fiscal Years	56
Demographic and Economic Statistics – Last Ten Fiscal Years	57
Operating and Capacity Indicators – Last Ten Fiscal Years	58
<b>Report on Internal Controls and Compliance</b>	
Independent Auditor’s Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59

# **Introductory Section**





December 2, 2011

Board of Directors  
West Valley Water District

## **Introduction**

It is our pleasure to submit the Comprehensive Annual Financial Report for the West Valley Water District for the fiscal years ended June 30, 2011 and 2010, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

This report is organized into four sections: (1) Introductory (2) Financial (3) Supplemental Information and (4) Statistical. The Introductory section offers general information about the District's organization and current District activities and reports on a summary of significant financial results. The Financial section includes the Independent Auditor's Report, Management's Discussion and Analysis of the District's basic financial statements, and the District's audited basic financial statements with accompanying notes. The Supplemental Information section includes schedules for purposes of additional analysis. The Statistical section presents un-audited ten-year historical financial, demographic and statistical information pertinent to the District's operations.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditor's Report.

## **District Structure and Leadership**

The West Valley Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The District was formed in 1952 and is governed by a five-member Board of Directors, elected at-large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District employs approximately 53 regular employees organized in 19 departments. The District's Board of Directors meets on the first and third Thursdays of each month. Meetings are publicly noticed and citizens are encouraged to attend.

The District provides water service to approximately 19,000 customers within its thirty-one (31) square-mile service area, located in Southwestern San Bernardino County with a small area of Northwestern Riverside County. The District encompasses one half of the City of Rialto, portions of Bloomington, Colton, Fontana, and some of the unincorporated areas of San Bernardino County, California.

## **District Services**

Residential customers represent approximately 93% of the District's customer base and consume approximately 72% of the water produced annually by the District. The District currently has a total of 20 groundwater wells with a maximum production capacity of 26,254 gallons per minute.

## **Economic Condition and Outlook**

The District's office is located in the City of Rialto in San Bernardino County. San Bernardino and Riverside counties (Inland Empire) have witnessed a decrease in economic activity due to continuing recessionary pressures and high unemployment rate.

The District's primary source for water production comes from local groundwater supplies that were contaminated by perchlorate and other contaminants years ago. The District continues to treat its water before distributing it to customers, but the cost of treating for perchlorate has become expensive. As a result, the District plans to employ a unique and innovative groundwater treatment solution called bioremediation which represents a scientific first in California. In conjunction with the City of Rialto, the District will utilize a state-approved biological treatment process that employs naturally occurring micro-organisms to destroy perchlorate and other contaminants in water supplies and minimize the need for waste handling, and disposal. West Valley Water District considers this to be the first major step in a regional undertaking that will ultimately restore the region's groundwater resources.

California's water supply continues to be a concern due to projected population increases, past years of drought, the State's aging water infrastructure, and various protected endangered species near our water supplies. This concern has increased awareness for water conservation and more efficient irrigation methods. The District is continuing to improve its water conservation program through public education and conservation incentives.

## **Major Initiatives**

The activities of the Board and staff of the District are driven by its Mission Statement: "To provide a reliable, safe drinking water supply to meet our customers' present and future needs at a reasonable cost and to promote water-use efficiency and conservation". The strategic goals adopted by the Board of Directors are:

1. We know that we exist to serve the water needs of our customers. We are committed to treating every customer with dignity, respect and courtesy. We take the initiative to develop customer services, systems and programs that are designed for the benefit, education and convenience of our customers and their families.
2. To preserve district water rights, explore new sources and optimize ground and surface water production.
3. To provide the financial conditions necessary to secure the components needed for ongoing effectiveness and industry excellence. We will facilitate the vision by superior financial planning and resourcefulness in a manner consistent with managing the public's funds to ensure financial stability and to demonstrate responsible stewardship.
4. Designing and implementing an effective human resource strategy for developing staff that reflects the reality that strong and growing individuals are essential to achieving our vision. Broader than training, this strategy is designed to meet each staff wherever they are in their development and to assist them in achieving their next growth steps.
5. To continually keep our technology, our business processes and our management systems at optimum levels of effectiveness.
6. To nurture strategic alliances with local and regional partners in the water industry community of the Inland Empire as well as several State and Federal organizations.

7. To promote efficient use of water and to implement a conservation program of educational information and other incentives that encourage wise use of water.

### **Major Initiatives, continued**

All programs and operations of the District are developed and performed to provide the highest level of services to its customers.

### **Accomplishments**

To assist the board of directors in meeting their strategic mission for our District, staff achieved the following initiatives in fiscal year 2011:

1. California public health officials awarded \$10 million in grant funds to West Valley Water District for the construction of a unique and innovative groundwater treatment project. This year, the ground breaking ceremony for The Bioremediation Plant was well attended and afforded the District an opportunity to showcase the project.
2. For the first time, our annual financial report was presented as a Comprehensive Annual Financial Report, one of the best practices for local governments seeking to provide greater transparency and ease of understanding in financial reporting..
3. Our Human Resources Department is coordinating with other departments and outside consultants to provide monthly training sessions for employees who hold supervisor positions, and quarterly training sessions for all District employees.
4. The District has established an (information technology) I. T. Stability Committee which meets monthly to coordinate upgrades, identify and resolve technical issues, and plan for the future needs of the District.
5. Most of the executive staff serves on state or regional boards including the Association of California Water Agencies, the San Bernardino County Special Districts Association, Upper Santa Ana Water Resources Authority, Basin Technical Advisory Committee, Emergency Response Network of the Inland Empire, and the California Society of Municipal Finance Officers.

### **Internal Control Structure**

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

### **Budgetary Control**

The District Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

## **Investment Policy**

The Board of Directors has adopted an investment policy that conforms to state law, District ordinance and resolutions, prudent money management, and the “prudent person” standards. The objective of the Investment Policy is safety, liquidity and yield. District funds are invested in the State Treasurer’s Local Agency Investment Fund and institutional savings and checking accounts.

## **Water Rates and District Revenues**

In 2011, the District initiated a new rate study to address the increasing costs of providing future services to customers within the District’s service area. On January 1, 2012, the District will institute the last 10% scheduled rate increase. Water rates are composed of a commodity (usage) charge and a fixed meter (readiness-to-serve) charge.

## **Water Conservation Programs**

West Valley Water District has always been committed to conservation; however, over the past couple of years, the District has adopted new programs that can help everyone become more efficient in their water usage. As part of the new rate study, the District plans to consider a tiered rate structure which will provide a financial incentive to conserve water usage.

## **Audit and Financial Reporting**

State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Charles Z. Fedak & Company, CPAs has conducted the audit of the District’s financial statements. Their unqualified Independent Auditor’s Report appears in the Financial Section.

## **Risk Management**

The District is a member of the Association of California Water Agencies Joint Power Insurance Authority (Authority). 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.

## **Technological Advance in Customer Service**

The District continues to make significant improvements to its Customer Service Department, which has improved customer convenience. Customers now have the option to pay their bills using their touchtone phone (the Interactive Voice Response System), at the District office, at two satellite locations, with a major credit card or on the District’s website, by automatic checking or savings account debit by enrollment in the autopay program, or at the drop boxes at the District office. All of these features are available in English and Spanish.

## **Other References**

More information is contained in the Management’s Discussion and Analysis and in the Notes to the Basic Financial Statements found in the Financial Section of the report.

## **Independent Audit**

The Government Code requires an annual audit of the District’s financial records by a Certified Public Accountant. The District selected, through a competitive process, the firm of Charles Z. Fedak & Company, CPA’s, An Accountancy Corporation, to conduct the Audit. The auditor’s report on the financial statements is included in the financial section of this report.

**Awards**

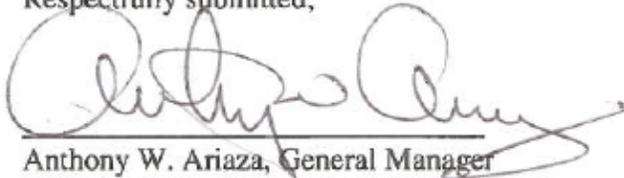
This is the first year the District is submitting its Comprehensive Annual Report (CAFR) for the Government Finance Officers Association of the United States and Canada's (GFOA) *Certificate of Achievement for Excellence in Financial Reporting*. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this CAFR meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for 2011.

**Acknowledgements**

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors for their continued support in planning and implementation of the West Valley Water District's fiscal policies.

Respectfully submitted,



Anthony W. Ariaza, General Manager



Deborah Sousa, CFO, Treasurer

## Board of Directors

A five member Board of Directors are elected by the Rialto area to set policy and govern the District.  
Currently the Board of Directors are:



**Earl Tillman Jr.**  
**(President)**



**Betty Gosney**  
**(Vice-President)**



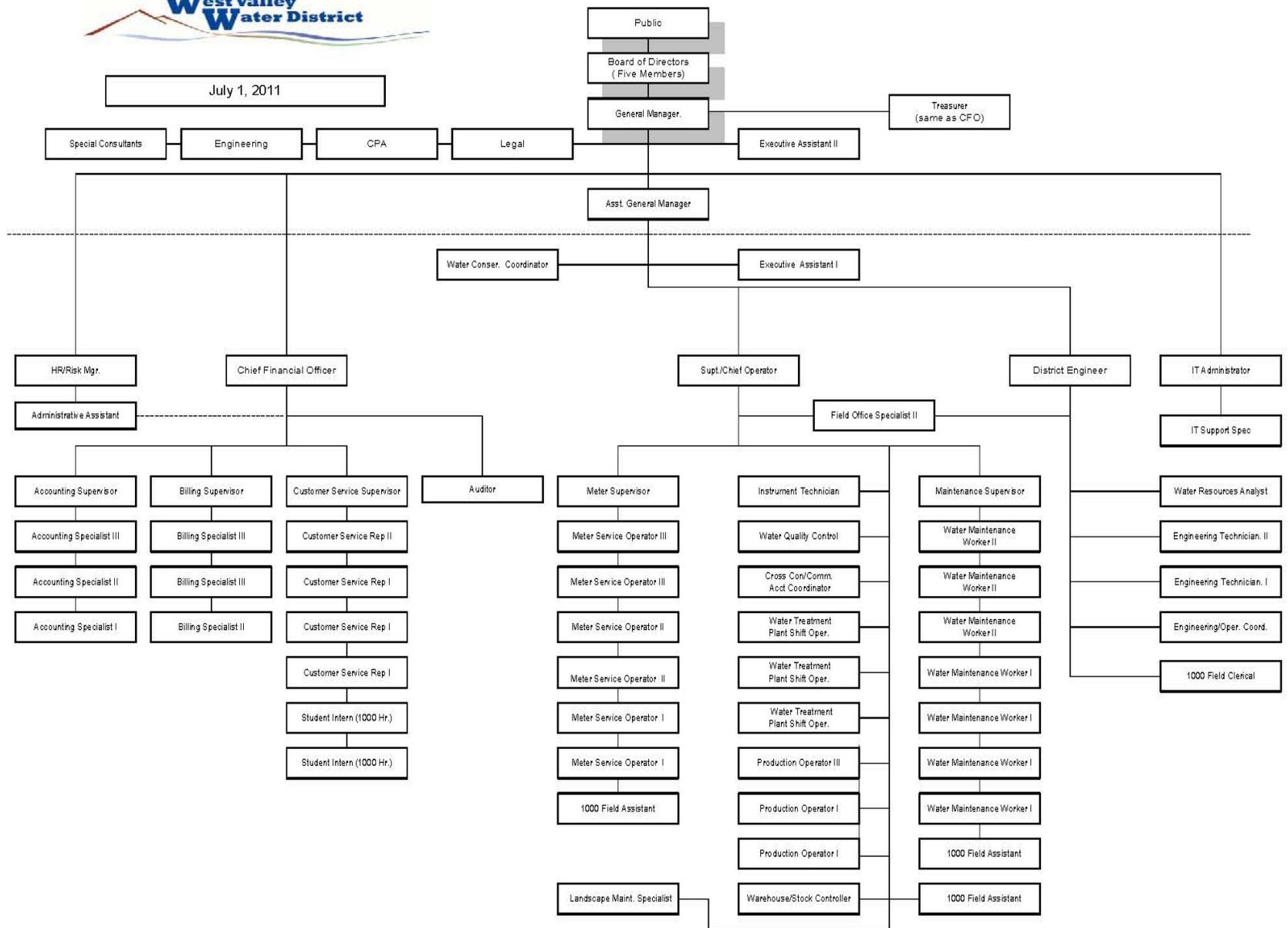
**Jackie Cox**  
**(Director)**



**Alan Dyer**  
**(Director)**



**Don Olinger**  
**(Director)**





# **Financial Section**





Charles Z. Fedak, CPA, MBA  
Paul J. Kaymark, CPA  
Christopher J. Brown, CPA

# Charles Z. Fedak & Company

Certified Public Accountants  
An Accountancy Corporation

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## Independent Auditor's Report

Board of Directors  
West Valley Water District  
Rialto, California

We have audited the accompanying financial statements of the West Valley Water District (District) as of and for the years ended June 30, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the West Valley Water District as of June 30, 2011 and 2010, and the respective changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits. This report can be found on page 59.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 16, required supplementary information on page 41 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

### **Independent Auditor's Report, continued**

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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section on pages 1 through 7, the supplementary information on pages 42 through 45, and statistical section on pages 46 through 58 are presented for purposes of additional analysis and are not required parts of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Charles Z. Fedak and Company CPAs - An Accountancy Corporation*

**Charles Z. Fedak and Company, CPA's – An Accountancy Corporation**

Cypress, California

December 2, 2011

**West Valley Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the West Valley Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2011 and 2010. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the introductory section and with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- In 2011, the District's net assets decreased 6.31% or \$6,019,651 to \$89,384,538. In 2010, the District's net assets decreased 5.96% or \$6,050,488 to \$95,404,189.
- In 2011, the District had a net loss before capital contributions of \$9,913,488 which was a 13.6% or \$1,190,374 increase in loss from 2010. In 2010, the District had a net loss before capital contributions of \$8,723,114 which was a 123.1% or \$4,813,462 increase in loss from 2009.
- The District's operating revenues increased 12.1% or \$1,548,779 in 2011 due primarily to a \$789,218 increase in water consumption sales, a \$395,196 increase in water service charges, and a \$364,365 increase in other operating income. In 2010, the District's operating revenues decreased 3.4% or \$446,091 due primarily to an \$184,200 decrease in water consumption sales, a \$285,325 increase in water service charges, and a \$547,216 decrease in other operating income.
- In 2011, the District's operating expenses before depreciation increased 14.7% or \$2,209,245 primarily due to a \$1,121,430 increase in water treatment expenses and a \$1,672,791 increase in bio-remediation expenses. Additionally, pumping and conservation expenses increased by \$77,440 which were offset by a decrease in source of supply, transmission and distribution, customer accounts and general and administrative expenses in the amount of \$662,416. In 2010, the District's operating expenses before depreciation increased 4.9% or \$709,913 primarily due to a \$338,856 increase in general and administrative expenses. Additionally, pumping, transmission and distribution costs, customer accounts, and conservation expenses increased by \$745,135 which were offset by a reduction in source of supply and water treatment expenses in the amount of \$337,902.
- The District's non-operating revenues, net of expense increased 14.0% or \$178,936 in 2011 primarily due to a \$107,941 increase in property tax revenues and a \$56,826 increase in other non-operating revenues. In 2010, the District's non-operating revenues, net decreased 35.1% or \$691,602 due primarily to a \$190,721 decrease in other non-operating revenues, a \$274,773 decrease in interest and investment earnings, and a \$207,859 decrease in property tax revenues.
- The District's capital contributions from bio-remediation, developers, one-time facility charges and grants increased 45.7% or \$1,221,211 due primarily to an increase in facility charges in 2011. In 2010, the District's capital contributions from developers, one-time facility charges and grants decreased 17.3% or \$560,670 from reduced development in the District's service area.

