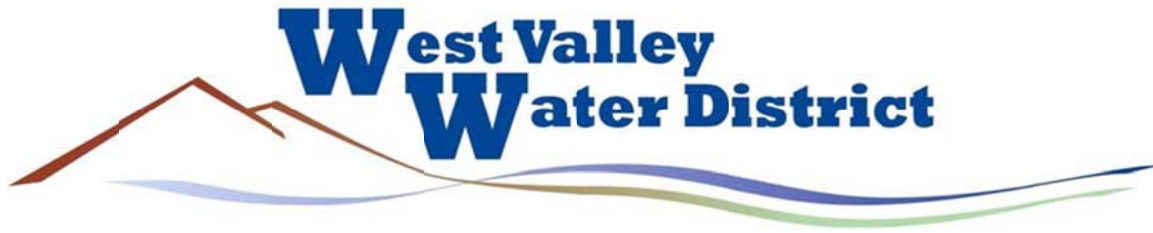




**West Valley Water District
Comprehensive Annual Financial Report
For the Years Ended June 30, 2016 and 2015**





Comprehensive Annual Financial Report
For the Years Ended June 30, 2016 and 2015

WEST VALLEY WATER DISTRICT

855 W. Baseline Road
Rialto, California 92376

Prepared by:

Robert Christman, Interim Chief Financial Officer
West Valley Water District Accounting Department

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”

Board of Directors as of June 30, 2016

<u>Name</u>	<u>Title</u>	<u>Elected / Appointed</u>	<u>Current Term</u>
Dr. Clifford O. Young, Sr.	President	Elected	11/13 - 11/17
Linda Gonzalez	Vice President	Elected	11/13 - 11/17
Alan Dyer	Director	Elected	11/15 - 11/19
Don Olinger	Director	Elected	11/15 - 11/19
Greg Young	Director	Elected	11/15 - 11/19

West Valley Water District
Matthew H. Litchfield, P.E., General Manager
855 W. Baseline Road
Rialto, California 92376
(909) 875-1804 – www.wvwd.org

**West Valley Water District
Comprehensive Annual Financial Report
For the Years Ended June 30, 2016 and 2015**

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INTRODUCTORY SECTION

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December 31, 2016

Board of Directors
West Valley Water District

Introduction

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the West Valley Water District (“District”) for the fiscal year ended June 30, 2016 and 2015, following guidelines set forth by the Governmental Accounting Standards Board (GASB). District staff prepared this financial report and the District is ultimately responsible for both the accuracy of the data as well as the completeness and fairness of the 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 District is an independent special district, which operates under the authority of Division 12 of the California Water Code. Formed in 1952, the District is governed by a five member Board of Directors (“Board”), 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. The District employs approximately 67 regular employees in various functions including operations, maintenance, engineering, finance, customer service/meter reading, human resources, conservation/external affairs, business systems/IT, and administration. The Board 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 20,740 connections within its thirty one (31) square mile service area, located in southwestern San Bernardino County with a small area of northwestern Riverside County. The service area 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.

District Services

Residential customers represent approximately 93% of the District’s customer base and consume approximately 68% of the water produced annually by the District. The District currently has a total of 17 groundwater wells with a maximum production capacity of approximately 24,000 gallons per minute (gpm). The District also operates a surface water treatment plant with a capacity of 14.4 million gallons per day (mgd) and a biological treatment plant for perchlorate destruction with a capacity of 2.9 (mgd).

Economic Condition and Outlook

The District's Office is located in the City of Rialto in San Bernardino County. San Bernardino and Riverside counties (also known as the Inland Empire) have begun to witness increased economic activity from new development as the region continues to recover from the recent recession. 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.

The District has also teamed up with the City of Rialto and is operating a state-approved biological treatment process “bioremediation” 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. The District considers this to be the first major step in a regional undertaking that will ultimately restore the region's groundwater resources.

Ongoing Drought Conditions

On January 17, 2014, Governor Brown declared a state of emergency due to ongoing drought conditions in the state. Since that time, extensions of that state of emergency and a number of executive orders have been issued to govern water use across the state. The West Valley Water District (District) was operating under a 32% conservation standard, which was reduced to 28% in March 2016. On May 9, 2016, Governor Brown issued Executive Order B-37-16, which offered a new process for arriving at water conservation standards that will take into account differing supply and demand conditions across the state. This process allows for self-certification of water supplies and demands, with a specified process for arriving at those calculations. This self-certification review resulted in a net zero conservation standard for the District.

However, as the Governor's Executive Order also called conservation as a way of life for California and as the District depends heavily on groundwater supplies that are replenished by local precipitation, conservation will continue to be key for our region. With this in mind, the District submitted a voluntary 15% reduction in water use to state regulators on June 22, 2016. This approach strikes a balance in providing relief to District customers and also ensuring that our groundwater basins will remain in a healthy condition for years to come.

Major Initiatives

The activities of the Board and staff are driven by our mission statement, “to provide a reliable, safe drinking water supply to meet our customers' present and future needs at an affordable cost and to promote water-use efficiency and conservation”. To that end, the major priorities articulated by the Board at the November 2016 planning seminar include:

1. Continue to deliver safe, reliable, high quality water at an affordable price.
2. Operate at a gold standard level.
3. Nurture a culture that values our employees, customer service, innovation, integrity, excellence, transparency, and conservation.
4. Implement technologies that increase efficiency and enhance safety.
5. Plan and be prepared for anticipated growth in the District.
6. Further refine procedures to ensure the District safeguards ratepayer funds, operates efficiently, enhances transparency, and protects employees and District assets.

All programs and operations of the District are developed and performed at the highest level to ensure that quality water is delivered to all of its customers.

Accomplishments

The District has achieved the following initiatives in fiscal year 2016:

1. For the fifth consecutive year, the District received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the 2015 Comprehensive Annual Financial Report. This award is one of the best practices for local governments seeking to provide greater transparency and ease of understanding in financial reporting.
2. Placed into service the first ever “bioremediation” perchlorate treatment plant that treats perchlorate-contaminated water and delivers directly to the potable water system.
3. Implemented an External Affairs Department to promote and enhance the District’s reputation as a leader in the water industry; increase customer awareness and participation in District initiatives, including conservation rebate programs, capital projects and customer engagement; coordinate District communications; and coordinate state and federal funding and advocacy efforts.
4. Launched a Geotechnical Information Services (GIS) program to provide infrastructure and parcel data in the District’s service area. Informational uses of the GIS program can include the ability to assess site environmental conditions; provide a platform for a work order tracking system, provide detailed information on infrastructure age, size, condition, and location; and groundwater level monitoring, as well as a field staff application for rapid data retrieval.
5. Adopted a purchasing policy and implemented a Purchasing Department to ensure proper procurement processes and procedures are in place, including purchasing limits by staff level in the organization.
6. Received \$300,000 in grant funding from the U.S. Bureau of Reclamation for turf replacement projects in disadvantaged communities.

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 and 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 Board annually adopts an operating and capital budget prior to the new fiscal year beginning July 1st of each 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 has adopted an investment policy that conforms to state law, District ordinances and resolutions, prudent money management principles, and “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

In fiscal year 2014, the District began participating in a program to pre-fund the cost of its post-employment benefits plan through the California Public Employees Retirement System (CalPERS) Trust. The District established an account, however, is not currently funding the program.

Water Rates and District Revenues

In 2013, the District changed its rate structure from uniform rates to tiered rates and established rate increases for five consecutive years through 2017. Following a financial study in 2015, the District concluded that previously approved rate increases for 2016 and 2017 were unnecessary and that previously implemented increases in 2015 could be refunded to customers. This led the District to undertake a Water Rebate & Rate Rollback program in 2016 and issued refunds averaging \$100 by May 2016. The District remains in sound financial condition with adequate reserves going forward.

