



**West Valley Water District**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Years Ended June 30, 2013 and 2012**



## 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, 2013**

<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, 2013 and 2012**

**WEST VALLEY WATER DISTRICT**

855 W. Baseline Road  
Rialto, California 92376

Prepared by:

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

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# **Introductory Section**





December 7, 2013

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, 2013 and 2012, 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.

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 55 regular employees organized in 21 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, Jurupa Valley, and some of the unincorporated areas of San Bernardino and Riverside counties.

As for West Valley Water District leadership, the year 2013 marked the 50<sup>th</sup> anniversary of our General Manager, Anthony W. Araiza's, employment with West Valley Water District. The knowledge, experience and relationships that Mr. Araiza has built in his 50 years as an employee of the West Valley Water District cannot be duplicated. He received several acknowledgements and citations from local governments in our area, water industry organizations and state and federal legislators.

## **District Services**

Residential customers represent approximately 93% of the District's customer base and consume approximately 60% of the water produced annually by the District. The District currently has a total of 17 groundwater wells with a maximum production capacity of 24,300 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 source of water production comes from various sources which include: 1) local water from several groundwater basins, 2) surface water from Lytle Creek in the San Bernardino Mountains, and 3) the California State Water Project – Silverwood Lake. With the detection of perchlorate and other contaminants in the areas groundwater supplies, the District shut down affected wells and installed treatment systems to reduce the amount of contaminants. Treated water from these sources exceeds minimum State and Federal water quality standards. Recently, the District teamed up with the City of Rialto to construct a state-approved biological treatment process “bio-remediation” that employs naturally occurring micro-organisms to remove perchlorate and other contaminants in the basins drinking water supplies as well as reduce the need for waste handling and disposal in a cost effective manner. 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 2013:

1. In 2010, California public health officials awarded \$10 million in grant funds to West Valley Water District for the construction of the unique and innovative Bioremediation groundwater treatment project. Construction of the facility was completed and the plant will be in its testing phase during 2013-2014.
2. For the second consecutive year, West Valley Water District received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for our 2012 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.

### **Other Post Employment Benefits – Pre-funding Consideration**

In the fiscal year 2013, the District began consideration of pre-funding the cost of its post-employment benefits plan through the California Public Employees Retirement System (CalPERS).

### **Water Rates and District Revenues**

In January, 2013, the first of five annual 15% rate increases became effective. This applied to both consumption and monthly service charges. At the same time, the District changed its rate structure from uniform rates to tiered rates. 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. Tiered rates, effective January 1, 2013, provide a financial incentive to conserve water usage.

### **Independent 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 unmodified 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 auto-pay 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.

### **Awards**

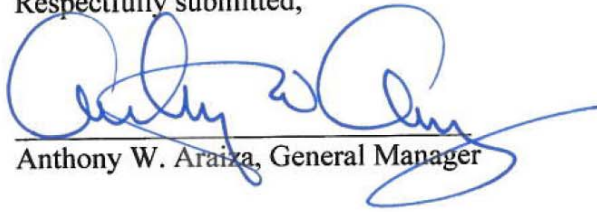
The Government Finance Officers Association of the United States and Canada's (GFOA) awarded the *Certificate of Achievement for Excellence in Financial Reporting* to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the District's second year for submission for the award. 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 2013.

**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. Araiza, General Manager



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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)**



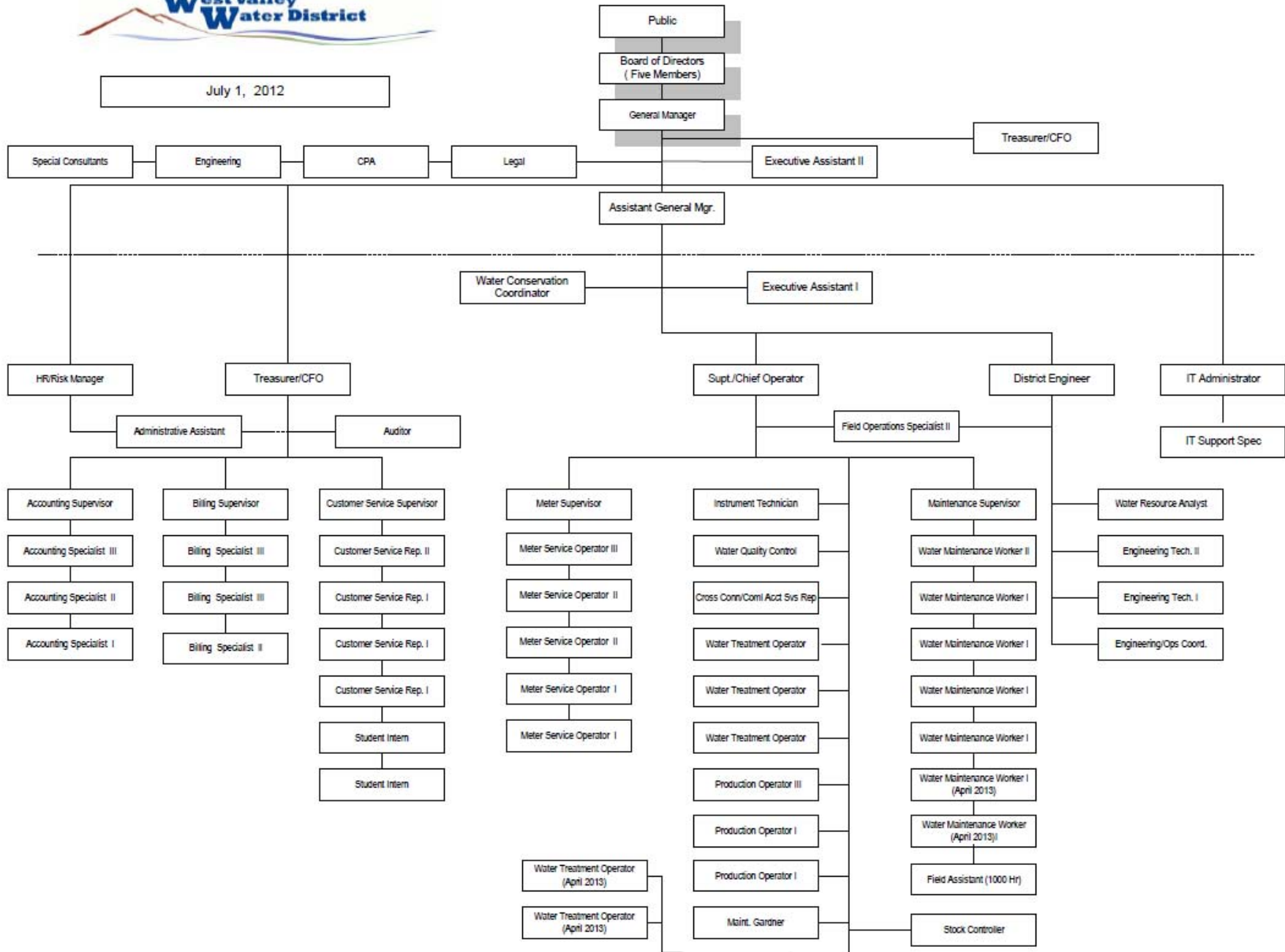
**Alan Dyer**  
**(Director)**



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



July 1, 2012





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**West Valley Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

# **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

### Report on the Financial Statements

We have audited the accompanying financial statements of the West Valley Water District (District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the West Valley Water District, as of June 30, 2013 and 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in note 1.E to the basic financial statements, in 2013 the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 11 through 17 and the required supplementary information on page 47 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Matters***

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 5 and the statistical section on pages 52 through 64 are presented for purposes of additional analysis and are not required parts of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The supplemental information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued a report dated December 7, 2013, 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 in considering the District's internal control over financial reporting and compliance. This report can be found on pages 65 and 66.

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

**Charles Z. Fedak & Company, CPAs – An Accountancy Corporation**

Cypress, California

December 7, 2013

**West Valley Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

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, 2013 and 2012. 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**

- The District's net position increased 3.31%, or \$3,317,808 to \$103,472,205 in 2013. In 2012, the District's net position increased 7.71%, or \$7,171,676 to \$100,154,397.
- The District had a net loss before capital contributions of \$1,540,409 in 2013, which was a 70.71%, or \$3,719,545 decrease in loss from 2012. In 2012, the District had a net loss before capital contributions of \$5,259,954 which was a 33.15%, or \$2,608,303 decrease in loss from 2011.
- The District's operating revenues increased 20.98%, or \$3,272,713 in 2013, due primarily to a \$2,032,818 increase in water consumption sales, a \$543,046 increase in water service charges, and a \$696,849 increase in other operating income. The increases in water consumption sales and service charges were primarily driven by the effect of the rate increase. In 2012, the District's operating revenues increased 8.37%, or \$1,204,683 due primarily to a \$1,268,729 increase in water consumption sales, a \$407,521 increase in water service charges that was offset by a \$471,567 decrease in other operating income.
- The District's operating expenses before depreciation increased 11.21%, or \$1,585,200 in 2013, primarily due to increases of \$664,042 in pumping expenses, \$738,099 in bio-remediation expenses, and \$431,115 in general and administrative expenses offset by decreases of \$61,391 in source of supply expenses, \$50,151 in water treatment expense, \$98,198 in transmission and distribution, and \$54,449 in customer account expenses. In 2012, the District's operating expenses before depreciation decreased 6.64% or \$1,006,031 primarily due to decreases of \$937,194 in water treatment expenses and \$777,252 in pumping expenses offset by a general increase in other operating expenses.
- The District's non-operating revenues, net increased 155.44%, or \$2,373,237 in 2013, primarily due to increases of \$2,000,000 in expense reimbursement, \$337,805 in property tax revenue, and \$55,738 in other non-operating revenue. In 2012, the District's non-operating revenues, net increased 4.68% or \$68,319 primarily due to a \$154,116 increase in property tax revenue which was offset by an \$85,797 decrease in other non-operating revenues.
- The District's non-operating expenses, net increased 24.04%, or \$358,224 in 2013, primarily due to a \$553,139 increase in amortization of deferred charges due to the implementation of GASB 65 which was offset by decreases of \$146,563 in other non-operating expense, and \$48,352 in interest expense related to long-term debt. In 2012, the District's non-operating expenses, net increased 7.40%, or \$102,651 in 2012 primarily due to a \$146,563 increase in other non-operating expense that was offset by a \$43,912 decrease in interest expense related to long-term debt.
- The District's capital contributions from bio-remediation, developers, one-time facility charges and grants decreased 60.92%, or \$7,573,413 due primarily to decreases of \$5,264,739 in bio-remediation grants, \$2,545,658 in developer contributions and \$379,302 in capital grants which were offset by a \$616,286 increase in facility charges. In 2012, the District's capital contributions from bio-remediation, developers, one-time facility charges and grants increased 219.26%, or \$8,537,793 due primarily to a \$7,693,558 increase in bio-remediation grants, a \$2,105,587 increase in developer contributions that was offset by a \$907,785 decrease in facility charges, and a \$353,567 decrease in capital grants.

**West Valley Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**Required Financial Statements**

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position 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.

The Statement of Net Positions includes all of the District's investments in resources (assets) and deferred outflows of resources, obligations to creditors (liabilities) and deferred inflows of resources. 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 Position. 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 Position and the Statement of Revenues, Expenses, and Changes in Net Position 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 position* and changes in them. One can think of the District's net position – between assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position 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 23 through 46.

**West Valley Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**Statements of Net Position**

**Condensed Statements of Net Position**

	<u>2013</u>	<u>As Restated 2012</u>	<u>Change</u>	<u>As Restated 2011</u>	<u>Change</u>
<b>Assets:</b>					
Current assets	\$ 17,310,341	18,447,676	(1,137,335)	16,747,967	1,699,709
Non-current assets	17,193,578	15,129,661	2,063,917	8,861,203	6,268,458
Capital assets, net	<u>114,435,165</u>	<u>113,782,880</u>	<u>652,285</u>	<u>105,210,629</u>	<u>8,572,251</u>
Total assets	<u>148,939,084</u>	<u>147,360,217</u>	<u>1,578,867</u>	<u>130,819,799</u>	<u>16,540,418</u>
Deferred outflows of resources	<u>250,517</u>	<u>263,531</u>	<u>(13,014)</u>	<u>419,464</u>	<u>(155,933)</u>
<b>Liabilities:</b>					
Current liabilities payable	5,223,101	6,454,415	(1,231,314)	5,927,007	527,408
Non-current liabilities	<u>40,494,295</u>	<u>41,014,936</u>	<u>(520,641)</u>	<u>32,329,535</u>	<u>8,685,401</u>
Total liabilities	<u>45,717,396</u>	<u>47,469,351</u>	<u>(1,751,955)</u>	<u>38,256,542</u>	<u>9,212,809</u>
<b>Net position:</b>					
Net investment in capital assets	87,245,165	85,587,880	1,657,285	76,040,629	9,547,251
Restricted	5,118,616	5,113,674	4,942	6,117,238	(1,003,564)
Unrestricted	<u>11,108,424</u>	<u>9,452,843</u>	<u>1,655,581</u>	<u>10,824,854</u>	<u>(1,372,011)</u>
Total net position	<u>\$ 103,472,205</u>	<u>100,154,397</u>	<u>3,317,808</u>	<u>92,982,721</u>	<u>7,171,676</u>

As noted earlier, net position 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 \$103,472,205 and \$100,154,397 as of June 30, 2013 and 2012, respectively.

By far, the largest portion of the District's net position (84.3% and 85.5% as of June 30, 2013 and 2012) 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 2013 and 2012, the District showed a positive balance in its unrestricted net position of \$11,108,424 and \$9,452,843, respectively, which may be utilized in future years. See note 15 for further information.