**Required Financial Statements**

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

**West Valley Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**Required Financial Statements, continued**

The Statement of Net Assets includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period.

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**Financial Analysis of the District**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net assets* and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 21 through 40.

**West Valley Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**Statements of Net Assets**

	Condensed Statements of Net Assets				
	2011	2010	Change	2009	Change
Assets:					
Current assets	\$ 16,747,967	20,874,404	(4,126,437)	19,893,597	980,807
Non-current assets	9,280,667	7,123,746	2,156,921	14,440,195	(7,316,449)
Capital assets, net	<u>100,464,555</u>	<u>104,644,533</u>	<u>(4,179,978)</u>	<u>105,104,772</u>	<u>(460,239)</u>
Total assets	<u>\$ 126,493,189</u>	<u>132,642,683</u>	<u>(6,149,494)</u>	<u>139,438,564</u>	<u>(6,795,881)</u>
Liabilities:					
Current liabilities payable	\$ 5,853,954	5,680,543	173,411	6,034,034	(353,491)
Non-current liabilities	<u>31,254,697</u>	<u>31,557,951</u>	<u>(303,254)</u>	<u>31,949,853</u>	<u>(391,902)</u>
Total liabilities	<u>37,108,651</u>	<u>37,238,494</u>	<u>(129,843)</u>	<u>37,983,887</u>	<u>(745,393)</u>
Net assets:					
Net investment in capital assets	71,529,555	74,814,533	(3,284,978)	74,414,772	399,761
Restricted for capital projects	6,061,134	7,233,152	(1,172,018)	7,799,295	(566,143)
Unrestricted	<u>11,793,849</u>	<u>13,356,504</u>	<u>(1,562,655)</u>	<u>19,240,610</u>	<u>(5,884,106)</u>
Total net assets	<u>89,384,538</u>	<u>95,404,189</u>	<u>(6,019,651)</u>	<u>101,454,677</u>	<u>(6,050,488)</u>
Total liabilities and net assets	<u>\$ 126,493,189</u>	<u>132,642,683</u>	<u>(6,149,494)</u>	<u>139,438,564</u>	<u>(6,795,881)</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$89,384,538 and \$95,404,189 as of June 30, 2011 and 2010, respectively.

By far, the largest portion of the District's net assets (80.0% and 78.4% as of June 30, 2011 and 2010) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of fiscal years 2011 and 2010, the District showed a positive balance in its unrestricted net assets of \$11,793,849 and \$13,356,504, respectively, which may be utilized in future years. See note 11 for further information.

**Statements of Revenues, Expenses, and Changes in Net Assets**

	Condensed Statements of Revenues, Expenses, and Changes in Net Assets				
	2011	2010	Change	2009	Change
Revenues:					
Operating revenues	\$ 14,396,755	12,847,976	1,548,779	13,294,067	(446,091)
Non-operating revenues, net	<u>1,458,450</u>	<u>1,279,514</u>	<u>178,936</u>	<u>1,971,116</u>	<u>(691,602)</u>
Total revenues	<u>15,855,205</u>	<u>14,127,490</u>	<u>1,727,715</u>	<u>15,265,183</u>	<u>(1,137,693)</u>
Expenses:					
Operating expenses	17,285,873	15,076,628	2,209,245	14,366,715	709,913
Depreciation and amortization	7,183,269	5,931,124	1,252,145	3,435,901	2,495,223
Non-operating expenses	<u>1,299,551</u>	<u>1,842,852</u>	<u>(543,301)</u>	<u>1,372,219</u>	<u>470,633</u>
Total expenses	<u>25,768,693</u>	<u>22,850,604</u>	<u>2,918,089</u>	<u>19,174,835</u>	<u>3,675,769</u>
Net loss before capital contributions	(9,913,488)	(8,723,114)	(1,190,374)	(3,909,652)	(4,813,462)
Capital contributions	<u>3,893,837</u>	<u>2,672,626</u>	<u>1,221,211</u>	<u>3,233,296</u>	<u>(560,670)</u>
Change in net assets	(6,019,651)	(6,050,488)	30,837	(676,356)	(5,374,132)
Net assets – beginning of year	<u>95,404,189</u>	<u>101,454,677</u>	<u>(6,050,488)</u>	<u>102,131,033</u>	<u>(676,356)</u>
Net assets – end of year	<u>\$ 89,384,538</u>	<u>95,404,189</u>	<u>(6,019,651)</u>	<u>101,454,677</u>	<u>(6,050,488)</u>

**West Valley Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**Statements of Revenues, Expenses, and Changes in Net Assets, continued**

The statement of revenues, expenses, and changes of net assets shows how the District's net assets changed during the fiscal years. In the case of the District, net assets decreased by \$6,019,651 and \$6,050,488 for the fiscal years ended June 30, 2011 and 2010, respectively.

A closer examination of the sources of changes in net assets reveals that:

- In 2011, the District had a net loss before capital contributions of \$9,913,488 which was a 13.6% or \$1,190,374 increase in the loss from 2010. In 2010, the District had a net loss before capital contributions of \$8,723,114 which was a 123.1% or \$4,813,462 increase in the loss from 2009.
- The District's operating revenues increased 12.1% or \$1,548,779 in 2011 due primarily to a \$789,218 increase in water consumption sales, a \$395,196 increase in water service charges, and a \$364,365 increase in other operating income. In 2010, the District's operating revenues decreased 3.4% or \$446,091 due primarily to a \$184,200 decrease in water consumption sales, a \$285,325 increase in water service charges, and a \$547,216 decrease in other operating income.
- In 2011, the District's operating expenses before depreciation increased 14.7% or \$2,209,245 primarily due to a \$1,121,430 increase in water treatment expenses and a \$1,672,791 increase in bio-remediation expenses. Additionally, pumping and conservation expenses increased by \$77,440 which were offset by a decrease in source of supply, transmission and distribution, customer accounts and general and administrative expenses in the amount of \$662,416. In 2010, the District's operating expenses before depreciation increased 4.9% or \$709,913 primarily due to a \$338,856 increase in general and administrative expenses. Additionally, pumping, transmission and distribution costs, customer accounts, and conservation expenses increased by \$745,135 which were offset by a reduction in source of supply and water treatment expenses in the amount of \$337,902.
- The District's non-operating revenues, net of expense increased 14.0% or \$178,936 in 2011 primarily due to a \$107,941 increase in property tax revenues and a \$56,826 increase in other non-operating revenues. In 2010, the District's non-operating revenues, net decreased 35.1% or \$691,602 due primarily to a \$190,721 decrease in other non-operating revenues, a \$274,773 decrease in interest and investment earnings, and a \$207,859 decrease in property tax revenues.
- The District's capital contributions from bio-remediation, developers, one-time facility charges and grants increased 45.7% or \$1,221,211 due primarily to an increase in facility charges in 2011. In 2010, the District's capital contributions from developers, one-time facility charges and grants decreased 17.3% or \$560,670 from reduced development in the District's service area.

**West Valley Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**Total District Revenues**

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2009</u>	<u>Change</u>
Operating revenues:					
Water consumption sales	\$ 9,750,303	8,961,085	789,218	9,145,285	(184,200)
Water service charges	3,448,236	3,053,040	395,196	2,767,715	285,325
Other operating income	<u>1,198,216</u>	<u>833,851</u>	<u>364,365</u>	<u>1,381,067</u>	<u>(547,216)</u>
<b>Total operating revenues</b>	<u>14,396,755</u>	<u>12,847,976</u>	<u>1,548,779</u>	<u>13,294,067</u>	<u>(446,091)</u>
Non-operating revenue:					
Property taxes	1,268,513	1,160,572	107,941	1,368,431	(207,859)
Interest and investment earnings	87,581	92,589	(5,008)	367,362	(274,773)
Rental income – cellular antennas	42,393	41,767	626	26,116	15,651
Gain on sale/disposition of capital assets	3,137	-	3,137	18,486	(18,486)
Other non-operating revenue	<u>56,826</u>	<u>-</u>	<u>56,826</u>	<u>190,721</u>	<u>(190,721)</u>
<b>Total non-operating revenues</b>	<u>1,458,450</u>	<u>1,294,928</u>	<u>163,522</u>	<u>1,971,116</u>	<u>(676,188)</u>
Capital contributions:					
Bio remediation	782,713	1,042,428	(259,715)	-	1,042,428
Developer contributions	903,560	1,425,049	(521,489)	2,474,415	(1,049,366)
Facility charges	1,474,695	204,769	1,269,926	747,865	(543,096)
Capital grants	<u>732,869</u>	<u>380</u>	<u>732,489</u>	<u>11,016</u>	<u>(10,636)</u>
<b>Total capital contributions</b>	<u>3,893,837</u>	<u>2,672,626</u>	<u>1,221,211</u>	<u>3,233,296</u>	<u>(560,670)</u>
<b>Total revenues</b>	<u>\$ 19,749,042</u>	<u>16,815,530</u>	<u>2,933,512</u>	<u>18,498,479</u>	<u>(1,682,949)</u>

In 2011, total District revenues increased \$2,933,512 and in 2010, total District revenues decreased by \$1,682,949.

**Total District Expenses**

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2009</u>	<u>Change</u>
Operating expenses:					
Source of supply	\$ 671,055	760,170	(89,115)	956,940	(196,770)
Pumping	4,401,510	4,356,011	45,499	4,088,610	267,401
Water treatment	2,325,866	1,204,436	1,121,430	1,345,568	(141,132)
Transmission and distribution	1,417,810	1,740,459	(322,649)	1,494,578	245,881
Customer accounts	1,923,981	2,043,316	(119,335)	1,901,358	141,958
Conservation	122,064	90,123	31,941	228	89,895
Bio-remediation	1,672,791	-	1,672,791	-	-
General and administrative	4,750,796	4,882,113	(131,317)	4,579,433	302,680
Depreciation expense	6,958,269	5,661,124	1,297,145	3,165,901	2,495,223
Amortization of water participation rights	<u>225,000</u>	<u>270,000</u>	<u>(45,000)</u>	<u>270,000</u>	<u>-</u>
<b>Total operating expense</b>	<u>24,469,142</u>	<u>21,007,752</u>	<u>3,461,390</u>	<u>17,802,616</u>	<u>3,205,136</u>
Non-operating expenses:					
Interest expense – long-term debt	1,251,077	1,289,174	(38,097)	1,323,745	(34,571)
Amortization of deferred charges	48,474	48,474	-	48,474	-
Loss on sale/disposition of capital assets	-	15,414	(15,414)	-	15,414
Other non-operating expense	<u>-</u>	<u>505,204</u>	<u>(505,204)</u>	<u>-</u>	<u>505,204</u>
<b>Total non-operating expenses</b>	<u>1,299,551</u>	<u>1,858,266</u>	<u>(558,715)</u>	<u>1,372,219</u>	<u>486,047</u>
<b>Total expenses</b>	<u>\$ 25,768,693</u>	<u>22,866,018</u>	<u>2,902,675</u>	<u>19,174,835</u>	<u>3,691,183</u>

In 2011, total District expenses increased \$2,902,675 and in 2010, total District expenses increased by \$3,691,183.

**West Valley Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**Capital Asset Administration**

At the end of fiscal years 2011 and 2010, the District's investment in capital assets amounted to \$100,464,555 and \$104,644,533 (net of accumulated depreciation). This investment in capital assets includes land, land rights, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles and construction-in-process, etc. In 2011 and 2010, numerous capital projects were finalized and added to capital assets. See note 3 for further capital asset information.

Changes in capital asset amounts for 2011 were as follows:

	<u>Balance 2010</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2011</u>
Capital assets:				
Non-depreciable assets	\$ 10,399,867	2,666,123	(3,533,962)	9,532,028
Depreciable assets	130,112,411	3,646,130	(1,837,032)	131,921,509
Accumulated depreciation and amortization	<u>(35,867,745)</u>	<u>(6,958,269)</u>	<u>1,837,032</u>	<u>(40,988,982)</u>
Total capital assets, net	<u>\$ 104,644,533</u>	<u>(646,016)</u>	<u>(3,533,962)</u>	<u>100,464,555</u>

Changes in capital asset amounts for 2010 were as follows:

	<u>Balance 2009</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2010</u>
Capital assets:				
Non-depreciable assets	\$ 15,973,369	4,460,557	(10,034,059)	10,399,867
Depreciable assets	120,081,690	10,789,801	(759,080)	130,112,411
Accumulated depreciation and amortization	<u>(30,950,287)</u>	<u>(5,661,124)</u>	<u>743,666</u>	<u>(35,867,745)</u>
Total capital assets, net	<u>\$ 105,104,772</u>	<u>9,589,234</u>	<u>(10,049,473)</u>	<u>104,644,533</u>

**Debt Administration**

In 2011 and 2010, long-term debt decreased by \$1,105,009 and \$1,160,000, respectfully, due to regular principal payments on the District's outstanding debts. See note 7 for further long-term debt information.

Changes in long-term debt amounts for 2011 were as follows:

	<u>Balance 2010</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2011</u>
Long-term debt:				
Contracts payable	\$ 180,009	-	(180,009)	-
Bonds payable	<u>30,095,000</u>	<u>-</u>	<u>(925,000)</u>	<u>29,170,000</u>
Total long-term debt	<u>\$ 30,275,009</u>	<u>-</u>	<u>(1,105,009)</u>	<u>29,170,000</u>

Changes in long-term debt amounts for 2010 were as follows:

	<u>Balance 2009</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2010</u>
Long-term debt:				
Contracts payable	\$ 450,009	-	(270,000)	180,009
Bonds payable	<u>30,985,000</u>	<u>-</u>	<u>(890,000)</u>	<u>30,095,000</u>
Total long-term debt	<u>\$ 31,435,009</u>	<u>-</u>	<u>(1,160,000)</u>	<u>30,275,009</u>

**West Valley Water District  
Management's Discussion and Analysis  
For the Fiscal Years Ended June 30, 2011 and 2010**

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions that would have a significant impact on the District's financial position, net assets, or operating results in future periods.

**Requests for Information**

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Treasurer at 855 W. Baseline Road, Rialto, CA 92376, by mail at P.O. Box 920, Rialto, CA 92377 or by phone (909) 875-1804.