Water Conservation Programs

As the District responds to changing conservation regulations at the state level, Ordinance 83 represents the current approach to water conservation. Adopted on August 18, 2016 along with a move to Stage 2 watering restrictions, Ordinance 83 incorporates the District's 15% voluntary conservation standard. The new standards provide additional flexibility for our customers while improving the clarity of the regulations in order to support meeting the new conservation goals. The District will also maintain conservation educational programs in partnership with the school districts and community groups, continue indoor and outdoor rebates and water audits, and implement grant programs encouraging turf replacement projects in disadvantaged communities.

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 the Pun Group, LLP 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. The District's Human Resources/Risk Management Department provides staff with regular safety training each month as part of the District's safety program.

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 MD&A and in the Notes to the Basic Financial Statements found in the Financial Section of the report.

Awards and Acknowledgements

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 CAFR for the fiscal year ended June 30, 2015. This was the District's fifth consecutive year for receipt of this 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.

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 for their continued support in planning and implementation of the District's fiscal policies.

Respectfully submitted,



Matthew H. Litchfield, P.E.
General Manager

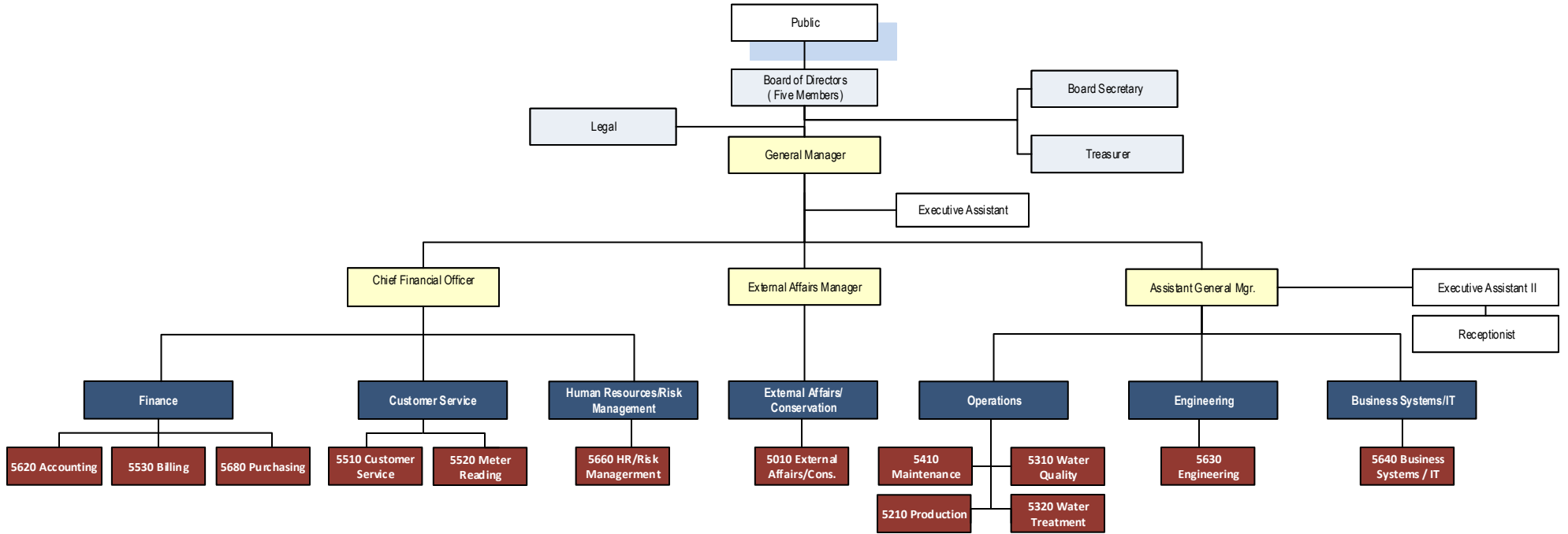
West Valley Water District

Board of Directors

As of June 30, 2016



Organizational Structure



Legend

Organizational Unit
Departmental Unit
Board of Directors
Executive Staff
Management Staff
Supervisory Staff
Lead Staff
Staff



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, 2015

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the 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), which comprise of the balance sheets as of June 30, 2016 and 2015, and the related statements of revenues, expenses and change in net position, and cash flows, for the years then ended and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2016 and 2015, and the respective changes in financial position, and, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
of the West Valley Water District
Rialto, California

Emphasis of Matter

Net Pension Liability

As discussed in Note 1 to the basic financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No. 27*, and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68* on July 1, 2014. The net pension liability is reported in the balance sheet in the amount of \$4,411,991 and \$4,381,344 as of the measurement dates of June 30, 2015 and 2014, respectively. The net pension liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2014 and 2013, were then rolled-forward by the actuaries to June 30, 2015 and 2014, the measurement dates. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 17 through 21 and the Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, Schedule of the District's Contributions to the Pension Plan, and Schedule of Funding Progress – Other Post-Employment Benefits Plan, are on pages 67 to 69 respectfully, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplementary information on pages 73 through 78 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Directors
of the West Valley Water District
Rialto, California

Other Information

Our audit was 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 and the statistical sections 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The PwC Group, LLP

Santa Ana, California
December 31, 2016

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

Independent Auditors' Report

To the Board of Directors
of the 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 balance sheets as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position, and cash flows, for the year then ended 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 31, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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*.

To the Board of Directors
of the West Valley Water District
Rialto, California

Purpose of this Report

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

The PwC Group, LLP

Santa Ana, California
December 31, 2016

West Valley Water District Management's Discussion and Analysis For the Years Ended June 30, 2016 and 2015

The management of the West Valley Water District (District) presents the District's financial statements with a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the audited financial statements which follow this section.

Financial Highlights

- In 2016, the District's net position increased approximately \$1.7 million, from \$108.1 million to \$109.8 million or 1.61%
- In 2015, the District's net position increased approximately \$1.1 million, from \$106.9 million to \$108.1 million or 1.09% after the change in net position of \$6.1 million less the restatement of \$(5.0) million due to the implementation of GASB 68 and 71.
- In 2016, the District's operating revenues decreased 6.60%, or \$(1,648,438), due primarily to decreases in water consumption as the California drought continues.
- In 2015, the District's operating revenues increased 9.19%, or \$2,104,248, due primarily to increases in water consumption sales and services. The increases in water consumption sales and service charges were primarily driven by the effect of the prior year's rate increase.
- In 2016, the District's operating expenses before depreciation decreased 1.75%, or \$298,143, primarily due to the decrease in pumping expense of \$(1,613,913)
- In 2015, the District's operating expenses before depreciation increased 0.23%, or \$39,229, primarily due to the decrease in pumping expense of \$(307,565)
- In 2016, the District's non-operating revenues increased only 1.21%, or \$23,935, primarily due to a decrease of \$(134,583) in other non-operating revenues.
- In 2015, the District's non-operating revenues increased 21.62%, or \$352,584, primarily due to an increase of \$199,365 in property tax revenue, and \$167,773 in other non-operating revenues.
- In 2016, the District's non-operating expenses increased 208.91%, or \$2,441,302, primarily due to the board approved rate rebate of \$2,547,492.
- In 2015, the District's non-operating expenses decreased 3.95%, or \$(48,040), primarily due to the decrease of interest expense related to long-term debt.
- In 2016, the District had a net loss before capital contributions of \$(2,642,886).
- In 2015, the District had a net income before capital contributions of \$6,142,816.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the District's financial statements. The District's financial statements comprise two components: 1) fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

West Valley Water District
Management's Discussion and Analysis (Continued)
For the Years Ended June 30, 2016 and 2015

The *balance sheet* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The *statement of cash flows* presents information showing the sources and uses of cash related to operating activities, noncapital financing activities, capital and related financing activities and investing activities. In addition, the statement provides information about significant non-cash investing, capital and financing activities.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Combining Schedule of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the four reported as net position by activity and is presented immediately following the notes to the financial statements.