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

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	<u>2013</u>	<u>As Restated 2012</u>	<u>Change</u>	<u>As Restated 2011</u>	<u>Change</u>
<b>Revenues:</b>					
Operating revenues	\$ 18,874,151	15,601,438	3,272,713	14,396,755	1,204,683
Non-operating revenues, net	<u>3,900,006</u>	<u>1,526,769</u>	<u>2,373,237</u>	<u>1,458,450</u>	<u>68,319</u>
Total revenues	<u>22,774,157</u>	<u>17,128,207</u>	<u>5,645,950</u>	<u>15,855,205</u>	<u>1,273,002</u>
<b>Expenses:</b>					
Operating expenses	15,731,710	14,146,510	1,585,200	15,152,541	(1,006,031)
Depreciation and amortization	6,734,329	6,751,348	(17,019)	7,183,269	(431,921)
Non-operating expenses, net	<u>1,848,527</u>	<u>1,490,303</u>	<u>358,224</u>	<u>1,387,652</u>	<u>102,651</u>
Total expenses	<u>24,314,566</u>	<u>22,388,161</u>	<u>1,926,405</u>	<u>23,723,462</u>	<u>(1,335,301)</u>
Net loss before capital contributions	(1,540,409)	(5,259,954)	3,719,545	(7,868,257)	2,608,303
Capital contributions	<u>4,858,217</u>	<u>12,431,630</u>	<u>(7,573,413)</u>	<u>3,893,837</u>	<u>8,537,793</u>
Change in net position	3,317,808	7,171,676	(3,853,868)	(3,974,420)	11,146,096
Net position – beginning of year	<u>100,154,397</u>	<u>92,982,721</u>	<u>7,171,676</u>	<u>96,957,141</u>	<u>(3,974,420)</u>
Net position – end of year	<u>\$ 103,472,205</u>	<u>100,154,397</u>	<u>3,317,808</u>	<u>92,982,721</u>	<u>7,171,676</u>

**West Valley Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

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

The statement of revenues, expenses, and changes of net position shows how the District's net position changed during the fiscal years. In the case of the District, net position increased by \$3,317,808 and decreased by \$7,171,676 for the fiscal years ended June 30, 2013 and 2012, respectively.

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

- The District's net position increased 3.31%, or \$3,317,808 to \$103,472,205 in 2013. In 2012, the District's net position increased 7.71%, or \$7,171,676 to \$100,154,397.
- The District had a net loss before capital contributions of \$1,540,409 in 2013, which was a 70.71%, or \$3,719,545 decrease in loss from 2012. In 2012, the District had a net loss before capital contributions of \$5,259,954 which was a 33.15%, or \$2,608,303 decrease in loss from 2011.
- The District's operating revenues increased 20.98%, or \$3,272,713 in 2013, due primarily to a \$2,032,818 increase in water consumption sales, a \$543,046 increase in water service charges, and a \$696,849 increase in other operating income. The increases in water consumption sales and service charges were primarily driven by the increase in water rates during the first six months. In 2012, the District's operating revenues increased 8.37% or \$1,204,683, due primarily to a \$1,268,729 increase in water consumption sales, a \$407,521 increase in water service charges that was offset by a \$471,567 decrease in other operating income.
- The District's operating expenses before depreciation increased 11.21%, or \$1,585,200 in 2013, primarily due to increases of \$664,042 in pumping expenses, \$738,099 in bio-remediation expenses, and \$431,115 in general and administrative expenses offset by decreases of \$61,391 in source of supply expenses, \$50,151 in water treatment expense, \$98,198 in transmission and distribution, and \$54,449 in customer account expenses. In 2012, the District's operating expenses before depreciation decreased 6.64%, or \$1,006,031, primarily due to decreases of \$937,194 in water treatment expenses and \$777,252 in pumping expenses offset by a general increase in other operating expenses.
- The District's non-operating revenues, net increased 155.44%, or \$2,373,237 in 2013, primarily due to increases of \$2,000,000 in expense reimbursement, \$337,805 in property tax revenue, and \$55,738 in other non-operating revenue. In 2012, the District's non-operating revenues, net increased 4.68%, or \$68,319 in 2012, primarily due to a \$154,116 increase in property tax revenue that was offset by an \$85,797 decrease in other non-operating revenues.
- The District's non-operating expenses, net increased 24.04%, or \$358,224 in 2013, primarily due to a \$553,139 increase in amortization of deferred charges due to the implementation of GASB 65 which was offset by decreases of \$146,563 in other non-operating expense, and \$48,352 in interest expense related to long-term debt. In 2012, the District's non-operating expenses, net increased 7.40%, or \$102,651, primarily due to a \$146,563 increase in other non-operating expense that was offset by a \$43,912 decrease in interest expense related to long-term debt.
- The District's capital contributions from bio-remediation, developers, one-time facility charges and grants decreased 60.92%, or \$7,573,413, due primarily to decreases of \$5,264,739 in bio-remediation grants, \$2,545,658 in developer contributions and \$379,302 in capital grants which were offset by a \$616,286 increase in facility charges. In 2012, the District's capital contributions from bio-remediation, developers, one-time facility charges and grants increased 219.26%, or \$8,537,793, due primarily to a \$7,693,558 increase in bio-remediation grants, a \$2,105,587 increase in developer contributions that was offset by a \$907,785 decrease in facility charges and a \$353,567 decrease in capital grants.

**West Valley Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**Total District Revenues**

	<u>2013</u>	<u>As Restated 2012</u>	<u>Change</u>	<u>As Restated 2011</u>	<u>Change</u>
Operating revenues:					
Water consumption sales	\$ 13,051,850	11,019,032	2,032,818	9,750,303	1,268,729
Water service charges	4,398,803	3,855,757	543,046	3,448,236	407,521
Other operating income	1,423,498	726,649	696,849	1,198,216	(471,567)
<b>Total operating revenues</b>	<u>18,874,151</u>	<u>15,601,438</u>	<u>3,272,713</u>	<u>14,396,755</u>	<u>1,204,683</u>
Non-operating revenue:					
Property taxes	1,760,434	1,422,629	337,805	1,268,513	154,116
Interest and investment earnings	48,171	60,255	(12,084)	87,581	(27,326)
Rental income – cellular antennas	35,663	27,714	7,949	42,393	(14,679)
Gain on sale/disposition of capital assets	-	16,171	(16,171)	3,137	13,034
Expense reimbursement	2,000,000	-	2,000,000	-	-
Other non-operating revenue	55,738	-	55,738	56,826	(56,826)
<b>Total non-operating revenues</b>	<u>3,900,006</u>	<u>1,526,769</u>	<u>2,373,237</u>	<u>1,458,450</u>	<u>68,319</u>
Capital contributions:					
Bioremediation	3,211,532	8,476,271	(5,264,739)	782,713	7,693,558
Developer contributions	463,489	3,009,147	(2,545,658)	903,560	2,105,587
Facility charges	1,183,196	566,910	616,286	1,474,695	(907,785)
Capital grants	-	379,302	(379,302)	732,869	(353,567)
<b>Total capital contributions</b>	<u>4,858,217</u>	<u>12,431,630</u>	<u>(7,573,413)</u>	<u>3,893,837</u>	<u>8,537,793</u>
<b>Total revenues</b>	<u>\$ 27,632,374</u>	<u>29,559,837</u>	<u>(1,927,463)</u>	<u>19,749,042</u>	<u>9,810,795</u>

In 2013, total District revenues decreased by \$1,927,463 primarily due to a decrease of \$7,573,413 in capital contributions which was offset by increases of \$3,272,713 in operating revenues and \$2,373,237 in non-operating revenue. In 2012, total District revenues increased by \$9,810,795 primarily due to increases of \$8,537,793 in capital contributions, \$1,204,683 in operating revenues.

**Total District Expenses**

	<u>2013</u>	<u>As Restated 2012</u>	<u>Change</u>	<u>As Restated 2011</u>	<u>Change</u>
Operating expenses:					
Source of supply	\$ 698,507	759,898	(61,391)	671,055	88,843
Pumping	4,288,300	3,624,258	664,042	4,401,510	(777,252)
Water treatment	1,338,521	1,388,672	(50,151)	2,325,866	(937,194)
Transmission and distribution	1,401,938	1,500,136	(98,198)	1,417,810	82,326
Customer accounts	1,977,941	2,032,390	(54,449)	1,923,981	108,409
Conservation	199,973	183,840	16,133	122,064	61,776
Bioremediation	738,099	-	738,099	-	-
General and administrative	5,088,431	4,657,316	431,115	4,290,255	367,061
Depreciation expense	6,412,800	6,429,819	(17,019)	6,958,269	(528,450)
Amortization of water participation rights	321,529	321,529	-	225,000	96,529
<b>Total operating expense</b>	<u>22,466,039</u>	<u>20,897,858</u>	<u>1,568,181</u>	<u>22,335,810</u>	<u>(1,437,952)</u>
Non-operating expenses:					
Interest expense – long-term debt	1,246,914	1,295,266	(48,352)	1,339,178	(43,912)
Amortization of deferred charges	601,613	48,474	553,139	48,474	-
Other non-operating expense	-	146,563	(146,563)	-	146,563
<b>Total non-operating expenses</b>	<u>1,848,527</u>	<u>1,490,303</u>	<u>358,224</u>	<u>1,387,652</u>	<u>102,651</u>
<b>Total expenses</b>	<u>\$ 24,314,566</u>	<u>22,388,161</u>	<u>1,926,405</u>	<u>23,723,462</u>	<u>(1,335,301)</u>

In 2013, total District expenses increased by \$1,926,405 primarily due to increases of \$1,568,181 in operating expenses and \$358,224 in non-operating expenses. In 2012, total District expenses decreased by \$1,335,301 primarily due to decreases of \$1,437,952 in operating expenses which were offset by increases of \$102,651 in non-operating expenses.

**West Valley Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**Capital Asset Administration**

At the end of fiscal years 2013 and 2012, the District's investment in capital assets amounted to \$114,435,165 and \$113,782,880 (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 2013 and 2012, various capital projects were finalized and added to capital assets. See note 3 for further capital asset information.

Changes in capital asset amounts for 2013 were as follows:

	<b>As Restated Balance 2012</b>	<b>Additions</b>	<b>Transfers/ Deletions</b>	<b>Balance 2013</b>
Capital assets:				
Non-depreciable assets	\$ 25,708,491	6,800,193	(26,643,965)	5,864,719
Depreciable assets	133,971,549	26,908,857	-	160,880,406
Accumulated depreciation and amortization	<u>(45,897,160)</u>	<u>(6,412,800)</u>	<u>-</u>	<u>(52,309,960)</u>
Total capital assets, net	<u>\$ 113,782,880</u>	<u>27,296,250</u>	<u>(26,643,965)</u>	<u>114,435,165</u>

Changes in capital asset amounts for 2012 were as follows:

	<b>As Restated Balance 2011</b>	<b>Additions</b>	<b>Transfers/ Deletions</b>	<b>As Restated Balance 2012</b>
Capital assets:				
Non-depreciable assets	\$ 14,278,102	12,469,407	(1,039,018)	25,708,491
Depreciable assets	131,921,509	3,571,681	(1,521,641)	133,971,549
Accumulated depreciation and amortization	<u>(40,988,982)</u>	<u>(6,429,819)</u>	<u>1,521,641</u>	<u>(45,897,160)</u>
Total capital assets, net	<u>\$ 105,210,629</u>	<u>9,611,269</u>	<u>(1,039,018)</u>	<u>113,782,880</u>

**Debt Administration**

In 2013, long-term debt decreased by \$1,326,529 due to principal payments made on the Districts outstanding debt. In 2012, long-term debt increased by \$8,349,336 (net) due to the addition of a contract payable in the amount of \$9,645,865 used for the acquisition of water rights which were offset by principal payments made on the Districts outstanding debt amounting to \$1,296,529. See note 9 for further long-term debt information.

Changes in long-term debt amounts for 2013 were as follows:

	<b>Balance 2012</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Balance 2013</b>
Long-term debt:				
Contract payable	\$ 9,324,336	-	(321,529)	9,002,807
Bonds payable	<u>28,195,000</u>	<u>-</u>	<u>(1,005,000)</u>	<u>27,190,000</u>
Total long-term debt	<u>\$ 37,519,336</u>	<u>-</u>	<u>(1,326,529)</u>	<u>36,192,807</u>

Changes in long-term debt amounts for 2012 were as follows:

	<b>Balance 2011</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Balance 2012</b>
Long-term debt:				
Contract payable	\$ -	9,645,865	(321,529)	9,324,336
Bonds payable	<u>29,170,000</u>	<u>-</u>	<u>(975,000)</u>	<u>28,195,000</u>
Total long-term debt	<u>\$ 29,170,000</u>	<u>9,645,865</u>	<u>(1,296,529)</u>	<u>37,519,336</u>



**West Valley Water District  
Management's Discussion and Analysis  
For the Fiscal Years Ended June 30, 2013 and 2012**

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions that would have a significant impact on the District's financial position, net position, 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 by phone (909) 820-3706 or by email dsousa@wvwd.org.

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# **Basic Financial Statements**

**West Valley Water District**  
**Statements of Net Position**  
**June 30, 2013 and 2012**

<i>Assets and Deferred Outflows of Resources</i>	<b>2013</b>	<b>As Restated 2012</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 7,751,060	6,376,561
Restricted – cash and cash equivalents (note 2)	5,083,456	5,081,814
Accrued interest receivable	3,154	4,238
Accrued interest – restricted	2,348	3,330
Accounts receivable – water sales and services	1,692,074	1,408,258
Property taxes receivable	5,152	14,595
Restricted – assessments receivable	151,314	185,269
Accounts receivable – grants	-	4,450,705
Accounts receivable – redevelopment pass-through	41,081	166,669
Due from other governments	1,641,113	-
Materials and supplies inventory	260,150	234,092
Prepaid water	316,612	173,577
Prepaid expenses and other deposits	362,827	348,568
Total current assets	<u>17,310,341</u>	<u>18,447,676</u>
<b>Non-current assets:</b>		
Investments (note 2)	7,532,159	4,523,757
Water stock – Fontana Union Water Company	1,307	1,307
Tax increment pass-through receivable	657,305	698,387
Capital assets, net (note 3)	114,435,165	113,782,880
Water participation rights, net (note 4)	9,002,807	9,324,336
Deferred charges, net (note 5)	-	581,874
Total non-current assets	<u>131,628,743</u>	<u>128,912,541</u>
<b>Total assets</b>	<u>148,939,084</u>	<u>147,360,217</u>
<b>Deferred outflows of resources:</b> (note 6)		
Discount on revenue bonds, net	\$ <u>250,517</u>	<u>263,531</u>

Continued on next page

See accompanying notes to the basic financial statements

**West Valley Water District**  
**Statements of Net Position, continued**  
**June 30, 2013 and 2012**

<i>Liabilities and Net Position</i>	<b>2013</b>	<b>As Restated 2012</b>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,111,522	2,606,307
Accrued wages and related payables	110,797	105,261
Pass-through utility user taxes payable	37,021	33,743
Customer deposits	1,228,138	1,130,983
Construction advances and deposits	761,274	633,295
Accrued interest payable	291,211	301,509
Long-term liabilities – due in less than one year:		
Compensated absences (note 7)	228,805	230,316
Pension related debt – current portion (note 8)	97,804	86,472
Contract payable – current portion (note 9)	321,529	321,529
Bonds payable – current portion (note 9)	1,035,000	1,005,000
Total current liabilities	<u>5,223,101</u>	<u>6,454,415</u>
<b>Non-current liabilities:</b>		
Unearned revenue – tax increment pass-through	657,305	698,387
Long-term liabilities – due in more than one year:		
Compensated absences (note 7)	279,651	281,497
Other post employment benefits payable (note 12)	3,830,499	2,853,879
Pension related debt (note 8)	890,562	988,366
Contract payable (note 9)	8,681,278	9,002,807
Bonds payable (note 9)	26,155,000	27,190,000
Total non-current liabilities	<u>40,494,295</u>	<u>41,014,936</u>
<b>Total liabilities</b>	<u>45,717,396</u>	<u>47,469,351</u>
<b>Net position: (note 16)</b>		
Net investment in capital assets (note 13)	87,245,165	85,587,880
Restricted for capital projects (note 14)	5,061,866	5,058,581
Restricted for debt service (note 14)	56,750	55,093
Unrestricted (note 15)	11,108,424	9,452,843
<b>Total net position</b>	<u>\$ 103,472,205</u>	<u>100,154,397</u>