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# **Basic Financial Statements**

**West Valley Water District**  
**Statements of Net Assets**  
**June 30, 2011 and 2010**

<i>Assets</i>	<b>2011</b>	<b>2010</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 7,497,290	11,281,795
Restricted – cash and cash equivalents (note 2)	6,083,311	7,255,592
Accrued interest receivable	8,565	12,928
Accrued interest – restricted	6,181	37
Accounts receivable – water sales and services	1,406,125	1,258,516
Property taxes receivable	21,979	88,210
Restricted – assessments receivable	216,838	247,087
Accounts receivable – grants	718,254	-
Accounts receivable – redevelopment pass-through	55,231	-
Materials and supplies inventory	189,751	202,851
Prepaid water	315,930	360,930
Prepaid expenses and other deposits	228,512	166,458
Total current assets	<u>16,747,967</u>	<u>20,874,404</u>
<b>Non-current assets:</b>		
Investments (note 2)	7,509,819	4,997,261
Water stock – Fontana Union Water Company	1,307	1,307
Tax increment pass-through receivable	739,468	821,631
Capital assets, net (note 3)	100,464,555	104,644,533
Water participation rights, net (note 4)	-	225,000
Deferred charges, net (note 5)	1,030,073	1,078,547
Total non-current assets	<u>109,745,222</u>	<u>111,768,279</u>
Total assets	<u>\$ 126,493,189</u>	<u>132,642,683</u>
<b><i>Liabilities and Net Assets</i></b>		
<b>Current liabilities – payable from unrestricted current assets:</b>		
Accounts payable and accrued expenses	\$ 1,782,164	1,652,792
Accrued wages and related payables	300,647	224,851
Pass-through utility user taxes payable	24,681	14,052
Customer deposits	1,233,465	1,125,346
Construction advances and deposits	1,008,534	1,033,266
Accrued interest payable	311,471	320,934
<b>Long-term liabilities – due in less than one year:</b>		
Compensated absences (note 6)	217,992	204,293
Contract payable – current portion (note 7)	-	180,009
Bonds payable – current portion (note 7)	975,000	925,000
Total current liabilities	<u>5,853,954</u>	<u>5,680,543</u>
<b>Non-current liabilities:</b>		
Deferred revenue – tax increment pass-through	739,468	821,631
<b>Long-term liabilities – due in more than one year:</b>		
Compensated absences (note 6)	266,435	249,691
Other post employment benefits payable (note 10)	2,053,794	1,316,629
Bonds payable (note 7)	28,195,000	29,170,000
Total non-current liabilities	<u>31,254,697</u>	<u>31,557,951</u>
Total liabilities	<u>37,108,651</u>	<u>37,238,494</u>
<b>Net assets: (note 11)</b>		
Net investment in capital assets	71,529,555	74,814,533
Restricted	6,061,134	7,233,152
Unrestricted	11,793,849	13,356,504
Total net assets	<u>89,384,538</u>	<u>95,404,189</u>
Total liabilities and net assets	<u>\$ 126,493,189</u>	<u>132,642,683</u>

See accompanying notes to the basic financial statements

**West Valley Water District**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Water consumption sales	\$ 9,750,303	8,961,085
Water service charges	3,448,236	3,053,040
Other operating income	<u>1,198,216</u>	<u>833,851</u>
Total operating revenues	<u>14,396,755</u>	<u>12,847,976</u>
Operating expenses:		
Source of supply	671,055	760,170
Pumping	4,401,510	4,356,011
Water treatment	2,325,866	1,204,436
Transmission and distribution	1,417,810	1,740,459
Customer accounts	1,923,981	2,043,316
Conservation	122,064	90,123
Bio-remediation	1,672,791	-
General and administrative	<u>4,750,796</u>	<u>4,882,113</u>
Total operating expenses	<u>17,285,873</u>	<u>15,076,628</u>
Operating loss before depreciation and amortization	(2,889,118)	(2,228,652)
Depreciation expense	(6,958,269)	(5,661,124)
Amortization of water participation rights	<u>(225,000)</u>	<u>(270,000)</u>
<b>Operating loss</b>	<u>(10,072,387)</u>	<u>(8,159,776)</u>
Non-operating revenue(expense)		
Property taxes	1,268,513	1,160,572
Interest and investment earnings	87,581	92,589
Rental income – cellular antennas	42,393	41,767
Gain/(loss) on sale/disposition of capital assets	3,137	(15,414)
Interest expense – long-term debt	(1,251,077)	(1,289,174)
Amortization of deferred charges	(48,474)	(48,474)
Other non-operating (expense)revenue, net	<u>56,826</u>	<u>(505,204)</u>
Total non-operating revenues, net	<u>158,899</u>	<u>(563,338)</u>
<b>Net loss before capital contributions</b>	<u>(9,913,488)</u>	<u>(8,723,114)</u>
Capital contributions:		
Bio remediation	782,713	1,042,428
Developer contributions	903,560	1,425,049
Facility charges	1,474,695	204,769
Capital grants	<u>732,869</u>	<u>380</u>
Total capital contributions	<u>3,893,837</u>	<u>2,672,626</u>
<b>Change in net assets</b>	<u>(6,019,651)</u>	<u>(6,050,488)</u>
Net assets – beginning of year	<u>95,404,189</u>	<u>101,454,677</u>
Net assets – end of year	<u>\$ 89,384,538</u>	<u>95,404,189</u>

See accompanying notes to the basic financial statements

**West Valley Water District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 14,249,146	12,978,923
Cash paid to vendors and suppliers for materials and services	(13,687,021)	(11,810,505)
Cash paid to employees for salaries and wages	<u>(2,546,643)</u>	<u>(2,619,693)</u>
Net cash used by operating activities	<u>(1,984,518)</u>	<u>(1,451,275)</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes and assessments	1,364,993	1,208,467
Rental income – cellular antennas	42,393	41,767
Other non-operating revenues/(expenses), net	<u>56,826</u>	<u>(531,323)</u>
Net cash provided by non-capital financing activities	<u>1,464,212</u>	<u>718,911</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,778,291)	(5,216,299)
Proceeds from bio remediation	782,713	1,042,428
Proceeds from capital contributions	903,560	1,425,049
Proceeds from facility charges	1,474,695	204,769
Proceeds from capital grants	14,615	380
Principal paid on long-term debt	(1,105,009)	(1,160,000)
Interest paid on long-term debt	(1,260,540)	(1,298,422)
Proceeds from the sale of capital assets	<u>3,137</u>	<u>10,705</u>
Net cash used in capital and related financing activities	<u>(1,965,120)</u>	<u>(4,991,390)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	12,000,000	25,000,000
Purchases of investments	(14,563,462)	(18,037,818)
Interest and investment earnings	<u>92,102</u>	<u>91,826</u>
Net cash provided by(used in) investing activities	<u>(2,471,360)</u>	<u>7,054,008</u>
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>(4,956,786)</b>	<b>1,330,254</b>
Cash and cash equivalents – beginning of year	<u>18,537,387</u>	<u>17,207,133</u>
Cash and cash equivalents – end of year	<u>\$ 13,580,601</u>	<u>18,537,387</u>
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 7,497,290	11,281,795
Restricted assets – cash and cash equivalents	<u>6,083,311</u>	<u>7,255,592</u>
Total cash and cash equivalents	<u>\$ 13,580,601</u>	<u>18,537,387</u>

Continued on next page

See accompanying notes to the basic financial statements

**West Valley Water District**  
**Statements of Cash Flows, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Reconciliation of operating loss to net cash used by operating activities:		
<b>Operating loss</b>	\$ (10,072,387)	(8,159,776)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	6,958,269	5,661,124
Amortization of water participation rights	225,000	270,000
Changes in assets and liabilities:		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services, net	(147,609)	130,947
Materials and supplies inventory	13,100	10,496
Prepaid water	45,000	96,217
Prepaid expenses and other deposits	(62,054)	50,008
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	129,372	(123,691)
Accrued wages and related payables	75,796	34,605
Compensated absences	30,443	50,315
Customer deposits	108,119	(80,590)
Construction advances and deposits	(24,732)	(76,364)
Other post employment benefits payable	737,165	685,434
Total adjustments	<u>8,087,869</u>	<u>6,708,501</u>
<b>Net cash used by operating activities</b>	<u>\$ (1,984,518)</u>	<u>(1,451,275)</u>
Noncash financing and investing activities:		
Unrealized gain/(loss) on investments	\$ 4,522	763
Amortization of deferred charges	<u>(48,474)</u>	<u>(48,474)</u>
Net noncash financing and investing activities	<u>\$ (43,952)</u>	<u>(47,711)</u>

See accompanying notes to the basic financial statements

**West Valley Water District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

Established on January 8, 1952, the West Valley Water District is located in Southwestern San Bernardino County with a small area of Northwestern Riverside County. The District's service area is approximately 31 square miles. The District uses 360 miles of water mains to provide water to approximately 19,000 customers. The District is governed by a five-member Board of Directors who serve overlapping four-year terms.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of No. 14). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The West End Water Development, Treatment and Conservation Joint Powers Authority (Authority) was formed on April 7, 1989, pursuant to the provisions of Article I, Chapter S, Division 7, Title 1 of the California Government Code. The Authority is deemed to be a component unit of the West Valley Water District, City of Rialto and the Municipal Water Department of the City of San Bernardino. The District's portion of the Authority has been included in these financial statements using the blended method of reporting.

Assessment District No. 97-1 (Crestmore Heights Mutual Water Company) was established to provide financing for construction and improvement of the water system. The District provides administrative duties such as placing assessments on the County tax rolls and submitting payments to the trustee (Rural Development, U.S. Department of Agriculture, Farmers Home Administration) for the assessment bond holders. Accordingly, the accounts and transactions of Assessment District No. 97-1 have been combined with that of the District's financial statements.

**B. Basis of Accounting and Measurement Focus**

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its customers on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Financial Reporting**

The District's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB No. 34 and its related GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net assets replaces the balance sheet and reports assets, liabilities, and the difference between them as net assets, not equity. A statement of revenues, expenses and changes in net assets replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

Under GASB No. 34, enterprise funds, such as the District, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

**D. Assets, Liabilities and Net Assets**

**1. Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net assets during the reporting period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**3. Investments and Investment Policy**

The District has adopted an investment policy directing the Treasurer to deposit funds in financial institutions. Investments are to be made in the following areas:

- Securities of the U.S. government or its agencies
- Certificates-of-deposit
- CalTRUST
- State of California Local Area Investment Fund (LAIF)

***Investment in CalTRUST***

The Investment Trust of California, doing business as CalTRUST, is a California joint powers authority which provides California Public Agencies with investment management services for surplus funds to consolidate investment activities of its Participants and thereby reduces duplication, achieves economies of scale and carries out coherent and consolidated investment strategies through the issuance of shares of beneficial interest in investments purchased by CalTRUST. CalTRUST currently offers three accounts or series as a means for Public Agencies to invest their funds. The District participates in the CalTRUST Short-Term Fund Series.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Liabilities and Net Assets, continued**

**3. Investments and Investment Policy, continued**

*Investment in State Investment Pool*

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

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**4. Accounts Receivable**

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

**5. Materials and Supplies Inventory**

Materials and supplies inventory consists primarily of water meters, pipe and pipe fittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

**6. Prepaid Expenses**

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

**7. Water Stock – Fontana Union Water Company**

Over the years, the District has acquired stock in the Fontana Union Water Company in order to obtain water rights within the Company's service area.

**8. Tax Increment Pass-Through Receivable and Deferred Revenue**

The District has an agreement with the City of Rialto Redevelopment Agency as part of the Agency's Redevelopment Plan. The City is to pay a portion of their tax increment to the District for water-related improvements in redevelopment areas. Over the past several years, the District has received only a portion of the revenue and it is unknown at this time if the District will collect the full amount of the increment. As such, the revenue has been classified as deferred revenue until it is known whether the District will receive the tax increment.

**9. Restricted Assets**

Certain assets of the District are restricted in use by ordinance or debt covenant and, accordingly are shown as restricted assets on the accompanying statement of net assets. Revenue bond reserve funds and construction funds set aside from bond proceeds are restricted for future debt service payments and construction projects. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Liabilities and Net Assets, continued**

**10. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Source of supply plant	20 years
Pumping plant	10 – 20 years
Water treatment plant	10 years
Transmission and distribution plant	15 – 60 years
General plant	5 – 20 years

**11. Deferred Charges**

The deferred charges are from bond issuance costs that will be amortized using the straight-line method over the remaining life of the respective debt service.

**12. Compensated Absences**

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and sick leave are recorded when benefits are earned. Cash payment of unused vacation is available to those qualified employees when retired or terminated.

**13. Construction Advances and Deposits**

Construction advances represent deposits received in aid of construction, which are refundable if the applicable construction does not take place. Construction advances are transferred to contributed capital when the applicable construction project is completed.

**14. Post Employment Retirement Benefit**

The District provides certain health care benefits for all retired employees that meet eligibility requirements. The District's share of the estimated costs that will be paid after retirement is generally being accrued by charges to expense over the employee's active service periods to the date they are fully eligible for benefits.

**15. Net Assets**

The financial statements utilize a net assets presentation. Net assets are categorized as follows:

- **Net Investment in Capital Assets** – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Assets** – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of *restricted* or *net investment in capital assets*.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Liabilities and Net Assets, continued**

**16. Water Sales**

Water sales are billed on a monthly cyclical basis. Estimated unbilled water revenue through June 30 has been accrued at year-end.

**17. Capital Contributions**

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

**18. Budgetary Policies**

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

**(2) Cash and Cash Equivalents**

Cash and investments as of June 30, are classified in the accompanying financial statements as follows:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 7,497,290	11,281,795
Restricted – cash and cash equivalents	6,083,311	7,255,592
Investments	<u>7,509,819</u>	<u>4,997,261</u>
Total cash and investments	<u>\$ 21,090,420</u>	<u>23,534,648</u>

Cash and investments as of June 30, consist of the following:

	<u>2011</u>	<u>2010</u>
Cash on hand	\$ 3,300	3,300
Deposits with financial institutions	2,494,027	2,787,312
Investments	<u>18,593,093</u>	<u>20,744,036</u>
Total cash and investments	<u>\$ 21,090,420</u>	<u>23,534,648</u>

As of June 30, The District's authorized deposits had the following maturities:

	<u>2011</u>	<u>2010</u>
Deposits held with Local Agency Investment Fund (LAIF)	237 days	203 days
Deposits held with CalTrust Short Term Fund	581 days	190 days

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(2) Cash and Investments, continued**

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

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit 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 provisions of the California Government Code or the District's investment policy.

<b>Authorized Investment Type*</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage Of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
U.S. Treasury Obligations	3 years	50%	50%
U.S. Agency Securities	3 years	50%	50%
Negotiable Certificates of Deposit	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	25%	\$ 40,000,000
CalTrust Short Term Fund	2 years	25%	None

\* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

***Investments Authorized by Debt Agreements***

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage Of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

***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 risk 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. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(2) Cash and Investments, continued**

***Custodial Credit Risk, continued***

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 governmental 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 market 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000, held at each institution is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

***Investment in State Investment Pool***

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

***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 matures or comes close to maturity evenly over time as necessary to provide requirements for 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 date:

Investments at June 30, 2011, consisted of the following:

<u>Investment Type</u>	<u>Total Investment</u>	<u>Remaining Maturity 12 Months Or Less</u>
U.S. Treasury Obligations	\$ 2,001,575	2,001,575
U.S. Agency Securities	1,998,333	1,998,333
Cal Trust Short Term Fund	3,509,911	3,509,911
Local Agency Investment Fund (LAIF)	6,210,222	6,210,222
Cash with fiscal agent:		
Money Market Mutual Funds	<u>4,873,052</u>	<u>4,873,052</u>
Total	<u>\$ 18,593,093</u>	<u>18,593,093</u>

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(2) Cash and Investments, continued**

***Interest Rate Risk, continued***

Investments at June 30, 2010 consisted of the following:

<u>Investment Type</u>	<u>Total Investment</u>	<u>Remaining Maturity 12 Months Or Less</u>
U.S. Treasury Obligations	\$ 2,998,490	2,998,490
U.S. Agency Securities	1,998,771	1,998,771
Local Agency Investment Fund (LAIF)	9,671,192	9,671,192
Cash with fiscal agent:		
Money Market Mutual Funds	6,048,184	6,048,184
Local Agency Investment Fund (LAIF)	27,399	27,399
Total	<u>\$ 20,744,036</u>	<u>20,744,036</u>

***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; however, LAIF and CalTrust are not rated. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Credit ratings of investments and cash equivalents as of June 30, 2011, were as follows:

<u>Investment Types</u>	<u>Total Investment</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
				<u>AAA</u>	<u>Not Rated</u>
U.S. Treasury Obligations	\$ 2,001,575	AAA	\$ -	2,001,575	-
U.S. Agency Securities	1,998,333	AAA	-	1,998,333	-
Cal Trust Short Term Fund	3,509,911	N/A	-	3,509,911	-
Local Agency Investment Fund (LAIF)	6,210,222	N/A	-	-	6,210,222
Cash with fiscal agent:					
Money Market Mutual Funds	4,873,052	N/A	4,873,052	-	-
Total	<u>\$ 18,593,093</u>		<u>\$ 4,873,052</u>	<u>7,509,819</u>	<u>6,210,222</u>

Credit ratings of investments and cash equivalents as of June 30, 2010, were as follows:

<u>Investment Types</u>	<u>Total Investment</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
				<u>AAA</u>	<u>Not Rated</u>
U.S. Treasury Obligations	\$ 2,998,490	AAA	\$ -	2,998,490	-
U.S. Agency Securities	1,998,771	AAA	-	1,998,771	-
Local Agency Investment Fund (LAIF)	9,671,192	N/A	-	-	9,671,192
Cash with fiscal agent:					
Money Market Mutual Funds	6,048,184	N/A	6,048,184	-	-
Local Agency Investment Fund (LAIF)	27,399	N/A	-	-	27,399
Total	<u>\$ 20,744,036</u>		<u>\$ 6,048,184</u>	<u>4,997,261</u>	<u>9,698,591</u>

***Concentration of Credit Risk***

The District's investment policy does not contain various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies such as the Local Agency Investment Fund (LAIF) was 33% of the District's total depository and investment portfolio as of June 30, 2011.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(3) Capital Assets**

Changes in capital assets for 2011 were as follows:

	<u>Balance 2010</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2011</u>
Non-depreciable assets:				
Land and land rights	\$ 1,956,733	256,234	-	2,212,967
Water rights	404,949	-	-	404,949
Construction-in-process	8,038,185	2,409,889	(3,533,962)	6,914,112
Total non-depreciable assets	<u>10,399,867</u>	<u>2,666,123</u>	<u>(3,533,962)</u>	<u>9,532,028</u>
Depreciable assets:				
Source of supply plant	5,791,348	17,053	(4,950)	5,803,451
Pumping plant	9,392,651	636,618	(54,319)	9,974,950
Water treatment plant	30,292,357	347,280	(14,021)	30,625,616
Transmission and distribution plant	75,396,287	2,294,837	(1,637,745)	76,053,379
General plant	9,239,768	350,342	(125,997)	9,464,113
Total depreciable assets	<u>130,112,411</u>	<u>3,646,130</u>	<u>(1,837,032)</u>	<u>131,921,509</u>
Accumulated depreciation and amortization:				
Source of supply plant	(1,615,880)	(277,539)	4,950	(1,888,469)
Pumping plant	(3,526,358)	(643,950)	54,319	(4,115,989)
Water treatment plant	(5,160,762)	(2,948,303)	14,021	(8,095,044)
Transmission and distribution plant	(23,886,103)	(2,489,464)	1,637,745	(24,737,822)
General plant	(1,678,642)	(599,013)	125,997	(2,151,658)
Total accum depr. and amort.	<u>(35,867,745)</u>	<u>(6,958,269)</u>	<u>1,837,032</u>	<u>(40,988,982)</u>
Total depreciable assets, net	<u>94,244,666</u>	<u>(3,312,139)</u>	<u>-</u>	<u>90,932,527</u>
Total capital assets, net	<u>\$ 104,644,533</u>	<u>(646,016)</u>	<u>(3,533,962)</u>	<u>100,464,555</u>

In 2011, major capital assets additions during the year include upgrades to the District's pumping plant, water treatment plant, and the rehabilitation of the District's transmission and distribution systems mains and pipelines. A major portion of these additions were constructed by the District and transferred out of construction-in-process upon completion of these various projects.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(3) Capital Assets, continued**

Changes in capital assets for 2010 were as follows:

	<u>Balance 2009</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2010</u>
Non-depreciable assets:				
Land and land rights	\$ 1,956,733	-	-	1,956,733
Water rights	404,949	-	-	404,949
Construction-in-process	<u>13,611,687</u>	<u>4,460,557</u>	<u>(10,034,059)</u>	<u>8,038,185</u>
Total non-depreciable assets	<u>15,973,369</u>	<u>4,460,557</u>	<u>(10,034,059)</u>	<u>10,399,867</u>
Depreciable assets:				
Source of supply plant	5,791,348	-	-	5,791,348
Pumping plant	9,267,680	368,725	(243,754)	9,392,651
Water treatment plant	25,605,088	4,693,463	(6,194)	30,292,357
Transmission and distribution plant	70,102,643	5,476,445	(182,801)	75,396,287
General plant	<u>9,314,931</u>	<u>251,168</u>	<u>(326,331)</u>	<u>9,239,768</u>
Total depreciable assets	<u>120,081,690</u>	<u>10,789,801</u>	<u>(759,080)</u>	<u>130,112,411</u>
Accumulated depreciation and amortization:				
Source of supply plant	(1,340,320)	(275,560)	-	(1,615,880)
Pumping plant	(3,134,051)	(636,061)	243,754	(3,526,358)
Water treatment plant	(2,749,295)	(2,417,661)	6,194	(5,160,762)
Transmission and distribution plant	(22,314,493)	(1,754,411)	182,801	(23,886,103)
General plant	<u>(1,412,128)</u>	<u>(577,431)</u>	<u>310,917</u>	<u>(1,678,642)</u>
Total accum depr. and amort.	<u>(30,950,287)</u>	<u>(5,661,124)</u>	<u>743,666</u>	<u>(35,867,745)</u>
Total depreciable assets, net	<u>89,131,403</u>	<u>5,128,677</u>	<u>(15,414)</u>	<u>94,244,666</u>
Total capital assets, net	<u>\$ 105,104,772</u>	<u>9,589,234</u>	<u>(10,049,473)</u>	<u>104,644,533</u>

In 2010, major capital assets additions during the year include upgrades to the District's water treatment plant, and the rehabilitation of the District's transmission and distribution systems mains and pipelines. A major portion of these additions were constructed by the District and transferred out of construction-in-process upon completion of these various projects.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(3) Capital Assets, continued**

***Construction-In-Process***

The District has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-process balances at June 30, are as follows:

The balance at June 30, consists of the following projects:	<u>2009</u>	<u>2010</u>	<u>2011</u>
New 6 mg membrane	\$ 2,290,750	-	-
Coyote canyon tract 16325	1,080,626	1,085,053	1,085,053
Zone 2 & 3 transmission line	1,816,841	-	-
Arsenic study for well # 2	1,847,272	-	-
Target distribution center	305,720	-	-
7-3 & 7-4 Reservoir sites	1,662,019	-	-
42" Intertie @ SBVMWD	813,805	1,115,558	-
Zone 3A-1 treatment facility	332,660	-	-
ESTCP Bio-remediation	628,133	1,505,321	1,537,613
Zone 3A, 30" water line	-	723,685	1,133,739
Design of 8-2 pump station	-	1,368,687	1,439,276
Various minor district projects	1,482,376	1,334,849	565,094
Various other developer projects	1,351,485	905,032	1,153,337
Total construction-in-process	<u>\$ 13,611,687</u>	<u>8,038,185</u>	<u>6,914,112</u>

**(4) Water Participation Rights**

In 1995, the District acquired water participation rights from the San Bernardino Valley Municipal Water District for \$4,545,000. The District is amortizing the participation rights until April 30, 2011. (See note 7 for further details) The unamortized balance at June 30, was as follows:

The balance at June 30, consists of the following:

	<u>2011</u>	<u>2010</u>
Water participation rights	\$ 4,545,000	4,545,000
Accumulated amortization	(4,545,000)	(4,320,000)
	<u>\$ -</u>	<u>225,000</u>

**(5) Deferred Charges**

The deferred charges balance relates to the issuance costs and unamortized premiums of the 2006D-2, 2004A CSCDA Water and Wastewater Bonds and 1998A ABAG Water Revenue Bonds. The balance is being amortized over the respective lives of the related debt issuances. The deferred charges net balances are as follows:

The balance at June 30, consists of the following:	<u>2011</u>	<u>2010</u>
Deferred charges	\$ 1,260,325	1,260,325
Accumulated amortization	(230,252)	(181,778)
Deferred charges, net	<u>\$ 1,030,073</u>	<u>1,078,547</u>

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(6) Compensated Absences**

The District's policy is to permit employees to accumulate earned vacation and qualified sick leave. The liability for vested vacation and sick leave is recorded as an expense when earned. Upon termination or retirement, employees are entitled to receive compensation at their current base salary for all unused vacation and qualified sick leave.

	<u>Balance 2010</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2011</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
\$	453,984	385,244	(354,801)	484,427	217,992	266,435
	<u>Balance 2009</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2010</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
\$	403,669	321,556	(271,241)	453,984	204,293	249,691

**(7) Long-term Debt**

Changes in long-term debt amounts for the year ended June 30, 2011 were as follows:

	<u>Balance 2010</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2011</u>	<u>Due within One Year</u>	<u>Long-term Portion</u>
Long-term debt:						
Contract payable	\$ 180,009	-	(180,009)	-	-	-
Bonds payable						
Assessment District 97-1	265,000	-	(30,000)	235,000	30,000	205,000
Series 2006D-2	29,830,000	-	(895,000)	28,935,000	945,000	27,990,000
Total bonds	30,095,000	-	(925,000)	29,170,000	975,000	28,195,000
Total long-term debt	\$ 30,275,009	-	(1,105,009)	29,170,000	975,000	28,195,000

Changes in long-term debt amounts for the year ended June 30, 2010 were as follows:

	<u>Balance 2009</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2010</u>	<u>Due within One Year</u>	<u>Long-term Portion</u>
Long-term debt:						
Contract payable	\$ 450,009	-	(270,000)	180,009	180,009	-
Bonds payable						
Assessment District 97-1	295,000	-	(30,000)	265,000	30,000	235,000
Series 2006D-2	30,690,000	-	(860,000)	29,830,000	895,000	28,935,000
Total bonds	30,985,000	-	(890,000)	30,095,000	925,000	29,170,000
Total long-term debt	\$ 31,435,009	-	(1,160,000)	30,275,009	1,105,009	29,170,000

***Water Participation Rights Contract Payable***

In 1995, the District acquired water participation rights from the San Bernardino Valley Municipal Water District. These rights entitle the District to purchase water from the Baseline Feeder system. The payment for the rights is calculated at 5,000 acre feet at \$54 per acre foot, per year, payable in monthly installments until April 1, 2011. The calculated annual amount of \$270,000 is a minimum usage fee which does not actually represent the purchase of any water. Purchased water is billed in addition to the minimum fee. At June 30, 2011, the contract had been paid in full.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(7) Long-term Debt, continued**

***Limited Obligation Improvement Bonds Assessment District No. 97-1***

Assessment District No. 97-1 (Crestmore Heights Mutual Water Company) was established to provide financing for construction and improvements of the water system. On April 16, 1998, Limited Obligation Improvement Bonds Assessment District No. 97-1 were issued through Rural Development, Farmers Home Administration for \$552,067. The payments on this indebtedness are being paid by the property owners within Assessment District No. 97-1. The bonds are being repaid in twenty annual installments with the last payment on September 1, 2017. Annual debt service requirements on the Limited Obligation Improvement Bonds Assessment District No. 97-1 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 30,000	11,275	41,275
2013	35,000	9,609	44,609
2014	30,000	7,944	37,944
2015	30,000	6,407	36,407
2016	35,000	4,741	39,741
2017-2018	<u>75,000</u>	<u>3,972</u>	<u>78,972</u>
Total	235,000	<u>43,948</u>	<u>278,948</u>
Less current portion	<u>(30,000)</u>		
Total non-current	<u>\$ 205,000</u>		

***2004A CSCDA Water and Wastewater Revenue Bonds***

On June 2, 2004, the District joined in a pooled financing program for California Statewide Community Development Authority (CSCDA) Water and Wastewater Bonds, Series 2004A. The District's portion of the CSCDA bonds was \$15,325,000. The bonds issued for the District were \$5,125,000 as serial bonds and \$10,200,000 as term bonds. The serial bonds carry interest rates of 3.00% to 5.00% and mature between October 1, 2005 and October 1, 2016. The term bonds were divided into three lots with \$1,800,000 paying 5.25% due on October 1, 2019, \$3,670,000 paying 5.25% due on October 1, 2024, and \$4,730,000 paying 5.00% on October 1, 2029. All term bonds are subject to mandatory redemption in prescribed amounts before the maturity dates. At October 1, 2006, the District issued \$32,365,000 of Series 2006D-2 Bonds. From the proceeds, \$14,635,000 was utilized to retire the 2004A CSCDA Water and Wastewater Revenue Bonds. As a result, the 2004A CSCDA Water and Wastewater Revenue Bonds are considered defeased and the liability for those obligations has been removed from the financial statements.

***Series 2006D-2 Bonds***

On October 1, 2006, the District issued \$32,365,000 in Water and Wastewater Revenue Bonds (Series 2006D-2 Bonds). The proceeds of the issue are being used to prepay the 2004A CSCDA Water and Wastewater Revenue Bonds and to finance improvements to the System, including upgrading, renovation and /or installation of booster plants, wells, reservoirs, pipelines and metering stations, water treatment facilities, including the granulated activated carbon filter for the Treatment Plant

A total of \$14,635,000 from the Series 2006D-2 Bonds was used to pay off the outstanding principal of the 2004A CSCDA Water and Wastewater Revenue Bonds. As a result, the 2004A CSCDA Water and Wastewater Revenue Bonds are considered retired and the liability for those obligations have been removed from the financial statements. The District completed the advance refunding to reduce the District's total debt service payments over the next 22 years by \$539,057 and to obtain an economic gain of approximately \$369,570.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(7) Long-term Debt, continued**

*Series 2006D-2 Bonds, continued*

The Series 2006D-2 Bonds are payable solely from the net revenues of the District's water system as defined in the Series 2006D-2 Bond Indenture. The Bonds bear interest at a variable rate with principal maturities from 2007 to 2033.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 945,000	1,229,828	2,174,828
2013	970,000	1,192,028	2,162,028
2014	1,005,000	1,153,228	2,158,228
2015	1,045,000	1,113,028	2,158,028
2016	1,090,000	1,071,228	2,161,228
2017-2021	6,125,000	4,677,082	10,802,082
2022-2026	7,475,000	3,326,769	10,801,769
2027-2031	8,320,000	1,511,775	9,831,775
2032-2033	1,960,000	139,050	2,099,050
Total	28,935,000	15,414,016	44,349,016
Less current portion	(945,000)		
Total non-current	\$ 27,990,000		

**(8) Deferred Compensation Savings Plan**

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by the District deferred compensation plan at June 30, 2011 and 2010 amounted to \$1,621,308 and \$1,379,281 respectively.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net assets.

**(9) Defined Benefit Pension Plan**

*Plan Description*

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multi-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the Agency. Copies of CalPERS annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA, 95814.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(9) Defined Benefit Pension Plan, continued**

***Funding Policy***

The contribution rate for plan members in the CalPERS, 2.0% at 55 Risk Pool Retirement Plan is 7% of their annual covered salary and is paid by the District. The District makes these contributions required of District employees on their behalf and for their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension costs (APC) percentage of payroll for fiscal years 2011, 2010, and 2009 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For Fiscal years 2011, 2010, and 2009, the District's annual contributions for the CalPERS plan were equal to the Agencies required and actual contributions for each fiscal year as follows:

***Three Year Trend Information:***

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>APC Percentage of Payroll</u>
2008-2009	\$ 559,439	100%	-	13.048%
2009-2010	604,260	100%	-	13.209%
2010-2011	652,434	100%	-	13.903%

**(10) Other Post Employment Benefits Payable**

The District provides other post-employment benefits (OPEB) to qualified employees who retire from the District and meet the District's vesting requirements. During the fiscal year ended June 30, 2009, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

***Plan Description – Eligibility***

A retired employee and dependent spouse, or spouse of a deceased employee or retiree must satisfy the following requirements in order to be eligible for post employment medical and dental benefits:

- Employee is a minimum of 50 years of age with at least 10 years of continuous service.
- Full time employees hired on or after July 1, 2006 is a minimum of 55 years of age with a minimum of 20 years of continuous service.

If the spouse of a deceased employee or retiree remarries and becomes eligible for health benefits under his/her new spouse's health plan, all District benefits shall be terminated.