Combining Schedule of Revenues, Expenses, and Changes in Net Position presents how net position changed during the year by activity and is presented immediately following the notes to the financial statements.

Financial Analysis

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 exceeded liabilities by \$109.8 million and \$108.1 million as of June 30, 2016 and 2015, respectively.

The largest portion of the District's net position during June 30, 2016 (79%) and 2015 (81%), reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

West Valley Water District
Management's Discussion and Analysis (Continued)
For the Years Ended June 30, 2016 and 2015

Condensed Balance Sheets

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>	<u>June 30, 2014</u>	<u>Change</u>
Assets:					
Current assets	\$ 35,004,864	\$ 29,512,825	\$ 5,492,039	\$ 19,605,687	\$ 9,907,138
Non-current assets	11,219,130	15,740,075	(4,520,945)	23,086,725	(7,346,650)
Capital assets, net	<u>110,785,069</u>	<u>112,773,459</u>	<u>(1,988,390)</u>	<u>112,736,350</u>	<u>37,109</u>
Total assets	<u>157,009,063</u>	<u>158,026,359</u>	<u>(1,017,296)</u>	<u>155,428,762</u>	<u>2,597,597</u>
Deferred outflows of resources	<u>1,378,652</u>	<u>698,486</u>	<u>680,166</u>	<u>-</u>	<u>698,486</u>
Total assets and deferred outflows of resources	<u>\$ 158,387,715</u>	<u>\$ 158,724,845</u>	<u>\$ (337,130)</u>	<u>\$ 155,428,762</u>	<u>\$ 3,296,083</u>
Liabilities:					
Current liabilities	\$ 5,583,101	\$ 6,054,556	\$ (471,455)	\$ 6,381,345	\$ (326,789)
Non-current liabilities	<u>42,320,159</u>	<u>43,352,343</u>	<u>(1,032,184)</u>	<u>42,062,895</u>	<u>1,289,448</u>
Total liabilities	<u>47,903,260</u>	<u>49,406,899</u>	<u>(1,503,639)</u>	<u>48,444,240</u>	<u>962,659</u>
Deferred inflows of resources	<u>597,173</u>	<u>1,171,242</u>	<u>(574,069)</u>	<u>-</u>	<u>1,171,242</u>
Net position:					
Net investment in capital assets	86,830,069	87,693,459	(863,390)	86,581,350	1,112,109
Restricted	2,387,354	6,534,192	(4,146,838)	5,385,087	1,149,105
Unrestricted	<u>20,669,859</u>	<u>13,919,053</u>	<u>6,750,806</u>	<u>15,018,085</u>	<u>(1,099,032)</u>
Total net position	<u>109,887,282</u>	<u>108,146,704</u>	<u>1,740,578</u>	<u>106,984,522</u>	<u>1,162,182</u>
Total liabilities, deferred outflows of resources and net position	<u>\$ 158,387,715</u>	<u>\$ 158,724,845</u>	<u>\$ (337,130)</u>	<u>\$ 155,428,762</u>	<u>\$ 3,296,083</u>

As of June 30, 2016 and 2015, the District is able to report a positive balance in its unrestricted net position of \$20,669,859 and \$13,919,053.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>	<u>June 30, 2014</u>	<u>Change</u>
Operating revenues	\$ 23,363,721	\$ 25,012,159	\$ (1,648,438)	\$ 22,907,911	\$ 2,104,248
Operating expenses	<u>(16,736,478)</u>	<u>(17,034,621)</u>	<u>298,143</u>	<u>(16,995,392)</u>	<u>(39,229)</u>
Operating income before depreciation	6,627,243	7,977,538	(1,350,295)	5,912,519	2,065,019
Depreciation and amortization expense	<u>(7,667,691)</u>	<u>(7,589,826)</u>	<u>(77,865)</u>	<u>(7,554,520)</u>	<u>(35,306)</u>
Operating income(loss)	<u>(1,040,448)</u>	<u>387,712</u>	<u>(1,428,160)</u>	<u>(1,642,001)</u>	<u>2,029,713</u>
Non-operating revenues(expenses), net	<u>(1,602,438)</u>	<u>814,929</u>	<u>(2,417,367)</u>	<u>414,305</u>	<u>400,624</u>
Net loss before capital contributions	<u>(2,642,886)</u>	<u>1,202,641</u>	<u>(3,845,527)</u>	<u>(1,227,696)</u>	<u>2,430,337</u>
Capital contributions	<u>4,383,464</u>	<u>4,940,175</u>	<u>(556,711)</u>	<u>4,283,248</u>	<u>656,927</u>
Change in net position	<u>1,740,578</u>	<u>6,142,816</u>	<u>(4,402,238)</u>	<u>3,055,552</u>	<u>3,087,264</u>
Net position:					
Beginning of year	108,146,704	106,984,522	1,162,182	103,928,970	3,055,552
Prior period adjustment	<u>-</u>	<u>(4,980,634)</u>	<u>4,980,634</u>	<u>-</u>	<u>(4,980,634)</u>
End of year	<u>\$ 109,887,282</u>	<u>\$ 108,146,704</u>	<u>\$ 1,740,578</u>	<u>\$ 106,984,522</u>	<u>\$ 1,162,182</u>

The statement of revenues, expenses, and changes of net position shows how the District's net position changed during the years. In the case of the District, the net position increased by \$1,740,578 and \$6,142,816 as of June 30, 2016 and 2015, respectively.

West Valley Water District
Management's Discussion and Analysis (Continued)
For the Years Ended June 30, 2016 and 2015

Total District Revenues

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Increase (Decrease)</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
Operating revenues:					
Water consumption sales	\$ 14,420,079	\$ 16,246,445	\$ (1,826,366)	\$ 15,715,734	\$ 530,711
Water service charges	6,702,841	6,061,174	641,667	5,214,461	846,713
Other operating revenue	2,240,801	2,704,540	(463,739)	1,977,716	726,824
Total operating revenues	<u>23,363,721</u>	<u>25,012,159</u>	<u>(1,648,438)</u>	<u>22,907,911</u>	<u>2,104,248</u>
Non-operating:					
Property taxes	1,758,220	1,658,936	99,284	1,459,571	199,365
Interest and investment earnings	127,090	65,371	61,719	64,380	991
Rental revenue	29,966	32,207	(2,241)	26,746	5,461
Gain on sale of capital assets, net	24,400	24,644	(244)	45,650	(21,006)
Other non-operating revenue, net	67,765	202,348	(134,583)	34,575	167,773
Total non-operating	<u>2,007,441</u>	<u>1,983,506</u>	<u>23,935</u>	<u>1,630,922</u>	<u>352,584</u>
Total revenues	<u>\$ 25,371,162</u>	<u>\$ 26,995,665</u>	<u>\$ (1,624,503)</u>	<u>\$ 24,538,833</u>	<u>\$ 2,456,832</u>

As of June 30, 2016 and 2015, the District's total revenues decreased \$(1,624,503) and increased \$2,456,832, respectively. On January 17, 2014, the California Governor declared a drought state of emergency with immediate effect. This order significantly restricted water sales and therefore the revenue that the West Valley Water District has received since that declaration.