See accompanying notes to the basic financial statements

**West Valley Water District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

	<b>2013</b>	<b>As Restated 2012</b>
<b>Operating revenues:</b>		
Water consumption sales	\$ 13,051,850	11,019,032
Water service charges	4,398,803	3,855,757
Other operating income	1,423,498	726,649
Total operating revenues	18,874,151	15,601,438
<b>Operating expenses:</b>		
Source of supply	698,507	759,898
Pumping	4,288,300	3,624,258
Water treatment	1,338,521	1,388,672
Transmission and distribution	1,401,938	1,500,136
Customer accounts	1,977,941	2,032,390
Conservation	199,973	183,840
Bio-remediation	738,099	-
General and administrative	5,088,431	4,657,316
Total operating expenses	15,731,710	14,146,510
Operating income before depreciation and amortization	3,142,441	1,454,928
Depreciation expense	(6,412,800)	(6,429,819)
Amortization of water participation rights	(321,529)	(321,529)
<b>Operating loss</b>	<b>(3,591,888)</b>	<b>(5,296,420)</b>
<b>Non-operating revenue(expense)</b>		
Property taxes	1,760,434	1,422,629
Interest and investment earnings	48,171	60,255
Rental income – cellular antennas	35,663	27,714
Gain/(loss) on sale/disposition of capital assets	-	16,171
Interest expense – long-term debt	(1,246,914)	(1,295,266)
Amortization of deferred charges	(601,613)	(48,474)
Expense reimbursement (note 17)	2,000,000	-
Other non-operating (expense)revenue, net	55,738	(146,563)
Total non-operating revenues, net	2,051,479	36,466
<b>Net loss before capital contributions</b>	<b>(1,540,409)</b>	<b>(5,259,954)</b>
<b>Capital contributions:</b>		
Bioremediation	3,211,532	8,476,271
Developer contributions	463,489	3,009,147
Facility charges	1,183,196	566,910
Capital grants	-	379,302
Total capital contributions	4,858,217	12,431,630
<b>Change in net position</b>	<b>3,317,808</b>	<b>7,171,676</b>
<b>Net position – beginning of year (note 16)</b>	<b>100,154,397</b>	<b>92,982,721</b>
<b>Net position – end of year</b>	<b>\$ 103,472,205</b>	<b>100,154,397</b>

See accompanying notes to the basic financial statements

**West Valley Water District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>As Restated 2012</u>
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 18,590,335	15,599,305
Cash receipts from rental income – cellular antennas	35,663	27,714
Cash paid to vendors and suppliers for materials and services	(12,209,242)	(10,470,168)
Cash paid to employees for salaries and wages	(3,983,323)	(2,757,962)
Net cash provided by operating activities	<u>2,433,433</u>	<u>2,398,889</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes and assessments	1,803,832	1,461,582
Payments on CalPERS side fund	(86,472)	(73,053)
Interest paid on CalPERS side fund	(73,053)	(83,026)
Net cash provided by non-capital financing activities	<u>1,644,307</u>	<u>1,461,582</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(7,101,655)	(14,974,358)
Acquisition and water part rights contract	-	(9,324,336)
Proceeds from expense reimbursement	2,000,000	-
Proceeds from bioremediation	3,211,532	4,025,566
Proceeds from capital contributions	463,489	3,009,147
Proceeds from facility charges	1,183,196	566,910
Proceeds from capital grants	-	379,302
Proceeds from addition of contract payable	-	9,645,865
Principal paid on long-term debt	(1,326,529)	(1,296,529)
Interest paid on long-term debt	(1,184,159)	(1,388,254)
Proceeds from the sale of capital assets	-	16,171
Net cash used in capital and related financing activities	<u>(2,754,126)</u>	<u>(9,340,516)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	6,000,000	8,000,000
Purchases of investments	(5,998,798)	(4,706,674)
Interest and investment earnings	51,325	64,493
Net cash provided by investing activities	<u>52,527</u>	<u>3,357,819</u>
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>1,376,141</b>	<b>(2,122,226)</b>
Cash and cash equivalents – beginning of year	<u>11,458,375</u>	<u>13,580,601</u>
Cash and cash equivalents – end of year	<u>\$ 12,834,516</u>	<u>11,458,375</u>
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 7,751,060	6,376,561
Restricted assets – cash and cash equivalents	<u>5,083,456</u>	<u>5,081,814</u>
Total cash and cash equivalents	<u>\$ 12,834,516</u>	<u>11,458,375</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, 2013 and 2012**

	<u>2013</u>	<u>As Restated 2012</u>
Reconciliation of operating loss to net cash provided by operating activities:		
<b>Operating loss</b>	\$ (3,591,888)	(5,296,420)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	6,412,800	6,429,819
Amortization of water participation rights	321,529	321,529
Other non-operating revenues(expenses), net	55,738	(146,563)
Changes in assets and liabilities:		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services, net	(283,816)	(2,133)
Materials and supplies inventory	(26,058)	(44,341)
Prepaid water	(143,035)	142,353
Prepaid expenses and other deposits	(20,985)	16,138
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	(1,494,785)	824,143
Accrued wages and related payables	5,536	(195,386)
Compensated absences	(3,357)	27,386
Customer deposits	97,155	(102,482)
Construction advances and deposits	127,979	(375,239)
Other post employment benefits payable	976,620	800,085
Total adjustments	<u>6,025,321</u>	<u>7,695,309</u>
<b>Net cash provided by operating activities</b>	<u>\$ 2,433,433</u>	<u>2,398,889</u>
Non-cash financing and investing activities:		
Unrealized gain on investments	\$ 1,757	1,308
Amortization of deferred charges	<u>(601,614)</u>	<u>(48,474)</u>
Net non-cash financing and investing activities	<u>\$ (599,857)</u>	<u>(47,166)</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, 2013 and 2012**

**(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. 61, The Financial Reporting Entity. 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. The Authority has had no activity in the past 10 years and reports no assets or liabilities.

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, 2013 and 2012**

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

**C. Financial Reporting**

The District's basic financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting, including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* effective for financial statements for periods beginning after December 15, 2011. The District implemented this new pronouncement in the current fiscal year ended June 30, 2013. The effect of the implementation of this Statement to the District is limited to renaming of *Net Assets* to *Net Position*.

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position**

**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 position 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, 2013 and 2012**

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

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, 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. 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 position. 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.

**5. 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.

**6. 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.

**7. 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.

**8. 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.

**9. Tax Receivable and Deferred Revenue**

The District has a tax pass-through agreement with the City of Rialto; whereby, the County of San Bernardino auditor-controller is to pay a portion of the City's incremental tax receipts directly to the District for water-related improvements within the Agua Mansa redevelopment area. Over the past several years, the District has received an annual payment of the revenue that it is entitled to and it is anticipated that the District will continue to collect annual payments through fiscal year 2029. As such, the revenue has been classified as deferred revenue.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

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

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, 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 are amortized using the straight-line method over the remaining life of the respective debt service. Under the provisions of GASB No. 65, the remaining deferred charges balances have been fully-amortized in fiscal year 2013.

**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 Position**

The financial statements utilize a net position presentation. Net position is categorized as follows:

- *Net Investment in Capital Assets Component of Net Position*– This component of net position consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

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

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**15. Net Position**

- *Restricted Component of Net Position* – This component of net position consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted Component of Net Position* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

**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.

**19. Reclassification**

The District has reclassified certain prior year information to conform to current year presentations as well as conforming to the implementation of GASB No. 63 and 65.

**E. Implementation of New Accounting Pronouncements**

For the year ended June 30, 2013, the District implemented the following Governmental Accounting Standards Board pronouncements:

***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 Statement address how to account for and report service concession arrangements, a type of public-private or public-public partnership that state and local governments are increasingly entering into. No service concession arrangements were noted in the fiscal years transactions.

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

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity, Omnibus*. This Statement 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*.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

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

**E. Implementation of New Accounting Pronouncements, continued**

***Governmental Accounting Standards Board Statement No. 62***

In December 2010, The GASB issued Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the “FASB and AICPA pronouncements.” This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

***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 Statement 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.

***Governmental Accounting Standards Board Statement No. 65***

In March 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**(2) Cash and Investments**

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

	<b>2013</b>	<b>2012</b>
Cash and cash equivalents	\$ 7,751,060	6,376,561
Restricted – cash and cash equivalents	5,083,456	5,081,814
Investments	7,532,159	4,523,757
Total cash and investments	\$ 20,366,675	15,982,132

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

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

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

	<u>2013</u>	<u>2012</u>
Cash on hand	\$ 3,700	3,700
Deposits with financial institutions	2,469,344	3,605,886
Investments	<u>17,893,631</u>	<u>12,372,546</u>
Total cash and investments	<u>\$ 20,366,675</u>	<u>15,982,132</u>

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

	<u>2013</u>	<u>2012</u>
Deposits held with Local Agency Investment Fund (LAIF)	278 days	268 days
Deposits held with CalTrust Short Term Fund	504 days	412 days

***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.

<u>Authorized Investment Type*</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

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

***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).

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 table on the following page that shows the distribution of the District's investments by maturity date.



**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

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

***Interest Rate Risk, continued***

Investments at June 30, 2013, consisted of the following:

<u>Investment Type</u>	<u>Total Investment</u>	<u>Remaining Maturity 12 Months Or Less</u>
U.S. Treasury Obligations	\$ 2,999,674	2,999,674
Government Sponsored Entity Securities	999,588	999,588
Cal Trust Short Term Fund	3,532,897	3,532,897
Local Agency Investment Fund (LAIF)	6,493,188	6,493,188
Cash with fiscal agent:		
Money Market Mutual Funds	3,868,284	3,868,284
Total	<u>\$ 17,893,631</u>	<u>17,893,631</u>

Investments at June 30, 2012, consisted of the following:

<u>Investment Type</u>	<u>Total Investment</u>	<u>Remaining Maturity 12 Months Or Less</u>
U.S. Treasury Obligations	\$ 999,843	999,843
Cal Trust Short Term Fund	3,523,914	3,523,914
Local Agency Investment Fund (LAIF)	3,979,863	3,979,863
Cash with fiscal agent:		
Money Market Mutual Funds	3,868,926	3,868,926
Total	<u>\$ 12,372,546</u>	<u>12,372,546</u>

***Credit Risk***

Credit ratings of investments and cash equivalents as of June 30, 2013, were as follows:

<u>Investment Types</u>	<u>Total Investment</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Ratings AAA to A-</u>
U.S. Treasury Obligations	\$ 2,999,674	A	\$ -	2,999,674
Government Sponsored Entity Securities	999,588	AAA	-	999,588
Cal Trust Short Term Fund	3,532,897	N/A	-	3,532,897
Local Agency Investment Fund (LAIF)	6,493,188	N/A	6,493,188	-
Cash with fiscal agent:				
Money Market Mutual Funds	3,868,284	AAA	-	3,868,284
Total	<u>\$ 17,893,631</u>		<u>\$ 6,493,188</u>	<u>11,400,443</u>

Credit ratings of investments and cash equivalents as of June 30, 2012, were as follows:

<u>Investment Types</u>	<u>Total Investment</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Ratings AAA to A-</u>
U.S. Treasury Obligations	\$ 999,843	A	\$ -	999,843
Cal Trust Short Term Fund	3,523,914	N/A	-	3,523,914
Local Agency Investment Fund (LAIF)	3,979,863	N/A	3,979,863	-
Cash with fiscal agent:				
Money Market Mutual Funds	3,868,926	AAA	-	3,868,926
Total	<u>\$ 12,372,546</u>		<u>\$ 3,979,863</u>	<u>8,392,683</u>

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

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

*Credit Risk, continued*

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.

*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 36% of the District's total depository and investment portfolio as of June 30, 2013.

**(3) Capital Assets**

Changes in capital assets for 2013 were as follows:

	<b>As Restated Balance 2012</b>	<b>Additions/ Transfers</b>	<b>Deletions/ Transfers</b>	<b>Balance 2013</b>
Non-depreciable assets:				
Land and land rights	\$ 2,212,967	-	-	2,212,967
Water rights	404,949	-	-	404,949
Construction-in-process	<u>23,090,575</u>	<u>6,800,193</u>	<u>(26,643,965)</u>	<u>3,246,803</u>
Total non-depreciable assets	<u>25,708,491</u>	<u>6,800,193</u>	<u>(26,643,965)</u>	<u>5,864,719</u>
Depreciable assets:				
Source of supply plant	5,810,651	30,000	-	5,840,651
Pumping plant	9,143,604	502,704	-	9,646,308
Bio-remediation plant	-	20,601,722	-	20,601,722
Water treatment plant	30,613,409	18,492	-	30,631,901
Transmission and distribution plant	79,101,597	4,548,061	-	83,649,658
General plant	<u>9,302,288</u>	<u>1,207,878</u>	<u>-</u>	<u>10,510,166</u>
Total depreciable assets	<u>133,971,549</u>	<u>26,908,857</u>	<u>-</u>	<u>160,880,406</u>
Accumulated depreciation and amortization:				
Source of supply plant	(2,164,802)	(276,712)	-	(2,441,514)
Pumping plant	(3,822,045)	(613,226)	-	(4,435,271)
Bio-remediation plant	-	-	-	-
Water treatment plant	(11,060,992)	(2,976,934)	-	(14,037,926)
Transmission and distribution plant	(26,372,795)	(1,980,630)	-	(28,353,425)
General plant	<u>(2,476,526)</u>	<u>(565,298)</u>	<u>-</u>	<u>(3,041,824)</u>
Total accum depr. and amort.	<u>(45,897,160)</u>	<u>(6,412,800)</u>	<u>-</u>	<u>(52,309,960)</u>
Total depreciable assets, net	<u>88,074,389</u>	<u>20,496,057</u>	<u>-</u>	<u>108,570,446</u>
Total capital assets, net	<u>\$ 113,782,880</u>	<u>27,296,250</u>	<u>(26,643,965)</u>	<u>114,435,165</u>