Membership in the OPEB plan consisted of the following members as of June 30:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Active plan members	59	53	56
Retirees and beneficiaries receiving benefits	15	22	21
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	<u>74</u>	<u>75</u>	<u>77</u>

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(10) Other Post Employment Benefits Payable, continued**

*Plan Description – Benefits*

The District offers post employment medical and dental benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the District’s medical and dental programs. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

*Funding Policy*

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 23.9% of the annual covered payroll.

*Annual Cost*

For the year ended June 30, 2011, the District’s ARC cost is \$872,350. The District’s net OPEB payable obligation amounted to \$2,053,794 for the year ended June 30, 2011. The District contributed \$136,876 in adjustment contributions for current retiree OPEB premiums for the year ended June 30, 2011.

The balance at June 30, consists of the following:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 872,350	808,883	750,180
Interest on net OPEB obligation	58,300	28,238	-
Adjustment to annual required contribution	<u>(56,614)</u>	<u>(26,627)</u>	<u>-</u>
Total annual OPEB expense	874,036	810,494	750,180
Change in net OPEB payable obligation:			
Age adjusted contributions made	(136,871)	(125,060)	(118,985)
Contributions to irrevocable trust	<u>-</u>	<u>-</u>	<u>-</u>
Total change in net OPEB payable obligation	737,165	685,434	631,195
OPEB payable – beginning of year	<u>1,316,629</u>	<u>631,195</u>	<u>-</u>
OPEB payable – end of year	<u>\$ 2,053,794</u>	<u>1,316,629</u>	<u>631,195</u>

The District’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2011 and the three preceding years were as follows:

<u>Three-Year History of Net OPEB Obligation</u>				
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable</u>
2011	\$ 872,350	136,871	15.69%	\$ 2,053,794
2010	808,883	125,064	15.46%	1,316,629
2009	750,180	118,985	15.86%	631,195

*See the Schedule of Funding Status of the District’s Other Post Employment Benefits Obligation in the Required Supplementary Information Section on Page 41.*

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(11) Net Investment in Capital Assets**

Calculation of net assets as of June 30, were as follows:

	<u>2011</u>	<u>2010</u>
Net investment in capital assets:		
Capital assets, net	\$ 100,464,555	104,644,533
Bonds payable, current	(945,000)	(895,000)
Bonds payable, non-current	<u>(27,990,000)</u>	<u>(28,935,000)</u>
Total net investment in capital assets	<u>71,529,555</u>	<u>74,814,533</u>
Restricted for capital projects:		
Restricted – cash and cash equivalents	6,027,207	7,199,776
Restricted – assessment receivable	216,838	247,087
Accrued interest payable	(4,015)	(4,527)
Bonds payable, current	(30,000)	(30,000)
Bonds payable, non-current	<u>(205,000)</u>	<u>(235,000)</u>
Total restricted for capital projects	<u>6,005,030</u>	<u>7,177,336</u>
Restricted for debt service:		
Restricted – cash and cash equivalents	<u>56,104</u>	<u>55,816</u>
Total restricted for debt service	<u>56,104</u>	<u>55,816</u>
Total restricted net assets	<u>6,061,134</u>	<u>7,233,152</u>
Unrestricted net assets:		
Non-spendable net assets:		
Materials and supplies inventory	189,751	202,851
Prepaid water	315,930	360,930
Prepaid expenses and other deposits	228,512	166,458
Water participation rights	-	225,000
Deferred charges, net	<u>1,030,073</u>	<u>1,078,547</u>
Total non-spendable net assets	<u>1,764,266</u>	<u>2,033,786</u>
Spendable net assets are designated as follows:		
Unrestricted	<u>10,029,583</u>	<u>5,303,067</u>
Total spendable net assets	<u>10,029,583</u>	<u>5,303,067</u>
Total unrestricted net assets	<u>11,793,849</u>	<u>13,356,504</u>
Total net assets	<u>\$ 89,384,538</u>	<u>95,404,189</u>

**(12) Property Taxes and Sale of a Receivable**

Under the provisions of the State of California Proposition 1A and as part of the 2010 fiscal year State of California budget package passed by the California State Legislature on July 28, 2009, the State of California borrowed 8.0% of the amount of property tax revenue apportioned to cities, counties and special districts. The State of California is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California State Legislature may consider only one additional borrowing within a ten-year period. The amount of the borrowing pertaining to the District was \$99,585.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(12) Property Taxes and Sale of a Receivable, continued**

Authorized with the 2010 fiscal year State of California budget package, the State of California Proposition 1A Securitization Program (Securitization Program) was instituted by the California Statewide Communities Development Authority (California Communities), a joint-powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their State of California Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the State of California Proposition 1A receivables and issued bonds (Prop 1A Bonds) to provide California local governmental agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the California local governmental agencies equaled 100% of the amount of the property tax reduction. All transaction costs of the issuance and interest were paid by the State of California. Participating California local governmental agencies have no obligation on the bonds and no credit exposure to the State of California. The District participated in the Securitization Program and accordingly property tax revenue has been recorded in the same manner as if the State of California had not exercised its rights under State of California Proposition 1A. The receivable sale proceeds were equal to the book value of the property tax reduction for each agency and, as a result, no gain or loss was recorded to recognize these proceeds.

**(13) 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 (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2011, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$1,000,000, combined single limit at \$1,000,000 per occurrence. The JPIA purchases additional excess coverage layers: \$60 million per occurrence for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$100,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$100 million per occurrence, subject to a \$2,500 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$50 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law. Coverage is through the Special Districts Risk Management Authority.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(13) Risk Management, continued**

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the year ending June 30, 2011. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2011, 2010 and 2009, respectively.

**(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2011, that has effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 60***

In November 2010, the GASB issued Statement No.60, *Accounting and Financial Reporting for Service Concession Arrangements*. This standard address how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 61***

In November 2010, the GASB issued Statement No.61, *The Financial Reporting Entity, Omnibus*. This standard is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and local Governments*. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 63***

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 64***

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. This standard is designed to improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or swap counterparty's credit support provider, is replaced. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**(15) Commitments and Contingencies**

*Construction Contracts*

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction. The District has committed to approximately \$11,310,000 in open construction contracts as of June 30, 2011. These include the following:

<b>Project Name</b>	<b>Total Approved Contract</b>	<b>Construction Costs to Date</b>	<b>Balance to Complete</b>
Groundwater Wellhead Treatment System	\$ 11,310,000	-	11,310,000

*Litigation*

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

**(16) Subsequent Event**

Events occurring after June 30, 2011 have been evaluated for possible adjustment to the financial statements or disclosure as of December 2, 2011, which is the date the financial statements were available to be issued.



## **Required Supplementary Information**

**West Valley Water District**  
**Schedule of Funding Status – Other Post-Employment Benefits Obligation**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

***Funded Status and Funding Progress of the Plan***

The most recent valuation (dated July 1, 2008) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$7,369,854. The covered payroll (annual payroll of active employees covered by the plan) was \$3,334,696. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 221.01%.

***Required Supplemental Information – Schedule of Funding Progress***

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
7/1/2008	\$ -	7,369,854	7,369,854	0.00%	\$ 3,334,696	221.01%

***Actuarial Methods and Assumptions***

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	July 1, 2008
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	27 Years as of the valuation date
Asset valuation method	15 Year smoothed market
Actuarial assumptions:	
Investment rate of return	2.50% – Current LAIF rating (rounded)
Projected salary increase	3.25%
Inflation - discount rate	2.06%
Individual salary growth	District annual COLA

## **Supplemental Information Section**



**West Valley Water District**  
**Combining Schedule of Net Assets**  
**June 30, 2011**

<i>Assets</i>	<b>Water District</b>	<b>Assessment District 97-1</b>	<b>Total</b>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 7,497,290	-	7,497,290
Restricted cash and cash equivalents	6,005,031	78,280	6,083,311
Accrued interest receivable	8,565	-	8,565
Accrued interest – restricted	6,181	-	6,181
Accounts receivable – water sales and services	1,406,125	-	1,406,125
Property taxes receivable	21,979	-	21,979
Restricted – assessments receivable	-	216,838	216,838
Accounts receivable – grants	718,254	-	718,254
Accounts receivable – redevelopment pass-through	55,231	-	55,231
Materials and supplies inventory	189,751	-	189,751
Prepaid water	315,930	-	315,930
Prepaid expenses and other deposits	228,512	-	228,512
Total current assets	<u>16,452,849</u>	<u>295,118</u>	<u>16,747,967</u>
<b>Non-current assets:</b>			
Investments	7,509,819	-	7,509,819
Water stock – Fontana Union Water Company	1,307	-	1,307
Tax increment pass-through receivable	739,468	-	739,468
Capital assets, net	100,464,555	-	100,464,555
Deferred charges, net	1,030,073	-	1,030,073
Total non-current assets	<u>109,745,222</u>	<u>-</u>	<u>109,745,222</u>
<b>Total assets</b>	<u>\$ 126,198,071</u>	<u>295,118</u>	<u>126,493,189</u>
<b><i>Liabilities and Net Assets</i></b>			
<b>Current liabilities – payable from unrestricted current assets:</b>			
Accounts payable and accrued expenses	\$ 1,782,164	-	1,782,164
Accrued wages and related payables	300,647	-	300,647
Pass-through utility user taxes payable	24,681	-	24,681
Customer deposits	1,233,465	-	1,233,465
Construction advances and deposits	1,008,534	-	1,008,534
Accrued interest payable	307,457	4,014	311,471
<b>Long-term liabilities – due in less than one year:</b>			
Compensated absences	217,992	-	217,992
Bonds payable – current portion	945,000	30,000	975,000
Total current liabilities	<u>5,819,940</u>	<u>34,014</u>	<u>5,853,954</u>
<b>Non-current liabilities:</b>			
Deferred revenue – tax increment pass-through	739,468	-	739,468
<b>Long-term liabilities – due in more than one year:</b>			
Compensated absences	266,435	-	266,435
Other post employment benefits payable	2,053,794	-	2,053,794
Bonds payable	27,990,000	205,000	28,195,000
Total non-current liabilities	<u>31,049,697</u>	<u>205,000</u>	<u>31,254,697</u>
<b>Total liabilities</b>	<u>36,869,637</u>	<u>239,014</u>	<u>37,108,651</u>
<b>Net assets:</b>			
Net investment in capital assets	71,529,555	-	71,529,555
Restricted	6,005,030	56,104	6,061,134
Unrestricted	11,793,849	-	11,793,849
<b>Total net assets</b>	<u>89,328,434</u>	<u>56,104</u>	<u>89,384,538</u>
<b>Total liabilities and net assets</b>	<u>\$ 126,198,071</u>	<u>295,118</u>	<u>126,493,189</u>

**West Valley Water District**  
**Combining Schedule of Net Assets**  
**June 30, 2010**

<i>Assets</i>	<b>Water District</b>	<b>Assessment District 97-1</b>	<b>Total</b>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 11,281,795	-	11,281,795
Restricted cash and cash equivalents	7,177,336	78,256	7,255,592
Accrued interest receivable	12,928	-	12,928
Accrued interest – restricted	37	-	37
Accounts receivable – water sales and services	1,258,516	-	1,258,516
Property taxes receivable	88,210	-	88,210
Restricted – assessments receivable	-	247,087	247,087
Materials and supplies inventory	202,851	-	202,851
Prepaid water	360,930	-	360,930
Prepaid expenses and other deposits	166,458	-	166,458
Total current assets	<u>20,549,061</u>	<u>325,343</u>	<u>20,874,404</u>
<b>Non-current assets:</b>			
Investments	4,997,261	-	4,997,261
Water stock – Fontana Union Water Company	1,307	-	1,307
Tax increment pass-through receivable	821,631	-	821,631
Capital assets, net	104,644,533	-	104,644,533
Water participation rights, net	225,000	-	225,000
Deferred charges, net	1,078,547	-	1,078,547
Total non-current assets	<u>111,768,279</u>	<u>-</u>	<u>111,768,279</u>
Total assets	<u>\$ 132,317,340</u>	<u>325,343</u>	<u>132,642,683</u>
<b><i>Liabilities and Net Assets</i></b>			
<b>Current liabilities – payable from unrestricted current assets:</b>			
Accounts payable and accrued expenses	\$ 1,652,792	-	1,652,792
Accrued wages and related payables	224,851	-	224,851
Pass-through utility user taxes payable	14,052	-	14,052
Customer deposits	1,125,346	-	1,125,346
Construction advances and deposits	1,033,266	-	1,033,266
Accrued interest payable	316,407	4,527	320,934
<b>Long-term liabilities – due in less than one year:</b>			
Compensated absences	204,293	-	204,293
Contract payable – current portion	180,009	-	180,009
Bonds payable – current portion	895,000	30,000	925,000
Total current liabilities	<u>5,646,016</u>	<u>34,527</u>	<u>5,680,543</u>
<b>Non-current liabilities:</b>			
Deferred revenue – tax increment pass-through	821,631	-	821,631
<b>Long-term liabilities – due in more than one year:</b>			
Compensated absences	249,691	-	249,691
Other post employment benefits payable	1,316,629	-	1,316,629
Bonds payable	28,935,000	235,000	29,170,000
Total non-current liabilities	<u>31,322,951</u>	<u>235,000</u>	<u>31,557,951</u>
Total liabilities	<u>36,968,967</u>	<u>269,527</u>	<u>37,238,494</u>
<b>Net assets:</b>			
Net investment in capital assets	74,814,533	-	74,814,533
Restricted	7,177,336	55,816	7,233,152
Unrestricted	13,356,504	-	13,356,504
Total net assets	<u>95,348,373</u>	<u>55,816</u>	<u>95,404,189</u>
Total liabilities and net assets	<u>\$ 132,317,340</u>	<u>325,343</u>	<u>132,642,683</u>

**West Valley Water District**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Water District</u>	<u>Assessment District 97-1</u>	<u>Total</u>
Operating revenues:			
Water consumption sales	\$ 9,750,303	-	9,750,303
Water service charges	3,448,236	-	3,448,236
Other operating income	1,198,216	-	1,198,216
Total operating revenues	<u>14,396,755</u>	<u>-</u>	<u>14,396,755</u>
Operating expenses:			
Source of supply	671,055	-	671,055
Pumping	4,401,510	-	4,401,510
Water treatment	2,325,866	-	2,325,866
Transmission and distribution	1,417,810	-	1,417,810
Customer accounts	1,923,981	-	1,923,981
Conservation	122,064	-	122,064
Bio-remediation	1,672,791	-	1,672,791
General and administrative	4,750,796	-	4,750,796
Total operating expenses	<u>17,285,873</u>	<u>-</u>	<u>17,285,873</u>
Operating loss before depreciation and amortization	(2,889,118)	-	(2,889,118)
Depreciation expense	(6,958,269)	-	(6,958,269)
Amortization of water participation rights	(225,000)	-	(225,000)
<b>Operating loss</b>	<u>(10,072,387)</u>	<u>-</u>	<u>(10,072,387)</u>
Non-operating revenue(expense)			
Property taxes	1,268,513	-	1,268,513
Interest and investment earnings	74,294	13,287	87,581
Rental income – cellular antennas	42,393	-	42,393
Gain on sale/disposition of capital assets	3,137	-	3,137
Interest expense – long-term debt	(1,238,777)	(12,300)	(1,251,077)
Amortization of deferred charges	(48,474)	-	(48,474)
Other non-operating revenues/(expenses), net	59,264	(2,438)	56,826
Total non-operating revenues/(expenses), net	<u>160,350</u>	<u>(1,451)</u>	<u>158,899</u>
<b>Net loss before capital contributions</b>	<u>(9,912,037)</u>	<u>(1,451)</u>	<u>(9,913,488)</u>
Capital contributions:			
Bio-remediation	782,713	-	782,713
Developer contributions	903,560	-	903,560
Facility charges	1,474,695	-	1,474,695
Capital grants	732,869	-	732,869
<b>Capital contributions</b>	<u>3,893,837</u>	<u>-</u>	<u>3,893,837</u>
<b>Change in net assets</b>	<u>(6,018,200)</u>	<u>(1,451)</u>	<u>(6,019,651)</u>
Net assets – beginning of year	<u>95,346,634</u>	<u>57,555</u>	<u>95,404,189</u>
Net assets – end of year	<u>\$ 89,328,434</u>	<u>56,104</u>	<u>89,384,538</u>