Total District Expenses

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Increase (Decrease)</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
Operating expenses:					
Source of supply	\$ 1,404,819	\$ 960,369	\$ 444,450	\$ 951,189	\$ 9,180
Pumping	2,910,119	4,524,032	(1,613,913)	4,831,597	(307,565)
Water treatment	1,524,622	1,680,613	(155,991)	1,668,548	12,065
Transmission and distribution	1,825,012	1,907,194	(82,182)	1,687,965	219,229
Customer accounts	1,885,567	2,104,526	(218,959)	2,035,498	69,028
Conservation	656,120	383,739	272,381	229,295	154,444
Bio-remediation	317,601	308,193	9,408	342,780	(34,587)
General and administrative	6,212,618	5,165,955	1,046,663	5,248,520	(82,565)
Operating expenses before depreciation	<u>16,736,478</u>	<u>17,034,621</u>	<u>(298,143)</u>	<u>16,995,392</u>	<u>39,229</u>
Depreciation and amortization	7,667,691	7,589,826	77,865	7,554,520	35,306
Total operating expenses	<u>24,404,169</u>	<u>24,624,447</u>	<u>(220,278)</u>	<u>24,549,912</u>	<u>74,535</u>
Non-operating expenses:					
Board approved rate rebate	2,547,492	-	2,547,492	-	-
Interest expense	1,042,647	1,148,837	(106,190)	1,196,877	(48,040)
Debt administration expense	19,740	19,740	-	19,740	-
Total non-operating	<u>3,609,879</u>	<u>1,168,577</u>	<u>2,441,302</u>	<u>1,216,617</u>	<u>(48,040)</u>
Total expenses	<u>\$ 28,014,048</u>	<u>\$ 25,793,024</u>	<u>\$ 2,221,024</u>	<u>\$ 25,766,529</u>	<u>\$ 26,495</u>

As of June 30, 2016 and 2015, the District's total expenses increased \$2,221,024 and \$26,495, respectively. The District was able to purchase more water, which increased the costs of our sources of supply. Because of that, our pumping costs from our own wells had a significant decrease. Our General and Administrative costs increased primarily because of changes in the allocation of PERS Pension allocations and adjustments made as a result of GASB No. 68. The other significant Non-operating expense was the result of a Board approved rebate to customers in the amount of \$2,547,492. This was a one-time rebate program that will not affect future years' operating profits.

West Valley Water District
Management's Discussion and Analysis (Continued)
For the Years Ended June 30, 2016 and 2015

Capital Asset Administration

The District's capital assets (net of accumulated depreciation) as of June 30, 2016, 2015 and 2014 were in the amounts of \$110,785,069, \$112,773,459 and \$112,736,350, respectively. This includes land and land rights, transmission and distribution systems, wells, tanks, reservoirs, pumps, building and structures, equipment, vehicles and construction-in-process. In 2015, various capital projects were finalized and added to capital assets. See note 3 for further information.

	Balance	Balance	Balance
Capital assets:	June 30, 2016	June 30, 2015	June 30, 2014
Non-depreciable assets	\$ 7,011,782	\$ 9,694,787	\$ 8,342,202
Depreciable assets	177,888,054	169,861,717	163,965,312
Accumulated depreciation	<u>(74,114,767)</u>	<u>(66,783,045)</u>	<u>(59,571,164)</u>
Total capital assets, net	<u>\$ 110,785,069</u>	<u>\$ 112,773,459</u>	<u>\$ 112,736,350</u>

Long-term Debt Administration

At the end of June 30, 2016, 2015 and 2014, the District had total long-term debt of \$31,993,221, \$33,439,750 and \$34,889,866, respectively. In 2016 and 2015, long-term debt decreased by \$1,446,529 and \$1,450,116, respectively, due to principal payments made on the Districts outstanding debt.

	Balance	Balance	Balance
Long-term debt:	June 30, 2016	June 30, 2015	June 30, 2014
Reimbursement agreement	\$ 8,038,221	\$ 8,359,750	\$ 8,734,866
Revenue bonds payable	<u>23,955,000</u>	<u>25,080,000</u>	<u>26,155,000</u>
Total	<u>\$ 31,993,221</u>	<u>\$ 33,439,750</u>	<u>\$ 34,889,866</u>

Additional information on the District's long-term debt can be found in note 6 of this report.

Economic Factors and Next Year's Budgets and Rates

With the drought restrictions lifted, the District is expecting significant water sales. It is expected to have a positive effect on the District's financial position. Management is unaware of any conditions that would have a significant negative effect on our profitability 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 Chief Financial Officer at 855 W. Baseline Road, Rialto, CA 92376, by mail at P.O. Box 920, Rialto, CA 92377 by phone (909) 820-3706.

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BASIC FINANCIAL STATEMENTS

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West Valley Water District
Balance Sheets
June 30, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents (Note 2)	\$ 31,521,441	\$ 15,122,304
Investments (Note 2)	-	10,999,297
Accrued interest receivable	33,774	9,578
Accounts receivable – water sales and services, net	1,786,628	1,849,668
Accounts receivable – redevelopment pass-through	41,081	41,081
Accounts receivable – other	177,806	79,635
Property taxes receivable	18,511	16,021
Due from other governments	484,803	438,490
Materials and supplies inventory	255,758	277,193
Prepaid water	53,612	71,745
Prepaid items	631,450	607,813
Total current assets	35,004,864	29,512,825
Noncurrent assets:		
Restricted – cash and cash equivalents (Note 2)	2,600,875	6,722,105
Restricted – accrued interest receivable	-	1,469
Restricted – assessments receivable	44,667	80,302
Water rights – Fontana Union Water Company	1,307	1,307
Tax increment pass-through receivable	534,060	575,142
Capital assets, net (Note 3)	110,785,069	112,773,459
Water participation rights, net (Note 4)	8,038,221	8,359,750
Total noncurrent assets	122,004,199	128,513,534
Total assets	157,009,063	158,026,359
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension contributions made after the measurement date (Note 8)	1,272,292	608,372
Difference between actual and proportionate share of employer contributions (Note 8)	67,329	90,114
Differences between expected and actual experience (Note 8)	39,031	-
Total deferred outflows of resources	1,378,652	698,486
Total assets and deferred outflows of resources	\$ 158,387,715	\$ 158,724,845

West Valley Water District
Balance Sheets (Continued)
June 30, 2016 and 2015

<u>LIABILITIES</u>	<u>2016</u>	<u>2015</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,069,058	\$ 1,656,219
Accrued salaries and related payables	232,975	160,733
Pass-through utility user taxes payable	74,145	61,395
Customer deposits	1,449,545	1,434,428
Construction advances and deposits	762,106	768,841
Accrued interest payable	258,188	269,684
Long-term liabilities – due within one year:		
Compensated absences (Note 5)	250,555	256,727
Contract payable (Note 6)	321,529	321,529
Bonds payable (Note 6)	1,165,000	1,125,000
Total current liabilities	5,583,101	6,054,556
Noncurrent liabilities:		
Unearned revenue – developers	165,345	587,587
Unearned revenue – tax increment pass-through	534,060	575,142
Long-term liabilities – due in more than one year:		
Compensated absences (Note 5)	306,234	315,049
Contract payable (Note 6)	7,716,692	8,038,221
Bonds payable (Note 6)	22,790,000	23,955,000
Net other post-employment benefits payable (Note 7)	6,395,837	5,500,000
Net pension liability (Note 8)	4,411,991	4,381,344
Total noncurrent liabilities	42,320,159	43,352,343
Total liabilities	47,903,260	49,406,899
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Differences between projected and actual earnings on pension plan investments (Note 8)	185,117	1,120,433
Adjustment due to differences in proportions (Note 8)	42,794	50,809
Changes in assumptions (Note 8)	369,262	-
Total deferred inflows of resources	597,173	1,171,242
<u>NET POSITION</u>		
Net investment in capital assets (Note 10)	86,830,069	87,693,459
Restricted – capital projects	1,366,458	5,360,944
Restricted – debt service	1,020,896	1,173,248
Unrestricted	20,669,859	13,919,053
Total net position	109,887,282	108,146,704
Total liabilities, deferred inflows of resources and net position	\$ 158,387,715	\$ 158,724,845