In 2013, major capital assets additions during the year include capitalization of the District's bio-remediation plant, upgrades to the transmission and distribution system, general plant, pumping plant, water treatment plant, and the District's source of supply plant. Additions to construction-in-process relate primarily to the continued construction of the bio-remediation plant which was capitalized in the current fiscal year. A major portion of the capitalized 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, 2013 and 2012**

**(3) Capital Assets, continued**

Changes in capital assets for 2012 were as follows:

	<u>As Restated Balance 2011</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>As Restated Balance 2012</u>
Non-depreciable assets:				
Land and land rights	\$ 2,212,967	-	-	2,212,967
Water rights	404,949	-	-	404,949
Construction-in-process	<u>11,660,186</u>	<u>12,469,407</u>	<u>(1,039,018)</u>	<u>23,090,575</u>
Total non-depreciable assets	<u>14,278,102</u>	<u>12,469,407</u>	<u>(1,039,018)</u>	<u>25,708,491</u>
Depreciable assets:				
Source of supply plant	5,803,451	7,200	-	5,810,651
Pumping plant	9,974,950	157,006	(988,352)	9,143,604
Water treatment plant	30,625,616	-	(12,207)	30,613,409
Transmission and distribution plant	76,053,379	3,314,174	(265,956)	79,101,597
General plant	<u>9,464,113</u>	<u>93,301</u>	<u>(255,126)</u>	<u>9,302,288</u>
Total depreciable assets	<u>131,921,509</u>	<u>3,571,681</u>	<u>(1,521,641)</u>	<u>133,971,549</u>
Accumulated depreciation and amortization:				
Source of supply plant	(1,888,469)	(276,333)	-	(2,164,802)
Pumping plant	(4,115,989)	(694,408)	988,352	(3,822,045)
Water treatment plant	(8,095,044)	(2,978,155)	12,207	(11,060,992)
Transmission and distribution plant	(24,737,822)	(1,900,929)	265,956	(26,372,795)
General plant	<u>(2,151,658)</u>	<u>(579,994)</u>	<u>255,126</u>	<u>(2,476,526)</u>
Total accum depr. and amort.	<u>(40,988,982)</u>	<u>(6,429,819)</u>	<u>1,521,641</u>	<u>(45,897,160)</u>
Total depreciable assets, net	<u>90,932,527</u>	<u>(2,858,138)</u>	<u>-</u>	<u>88,074,389</u>
Total capital assets, net	<u>\$ 105,210,629</u>	<u>9,611,269</u>	<u>(1,039,018)</u>	<u>113,782,880</u>

In 2012, major capital assets additions during the year include capitalization of the District's pumping plant, water treatment plant, and the continued rehabilitation of the District's transmission and distribution systems mains and pipelines. Additions to construction-in-process relate primarily to the construction of the bioremediation plant. A major portion of the capitalized additions were constructed by the District and transferred out of construction-in-process upon completion of these various projects.

***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>2011</u>	<u>2012</u>	<u>2013</u>
Coyote canyon tract 16325	\$ 684,594	684,594	-
ESTCP Bioremediation	1,537,613	1,537,613	-
Zone 3A, 30" water line	1,133,739	1,233,874	1,886,936
Design of 8-2 pump station	1,439,276	1,439,663	-
Bioremediation Plant	1,982,166	13,752,631	-
Various minor district projects	565,094	325,333	730,637
Various other developer projects	<u>4,317,704</u>	<u>4,116,867</u>	<u>629,230</u>
Total construction-in-process	<u>\$ 11,660,186</u>	<u>23,090,575</u>	<u>3,246,803</u>

For a better understanding of the activity in construction-in-process, please see the changes in capital assets for fiscal years 2013 and 2012, on pages 32 and above, respectively.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**(4) Water Participation Rights**

In 2012, the District acquired water participation rights from the San Bernardino Valley Municipal Water District for \$9,645,865. The District is amortizing the participation rights until January 31, 2041. (See note 9 for further details)

The balance at June 30, consists of the following:

	<b>2013</b>	<b>2012</b>
Water participation rights	\$ 9,645,865	9,645,865
Accumulated amortization	(643,058)	(321,529)
Water participation rights, net	\$ 9,002,807	9,324,336

**(5) Deferred Charges**

Upon the issuance of the 2006D-2 and 2004A CSCDA Water and Wastewater Bonds the District incurred issuance costs amounting to \$747,098, which have been capitalized and amortized over the term of the bonds using the straight-line method. At June 30, 2013, as part of the implementation of GASB 65, the remaining unamortized balance of the issuance costs was fully amortized.

The balance at June 30, consists of the following:

	<b>2013</b>	<b>2012</b>
Deferred charges	\$ 747,098	747,098
Accumulated amortization	(747,098)	(165,224)
Deferred charges, net	\$ -	581,874

**(6) Deferred Outflows of Resources**

On October 1, 2006, upon issuance of the Water and Wastewater Revenue Bonds (Series 2006D-2 Bonds), the District received a discount on the bonds amounting to \$338,360 and incurred bond insurance costs amounting to \$174,867. Both the discount and bond insurance costs have been capitalized and amortized as a component of interest expense through the term of the bond using the straight-line method.

In fiscal year 2013, the District adopted *Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and *Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities*. In accordance with GASB No. 63, and GASB No. 65, discounts on the issuance of debt have been categorized as deferred outflows of resources on the Statement of Net Position.

The changes to deferred outflows of resources at June 30, were as follows:

	<b>Balance 2012</b>	<b>Additions</b>	<b>Amortization</b>	<b>Balance 2013</b>
Deferred outflows of resources:				
Discount on revenue bonds, net	\$ 263,531	-	(13,014)	250,517
	<b>Balance 2011</b>	<b>Additions</b>	<b>Amortization</b>	<b>Balance 2012</b>
Deferred outflows of resources:				
Discount on revenue bonds, net	\$ 276,545	-	(13,014)	263,531

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**(7) 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 2012</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2013</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
\$	511,813	413,050	(416,407)	508,456	228,805	279,651
	<u>Balance 2011</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2012</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
\$	484,427	450,023	(422,637)	511,813	230,316	281,497

**(8) Pension Related Debt – CalPERS Side-Fund**

As of June 30, 2003, CalPERS implemented risk-pooling for the District's agent multiple-employer public employee defined benefit pension plan. As a result, the District's defined benefit pension plan with CalPERS converted from an agent multiple-employer plan to a cost sharing multiple-employer plan. This change in the type of the plan created the CalPERS Side-Fund, which CalPERS financed at a 7.75% interest rate (for fiscal year 2013 and beyond CalPERS reduced the rate to 7.50%). CalPERS actuarially calculated the amount needed to bring the District into the cost sharing multiple-employer plan on an equal basis with other governmental agencies that all had less than 100 active and retired employees combined. The reason that CalPERS switched these governmental agencies into the cost sharing multiple-employer plan was to smooth the annual costs related to the pension benefit over a longer period of time resulting in a lower cost of service to the governmental agencies.

A portion of the District's annual required contribution to CalPERS are actuarially determined and shared by all governmental agencies within the cost sharing risk pool. Also, the District is required to make systematic pay-as-you-go payments to pay-down the CalPERS Side-Fund, as well. The responsibility for paying-down the District's CalPERS Side-Fund is specific to the District and is not shared by all governmental agencies within the cost sharing risk pool. Therefore, the CalPERS Side-Fund falls under the definition of pension-related debt, as described in GASB Statement No. 27.

The following long-term debt has been recorded on the District's financial statements as the District is making systematic pay-as-you-go payments to CalPERS each payroll period. The annual repayment schedule is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 97,804	68,021	165,825
2015	110,297	60,503	170,800
2016	123,882	52,042	175,924
2017	138,645	42,557	181,202
2018	154,680	31,958	186,638
2019-2020	363,058	27,183	390,241
Total	988,366	282,264	1,270,630
Less current portion	(97,804)		
Total non-current	\$ 890,562		

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**(9) Long-term Debt**

Changes in long-term debt amounts for the year ended June 30, 2013, were as follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2013</u>	<u>Due within One Year</u>	<u>Long-Term Portion</u>
Long-term debt:						
Contract payable	\$ 9,324,336	-	(321,529)	9,002,807	321,529	8,681,278
Bonds payable:						
Assessment District 97-1	205,000	-	(35,000)	170,000	30,000	140,000
Series 2006D-2	27,990,000	-	(970,000)	27,020,000	1,005,000	26,015,000
Total bonds	28,195,000	-	(1,005,000)	27,190,000	1,035,000	26,155,000
Total long-term debt	\$ 37,519,336	-	(1,326,529)	36,192,807	1,356,529	34,836,278

Changes in long-term debt amounts for the year ended June 30, 2012, were as follows:

	<u>Balance 2011</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2012</u>	<u>Due within One Year</u>	<u>Long-Term Portion</u>
Long-term debt:						
Contract payable	\$ -	9,645,865	(321,529)	9,324,336	321,529	9,002,807
Bonds payable:						
Assessment District 97-1	235,000	-	(30,000)	205,000	35,000	170,000
Series 2006D-2	28,935,000	-	(945,000)	27,990,000	970,000	27,020,000
Total bonds	29,170,000	-	(975,000)	28,195,000	1,005,000	27,190,000
Total long-term debt	\$ 29,170,000	9,645,865	(1,296,529)	37,519,336	1,326,529	36,192,807

***Water Participation Rights Contract Payable***

In 2012, 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 \$90 per acre foot, per year, payable in monthly installments of \$26,794, until January 31, 2041. The calculated annual amount of \$321,529 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. Annual payments on the water participation rights are as follows:

<u>Year</u>	<u>Payment</u>
2014	\$ 321,529
2015	321,529
2016	321,529
2017	321,529
2018	321,529
2019-2023	1,607,645
2024-2028	1,607,645
2029-2033	1,607,645
2034-2038	1,607,645
2039-2041	964,582
Total	9,002,807
Less current portion	(321,529)
Total non-current	\$ 8,681,278

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**(9) 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>
2014	\$ 30,000	7,944	37,944
2015	30,000	6,407	36,407
2016	35,000	4,741	39,741
2017	35,000	1,922	36,922
2018	40,000	3,972	43,972
Total	170,000	24,986	194,986
Less current portion	(30,000)		
Total non-current	\$ 140,000		

***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 defeased 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.

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>
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	1,130,000	1,027,628	2,157,628
2018	1,180,000	982,428	2,162,428
2019-2023	6,620,000	4,183,345	10,803,345
2024-2028	8,155,000	2,658,925	10,813,925
2029-2033	6,795,000	802,350	7,597,350
Total	27,020,000	12,992,160	40,012,160
Less current portion	(1,005,000)		
Total non-current	\$ 26,015,000		

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**(10) 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, 2013 and 2012 amounted to \$1,946,541 and \$1,777,519 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 position.

**(11) 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.

***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 2013, 2012, and 2011 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.

***Second-Tier – Beginning January 1, 2013***

The contribution rate for plan members in the CalPERS 2.0% at 62 Retirement Plan is 6.25% of their annual covered wages. The District employees hired on or after January 1, 2013, contribute 6.25% of their annual covered wages to their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.



**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

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

***California Public Employees' Pension Reform Act of 2013***

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013.

***Funding Policy***

Key components of the legislation are as follows:

- Establishes PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013 (Except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payments from being counted as compensation; and
- Increases retirement age for all new public employees.

For Fiscal years 2013, 2012, and 2011, 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>APC Percentage of Payroll</u>
2011	\$ 652,434	100%	13.903%
2012	499,618	100%	14.629%
2013	522,925	100%	14.798%

*See the Schedule of Funding Status in the Required Supplementary Information Section on Page 47.*

***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	June 30, 2011
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll, open
Average remaining amortization period	20 years as of the valuation date
Asset valuation method	15 year smoothed market
Actuarial assumptions:	
Discount rate	7.50% (net of administrative expenses)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**(12) 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 on the following page.

***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:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Active plan members	59	60	59
Retirees and beneficiaries receiving benefits	17	15	15
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	76	75	74

***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 27.8% of the annual covered payroll.

***Annual Cost***

For the years ended June 30, 2013 and 2012, the District's ARC cost is \$1,151,048 and \$941,216, respectively. The District's net OPEB payable obligation amounted to \$3,830,499 and \$2,853,879 for the years ended June 30, 2013 and 2012, respectively. The District contributed \$169,926 and \$141,012 in adjustment contributions for current retiree OPEB premiums for the years ended June 30, 2013 and 2012, respectively.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

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

*Annual Cost, continued*

The balance at June 30, consists of the following:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 1,151,048	941,216	872,350
Interest on net OPEB obligation	132,695	90,409	58,300
Adjustment to annual required contribution	<u>(137,197)</u>	<u>(90,528)</u>	<u>(56,614)</u>
Total annual OPEB expense	1,146,546	941,097	874,036
Change in net OPEB payable obligation:			
Age adjusted contributions made	(169,926)	(141,012)	(136,871)
Contributions to irrevocable trust	<u>-</u>	<u>-</u>	<u>-</u>
Total change in net OPEB payable obligation	976,620	800,085	737,165
OPEB payable – beginning of year	<u>2,853,879</u>	<u>2,053,794</u>	<u>1,316,629</u>
OPEB payable – end of year	<u>\$ 3,830,499</u>	<u>2,853,879</u>	<u>2,053,794</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 2013 and the three preceding years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>				
<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>
2013	\$ 976,620	169,926	17.40%	\$ 3,830,499
2012	800,085	141,012	17.62%	2,853,879
2011	737,165	136,871	18.57%	2,053,794

See the Schedule of Funding Status in the Required Supplementary Information Section on Page 47.

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

The most recent valuation (dated July 1, 2011) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$10,360,723. The covered payroll (annual payroll of active employees covered by the plan) was \$4,136,087. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 250.50%.