**West Valley Water District**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Water District</u>	<u>Assessment District 97-1</u>	<u>Total</u>
Operating revenues:			
Water consumption sales	\$ 8,961,085	-	8,961,085
Water service charges	3,053,040	-	3,053,040
Other operating income	833,851	-	833,851
Total operating revenues	<u>12,847,976</u>	<u>-</u>	<u>12,847,976</u>
Operating expenses:			
Source of supply	760,170	-	760,170
Pumping	4,356,011	-	4,356,011
Water treatment	1,204,436	-	1,204,436
Transmission and distribution	1,740,459	-	1,740,459
Customer accounts	2,043,316	-	2,043,316
Conservation	90,123	-	90,123
General and administrative	4,882,113	-	4,882,113
Total operating expenses	<u>15,076,628</u>	<u>-</u>	<u>15,076,628</u>
Operating loss before depreciation and amortization	(2,228,652)	-	(2,228,652)
Depreciation expense	(5,661,124)	-	(5,661,124)
Amortization of water participation rights	(270,000)	-	(270,000)
<b>Operating loss</b>	<u>(8,159,776)</u>	<u>-</u>	<u>(8,159,776)</u>
Non-operating revenue(expense)			
Property taxes	1,160,572	-	1,160,572
Interest and investment earnings	78,948	13,641	92,589
Rental income – cellular antennas	41,767	-	41,767
Loss on sale/disposition of capital assets	(15,414)	-	(15,414)
Interest expense – long-term debt	(1,274,228)	(14,946)	(1,289,174)
Amortization of deferred charges	(48,474)	-	(48,474)
Other non-operating revenues/(expenses), net	(504,770)	(434)	(505,204)
Total non-operating revenues/(expenses), net	<u>(561,599)</u>	<u>(1,739)</u>	<u>(563,338)</u>
Net loss before capital contributions	<u>(8,721,375)</u>	<u>(1,739)</u>	<u>(8,723,114)</u>
Capital contributions:			
Bio remediation	1,042,428	-	1,042,428
Developer contributions	1,425,049	-	1,425,049
Facility charges	204,769	-	204,769
Capital grants	380	-	380
Capital contributions	<u>2,672,626</u>	<u>-</u>	<u>2,672,626</u>
Change in net assets	<u>(6,048,749)</u>	<u>(1,739)</u>	<u>(6,050,488)</u>
Net assets – beginning of year	<u>101,397,122</u>	<u>57,555</u>	<u>101,454,677</u>
Net assets – end of year	<u>\$ 95,348,373</u>	<u>55,816</u>	<u>95,404,189</u>

# **Statistical Information Section**



## **West Valley Water District Statistical Section**

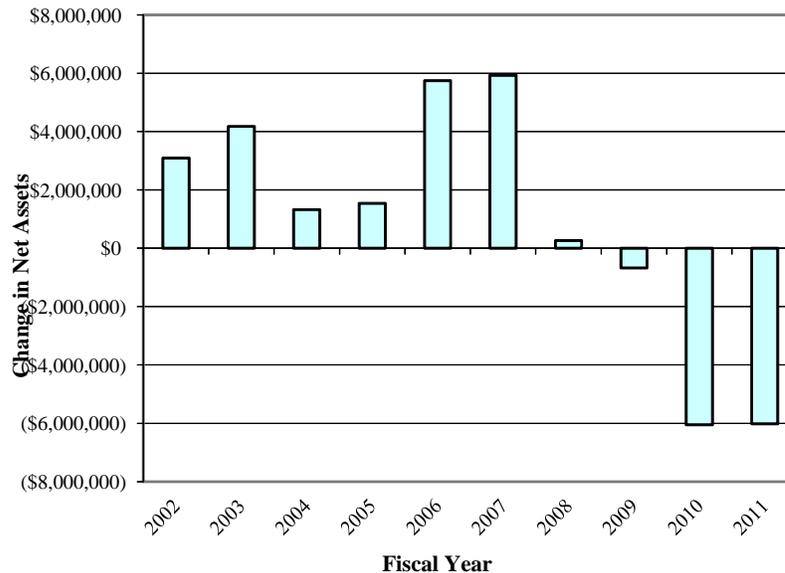
This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

### **Table of Contents**

	<b><u>Page No.</u></b>
Financial Trends These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	47-50
Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	51-54
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	55-56
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	57
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	58

## West Valley Water District Changes in Net Assets and Net Assets by Component Last Ten Fiscal Years

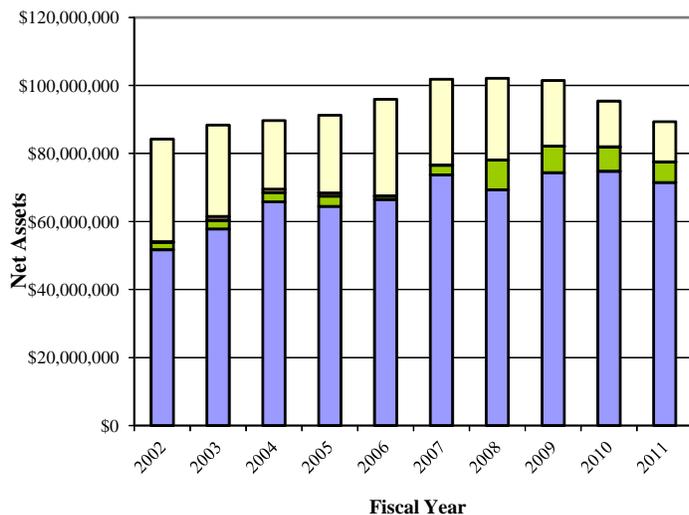
	Fiscal Year				
	2002	2003	2004	2005	2006
Changes in net assets:					
Operating revenues (see Schedule 2)	\$ 7,203,952	9,200,820	9,138,732	9,063,714	9,585,883
Operating expenses (see Schedule 3)	(5,581,239)	(7,847,547)	(8,817,095)	(8,974,988)	(9,876,734)
Depreciation and amortization	(2,123,476)	(2,349,106)	(2,396,421)	(2,497,821)	(2,673,162)
<b>Operating income(loss)</b>	<b>(500,763)</b>	<b>(995,833)</b>	<b>(2,074,784)</b>	<b>(2,409,095)</b>	<b>(2,964,013)</b>
Non-operating revenues(expenses)					
Property taxes	796,237	938,552	752,990	240,769	341,795
Interest and investment earnings	940,627	525,427	328,479	667,665	1,020,033
Rental income – cellular antennas	24,699	23,368	23,654	24,127	25,683
Intergovernmental revenue	-	751,583	643,834	526,853	-
Gain/(loss) on sale/disposition of capital assets	(67,455)	(153)	(168,303)	7,499	(6,920)
Interest expense – long term debt	(136,448)	(111,968)	(144,414)	(813,363)	(765,948)
Bond issuance costs	(9,231)	(9,231)	(10,392)	(23,155)	-
Amortization of deferred charges	-	-	-	-	(22,848)
Other non-operating revenues/(expenses), net	412,493	454,165	570,068	581,959	850,206
Total non-operating revenues(expenses), net	1,960,922	2,571,743	1,995,916	1,212,354	1,442,001
<b>Net income (loss) before capital contributions</b>	<b>1,460,159</b>	<b>1,575,910</b>	<b>(78,868)</b>	<b>(1,196,741)</b>	<b>(1,522,012)</b>
Capital contributions	1,635,663	2,602,614	1,405,698	2,735,870	7,270,164
<b>Changes in net assets</b>	<b>\$ 3,095,822</b>	<b>4,178,524</b>	<b>1,326,830</b>	<b>1,539,129</b>	<b>5,748,152</b>
Net assets by component:					
Invested in capital assets, net of related debt	\$ 51,748,979	57,832,973	65,808,259	64,480,077	66,529,993
Restricted for capital projects	2,117,186	2,376,794	2,737,773	3,045,298	1,005,144
Restricted for debt service	265,013	274,821	-	-	68,148
Restricted for perchlorate treatment	-	1,026,456	1,004,379	877,973	-
Unrestricted	30,097,894	26,896,552	20,184,015	22,870,207	28,333,108
<b>Total net assets</b>	<b>\$ 84,229,072</b>	<b>88,407,596</b>	<b>89,734,426</b>	<b>91,273,555</b>	<b>95,936,393</b>



Source: West Valley Water District Accounting Department

## Schedule 1

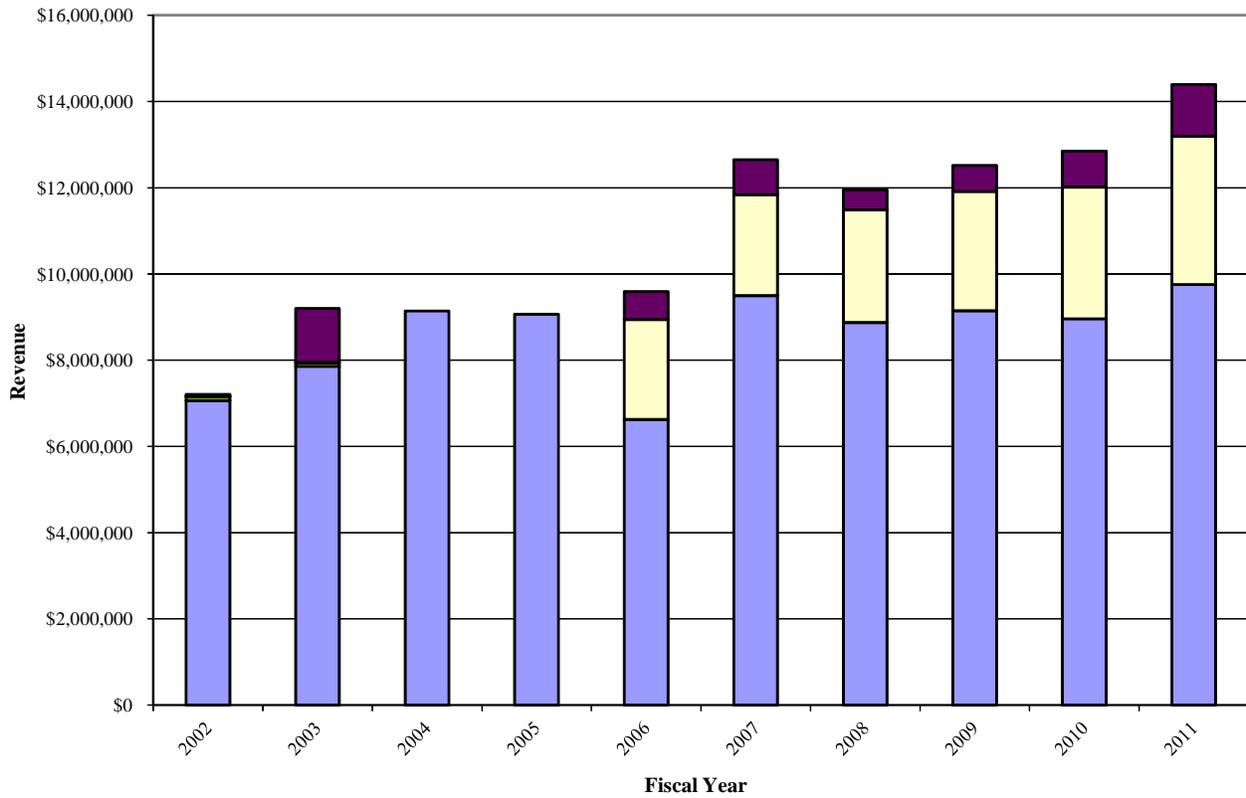
Fiscal Year				
2007	2008	2009	2010	2011
12,649,898	11,952,084	12,516,368	12,847,976	14,396,755
(11,769,102)	(13,143,682)	(14,239,766)	(15,076,628)	(17,285,873)
<u>(2,884,865)</u>	<u>(3,124,657)</u>	<u>(3,435,901)</u>	<u>(5,931,124)</u>	<u>(7,183,269)</u>
<u>(2,004,069)</u>	<u>(4,316,255)</u>	<u>(5,159,299)</u>	<u>(8,159,776)</u>	<u>(10,072,387)</u>
1,056,260	1,218,693	1,368,431	1,160,572	1,268,513
1,377,234	1,349,096	367,362	92,589	87,581
25,923	24,629	26,116	41,767	42,393
-	-	-	-	-
1,350	-	18,486	(15,414)	3,137
(1,800,506)	(1,358,255)	(1,323,745)	(1,289,174)	(1,251,077)
-	-	-	-	-
(36,356)	(48,474)	(48,474)	(48,474)	(48,474)
<u>679,361</u>	<u>1,066,092</u>	<u>841,471</u>	<u>(505,204)</u>	<u>56,826</u>
<u>1,303,266</u>	<u>2,251,781</u>	<u>1,249,647</u>	<u>(563,338)</u>	<u>158,899</u>
(700,803)	(2,064,474)	(3,909,652)	(8,723,114)	(9,913,488)
<u>6,628,672</u>	<u>2,331,245</u>	<u>3,233,296</u>	<u>2,672,626</u>	<u>3,893,837</u>
<u>5,927,869</u>	<u>266,771</u>	<u>(676,356)</u>	<u>(6,050,488)</u>	<u>(6,019,651)</u>
73,722,823	69,334,292	74,414,772	74,814,533	71,529,555
2,842,857	8,756,776	7,741,740	7,177,336	6,005,030
68,908	69,100	57,555	55,816	56,104
-	-	-	-	-
<u>25,229,674</u>	<u>23,970,865</u>	<u>19,240,610</u>	<u>13,356,504</u>	<u>11,793,849</u>
<u>101,864,262</u>	<u>102,131,033</u>	<u>101,454,677</u>	<u>95,404,189</u>	<u>89,384,538</u>



**West Valley Water District  
Operating Revenue by Source  
Last Ten Fiscal Years**

**Schedule 2**

Fiscal Year	Water Consumption Sales	Irrigation	Water Service Charges	Water Service Fire Prevention	Other Operating Income	Total Operating Revenue
2002	\$ 7,063,206	91,667	-	528	48,551	7,203,952
2003	7,858,020	85,296	-	528	1,256,976	9,200,820
2004 (1)	9,138,732	-	-	-	-	9,138,732
2005	9,063,714	-	-	-	-	9,063,714
2006 (1)	6,625,716	-	2,319,087	-	641,080	9,585,883
2007	9,499,311	-	2,336,071	-	814,516	12,649,898
2008	8,872,941	-	2,609,836	-	469,307	11,952,084
2009	9,145,285	-	2,767,715	-	603,368	12,516,368
2010	8,961,085	-	3,053,040	-	833,851	12,847,976
2011	9,750,303	-	3,448,236	-	1,198,216	14,396,755