West Valley Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Water consumption sales	\$ 14,420,079	\$ 16,246,445
Water service charges	6,702,841	6,061,174
Other operating revenue	2,240,801	2,704,540
Total operating revenues	<u>23,363,721</u>	<u>25,012,159</u>
Operating expenses:		
Source of supply	1,404,819	960,369
Pumping	2,910,119	4,524,032
Water treatment	1,524,622	1,680,613
Transmission and distribution	1,825,012	1,907,194
Customer accounts	1,885,567	2,104,526
Conservation	656,120	383,739
Bio-remediation	317,601	308,193
General and administrative	6,212,618	5,165,955
Total operating expenses	<u>16,736,478</u>	<u>17,034,621</u>
Operating income before depreciation	6,627,243	7,977,538
Depreciation expense	(7,346,162)	(7,268,297)
Amortization of water participation rights	(321,529)	(321,529)
Operating income (loss)	<u>(1,040,448)</u>	<u>387,712</u>
Non-operating revenues(expenses):		
Property taxes	1,758,220	1,658,936
Interest and investment earnings	127,090	65,371
Rental revenue	29,966	32,207
Gain on sale of capital assets, net	24,400	24,644
Board approved rate rebate	(2,547,492)	-
Interest expense	(1,042,647)	(1,148,837)
Debt administration expense	(19,740)	(19,740)
Other non-operating revenue, net	67,765	202,348
Total non-operating revenues (expenses), net	<u>(1,602,438)</u>	<u>814,929</u>
Net income (loss) before capital contributions	<u>(2,642,886)</u>	<u>1,202,641</u>
Capital contributions:		
Capital grant	-	50,000
Developer contributions	3,292,230	3,977,745
Facility charges	1,091,234	912,430
Total capital contributions	<u>4,383,464</u>	<u>4,940,175</u>
Change in net position	<u>1,740,578</u>	<u>6,142,816</u>
Net position:		
Beginning of year	108,146,704	106,984,522
Prior period adjustment (note 9)	-	(4,980,634)
End of year	<u>\$ 109,887,282</u>	<u>\$ 108,146,704</u>

West Valley Water District
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash receipts from customers and others	\$ 22,971,379	\$ 23,499,737
Cash paid to employees for salaries and benefits	(4,480,584)	(4,480,584)
Cash paid to vendors and suppliers for materials and services	(15,729,586)	(11,711,457)
Net cash provided operating activities	<u>2,761,209</u>	<u>7,307,696</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	1,755,730	1,671,411
Net cash provided by non-capital financing activities	<u>1,755,730</u>	<u>1,671,411</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(5,357,772)	(7,315,362)
Proceeds from capital grants	-	50,000
Proceeds from developer contributions	3,292,230	327,140
Proceeds from facility charges	1,091,234	912,430
Proceeds from sale of capital assets	24,400	24,644
Principal paid on long-term debt	(1,446,529)	(1,450,117)
Interest paid on long-term debt	(975,949)	(1,159,800)
Net cash (used in) capital and related financing activities	<u>(3,372,386)</u>	<u>(8,611,065)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	10,999,297	28,841,703
Purchases of investments	-	(26,980,782)
Proceeds from interest and investment earnings	134,057	61,291
Net cash (used in) investing activities	<u>11,133,354</u>	<u>1,922,212</u>
Net increase in cash and cash equivalents	12,277,907	2,290,254
Cash and cash equivalents:		
Beginning of year	21,844,409	19,554,155
End of year	<u>\$ 34,122,316</u>	<u>\$ 21,844,409</u>
Reconciliation of cash and cash equivalents to balance sheet:		
Cash and cash equivalents	31,521,441	15,122,304
Restricted – cash and cash equivalents	<u>2,600,875</u>	<u>6,722,105</u>
Total cash and cash equivalents	<u>\$ 34,122,316</u>	<u>\$ 21,844,409</u>

West Valley Water District
Statements of Cash Flows (Continued)
For the Year Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (1,040,448)	\$ 387,712
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	7,346,162	7,268,297
Amortization of water participation rights	321,529	321,529
Rental revenue	29,966	32,207
Board approved rate rebate	(2,547,492)	-
Debt administration expense	(19,740)	(19,740)
Other non-operating revenue, net	67,765	202,348
Changes in assets – (increase)decrease:		
Accounts receivable – water sales and services, net	63,040	138,179
Accounts receivable – other	(98,171)	(28,885)
Prepaid water	(2,490)	12,475
Prepaid items	(46,313)	199,708
Change in deferred outflows of resources – (increase)decrease:		
Pension contributions made after the measurement date	(663,920)	(167,275)
Difference between actual and proportionate share of employer contributions	22,785	32,183
Differences between expected and actual experience	(39,031)	-
Changes in liabilities – increase(decrease):		
Accounts payable and accrued expenses	(587,161)	(110,283)
Accrued salaries and related payables	72,242	21,453
Customer deposits	15,117	(17,205)
Construction advances and deposits	(6,735)	(109,238)
Unearned revenue – developers	(422,242)	(1,688,747)
Unearned revenue – tax increment pass-through	(41,082)	(41,081)
Compensated absences	(14,987)	2,993
Net other post-employment obligation	895,837	862,508
Net pension liability	30,647	(1,162,684)
Change in deferred inflows of resources – increase(decrease):		
Differences between projected and actual earnings on pension plan investments	(935,316)	1,120,433
Adjustment due to differences in proportions	(8,015)	50,809
Changes in assumptions	369,262	-
Total adjustments	<u>3,801,657</u>	<u>6,919,984</u>
Net cash provided by operating activities	<u>\$ 2,761,209</u>	<u>\$ 7,307,696</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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West Valley Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

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 20,000 customers. The District is governed by a five-member Board of Directors who serve overlapping four-year terms.

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.

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.

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 service area 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.

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

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 Years Ended June 30, 2016 and 2015

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

Basis of Accounting and Measurement Focus (Continued)

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

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

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, will not be recognized as revenue until that time

Basis of Presentation

The District's financial statement presentation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

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 most likely will differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value.

Investments

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.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

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

Basis of Accounting and Measurement Focus (Continued)

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 balance sheet. 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.

Accounts Receivable and Allowance for Uncollectible Accounts

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.

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.

Prepaid Items

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

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.

Tax Receivable and Unearned 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 unearned revenue.

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

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

Basis of Accounting and Measurement Focus (Continued)

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

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.

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.

Net Other Post Employment Retirement Benefits Payable

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.

Defined Benefit Pension Plans

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

The following timeframes are used for pension reporting:

<u>CalPERS</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Valuation date	June 30, 2014	June 30, 2013
Measurement date	June 30, 2015	June 30, 2014
Measurement period	July 1, 2014 to June 30, 2015	July 1, 2015 to June 30, 2014

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

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

Defined Benefit Pension Plans (Continued)

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss.

The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retirees) as of the beginning of the measurement period.

Net Position

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

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.

Restricted– This component of net position consists of external constraints placed on net position imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position is the amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted component of net position.

Water Sales and Sewer Services

Water sales and sewer services are billed on a monthly cyclical basis and recognize the respective revenues when they are earned.

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. Any prepayments received by the District are reported and deferred revenue until construction of the related project has commenced and the District is reasonably certain they will be completed. Upon completion, the applicable amounts are recognized as capital contributions.