***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.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

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

*Actuarial Methods and Assumptions, continued*

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

Valuation date	July 1, 2011
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Amortization period	closed-basis
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

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

	<u>2013</u>	<u>As Restated 2012</u>
Net investment in capital assets:		
Capital assets, net	\$ 114,435,165	113,782,880
Bonds payable, current	(1,040,000)	(1,005,000)
Bonds payable, non-current	<u>(26,150,000)</u>	<u>(27,190,000)</u>
Total net investment in capital assets	<u>\$ 87,245,165</u>	<u>85,587,880</u>

**(14) Restricted Net Position**

	<u>2013</u>	<u>As Restated 2012</u>
Restricted for capital projects:		
Restricted – cash and cash equivalents	\$ 5,083,456	5,081,814
Restricted – assessment receivable	151,314	185,269
Accrued interest payable	(2,904)	(3,502)
Bonds payable, current	(35,000)	(35,000)
Bonds payable, non-current	<u>(135,000)</u>	<u>(170,000)</u>
Total restricted for capital projects	<u>5,061,866</u>	<u>5,058,581</u>
Restricted for debt service:		
Restricted – cash and cash equivalents	<u>56,750</u>	<u>55,093</u>
Total restricted for debt service	<u>56,750</u>	<u>55,093</u>
Total restricted net position	<u>\$ 5,118,616</u>	<u>5,113,674</u>

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**(15) Unrestricted Net Position**

	<b>2013</b>	<b>As Restated 2012</b>
Unrestricted net position:		
Non-spendable net position:		
Materials and supplies inventory	\$ 260,150	234,092
Prepaid water	316,612	173,577
Prepaid expenses and other deposits	362,827	348,568
Deferred charges, net	-	581,874
Subtotal non-spendable net position	939,589	1,338,111
Deferred outflows of resources, net	250,517	263,531
Total non-spendable net position	1,190,106	1,601,642
Spendable net assets are designated as follows:		
Unrestricted	9,918,318	7,851,201
Total spendable net position	9,918,318	7,851,201
Total unrestricted net position	\$ 11,108,424	9,452,843

**(16) Adjustment to Net Position**

***Capital Assets –Coyote Canyon Tract Construction***

In fiscal year 2012, the District determined that several projects relating to a developer project titled Coyote Canyon Tract development should have been capitalized in the prior year. As a result, developer contributed assets amounting to \$2,763,908 were not recorded on the Districts books. Therefore, the District has recorded a prior period adjustment to net position in the amount of \$2,763,908 at June 30, 2011.

Previously recorded net position of \$97,390,489 and \$90,218,813 has been adjusted to \$100,154,397 and \$92,982,721 as of June 30, 2012 and 2011, respectively. The effect of this adjustment is summarized in the following table:

The adjustment to net position is as follows:

Net position at July 1, 2010, as previously stated	\$ 94,193,233
Effect of adjustment to record capitalized assets	2,763,908
Change in net position at June 30, 2011, as previously stated	(3,974,420)
Net position at June 30, 2011, as restated	92,982,721
Change in net position at June 30, 2012, as previously stated	7,171,676
Net position at June 30, 2012, as restated	\$ 100,154,397

**(17) Expense Reimbursement**

On July 13, 2010, the District entered into an agreement with the City of Rialto (City) in conjunction with the bio-remediation construction project, which included the rehabilitation of the City's wells and infrastructure. As part of the agreement the City was to pay 50% of the shortfall between the anticipated funding and actual costs of the design and construction of the project. During the 2013 fiscal year, the bioproject was completed and the District received the 50% reimbursement from the City in the amount of \$2,000,000.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**(18) 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, 2013, 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 \$2,000,000, combined single limit at \$2,000,000 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.

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, 2013. 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, 2013, 2012, and 2011, respectively.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2013, that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 66***

In March 2012, the GASB issued Statement No. 66 – *Technical Corrections–2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. 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, 2013 and 2012**

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

***Governmental Accounting Standards Board Statement No. 68***

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. 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. 69***

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. 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. 70***

In April 2013, the GASB issued Statement No. 70 – *Accounting and Financial Reporting for Non-exchange Guarantees*. Provisions of this Statement require that governments that extend non-exchange financial guarantees to recognize a liability when qualitative factors and historic data, if any, indicate that it is more likely than not that the government will be required to make a payments on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

**(20) 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 \$1,098,616 in open construction contracts as of June 30, 2013. See the table on the following page.

**West Valley Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**(20) Commitments and Contingencies, continued**

*Construction Contracts, continued*

Open construction contracts include the following:

<u>Project Name</u>	<u>Total Approved Contract</u>	<u>Construction Costs to Date</u>	<u>Balance to Complete</u>
Well 6 and 11 Rehabilitation	\$ 875,235	821,426	53,809
Duncan Canyon Road Interchange	223,381	170,174	53,207
Total	\$ 1,098,616	991,600	107,016

These open construction contracts relate to on-going construction-in-progress as reported in Note 3 on pages 32 and 33 of this report.

*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.

**(21) Subsequent Events**

Events occurring after June 30, 2013, have been evaluated for possible adjustment to the financial statements or disclosure as of December 7, 2013, which is the date the financial statements were available to be issued.



## **Required Supplementary Information**

**West Valley Water District  
Schedule of Funding Status  
For the Fiscal Years Ended June 30, 2013 and 2012**

**1.) Defined Benefit Pension Plan**

**Development of the Actuarial Value of Assets Calculation in a Risk Pool**

The District is part of the CalPERS Miscellaneous 2.0% at 55 yrs. Risk Pool	<u>June 30, 2011</u>	<u>June 30, 2012*</u>	<u>June 30, 2013*</u>
1. Plan's accrued liability	\$ 16,466,169	-	-
2. Plan's side fund	(1,147,891)	-	-
3. Pool's accrued liability	3,619,835,876	-	-
4. Pool's side fund	(115,840,552)	-	-
5. Pool's actuarial value of assets (AVA) including receivables	3,203,214,899	-	-
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	14,003,368	-	-
7. Pool's market value of assets (MVA) including receivables	2,867,303,802	-	-
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	12,534,879	-	-

\* CalPERS has not provided the information for these periods as of the date of the audit report.

**Funding History**

The Funding History below shows the actuarial accrued liability, the actuarial value of assets, the market value of assets, funded ratios, and the annual covered payroll. The actuarial value of assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan in the risk pool.

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Market Value of Assets (MVA) (c)	Funded Ratio		Annual Covered Payroll
				AVA (b/a)	MVA (c/a)	
June 30, 2011	\$ 16,466,169	14,003,368	12,534,879	85.0%	76.1%	\$ 3,499,059
June 30, 2012	*	-	-	0.00%	0.00%	-
June 30, 2013	*	-	-	0.00%	0.00%	-

\* CalPERS has not provided the information for these periods as of the date of the audit report.

**2.) Other Post-Employment Benefits Payable**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	-	10,360,723	10,360,723	0.00%	\$ 4,136,087	250.50%
7/1/2008	-	7,369,854	7,369,854	0.00%	3,334,696	221.01%

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2014 based on the year ending June 30, 2013.

## **Supplemental Information Section**



**West Valley Water District**  
**Combining Schedule of Net Position**  
**June 30, 2013**

	<u>Water District</u>	<u>Assessment District 97-1</u>	<u>Total</u>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 7,751,060	-	7,751,060
Restricted cash and cash equivalents	5,005,116	78,340	5,083,456
Accrued interest receivable	3,154	-	3,154
Accrued interest – restricted	2,348	-	2,348
Accounts receivable – water sales and services	1,692,074	-	1,692,074
Property taxes receivable	5,152	-	5,152
Restricted – assessments receivable	-	151,314	151,314
Accounts receivable – redevelopment pass-through	41,081	-	41,081
Due from other governments	1,641,113	-	1,641,113
Materials and supplies inventory	260,150	-	260,150
Prepaid water	316,612	-	316,612
Prepaid expenses and other deposits	362,827	-	362,827
Total current assets	<u>17,080,687</u>	<u>229,654</u>	<u>17,310,341</u>
<b>Non-current assets:</b>			
Investments	7,532,159	-	7,532,159
Water stock – Fontana Union Water Company	1,307	-	1,307
Tax increment pass-through receivable	657,305	-	657,305
Capital assets, net	114,435,165	-	114,435,165
Water participation rights, net	9,002,807	-	9,002,807
Total non-current assets	<u>131,628,743</u>	<u>-</u>	<u>131,628,743</u>
<b>Total assets</b>	<u>148,709,430</u>	<u>229,654</u>	<u>148,939,084</u>
<b>Deferred outflows of resources:</b>			
Discount on revenue bonds, net	250,517	-	250,517
<b>Current liabilities – payable from unrestricted current assets:</b>			
Accounts payable and accrued expenses	1,111,522	-	1,111,522
Accrued wages and related payables	110,797	-	110,797
Pass-through utility user taxes payable	37,021	-	37,021
Customer deposits	1,228,138	-	1,228,138
Construction advances and deposits	761,274	-	761,274
Accrued interest payable	288,307	2,904	291,211
Long-term liabilities – due in less than one year:			
Compensated absences – current portion	228,805	-	228,805
Pension related debt – current portion	97,804	-	97,804
Contract payable – current portion	321,529	-	321,529
Bonds payable – current portion	1,000,000	35,000	1,035,000
Total current liabilities	<u>5,185,197</u>	<u>37,904</u>	<u>5,223,101</u>
<b>Non-current liabilities:</b>			
Unearned revenue – tax increment pass-through	657,305	-	657,305
Long-term liabilities – due in more than one year:			
Compensated absences	279,651	-	279,651
Other post employment benefits payable	3,830,499	-	3,830,499
Pension related debt	890,562	-	890,562
Contract payable	8,681,278	-	8,681,278
Bonds payable	26,020,000	135,000	26,155,000
Total non-current liabilities	<u>40,359,295</u>	<u>135,000</u>	<u>40,494,295</u>
<b>Total liabilities</b>	<u>45,544,492</u>	<u>172,904</u>	<u>45,717,396</u>
<b>Net position:</b>			
Invested in capital assets, net of related debt	87,245,165	-	87,245,165
Restricted for capital projects	5,061,866	-	5,061,866
Restricted for debt service	-	56,750	56,750
Unrestricted	11,108,424	-	11,108,424
<b>Total net position</b>	<u>\$ 103,415,455</u>	<u>56,750</u>	<u>103,472,205</u>

**West Valley Water District**  
**Combining Schedule of Net Position**  
**June 30, 2012**

	<u>As Restated Water District</u>	<u>Assessment District 97-1</u>	<u>As Restated Total</u>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 6,376,561	-	6,376,561
Restricted cash and cash equivalents	5,003,488	78,326	5,081,814
Accrued interest receivable	4,238	-	4,238
Accrued interest – restricted	3,330	-	3,330
Accounts receivable – water sales and services	1,408,258	-	1,408,258
Property taxes receivable	14,595	-	14,595
Restricted – assessments receivable	-	185,269	185,269
Accounts receivable – grants	4,450,705	-	4,450,705
Accounts receivable – redevelopment pass-through	166,669	-	166,669
Materials and supplies inventory	234,092	-	234,092
Prepaid water	173,577	-	173,577
Prepaid expenses and other deposits	348,568	-	348,568
Total current assets	<u>18,184,081</u>	<u>263,595</u>	<u>18,447,676</u>
<b>Non-current assets:</b>			
Investments	4,523,757	-	4,523,757
Water stock – Fontana Union Water Company	1,307	-	1,307
Tax increment pass-through receivable	698,387	-	698,387
Capital assets, net	113,782,880	-	113,782,880
Water participation rights, net	9,324,336	-	9,324,336
Deferred charges, net	581,874	-	581,874
Total non-current assets	<u>128,912,541</u>	<u>-</u>	<u>128,912,541</u>
<b>Total assets</b>	<u>147,096,622</u>	<u>263,595</u>	<u>147,360,217</u>
<b>Deferred outflows of resources:</b>			
Discount on revenue bonds, net	263,531	-	263,531
<b>Current liabilities – payable from unrestricted current assets:</b>			
Accounts payable and accrued expenses	2,606,307	-	2,606,307
Accrued wages and related payables	105,261	-	105,261
Pass-through utility user taxes payable	33,743	-	33,743
Customer deposits	1,130,983	-	1,130,983
Construction advances and deposits	633,295	-	633,295
Accrued interest payable	298,007	3,502	301,509
Long-term liabilities – due in less than one year:			
Compensated absences	230,316	-	230,316
Pension related debt – current portion	86,472	-	86,472
Contract payable – current portion	321,529	-	321,529
Bonds payable – current portion	970,000	35,000	1,005,000
Total current liabilities	<u>6,415,913</u>	<u>38,502</u>	<u>6,454,415</u>
<b>Non-current liabilities:</b>			
Deferred revenue – tax increment pass-through	698,387	-	698,387
Long-term liabilities – due in more than one year:			
Compensated absences	281,497	-	281,497
Other post employment benefits payable	2,853,879	-	2,853,879
Pension related debt	988,366	-	988,366
Contract payable	9,002,807	-	9,002,807
Bonds payable	27,020,000	170,000	27,190,000
Total non-current liabilities	<u>40,844,936</u>	<u>170,000</u>	<u>41,014,936</u>
<b>Total liabilities</b>	<u>47,260,849</u>	<u>208,502</u>	<u>47,469,351</u>
<b>Net position:</b>			
Invested in capital assets, net of related debt	85,587,880	-	85,587,880
Restricted for capital projects	5,058,581	-	5,058,581
Restricted for debt service	-	55,093	55,093
Unrestricted	9,452,843	-	9,452,843
<b>Total net position</b>	<u>\$ 100,099,304</u>	<u>55,093</u>	<u>100,154,397</u>

**West Valley Water District**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Water District</u>	<u>Assessment District 97-1</u>	<u>Total</u>
<b>Operating revenues:</b>			
Water consumption sales	\$ 13,051,850	-	13,051,850
Water service charges	4,398,803	-	4,398,803
Other operating income	1,423,498	-	1,423,498
Total operating revenues	<u>18,874,151</u>	<u>-</u>	<u>18,874,151</u>
<b>Operating expenses:</b>			
Source of supply	698,507	-	698,507
Pumping	4,288,300	-	4,288,300
Water treatment	1,338,521	-	1,338,521
Transmission and distribution	1,401,938	-	1,401,938
Customer accounts	1,977,941	-	1,977,941
Conservation	199,973	-	199,973
Bioremediation	738,099	-	738,099
General and administrative	5,088,431	-	5,088,431
Total operating expenses	<u>15,731,710</u>	<u>-</u>	<u>15,731,710</u>
Operating loss before depreciation and amortization	3,142,441	-	3,142,441
Depreciation expense	(6,412,800)	-	(6,412,800)
Amortization of water participation rights	(321,529)	-	(321,529)
<b>Operating loss</b>	<u>(3,591,888)</u>	<u>-</u>	<u>(3,591,888)</u>
<b>Non-operating revenue(expense)</b>			
Property taxes	1,760,434	-	1,760,434
Interest and investment earnings	36,927	11,244	48,171
Rental income – cellular antennas	35,663	-	35,663
Interest expense – long-term debt	(1,237,608)	(9,306)	(1,246,914)
Amortization of deferred charges	(601,613)	-	(601,613)
Expense reimbursement	2,000,000	-	2,000,000
Other non-operating revenues/(expenses), net	56,019	(281)	55,738
Total non-operating revenues/(expenses), net	<u>2,049,822</u>	<u>1,657</u>	<u>2,051,479</u>
<b>Net loss before capital contributions</b>	<u>(1,542,066)</u>	<u>1,657</u>	<u>(1,540,409)</u>
<b>Capital contributions:</b>			
Bioremediation	3,211,532	-	3,211,532
Developer contributions	463,489	-	463,489
Facility charges	1,183,196	-	1,183,196
<b>Capital contributions</b>	<u>4,858,217</u>	<u>-</u>	<u>4,858,217</u>
<b>Change in net position</b>	<u>3,316,151</u>	<u>1,657</u>	<u>3,317,808</u>
<b>Net position – beginning of year</b>	<u>100,099,304</u>	<u>55,093</u>	<u>100,154,397</u>
<b>Net position – end of year</b>	<u>\$ 103,415,455</u>	<u>56,750</u>	<u>103,472,205</u>