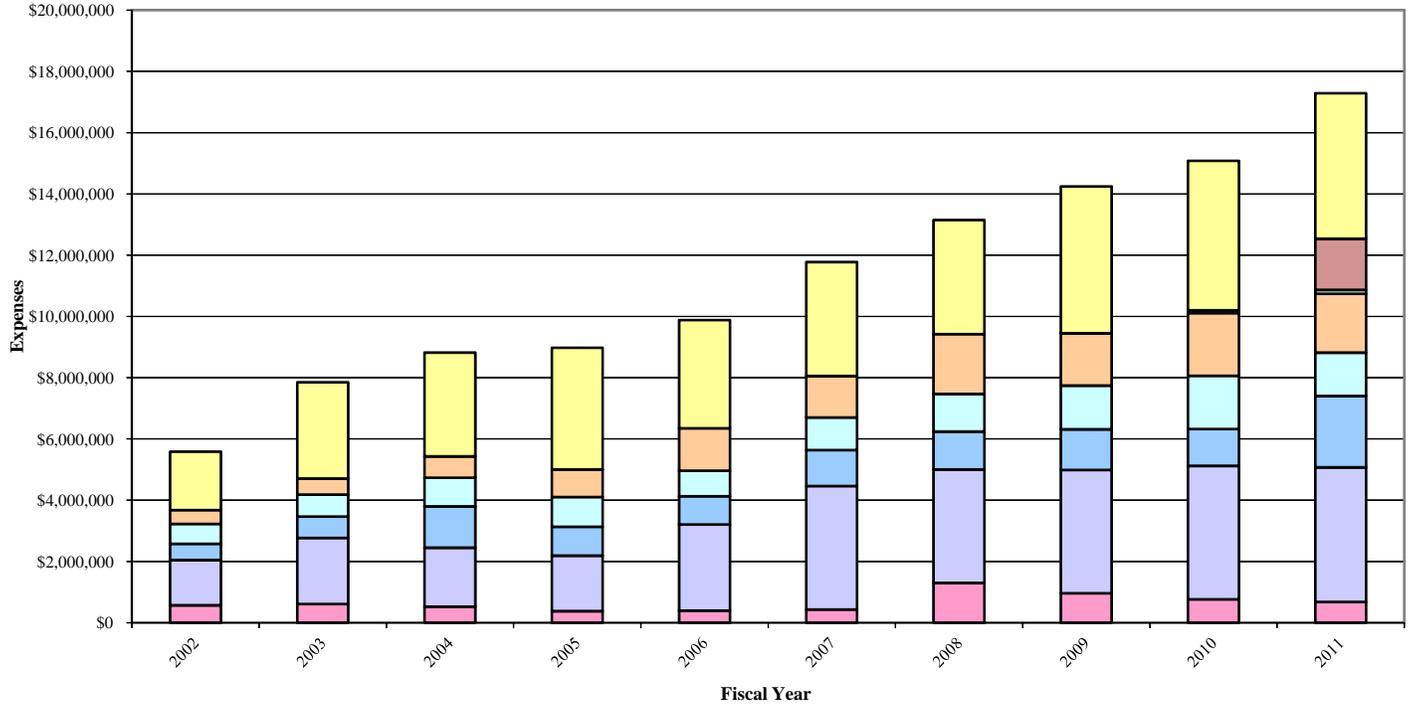
**Notes:** (1) Operating revenues were recategorized in 2004 and 2006

**Source:** West Valley Water District Accounting Department

## West Valley Water District Operating Expenses by Activity Last Ten Fiscal Years

### Schedule 3

Fiscal Year	Source of Supply	Pumping	Water Treatment	Transmission and Distribution	Customer Accounts	Conservation	Bio-Remediation	General and Administrative	Total Operating Expenses
2002	\$ 571,024	1,471,809	528,217	655,404	450,359	-	-	1,904,426	5,581,239
2003	604,506	2,160,643	701,175	714,712	524,188	-	-	3,142,323	7,847,547
2004	520,142	1,929,719	1,348,882	931,344	701,892	-	-	3,385,116	8,817,095
2005	372,775	1,812,789	944,710	967,617	902,660	-	-	3,974,437	8,974,988
2006	392,681	2,812,655	919,408	831,875	1,389,227	-	-	3,530,888	9,876,734
2007	426,103	4,036,380	1,172,713	1,061,602	1,354,056	-	-	3,718,248	11,769,102
2008	1,300,832	3,696,297	1,242,661	1,225,763	1,956,901	-	-	3,721,228	13,143,682
2009	956,940	4,030,155	1,326,083	1,426,379	1,716,249	228	-	4,783,732	14,239,766
2010	760,170	4,356,011	1,204,436	1,740,459	2,043,316	90,123	-	4,882,113	15,076,628
2011	671,055	4,401,510	2,325,866	1,417,810	1,923,981	122,064	1,672,791	4,750,796	17,285,873

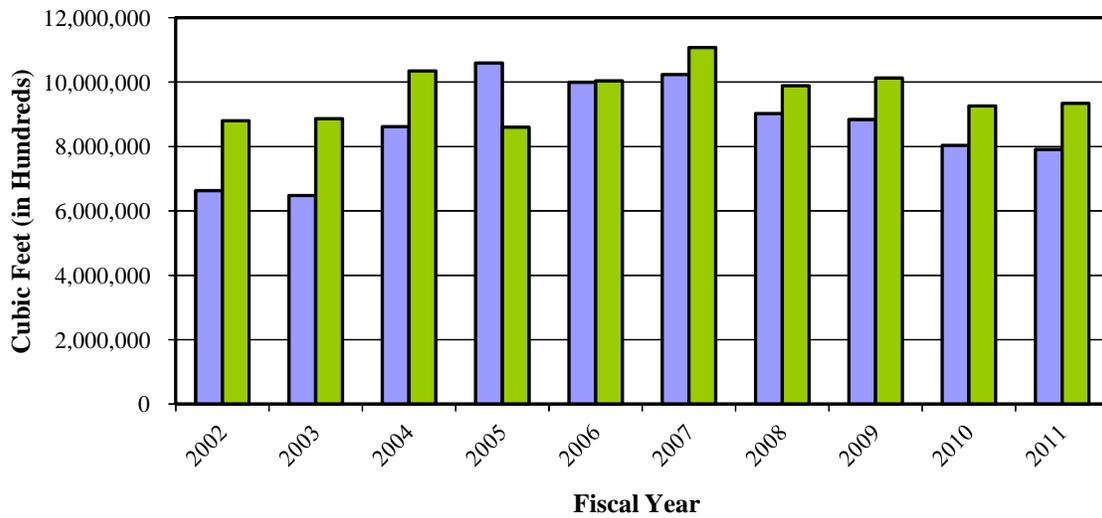


Source: West Valley Water District Accounting Department

**West Valley Water District  
Revenue Base  
Last Ten Fiscal Years**

**Schedule 4**

Fiscal Year	Water Sales (HCF)	Water Produced (HCF)
2002	6,627,709	8,798,684
2003	6,478,010	8,860,104
2004	8,615,762	10,344,629
2005	10,595,302	8,600,486
2006	9,990,477	10,034,917
2007	10,232,514	11,070,338
2008	9,023,167	9,888,556
2009	8,838,936	10,128,571
2010	8,036,066	9,261,727
2011	7,909,036	9,337,086



**Note:** See Schedule 2 "Operating Revenue by Source" for information regarding water revenues.

**Source:** West Valley Water District Accounting Department

**West Valley Water District  
Revenue Rates  
Last Ten Fiscal Years**

**Schedule 5**

**Water Consumption per Hundred Cubic Feet (HCF)**

Service Type	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fire	0.70	0.80	0.80	0.80	46.00	50.00	50.00	55.00	60.50	67.00
Golf Course	0.50	0.50	0.50	0.50	0.50	0.66	0.66	0.70	0.77	0.85
Hydrant	1.01	1.15	1.15	1.30	1.50	1.63	1.63	1.80	1.98	2.18
Irrigation:										
Demand	0.35	0.40	0.40	0.40	0.40	0.50	0.50	0.55	0.61	0.68
Gravity Flow	0.35	0.40	0.40	0.40	0.40	0.50	0.50	0.55	0.61	0.68
Pressure	0.50	0.57	0.57	0.57	0.57	0.72	0.72	0.80	0.88	0.97
Water	0.70	0.80	0.80	0.80	0.80	1.00	1.00	1.10	1.21	1.34

**Connection Fees Per Month**

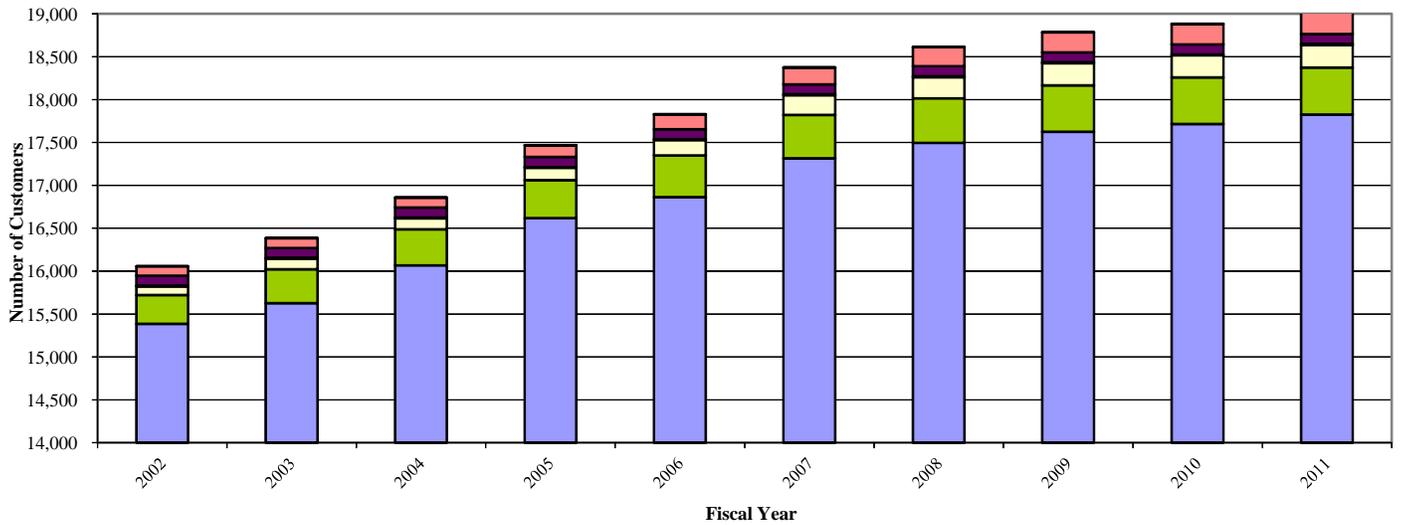
Meter Size	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Fire</b>										
5/8" & 3/4" \$	3.00	4.50	4.50	5.00	5.00	6.25	6.25	6.88	7.57	8.33
1"	3.00	4.50	4.50	5.00	5.00	6.25	6.25	6.88	7.57	8.33
1 1/2"	4.50	6.75	6.75	7.50	7.50	9.38	9.38	10.32	11.36	12.50
2"	6.00	9.00	9.00	10.00	10.00	12.50	12.50	13.76	15.14	16.66
3"	9.00	9.00	9.00	15.00	15.00	18.75	18.75	20.64	22.71	24.99
4"	12.00	18.00	18.00	20.00	20.00	25.00	25.00	27.52	30.28	33.32
6"	18.00	27.00	27.00	30.00	30.00	37.50	37.50	41.28	45.42	49.98
8"	24.00	36.00	36.00	40.00	40.00	50.00	50.00	55.04	60.56	66.64
<b>Golf Course</b>										
All Sizes \$	31.50	31.50	31.50	31.50	34.75	39.38	39.38	43.32	47.66	52.43
<b>Hydrant</b>										
All Sizes \$	30.00	31.50	31.50	34.75	34.75	43.45	43.45	47.80	52.58	57.84
<b>Irrigation</b>										
All Sizes:										
Demand \$	31.50	31.50	31.50	31.50	34.75	39.38	39.38	43.32	47.66	52.43
Gravity Flow	31.15	31.50	31.50	31.50	34.75	39.38	39.38	43.32	47.66	52.43
Pressure	31.50	31.50	31.50	31.50	34.75	39.38	39.38	43.32	47.66	52.43
<b>Water</b>										
5/8" & 3/4" \$	6.98	7.96	7.96	7.96	7.96	9.96	9.96	10.96	12.06	13.27
1"	10.41	11.87	11.87	11.87	11.87	14.84	14.84	16.33	17.97	19.77
1 1/2"	15.36	17.51	17.51	17.51	17.51	21.90	21.90	24.09	26.50	29.15
2"	21.16	24.12	24.12	24.12	24.12	30.16	30.16	33.18	36.50	40.15
3"	30.72	35.02	35.02	35.02	35.02	43.79	43.79	48.17	52.99	58.29
4"	40.50	46.17	46.17	46.17	46.17	57.71	57.71	63.50	69.85	76.84
6"	61.45	70.05	70.05	70.05	70.05	87.56	87.56	96.33	105.97	116.57
8"	82.39	93.92	93.92	93.92	93.92	117.40	117.40	129.16	142.08	156.29

Source: West Valley Water District Board of Directors approved rate ordinances and resolutions.

# West Valley Water District Customers by Type Last Ten Fiscal Years

## Schedule 6

Fiscal Year	Customer Type							Total
	Residential	Commercial	Fire Service	Irrigation	Multi-Family	Parkway	Golf Course	
2002	15,386	337	99	9	116	110	1	16,058
2003	15,627	395	123	9	116	114	1	16,385
2004	16,066	420	129	10	117	117	1	16,860
2005	16,618	442	144	10	117	136	1	17,468
2006	16,862	486	179	10	117	174	1	17,829
2007	17,315	505	230	11	117	197	1	18,376
2008	17,495	519	247	11	117	223	1	18,613
2009	17,624	541	257	11	117	235	1	18,786
2010	17,715	543	257	11	117	238	1	18,882
2011	17,824	549	262	12	117	253	1	19,018



**Note:** Number of customers as of June 30, of fiscal year.

**Source:** West Valley Water District Accounting Department

**West Valley Water District  
Principal Customers  
Current Fiscal Year and Nine Years Ago**

**Schedule 7**

<b>Customer</b>	<b>2011</b>		<b>2002</b>	
	<b>Water Consumed</b>	<b>Percentage of Total</b>	<b>Water Consumed</b>	<b>Percentage of Total</b>
Rialto Unified School District	258,949	3.27%	209,014	3.15%
Robertson's Ready Mix	170,894	2.16%	208,337	3.14%
El Rancho Verded Golf Course	166,615	2.11%	- (1)	0.00%
Colton Unified School District	153,232	1.94%	132,373	2.00%
City of Rialto	148,688	1.88%	187,255	2.83%
City of Fontana	117,221	1.48%	27,809	0.42%
Target Corporation	85,127	1.08%	2,728	0.04%
Lennar Homes	83,769	1.06%	-	0.00%
Telco Food Products, Inc.	67,680	0.86%	-	0.00%
My Montecito III	60,503	0.76%	36,197	0.55%
<b>Total</b>	<b>1,312,678</b>	<b>16.60%</b>	<b>803,713</b>	<b>12.13%</b>
<b>Total Water Consumed (HCF)</b>	<b>7,909,036</b>	<b>100.00%</b>	<b>6,627,709</b>	<b>100.00%</b>