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.

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

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

Accounting Changes

During fiscal year ended June 30, 2016 and 2015, the District has implemented the following new GASB pronouncements:

Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts and equivalent arrangements. The requirements of No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. See notes 8 and 9 for further information on the implementation of this pronouncement.

Statement No. 69, *Government Combinations and Disposals of Government Operations*. The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and did not have a significant impact on the District's financial statements for the year ended June 30, 2015.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68*. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. See notes 8 and 9 for further information on the implementation of this pronouncement.

Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. Application of this statement is effective for fiscal year ending June 30, 2016.

Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for MTS's fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2017.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for fiscal year ending June 30, 2016.

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 2 – Cash and Investments

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

Description	June 30, 2016	June 30, 2015
Cash and cash equivalents	\$ 31,521,441	\$ 15,122,304
Investments	-	10,999,297
Restricted – cash and cash equivalents	2,600,875	6,722,105
Total	<u>\$ 34,122,316</u>	<u>\$ 32,843,706</u>

Cash and investments as of June 30 consisted of the following:

Description	June 30, 2016	June 30, 2015
Cash on hand	\$ 3,700	\$ 3,700
Deposits held with financial institutions	7,263,044	6,237,290
Investments	26,855,572	26,602,716
Total	<u>\$ 34,122,316</u>	<u>\$ 32,843,706</u>

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 California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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. At June 30, 2016 and 2015, the District had no deposits with financial institutions subject to custodial credit risk.

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. The Code and the District's investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. 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 external investment pools.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 2 – Cash and Investments (Continued)

Credit Risk

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.

Concentration of Credit Risk

The District's investment policy contains 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. There were no investments in any one non-governmental issuer that represent 5% or more of the District's total investments as of June 30, 2016 and 2015.

The District's investments as of June 30, 2016 were as follows:

<u>Type of Investments</u>	<u>Measurement Input</u>	<u>Fair Value</u>	<u>Maturity</u>
			<u>12 Months or Less</u>
CalTrust - Short-tern fund	Level 2	\$ 3,588,508	\$ 3,588,508
Local Agency Investment Fund (LAIF)	Level 2	22,108,887	22,108,887
Money market mutual funds	Level 2	1,158,177	1,158,177
Total investments		\$ 26,855,572	\$ 26,855,572

The District's investments as of June 30, 2015 were as follows:

<u>Type of Investments</u>	<u>Measurement Input</u>	<u>Fair Value</u>	<u>Maturity</u>
			<u>12 Months or Less</u>
U.S. treasury obligations	Level 2	\$ 3,999,030	\$ 3,999,030
Government sponsored entities securities	Level 2	6,998,960	6,998,960
CalTrust - Short-tern fund	Level 2	3,564,268	3,564,268
Local Agency Investment Fund (LAIF)	Level 2	10,755,538	10,755,538
Money market mutual funds	Level 2	1,284,920	1,284,920
Total investments		\$ 26,602,716	\$ 26,602,716

Authorized Investments and Investment Policy

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.

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 2 – Cash and Investments (Continued)

Investments Authorized by the California Government Code and the District’s Investment Policy (Continued)

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. treasury obligations	3-years	50%	50%
Government sponsored entities securities	3-years	50%	50%
Non-negotiable certificates of deposit	5-years	50%	None
Money market mutual funds	None	None	None
Collateralized bank deposits	None	None	None
California Local Agency Investment Fund (LAIF)	None	None	\$50 million
CaITrust - Short-term fund	2-years	None	None

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. treasury obligations	None	None	None
Government sponsored entities securities	None	None	None
Banker's acceptances	180 days	None	None
Commercial paper	270 days	None	None
Money market mutual funds	None	None	None
Investment contracts	None	None	None

Investment in California – Local Agency Investment Fund (LAIF)

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 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 entity’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. Further information about LAIF is available on the California State Controller’s website: www.treasurer.ca.gov/pmia-laif/

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 2 – Cash and Investments (Continued)

Investment in California – Local Agency Investment Fund (LAIF)

The District's investments with LAIF at June 30, 2016 and 2015, included a portion of the pool funds invested in structured notes and asset-backed securities:

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

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

The District had \$22,108,887 and \$10,755,538 invested in LAIF, which had invested 2.81% and 2.08% of the pooled investment funds as of June 30, 2016 and June 30, 2015, respectively, in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 1.000621222 and 1.000375979 was used to calculate the fair value of the investments in LAIF as of June 30, 2016 and 2015, respectively.

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 has investments in the CalTrust Short-Term Fund Series of \$3,588,508 and \$3,564,268, respectively, as of June 30, 2016 and 2015.

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 3 – Capital Assets

Changes in capital assets for the year ended June 30, 2016, were as follows:

Description	Balance July 1, 2015	Additions	Deletions/ Transfers	Balance June 30, 2016
Non-depreciable assets:				
Land	\$ 2,212,967	\$ -	\$ -	\$ 2,212,967
Water rights	404,949	-	-	404,949
Construction-in-process	7,076,871	3,123,543	(5,806,547)	4,393,867
Total non-depreciable assets	<u>9,694,787</u>	<u>3,123,543</u>	<u>(5,806,547)</u>	<u>7,011,783</u>
Depreciable assets:				
Source of supply plant	5,863,657	-	-	5,863,657
Pumping plant	10,015,275	47,415	-	10,062,690
Bio-remediation plant	20,601,722	-	4,305,298	24,907,020
Water treatment plant	30,648,481	21,939	-	30,670,420
Transmission and distribution plant	91,588,780	1,992,476	1,501,249	95,082,505
General plant	11,143,802	172,399	(14,440)	11,301,761
Total depreciable assets	<u>169,861,717</u>	<u>2,234,229</u>	<u>5,792,107</u>	<u>177,888,053</u>
Accumulated depreciation:				
Source of supply plant	(2,995,764)	(277,473)	-	(3,273,237)
Pumping plant	(5,621,538)	(558,437)	-	(6,179,975)
Bio-remediation plant	(1,373,448)	(686,725)	-	(2,060,173)
Water treatment plant	(19,981,553)	(2,969,697)	-	(22,951,250)
Transmission and distribution plant	(32,596,118)	(2,217,360)	-	(34,813,478)
General plant	(4,214,624)	(636,470)	14,440	(4,836,654)
Total accumulated depreciation	<u>(66,783,045)</u>	<u>(7,346,162)</u>	<u>14,440</u>	<u>(74,114,767)</u>
Total depreciable assets, net	<u>103,078,672</u>	<u>(5,111,933)</u>	<u>5,806,547</u>	<u>103,773,286</u>
Total capital assets, net	<u>\$ 112,773,459</u>	<u>\$ (1,988,390)</u>	<u>\$ -</u>	<u>\$ 110,785,069</u>

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 3 – Capital Assets (Continued)

Description	Balance July 1, 2014	Additions	Deletions/ Transfers	Balance June 30, 2015
Non-depreciable assets:				
Land	\$ 2,212,967	\$ -	\$ -	\$ 2,212,967
Water rights	404,949	-	-	404,949
Construction-in-process	5,724,286	4,574,869	(3,222,284)	7,076,871
Total non-depreciable assets	8,342,202	4,574,869	(3,222,284)	9,694,787
Depreciable assets:				
Source of supply plant	5,863,657	-	-	5,863,657
Pumping plant	9,844,731	170,544	-	10,015,275
Bio-remediation plant	20,601,722	-	-	20,601,722
Water treatment plant	30,648,481	-	-	30,648,481
Transmission and distribution plant	86,099,177	2,267,319	3,222,284	91,588,780
General plant	10,907,544	302,630	(66,372)	11,143,802
Total depreciable assets	163,965,312	2,740,493	3,155,912	169,861,717
Accumulated depreciation:				
Source of supply plant	(2,718,291)	(277,473)	-	(2,995,764)
Pumping plant	(5,022,168)	(599,370)	-	(5,621,538)
Bio-remediation plant	(686,724)	(686,724)	-	(1,373,448)
Water treatment plant	(17,010,913)	(2,970,640)	-	(19,981,553)
Transmission and distribution plant	(30,480,154)	(2,115,964)	-	(32,596,118)
General plant	(3,652,914)	(618,126)	56,416	(4,214,624)
Total accumulated depreciation	(59,571,164)	(7,268,297)	56,416	(66,783,045)
Total depreciable assets, net	104,394,148	(4,527,804)	3,212,328	103,078,672
Total capital assets, net	\$ 112,736,350	\$ 47,065	\$ (9,956)	\$ 112,773,459

Major capital assets additions during the year include the upgrades and extensions of the District's transmission and distribution, general plant and pumping plant. A significant portion of these additions were constructed by the District and/or sub-contractors and transferred out of construction-in-process, upon completion of these various projects.