**West Valley Water District**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2012**

	<u>As Restated Water District</u>	<u>Assessment District 97-1</u>	<u>As Restated Total</u>
<b>Operating revenues:</b>			
Water consumption sales	\$ 11,019,032	-	11,019,032
Water service charges	3,855,757	-	3,855,757
Other operating income	726,649	-	726,649
<b>Total operating revenues</b>	<u>15,601,438</u>	<u>-</u>	<u>15,601,438</u>
<b>Operating expenses:</b>			
Source of supply	759,898	-	759,898
Pumping	3,624,258	-	3,624,258
Water treatment	1,388,672	-	1,388,672
Transmission and distribution	1,500,136	-	1,500,136
Customer accounts	2,032,390	-	2,032,390
Conservation	183,840	-	183,840
General and administrative	4,657,316	-	4,657,316
<b>Total operating expenses</b>	<u>14,146,510</u>	<u>-</u>	<u>14,146,510</u>
Operating loss before depreciation and amortization	1,454,928	-	1,454,928
Depreciation expense	(6,429,819)	-	(6,429,819)
Amortization of water participation rights	(321,529)	-	(321,529)
<b>Operating loss</b>	<u>(5,296,420)</u>	<u>-</u>	<u>(5,296,420)</u>
<b>Non-operating revenue(expense)</b>			
Property taxes	1,422,629	-	1,422,629
Interest and investment earnings	48,926	11,329	60,255
Rental income – cellular antennas	27,714	-	27,714
Gain on sale/disposition of capital assets	16,171	-	16,171
Interest expense – long-term debt	(1,284,504)	(10,762)	(1,295,266)
Amortization of deferred charges	(48,474)	-	(48,474)
Other non-operating revenues/(expenses), net	(144,985)	(1,578)	(146,563)
<b>Total non-operating revenues/(expenses), net</b>	<u>37,477</u>	<u>(1,011)</u>	<u>36,466</u>
<b>Net loss before capital contributions</b>	<u>(5,258,943)</u>	<u>(1,011)</u>	<u>(5,259,954)</u>
<b>Capital contributions:</b>			
Bioremediation	8,476,271	-	8,476,271
Developer contributions	3,009,147	-	3,009,147
Facility charges	566,910	-	566,910
Capital grants	379,302	-	379,302
<b>Capital contributions</b>	<u>12,431,630</u>	<u>-</u>	<u>12,431,630</u>
<b>Change in net position</b>	<u>7,172,687</u>	<u>(1,011)</u>	<u>7,171,676</u>
<b>Net position – beginning of year</b>	<u>92,926,617</u>	<u>56,104</u>	<u>92,982,721</u>
<b>Net position – end of year</b>	<u>\$ 100,099,304</u>	<u>55,093</u>	<u>100,154,397</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.

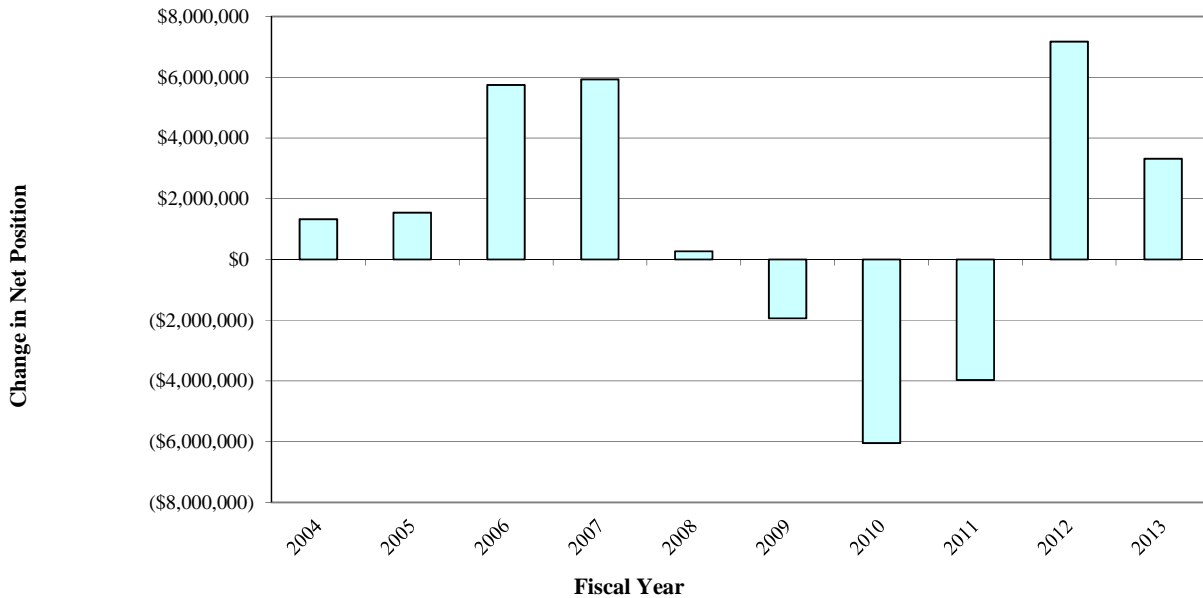
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	<b><u>Page No.</u></b>
Financial Trends These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	52-56
Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	57-60
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.	61-62
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	63
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.	64

**West Valley Water District**  
**Changes in Net Position and Net Position by Component**  
**Last Ten Fiscal Years**

**Schedule 1**

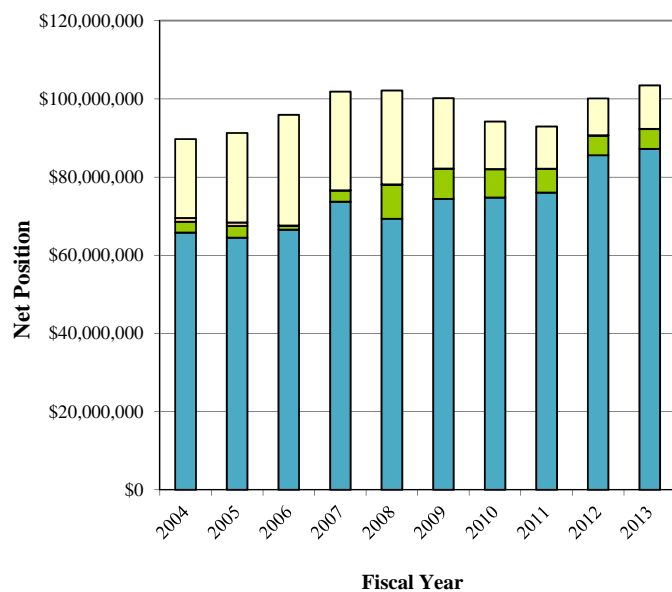
	Fiscal Year				
	2004	2005	2006	2007	2008
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 9,138,732	9,063,714	9,585,883	12,649,898	11,952,084
Operating expenses (see Schedule 3)	(8,817,095)	(8,974,988)	(9,876,734)	(11,769,102)	(13,143,682)
Depreciation and amortization	(2,396,421)	(2,497,821)	(2,673,162)	(2,884,865)	(3,124,657)
<b>Operating income(loss)</b>	<b>(2,074,784)</b>	<b>(2,409,095)</b>	<b>(2,964,013)</b>	<b>(2,004,069)</b>	<b>(4,316,255)</b>
Non-operating revenues(expenses)					
Property taxes	752,990	240,769	341,795	1,056,260	1,218,693
Interest and investment earnings	328,479	667,665	1,020,033	1,377,234	1,349,096
Rental income – cellular antennas	23,654	24,127	25,683	25,923	24,629
Intergovernmental revenue	643,834	526,853	-	-	-
Gain/(loss) on sale/disposition of capital assets	(168,303)	7,499	(6,920)	1,350	-
Expense reimbursement	-	-	-	-	-
Interest expense – long term debt	(144,414)	(813,363)	(765,948)	(1,800,506)	(1,358,255)
Pension related debt	-	-	-	-	-
Bond issuance costs	(10,392)	(23,155)	-	-	-
Amortization of deferred charges	-	-	(22,848)	(36,356)	(48,474)
Other non-operating revenues/(expenses), net	570,068	581,959	850,206	679,361	1,066,092
<b>Total non-operating revenues(expenses), net</b>	<b>1,995,916</b>	<b>1,212,354</b>	<b>1,442,001</b>	<b>1,303,266</b>	<b>2,251,781</b>
<b>Net income (loss) before capital contributions</b>	<b>(78,868)</b>	<b>(1,196,741)</b>	<b>(1,522,012)</b>	<b>(700,803)</b>	<b>(2,064,474)</b>
Capital contributions	1,405,698	2,735,870	7,270,164	6,628,672	2,331,245
<b>Changes in net position</b>	<b>\$ 1,326,830</b>	<b>1,539,129</b>	<b>5,748,152</b>	<b>5,927,869</b>	<b>266,771</b>
Net position by component:					
Net investment in capital assets	\$ 65,808,259	64,480,077	66,529,993	73,722,823	69,334,292
Restricted for capital projects	2,737,773	3,045,298	1,005,144	2,842,857	8,756,776
Restricted for debt service	-	-	68,148	68,908	69,100
Restricted for perchlorate treatment	1,004,379	877,973	-	-	-
Unrestricted	20,184,015	22,870,207	28,333,108	25,229,674	23,970,865
<b>Total net position</b>	<b>\$ 89,734,426</b>	<b>91,273,555</b>	<b>95,936,393</b>	<b>101,864,262</b>	<b>102,131,033</b>



Source: West Valley Water District Accounting Department

## Schedule 1

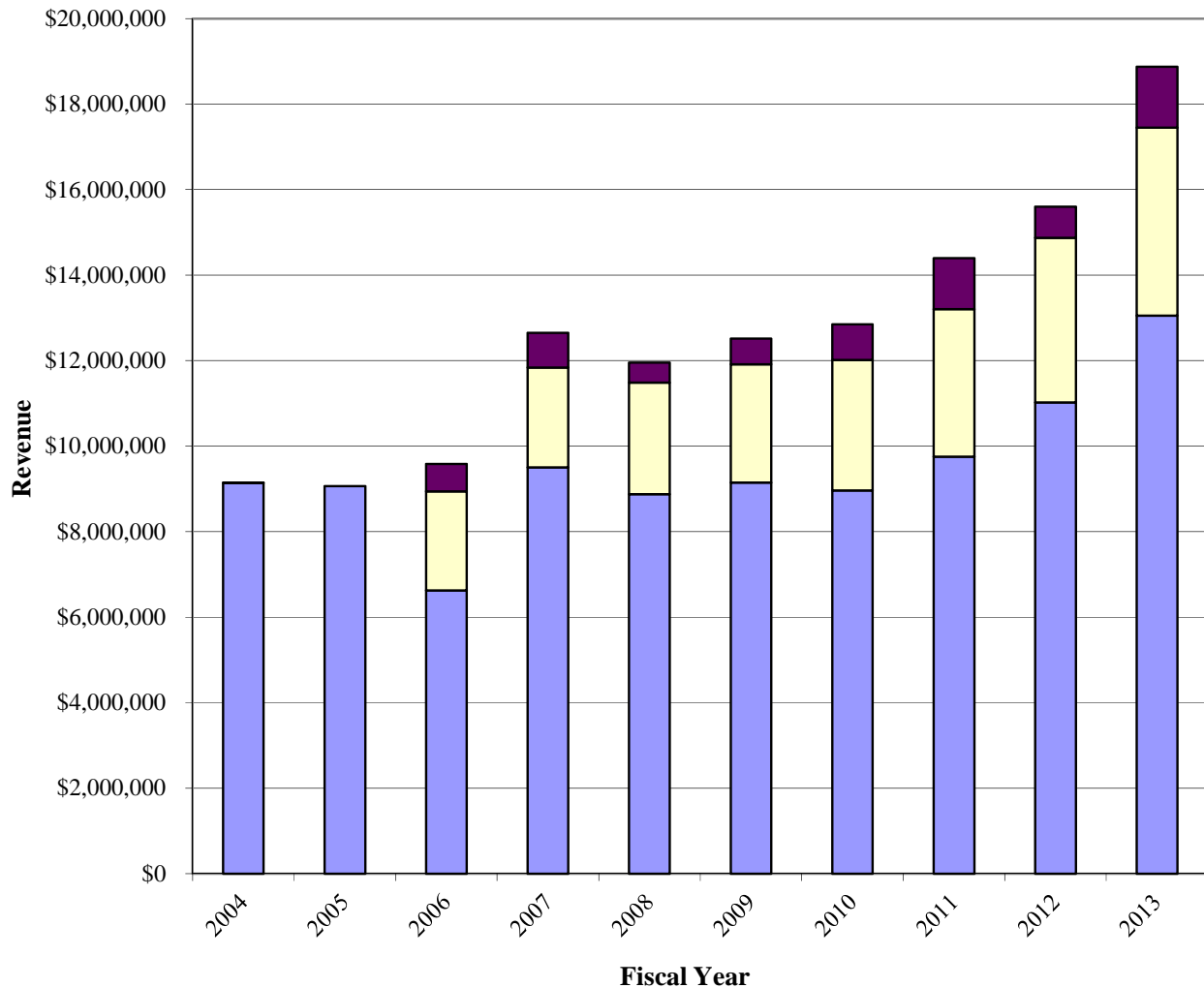
Fiscal Year				
2009	2010	As Restated 2011	As Restated 2012	2013
12,516,368	12,847,976	14,396,755	15,601,438	18,874,151
(14,239,766)	(15,076,628)	(15,152,541)	(14,146,510)	(15,731,710)
<u>(3,435,901)</u>	<u>(5,931,124)</u>	<u>(7,183,269)</u>	<u>(6,751,348)</u>	<u>(6,734,329)</u>
<u>(5,159,299)</u>	<u>(8,159,776)</u>	<u>(7,939,055)</u>	<u>(5,296,420)</u>	<u>(3,591,888)</u>
1,368,431	1,160,572	1,268,513	1,422,629	1,760,434
367,362	92,589	87,581	60,255	48,171
26,116	41,767	42,393	27,714	35,663
-	-	-	-	-
18,486	(15,414)	3,137	16,171	-
-	-	-	-	2,000,000
(1,323,745)	(1,289,174)	(1,339,178)	(1,295,266)	(1,246,914)
(1,264,902)	-	-	-	-
-	-	-	-	-
(48,474)	(48,474)	(48,474)	(48,474)	(601,613)
<u>841,471</u>	<u>(505,204)</u>	<u>56,826</u>	<u>(146,563)</u>	<u>55,738</u>
<u>(15,255)</u>	<u>(563,338)</u>	<u>70,798</u>	<u>36,466</u>	<u>2,051,479</u>
(5,174,554)	(8,723,114)	(7,868,257)	(5,259,954)	(1,540,409)
<u>3,233,296</u>	<u>2,672,626</u>	<u>3,893,837</u>	<u>12,431,630</u>	<u>4,858,217</u>
<u>(1,941,258)</u>	<u>(6,050,488)</u>	<u>(3,974,420)</u>	<u>7,171,676</u>	<u>3,317,808</u>
74,414,772	74,814,533	76,040,629	85,587,880	87,245,165
7,741,740	7,177,336	6,061,134	5,058,581	5,061,866
57,555	55,816	56,104	55,093	56,750
-	-	-	-	-
<u>17,975,708</u>	<u>12,145,548</u>	<u>10,824,854</u>	<u>9,452,843</u>	<u>11,108,424</u>
<u>100,189,775</u>	<u>94,193,233</u>	<u>92,982,721</u>	<u>100,154,397</u>	<u>103,472,205</u>