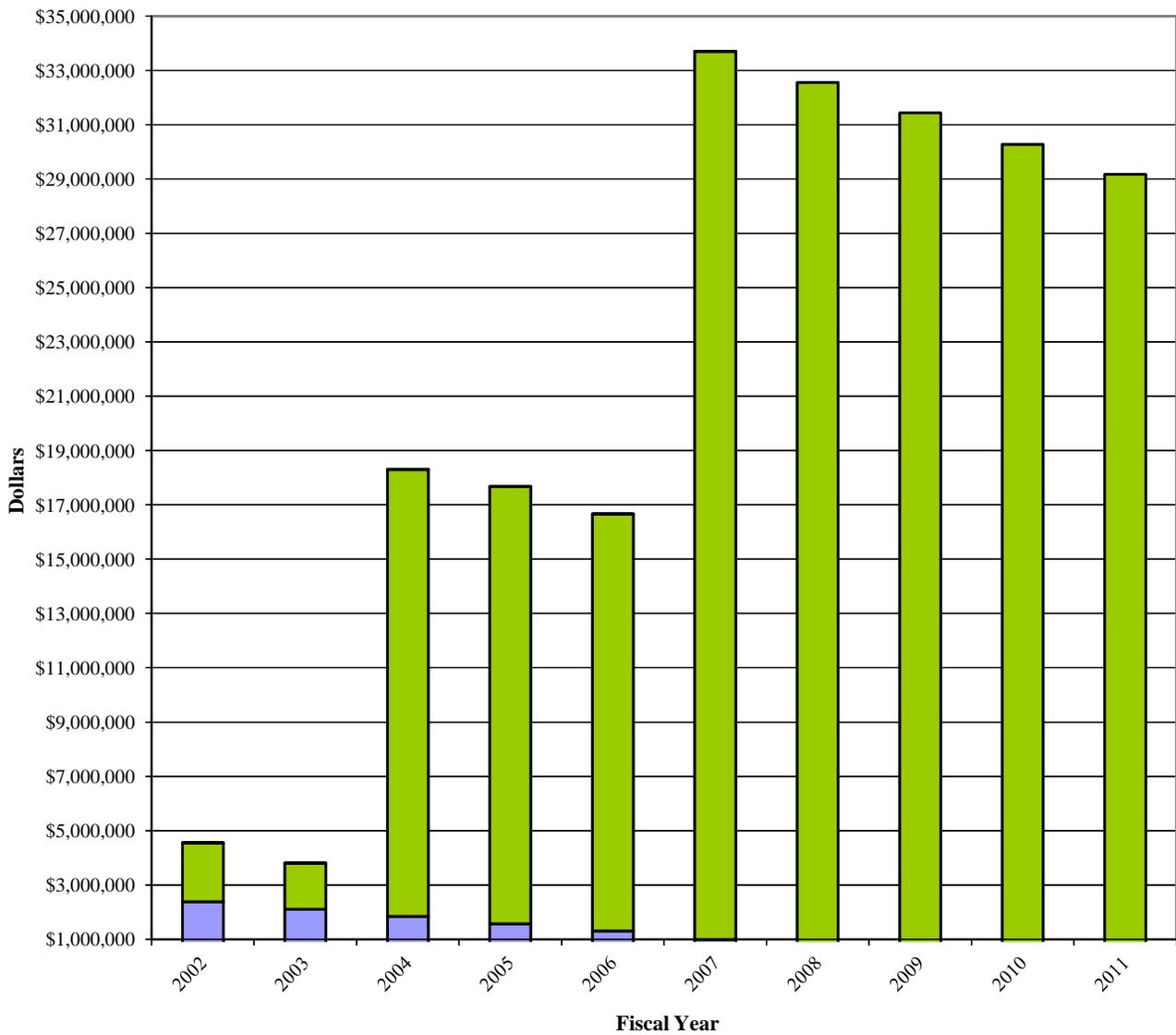
**Notes:** (1) El Rancho Verde Golf Course had a different owner in 2002, and was called El Rancho Verde Royal. The water consumed in 2002 was 203,421.

**Source:** West Valley Water District Accounting Department

**West Valley Water District  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years**

**Schedule 8**

Fiscal Year	Contract Payable	Bonds Payable	Loan Payable	Total		
				Debt	Per Capita	As a Share of Personal Income
2002	2,385,000	2,165,000	11,258	4,561,258	47.83	0.20%
2003	2,115,000	1,690,000	9,396	3,814,396	39.39	0.16%
2004	1,845,000	16,460,000	7,458	18,312,458	186.24	0.74%
2005	1,575,000	16,100,000	5,436	17,680,436	178.47	0.68%
2006	1,305,000	15,355,000	4,395	16,664,395	168.58	0.62%
2007	990,000	32,710,000	1,143	33,701,143	341.92	1.23%
2008	720,004	31,835,000	-	32,555,004	328.50	1.10%
2009	450,009	30,985,000	-	31,435,009	314.79	1.12%
2010	180,009	30,095,000	-	30,275,009	301.96	1.16%
2011	-	29,170,000	-	29,170,000	290.94	1.12%



Source: West Valley Water District Accounting Department

**West Valley Water District  
Pledged-Revenue Coverage  
Last Ten Fiscal Years**

**Schedule 9**

Fiscal Year	Net Revenues	Operating Expenses <sup>(1)</sup>	Net Available Revenues	Debt Service		Total	Coverage Ratio
				Principal <sup>(2)</sup>	Interest		
2002	11,893,915	(7,847,547)	4,046,368	746,863	95,047	841,910	4.81
2003	11,457,757	(8,817,095)	2,640,662	826,941	67,982	894,923	2.95
2004	11,105,087	(8,974,988)	2,130,099	632,022	667,462	1,299,484	1.64
2005	11,793,832	(9,876,734)	1,917,098	992,107	772,943	1,765,050	1.09
2006	15,788,676	(11,769,102)	4,019,574	648,262	752,131	1,400,393	2.87
2007	15,610,594	(13,143,682)	2,466,912	1,146,143	1,274,061	2,420,204	1.02
2008	15,138,234	(14,239,766)	898,468	1,120,000	1,348,787	2,468,787	0.36
2009	13,622,286	(14,531,043)	(908,757)	1,160,000	1,314,378	2,474,378	(0.37)
2010	14,142,904	(14,391,194)	(248,290)	1,105,004	1,278,441	2,383,445	(0.10)
2011	15,855,205	(16,607,764)	(752,559)	975,000	1,241,103	2,216,103	(0.34)

**Notes:**

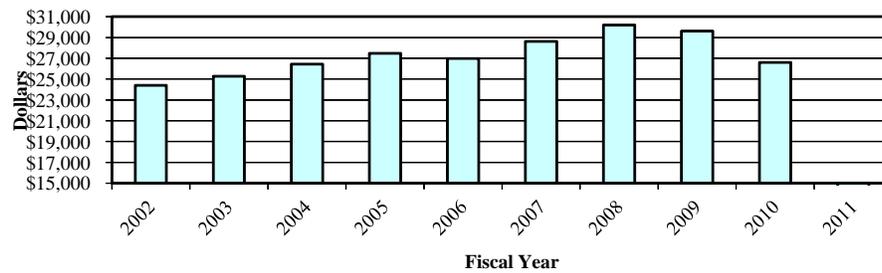
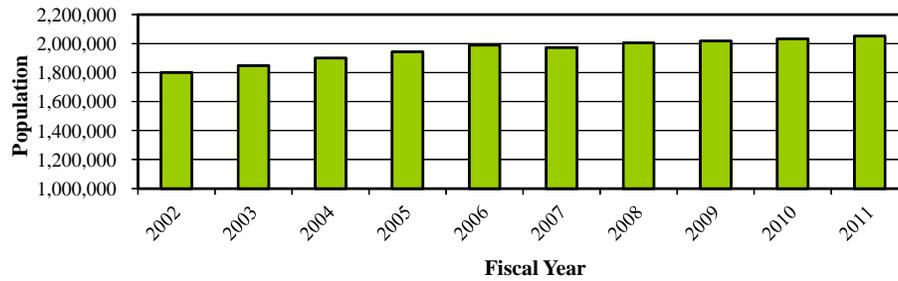
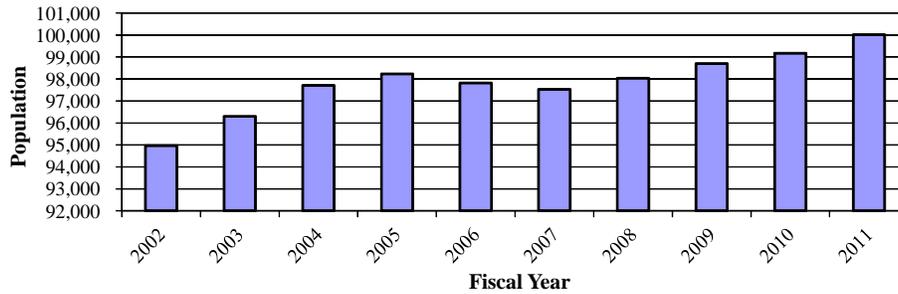
- (1) Operating expenses exclude depreciation expense and other post employment benefit expenses.
- (2) Includes only normal principal payments (does not include payments as a result of refinancing of debt).

**Source:** West Valley Water District Accounting Department

# West Valley Water District Demographics and Economics Statistics Last Ten Fiscal Years

Schedule 10

Year	Unemployment Rate	City of Rialto Population <sup>(1)</sup>	County of San Bernardino <sup>(2)</sup>			
			Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2002	7.9%	94,964	6.0%	1,800,599	43,940,654	24,403
2003	8.2%	96,302	6.3%	1,847,860	46,703,092	25,274
2004	7.5%	97,704	5.8%	1,899,689	50,217,879	26,435
2005	6.8%	98,224	5.2%	1,943,934	53,420,562	27,481
2006	6.3%	97,813	4.8%	1,989,949	53,679,699	26,975
2007	7.3%	97,525	5.6%	1,973,664	56,475,057	28,614
2008	10.3%	98,030	7.9%	2,004,914	60,528,736	30,190
2009	16.5%	98,698	13.0%	2,017,673	59,740,791	29,609
2010	18.1%	99,171	14.2%*	2,033,141	54,093,000	26,606
2011	16.4%*	100,021	12.9%*	2,052,397	N/A	N/A



**Sources:**

- [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov)
- [www.dof.ca.gov/research/demographic/reports/estimates/e-4/2001-10/view.php](http://www.dof.ca.gov/research/demographic/reports/estimates/e-4/2001-10/view.php)
- [www.bea.gov/regional/bearfacts](http://www.bea.gov/regional/bearfacts)

**Notes:**

- (1) Separate data is not prepared for the District, therefore, the District has used data for the City of Rialto. A substantial portion of the District lies within the Town, and therefore, is a reasonable basis for determining the demographic and economic statistics of the District.
- (2) Only County data is updated annually. Therefore, the District has chose to use its data since the District believes that the County data is representative of the conditions and experience of the District.

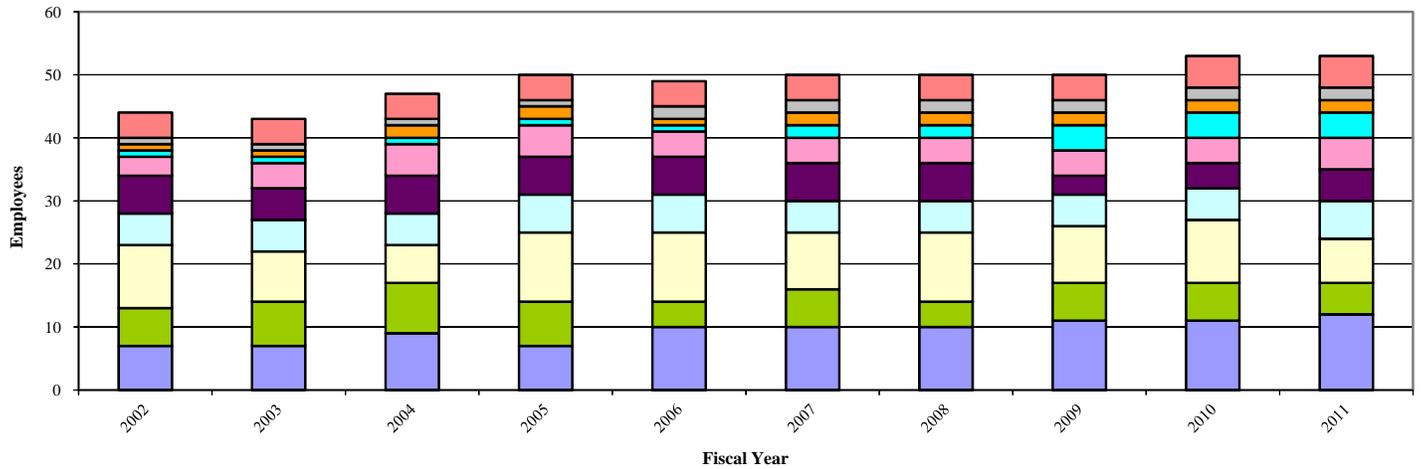
N/A - Not Available  
\* Data provided as of 9/2011

# West Valley Water District Operating and Capacity Indicators Last Ten Fiscal Years

Schedule 11

Full-time Equivalent District Employees by Department

Fiscal Year	Production	Maintenance	Meters	Administration	Customer Service	Accounting	Billing	IT	Human Resources	Engineering	Total
2002	7	6	10	5	6	3	1	1	1	4	44
2003	7	7	8	5	5	4	1	1	1	4	43
2004	9	8	6	5	6	5	1	2	1	4	47
2005	7	7	11	6	6	5	1	2	1	4	50
2006	10	4	11	6	6	4	1	1	2	4	49
2007	10	6	9	5	6	4	2	2	2	4	50
2008	10	4	11	5	6	4	2	2	2	4	50
2009	11	6	9	5	3	4	4	2	2	4	50
2010	11	6	10	5	4	4	4	2	2	5	53
2011	12	5	7	6	5	5	4	2	2	5	53



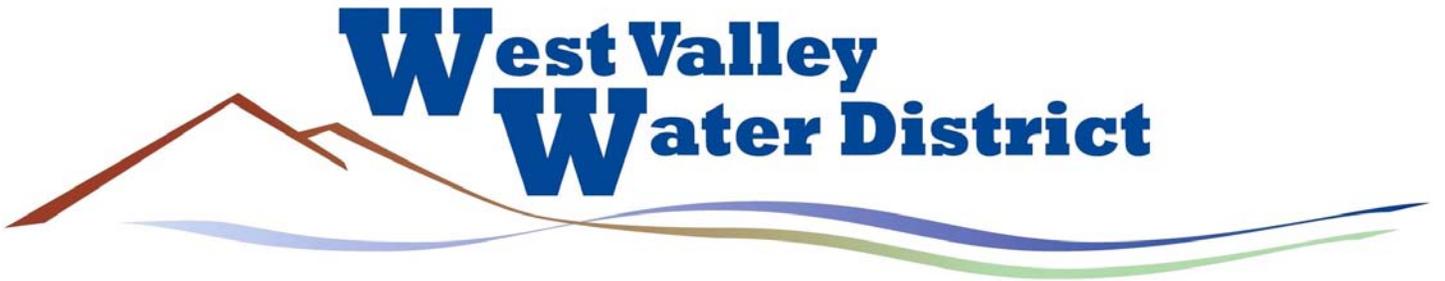
Other Operating and Capacity Indicators

Fiscal Year	District Area (Square Miles)	Miles of Pipeline	Storage Tanks	Storage Capacity (MG)	Groundwater Wells	Well Capacity (MGD)	Fire Hydrants
2002	29.7	313	24	66.6	21	49.9	2,040
2003	29.7	316	24	66.6	21	45.0	2,040
2004	29.7	332	24	66.6	21	41.0	2,040
2005	29.7	349	24	66.6	19	38.0	2,040
2006	29.7	354	24	66.6	20	46.0	2,040
2007	30.7	355	24	66.6	19	43.0	2,040
2008	30.7	361	26	73.6	19	41.0	2,040
2009	30.7	362	26	73.6	20	42.0	2,040
2010	31.0	365	26	73.6	17	43.0	2,040
2011	31.0	366	26	73.6	17	38.0	2,040

MG - Millions of Gallons  
MGD - Millions of Gallons per Day

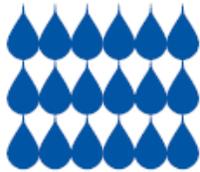
Sources: West Valley Water District Operations and Accounting Departments

Note: The Fire Hydrant total is inclusive of Hydrants and Jones heads.



# **Report on Internal Controls and Compliance**





Charles Z. Fedak, CPA, MBA  
Paul J. Kaymark, CPA  
Christopher J. Brown, CPA

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## **Independent Auditor's 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***

Board of Directors  
West Valley Water District  
Rialto, California

We have audited the basic financial statements of the West Valley Water District (District) as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated December 2, 2011. 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.

### ***Internal Control Over Financial Reporting***

In planning and performing our audits, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control over financial reporting 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

*Charles Z. Fedak & Company CPAs - An Accountancy Corporation*

**Charles Z. Fedak and Company, CPA's - An Accountancy Corporation**  
Cypress, California  
December 2, 2011