Construction-In-Process

The construction-in-process balances at June 30 were as follows:

Description	June 30, 2016	June 30, 2015
Bioremediation plant	\$ -	\$ 2,807,941
Line Relocation at Duncan Canyon & I15	1,063,961	905,152
Zone 2 Waterline Reloc Phase 2	1,207,174	1,133,946
Zone 3A-2 Reservoir Recoat	736,010	734,709
Sierra Crest Waterline	640,490	637,590
Various minor district projects	732,189	549,318
Various other developer projects	14,043	308,215
Total construction-in-process	\$ 4,393,867	\$ 7,076,871

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 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. Balances as of June 30, 2016 and 2015 were as follows:

Description	June 30, 2016	June 30, 2015
Water participation rights	\$ 9,645,865	\$ 9,645,865
Accumulated amortization	(1,607,644)	(1,286,115)
Water Participation rights, net	<u>\$ 8,038,221</u>	<u>\$ 8,359,750</u>

Note 5 – Compensated Absences

Changes to compensated absences for fiscal years ended June 30 were as follows:

Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year	Due in More Than One Year
\$ 571,776	\$ 248,566	\$ (263,553)	\$ 556,789	\$ 250,555	\$ 306,234

Changes to compensated absences for fiscal year 2015, were as follows:

Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year	Due in More Than One Year
\$ 568,783	\$ 262,408	\$ (259,415)	\$ 571,776	\$ 256,727	\$ 315,049

Note 6 – Long-term Debt

Changes in long-term debt for the year ended June 30, 2016 were as follows:

Description	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amount Due Within One Year	Amount Due In More Than One Year
Bonds payable:						
Series 2006D-2	\$ 24,970,000	\$ -	\$ (1,090,000)	\$ 23,880,000	\$ 1,130,000	\$ 22,750,000
Assessment District 97-1	110,000	-	(35,000)	75,000	35,000	40,000
Total bonds payable	<u>25,080,000</u>	<u>-</u>	<u>(1,125,000)</u>	<u>23,955,000</u>	<u>1,165,000</u>	<u>22,790,000</u>
Loans payable:						
Contract payable	8,359,750	-	(321,529)	8,038,221	321,529	7,716,692
Total contract payable	<u>8,359,750</u>	<u>-</u>	<u>(321,529)</u>	<u>8,038,221</u>	<u>321,529</u>	<u>7,716,692</u>
Total long-term debt	<u>\$ 33,439,750</u>	<u>\$ -</u>	<u>\$ (1,446,529)</u>	<u>\$ 31,993,221</u>	<u>\$ 1,486,529</u>	<u>\$ 30,506,692</u>

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 6 – Long-term Debt (Continued)

Changes in long-term debt for the year ended June 30, 2015 were as follows:

Description	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amount Due Within One Year	Amount Due In More Than One Year
Bonds payable:						
Series 2006D-2	\$ 26,015,000	\$ -	\$ (1,045,000)	\$ 24,970,000	\$ 1,090,000	\$ 23,880,000
Assessment District 97-1	140,000	-	(30,000)	110,000	35,000	75,000
Total bonds payable	26,155,000	-	(1,075,000)	25,080,000	1,125,000	23,955,000
Loans payable:						
Contract payable	8,734,867	-	(375,117)	8,359,750	321,529	8,038,221
Total contract payable	8,734,867	-	(375,117)	8,359,750	321,529	8,038,221
Total long-term debt	\$ 34,889,867	\$ -	\$ (1,450,117)	\$ 33,439,750	\$ 1,446,529	\$ 31,993,221

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. Annual payments on the bonds are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 1,130,000	\$ 1,027,628	\$ 2,157,628
2018	1,180,000	982,428	2,162,428
2019	1,225,000	937,588	2,162,588
2020	1,270,000	864,718	2,134,718
2021	1,320,000	812,918	2,132,918
2022-2026	7,475,000	3,164,809	10,639,809
2027-2031	8,235,000	1,326,487	9,561,487
2032-2033	2,045,000	93,038	2,138,038
Total	\$ 23,880,000	\$ 9,209,614	\$ 33,089,614

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 6 – 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:

Fiscal Year	Principal	Interest	Total
2017	\$ 35,000	\$ 1,922	\$ 36,922
2018	40,000	3,972	43,972
Total	\$ 75,000	\$ 5,894	\$ 80,894

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:

Fiscal Year	Principal
2017	\$ 321,529
2018	321,529
2019	321,529
2020	321,529
2021	321,529
2022-2026	1,607,645
2027-2031	1,607,645
2032-2036	1,607,645
2037-2041	1,607,641
Total	\$ 8,038,221

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 7 – Net Other Post-Employment Benefits Obligation

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 other post-employment benefits (OPEB). Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The reporting requirements for these benefit programs as they pertain to the District are set forth below.

Plan Description – Eligibility

The District pays a portion of the cost of health insurance for retirees (including prescription drug benefits) under any group plan offered by the CalPERS Health Program, subject to certain restrictions as determined by the District.

Membership in the OPEB plan consisted of the following members as of June 30, 2015 (Valuation Date):

Description	June 30, 2015
Active plan members	63
Retirees and beneficiaries receiving benefits	19
Separated plan members entitled to but not yet receiving benefits	-
Total plan membership	82

Plan Description – Benefits

The District offers post-employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any medical plan available through the District’s CalPERS Health Program, a cost-sharing multiple-employer medical coverage plan. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors.

Funding Policy

The District contributes 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 District will pay a fixed contribution towards the cost of the post-employment benefit plan for those employees who meet the required service years for retirement from the District. The District funds the plan on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined ARC cost.

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 7 – Net Other Post-Employment Benefits Obligation (Continued)

Annual OPEB Cost and Net OPEB Obligation

For the years ended June 30, 2016 and 2015, the District’s annual OPEB cost was \$1,119,055 and \$1,049,976, respectively. The District’s net OPEB obligation amounted to \$6,395,837 and \$5,500,000 for the years ended June 30, 2016 and 2015, respectively. The District contributed \$223,218 and \$187,468 for retiree healthcare OPEB premiums, for the years ended June 30, 2016 and 2015, respectively.