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

**Schedule 2**

Fiscal Year	Water Consumption Sales	Water Service Charges	Other Operating Income	Total Operating Revenue
2004	\$ 9,138,732	-	-	9,138,732 (1)
2005	9,063,714	-	-	9,063,714
2006	6,625,716	2,319,087	641,080	9,585,883 (1)
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
2012	11,019,032	3,855,757	726,649	15,601,438
2013	13,051,850	4,398,803	1,423,498	18,874,151



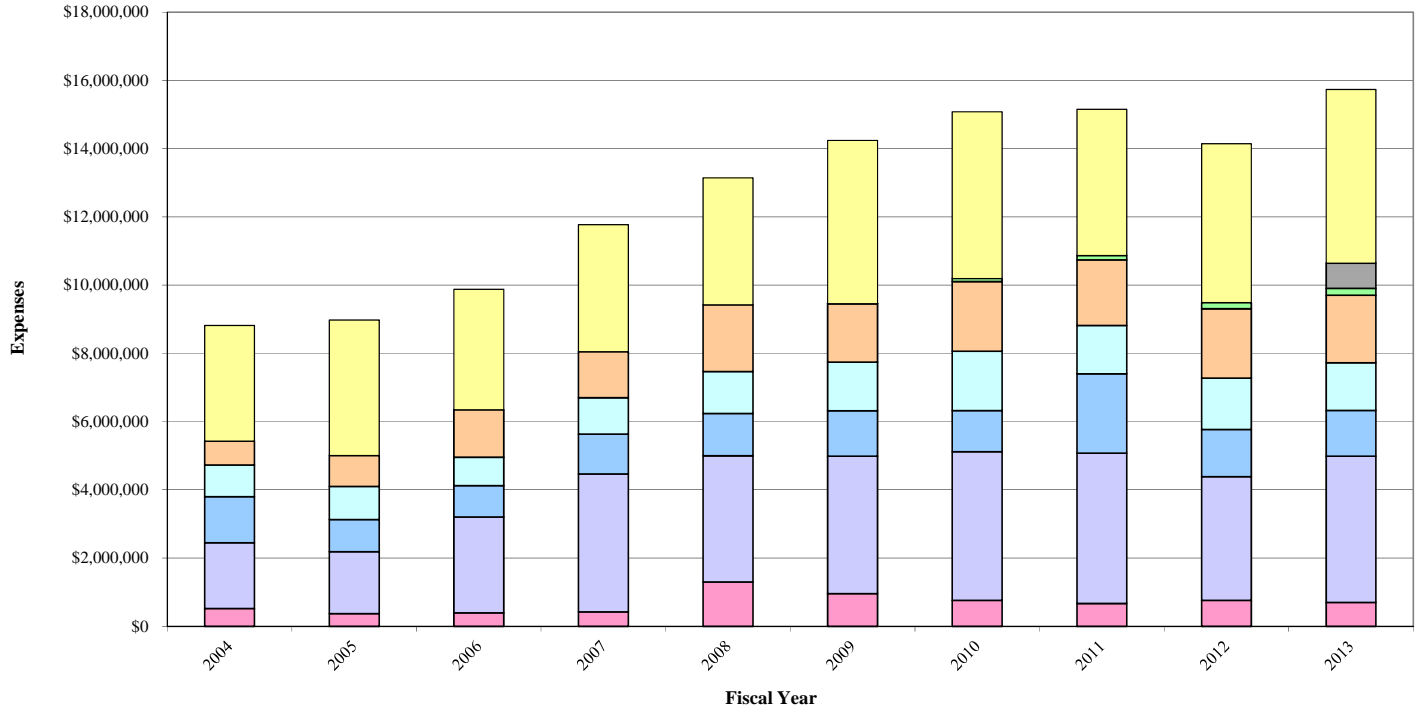
**Notes:** (1) Operating revenues were recategorized in 2004 and 2006

**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	Bioremediation	General and Administrative	Total Operating Expenses
2004	\$ 520,142	1,929,719	1,348,882	931,344	701,892	-	-	3,385,116	7,847,547
2005	372,775	1,812,789	944,710	967,617	902,660	-	-	3,974,437	8,817,095
2006	392,681	2,812,655	919,408	831,875	1,389,227	-	-	3,530,888	8,974,988
2007	426,103	4,036,380	1,172,713	1,061,602	1,354,056	-	-	3,718,248	9,876,734
2008	1,300,832	3,696,297	1,242,661	1,225,763	1,956,901	-	-	3,721,228	11,769,102
2009	956,940	4,030,155	1,326,083	1,426,379	1,716,249	228	-	4,783,732	13,143,682
2010	760,170	4,356,011	1,204,436	1,740,459	2,043,316	90,123	-	4,882,113	14,239,766
2011	671,055	4,401,510	2,325,866	1,417,810	1,923,981	122,064	-	4,290,255	15,076,628
2012	759,898	3,624,258	1,388,672	1,500,136	2,032,390	183,840	-	4,657,316	14,146,510
2013	698,507	4,288,300	1,338,521	1,401,938	1,977,941	199,973	738,099	5,088,431	15,731,710

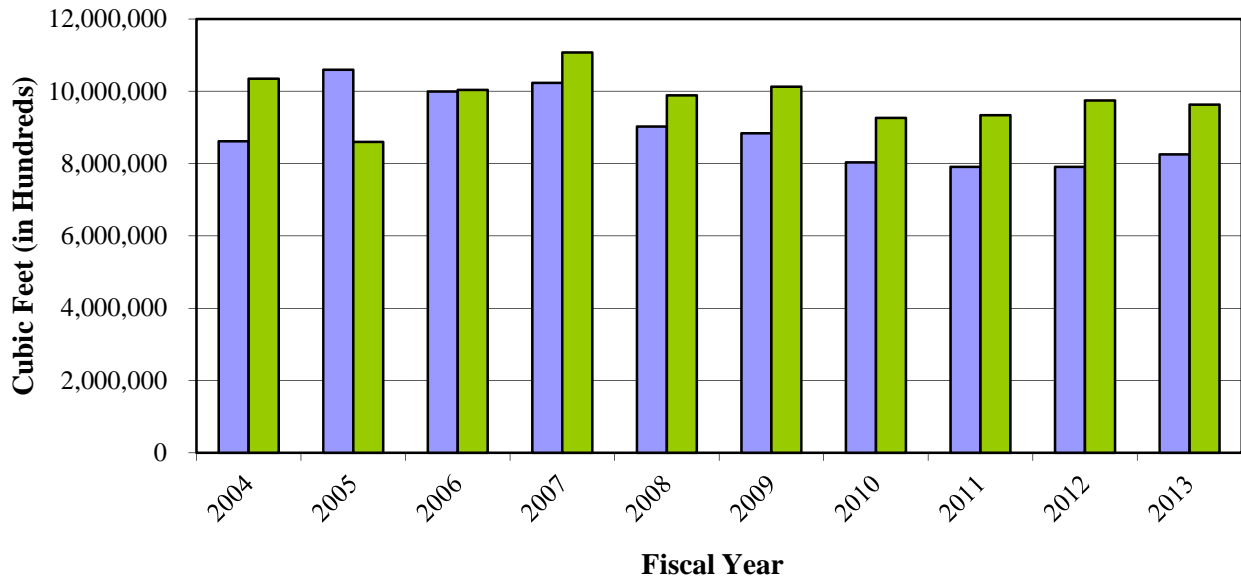


Source: West Valley Water District Accounting Department

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

**Schedule 4**

<b>Fiscal Year</b>	<b>Water Sales (HCF)</b>	<b>Water Produced (HCF)</b>
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
2012	7,912,309	9,742,948
2013	8,250,812	9,629,632



**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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fire	0.80	0.80	46.00	50.00	50.00	55.00	60.50	67.00	74.00	n/a
Tier 1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	80.00
Tier 2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	87.50
Tier 3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	95.00
Golf Course	0.50	0.50	0.50	0.66	0.66	0.70	0.77	0.85	0.94	By contract
Hydrant	1.15	1.30	1.50	1.63	1.63	1.80	1.98	2.18	2.40	2.76
Irrigation:										
Demand	0.40	0.40	0.40	0.50	0.50	0.55	0.61	0.68	0.75	By contract
Gravity Flow	0.40	0.40	0.40	0.50	0.50	0.55	0.61	0.68	0.75	By contract
Pressure	0.57	0.57	0.57	0.72	0.72	0.80	0.88	0.97	1.07	By contract
Water	0.80	0.80	0.80	1.00	1.00	1.10	1.21	1.34	1.48	n/a
Tier 1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.60
Tier 2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.75
Tier 3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.90

**Connection Fees Per Month**

Meter Size	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Fire</b>										
5/8" & 3/4"	\$ 4.50	5.00	5.00	6.25	6.25	6.88	7.57	8.33	9.17	10.54
1"	4.50	5.00	5.00	6.25	6.25	6.88	7.57	8.33	9.17	10.54
1 1/2"	6.75	7.50	7.50	9.38	9.38	10.32	11.36	12.50	13.76	15.81
2"	9.00	10.00	10.00	12.50	12.50	13.76	15.14	16.66	18.34	21.08
3"	9.00	15.00	15.00	18.75	18.75	20.64	22.71	24.99	27.51	31.62
4"	18.00	20.00	20.00	25.00	25.00	27.52	30.28	33.32	36.68	42.16
6"	27.00	30.00	30.00	37.50	37.50	41.28	45.42	49.98	55.02	63.24
8"	36.00	40.00	40.00	50.00	50.00	55.04	60.56	66.64	73.36	84.32
<b>Golf Course</b>										
All Sizes	\$ 31.50	31.50	34.75	39.38	39.38	43.32	47.66	52.43	57.68	By contract
<b>Hydrant</b>										
All Sizes	\$ 31.50	34.75	34.75	43.45	43.45	47.80	52.58	57.84	63.63	73.17
<b>Irrigation</b>										
All Sizes:										
Demand	\$ 31.50	31.50	34.75	39.38	39.38	43.32	47.66	52.43	57.68	By contract
Gravity Flow	31.50	31.50	34.75	39.38	39.38	43.32	47.66	52.43	57.68	By contract
Pressure	31.50	31.50	34.75	39.38	39.38	43.32	47.66	52.43	57.68	By contract
<b>Water</b>										
5/8" & 3/4"	\$ 7.96	7.96	7.96	9.96	9.96	10.96	12.06	13.27	14.60	16.79
1"	11.87	11.87	11.87	14.84	14.84	16.33	17.97	19.77	21.75	25.01
1 1/2"	17.51	17.51	17.51	21.90	21.90	24.09	26.50	29.15	32.07	36.88
2"	24.12	24.12	24.12	30.16	30.16	33.18	36.50	40.15	44.17	50.80
3"	35.02	35.02	35.02	43.79	43.79	48.17	52.99	58.29	64.12	73.74
4"	46.17	46.17	46.17	57.71	57.71	63.50	69.85	76.84	84.53	97.21
6"	70.05	70.05	70.05	87.56	87.56	96.33	105.97	116.57	128.23	147.46
8"	93.92	93.92	93.92	117.40	117.40	129.16	142.08	156.29	171.92	197.71

**General Notes:**

Note 1: Fire Service rate was the same as regular Water Service until 2006, at which point it became 50 times the water rate.

Note 2: Out of District rates for Irrigation Service are double the In-District rates.

Note 3: Out of District rates for Water Service are one and a half times the In-District rates.

Note 4: The rates for Golf Course and Irrigation Services are by written agreement between the user and the District.

Note 5: Currently, the rate for the 10 Irrigation accounts are at the same levels as the FY 2012 rates.

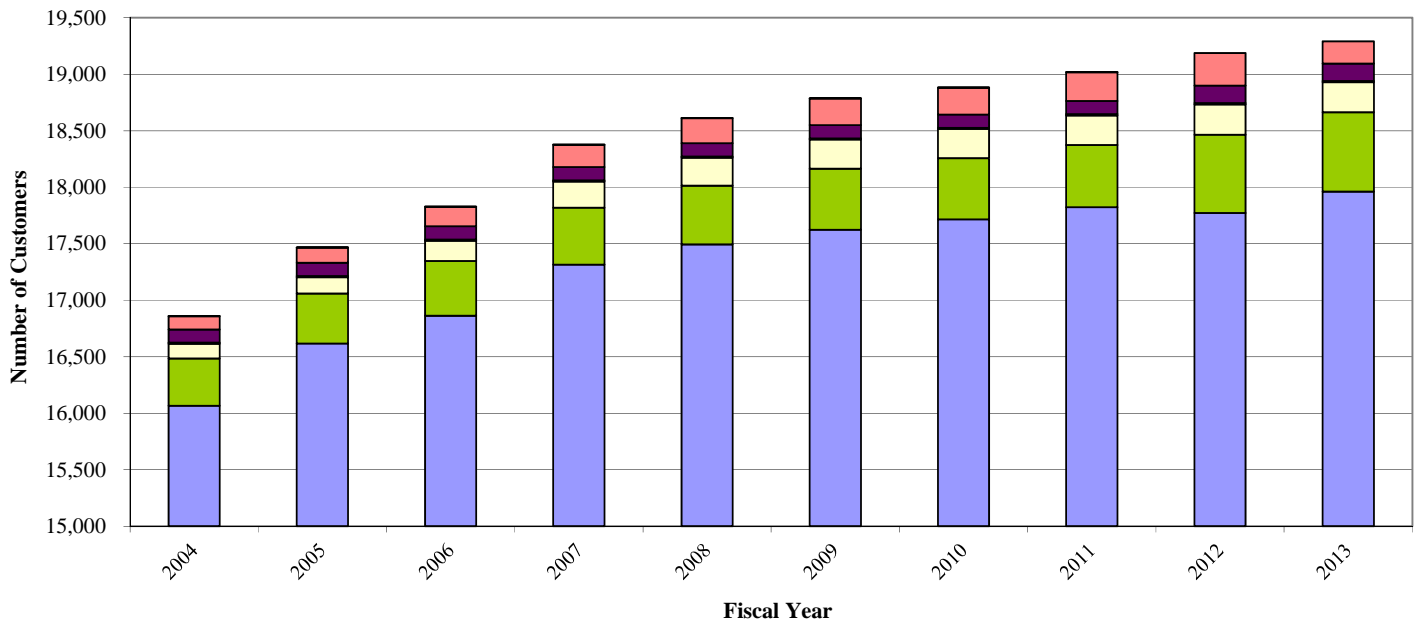
Note 6: There are no active Golf Course accounts.

**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	
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
2012 (1)	17,773	692	267	13	155	287	-	19,187
2013	17,961	703	266	10	155	196	-	19,291



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

(1) As a result of the 2012 rate study, certain accounts were reclassified to other types.

**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>2013</b>		<b>2004</b>	
	<b>Water Consumed</b>	<b>Percentage of Total</b>	<b>Water Consumed</b>	<b>Percentage of Total</b>
Rialto Unified School District	321,170	3.89%	247,879	2.88%
City of Rialto	202,315	2.45%	160,886	1.87%
Robertson's Ready Mix	159,628	1.93%	193,349	2.24%
Colton Joint Unified School District	158,750	1.92%	133,137	1.55%
City of Fontana	126,512	1.53%	163,453	1.90%
Target Corporation	121,502	1.47%	2,149	0.02%
Lennar Homes	103,840	1.26%	-	0.00%
My Montecito III	66,381	0.80%	100,157	1.16%
Burrtec Waste Industries	52,934	0.64%	22,586	0.26%
Aramark Uniform Services	49,100	0.60%	-	0.00%
<b>Total</b>	<b>1,362,132</b>	<b>16.51%</b>	<b>1,023,596</b>	<b>11.88%</b>
<b>Total Water Consumed (HCF)</b>	<b>8,250,812</b>	<b>100.00%</b>	<b>8,615,762</b>	<b>100.00%</b>

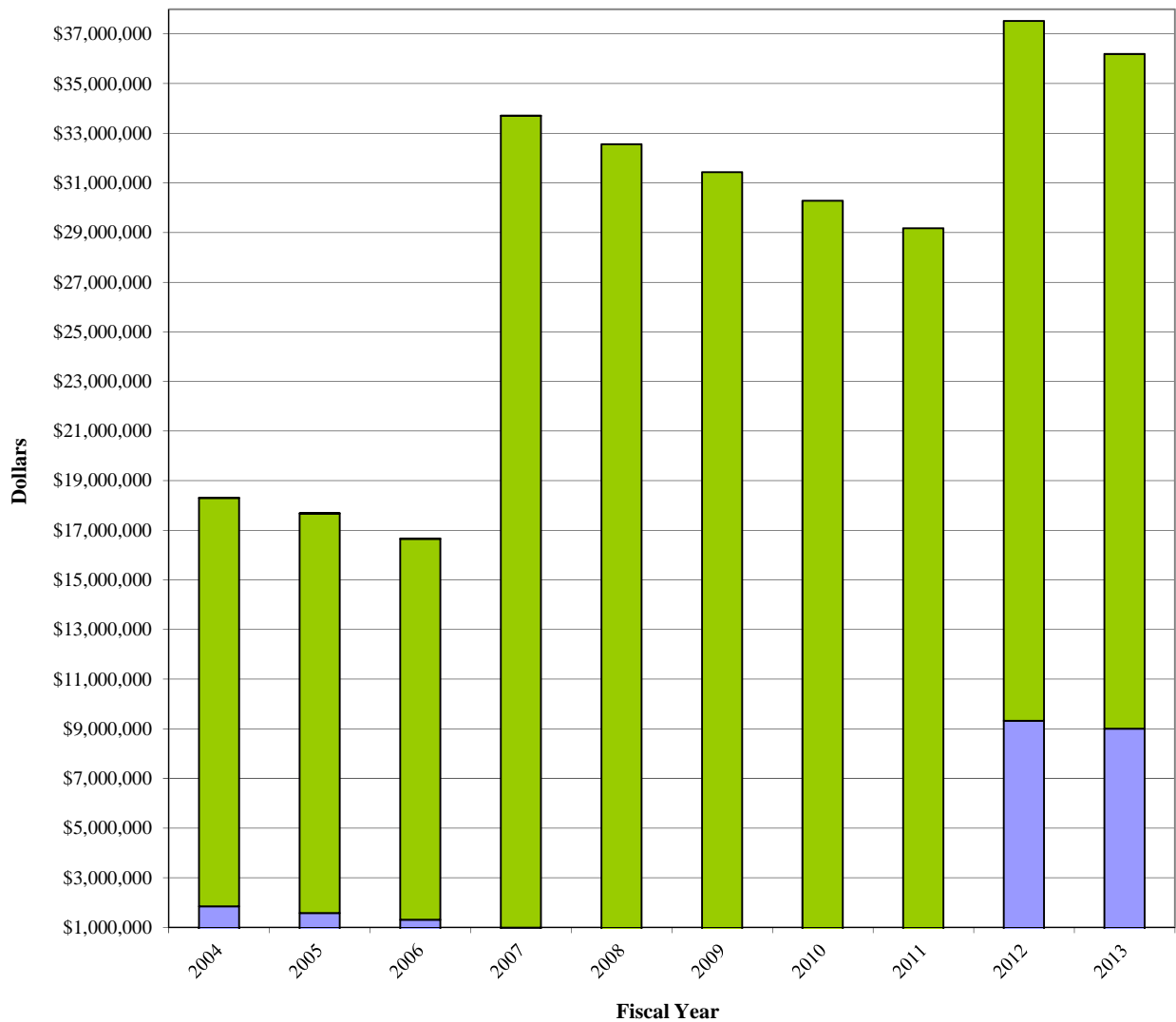
**Source:** West Valley Water District Accounting Department

**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
2004	\$ 1,845,000	16,460,000	7,458	18,312,458	186.24	0.69%
2005	1,575,000	16,100,000	5,436	17,680,436	178.47	0.64%
2006	1,305,000	15,355,000	4,395	16,664,395	168.58	0.58%
2007	990,000	32,710,000	1,143	33,701,143	341.92	1.14%
2008	720,004	31,835,000	-	32,555,004	328.50	1.08%
2009	450,009	30,985,000	-	31,435,009	314.79	1.06%
2010	180,009	30,095,000	-	30,275,009	301.96	1.01%
2011	-	29,170,000	-	29,170,000	290.94	0.93%
2012	9,324,336	28,195,000	-	37,519,336	370.47	1.16%
2013	9,002,807	27,190,000	-	36,192,807	357.37	1.11%

(1)



**Notes:**

(1) 2013 Personal Income per Capita figure (page 63) was not available. Therefore, the 2012 Personal Income per Capita figure (page 63) was used as an calculate the 2013 percentage share of personal income.

**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		
2004	\$ 11,105,087	(8,974,988)	2,130,099	632,022	667,462	894,923	2.95
2005	11,793,832	(9,876,734)	1,917,098	992,107	772,943	1,299,484	1.64
2006	15,788,676	(11,769,102)	4,019,574	648,262	752,131	1,765,050	1.09
2007	15,610,594	(13,143,682)	2,466,912	1,146,143	1,274,061	1,400,393	2.87
2008	15,138,234	(14,239,766)	898,468	1,120,000	1,348,787	2,420,204	1.02
2009	13,622,286	(14,531,043)	(908,757)	1,160,000	1,314,378	2,468,787	0.36
2010	14,142,904	(14,391,194)	(248,290)	1,105,009	1,278,441	2,474,378	(0.37)
2011	15,855,205	(15,843,330)	11,875	1,296,529	1,241,103	2,537,632	0.00
2012	17,128,207	(14,836,728)	2,291,479	1,326,529	1,349,370	2,675,899	0.86
2013	20,718,419	(17,524,499)	3,193,920	1,356,529	1,297,214	2,653,743	1.20

**Notes:**

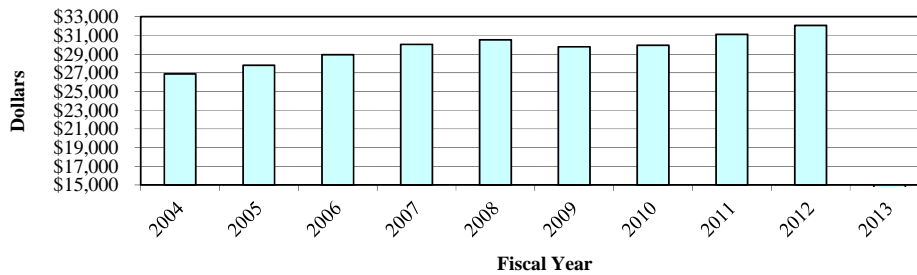
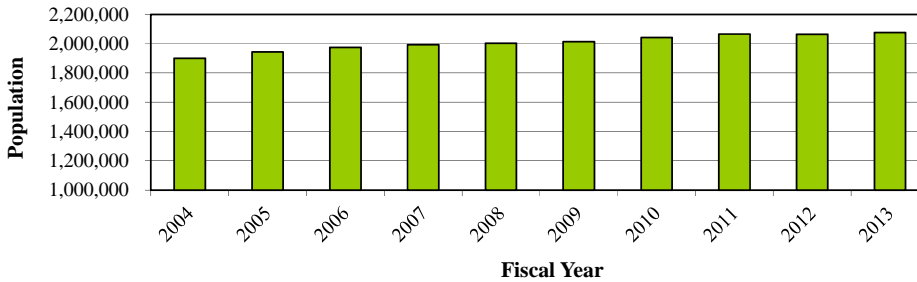
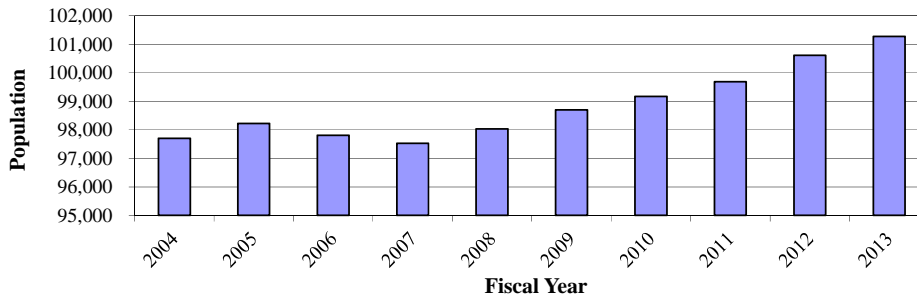
- (1) Operating expenses exclude depreciation expense and other post employment benefit expenses.
- (2) Includes only normal principal payments (does not include payments as a result of refinancing of debt).

**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
2004	7.5%	97,704	5.8%	1,899,689	51,056,694	26,885
2005	6.8%	98,224	5.2%	1,943,934	54,053,306	27,806
2006	6.3%	97,813	4.8%	1,974,140	57,153,907	28,951
2007	7.3%	97,525	5.6%	1,992,161	59,843,375	30,039
2008	10.3%	98,030	7.9%	2,003,735	61,161,307	30,524
2009	16.5%	98,698	13.0%	2,013,960	59,991,663	29,788
2010	18.1%	99,171	14.2%	2,042,027	61,147,087	29,950
2011	16.4%	99,686	12.9%	2,065,377	64,249,589	31,121
2012	14.3%*	100,606	11.1%	2,063,919	66,751,565	32,072
2013	13.3%	101,275	10.4%	2,076,274	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 as of 11/2013

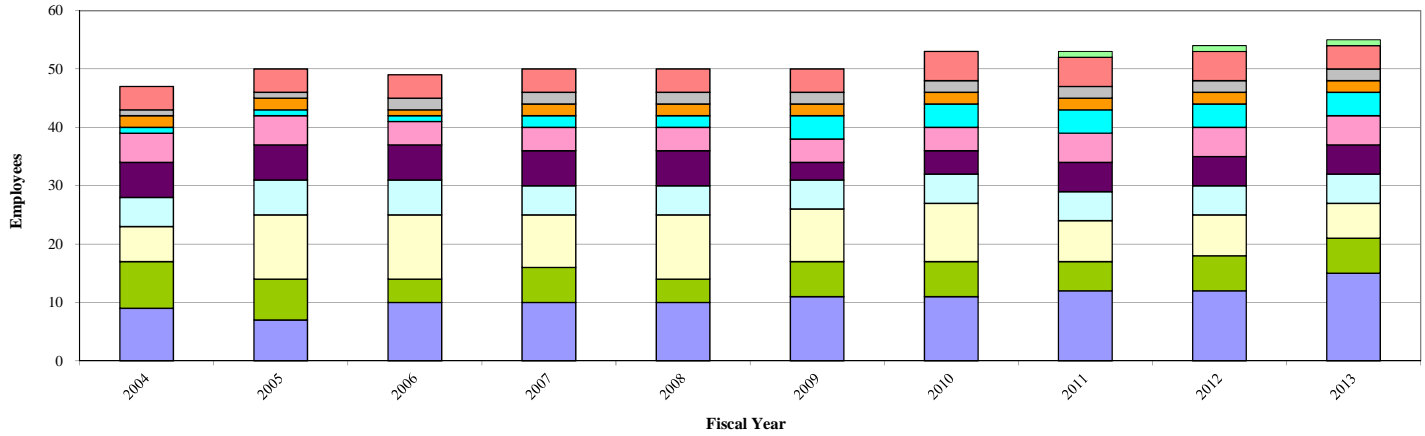
\* Data provided as of 11/2013

# 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	Conservation	Total
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	5	5	5	4	2	2	5	1	53
2012	12	6	7	5	5	5	4	2	2	5	1	54
2013	15	6	6	5	5	5	4	2	2	4	1	55



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
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
2012	31.0	366	26	73.6	17	35.0	2,040
2013	31.0	368	26	73.6	17	35.0	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**





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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Valley Water District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 7, 2013.

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

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

### **Compliance and Other Matters**

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

**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*, continued**

**Purpose of this Report**

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

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

**Charles Z. Fedak & Company, CPAs - An Accountancy Corporation**  
Cypress, California  
December 7, 2013