Description	June 30, 2016	June 30, 2015
Annual OPEB cost:		
Annual required contribution (ARC)	\$ 1,145,459	\$ 1,101,403
Interest on net OPEB obligation	220,000	185,500
Adjustment to annual required contribution	(246,404)	(236,927)
Total annual OPEB cost	1,119,055	1,049,976
Contributions made:		
Contributions	(223,218)	(187,468)
Total contributions made	(223,218)	(187,468)
Total change in net OPEB obligation	895,837	862,508
Net OPEB obligation(asset):		
Beginning of year	5,500,000	4,637,492
End of year	\$ 6,395,837	\$ 5,500,000

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 2016 and the two preceding years were as follows:

<i>Three-Year History of Net OPEB Obligation(Asset)</i>				
Fiscal Year Ended	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable(Asset)
June 30, 2016	\$ 1,119,055	\$ 223,218	19.95%	\$ 6,395,837
June 30, 2015	1,049,976	187,468	17.85%	5,500,000
June 30, 2014	990,743	183,750	18.55%	4,637,492

The most recent valuation (June 30, 2013) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$10,121,028. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2013, was estimated at \$4,147,630. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 244%.

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 7 – Net Other Post-Employment Benefits Obligation (Continued)

Actuarial Methods and Assumptions

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

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

Valuation date	July 1, 2013
Actuarial cost method	projected unit credit
Amortization method	Level percent, closed 30 years
Remaining amortization period	25 Years as of the valuation date
Asset valuation method	15 Year smoothed market
Actuarial assumptions:	
Investment rate of return	2.50%
Projected salary increase	3.25%
Inflation - discount rate	4.00%
Health care trend rate	8.00%

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 8 – Net Pension Liability and Defined Benefit Pension Plan

Changes in the net pension liability and the related deferred outflows and inflows of resources for the year ended June 30, 2016 were as follows:

Type of Account	Balance as of July 1, 2015	Additions	Deletions	Balance as of June 30, 2016
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	\$ 608,372	\$ 1,272,292	\$ (608,372)	\$ 1,272,292
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	90,114	12,756	(35,541)	67,329
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	-	52,970	(13,939)	39,031
Total deferred outflows of resources	<u>\$ 698,486</u>	<u>\$ 1,338,018</u>	<u>\$ (657,852)</u>	<u>\$ 1,378,652</u>
Net Pension Liability:				
CalPERS – Miscellaneous Plan	<u>\$ 4,381,344</u>	<u>\$ 639,019</u>	<u>\$ (608,372)</u>	<u>\$ 4,411,991</u>
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	\$ 1,120,433	\$ 2,595	\$ (937,911)	\$ 185,117
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	50,809	13,749	(21,764)	42,794
Changes in assumptions:				
CalPERS – Miscellaneous Plan	-	501,142	(131,880)	369,262
Total deferred inflows of resources	<u>\$ 1,171,242</u>	<u>\$ 517,486</u>	<u>\$ (1,091,555)</u>	<u>\$ 597,173</u>

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Changes in the net pension liability and the related deferred outflows and inflows of resources for the year ended June 30, 2015 were as follows:

Type of Account	Balance as of July 1, 2014 (As Restated)	Additions	Deletions	Balance as of June 30, 2015
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	\$ 441,097	\$ 608,372	\$ (441,097)	\$ 608,372
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	122,297	-	(32,183)	90,114
Total deferred outflows of resources	<u>\$ 563,394</u>	<u>\$ 608,372</u>	<u>\$ (473,280)</u>	<u>\$ 698,486</u>
Net Pension Liability:				
CalPERS – Miscellaneous Plan	<u>\$ 5,544,028</u>	<u>\$ -</u>	<u>\$ (1,162,684)</u>	<u>\$ 4,381,344</u>
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	\$ -	\$ 1,400,541	\$ (280,108)	\$ 1,120,433
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	-	68,955	(18,146)	50,809
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 1,469,496</u>	<u>\$ (298,254)</u>	<u>\$ 1,171,242</u>

General Information about the Pension Plans

The Plans Description Schedule

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0 @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required member contribution rates	7.000%	6.500%
Required employer contribution rates – FY 2015	15.878%	6.500%
Required employer contribution rates – FY 2014	15.118%	6.500%

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Plan Description

The District contributes to the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2014 Annual Actuarial Valuation Report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

Members Covered by Benefit Terms

At June 30, 2015 (Valuation Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic	PEPRA	
	Tier 1	Tier 2	
Active members	52	9	61
Transferred and terminated members	29	-	29
Retired members and beneficiaries	30	-	30
Total plan members	111	9	120

At June 30, 2014 (Valuation Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic	PEPRA	
	Tier 1	Tier 2	
Active members	54	1	55
Transferred and terminated members	28	-	28
Retired members and beneficiaries	27	-	27
Total plan members	109	1	110

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees’ Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member’s highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ending June 30, 2015 and 2014 (Measurement Dates), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

Contributions for the year ended June 30, 2016 were as follows:

<u>Contribution Type</u>	<u>Miscellaneous Plans</u>		<u>Total</u>
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>	
Contributions – employer	\$ 1,239,129	\$ 33,163	\$ 1,272,292
Contributions – members	273,002	33,229	306,231
Total contributions	\$ 1,512,131	\$ 66,392	\$ 1,578,523

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Contributions (Continued)

Contribution Type	Miscellaneous Plans		Total
	Classic	PEPRA	
	Tier 1	Tier 2	
Contributions – employer	\$ 600,451	\$ 7,921	\$ 608,372
Contributions – members	261,869	7,921	269,790
Total contributions	\$ 862,320	\$ 15,842	\$ 878,162

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement periods ending June 30, 2015 and 2014 (Measurement Dates), the total pension liability was determined by rolling forward the June 30, 2014 and 2013 total pension liabilities. The June 30, 2015, 2014 and 2013 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 and 2014 Valuations were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Discount Rate (Continued)

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

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

<u>Investment Type</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	<u>100.00%</u>		

¹ An expected inflation rate-of-return of 2.5% is used for years 1 – 10.

² An expected inflation rate-of-return of 3.0% is used for years 11+.

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate for the June 30, 2015 Valuation Date as follows:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	6.65%	Rate 7.650%	8.65%
CalPERS – Miscellaneous Plan	7,357,830	\$ 4,411,991	\$ 1,979,859

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate for the June 30, 2014 Valuation Date as follows:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	6.50%	Rate 7.50%	8.50%
CalPERS – Miscellaneous Plan	\$ 7,126,549	\$ 4,381,344	\$ 2,103,085

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2016:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2014 (Measurement Date)	\$ 20,693,113	\$ 16,311,769	\$ 4,381,344
Balance as of June 30, 2015 (Measurement Date)	\$ 21,630,888	\$ 17,218,897	\$ 4,411,991
Change in Plan Net Pension Liability	\$ 937,775	\$ 907,128	\$ 30,647

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2015:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2013 (Valuation Date)	\$ 19,530,840	\$ 13,986,812	\$ 5,544,028
Balance as of June 30, 2014 (Measurement Date)	\$ 20,693,113	\$ 16,311,769	\$ 4,381,344
Change in Plan Net Pension Liability	\$ 1,162,273	\$ 2,324,957	\$ (1,162,684)

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2014 and 2013). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015 and 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2014-15 fiscal year and the 2013-14 fiscal year).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The District's proportionate share of the net pension liability for the June 30, 2015 measurement date was as follows:

	<u>Percentage Share of Risk Pool</u>		Change Increase/ (Decrease)
	<u>Fiscal Year Ending June 30, 2016</u>	<u>Fiscal Year Ending June 30, 2015</u>	
	Measurement Date	<u>June 30, 2015</u>	
Percentage of Risk Pool Net Pension Liability	0.160818%	0.177276%	-0.016458%
Percentage of Plan (PERF C) Net Pension Liability	0.064278%	0.070412%	-0.006134%

The District's proportionate share of the net pension liability for the June 30, 2014 measurement date was as follows:

	<u>Percentage Share of Risk Pool</u>		Change Increase/ (Decrease)
	<u>Fiscal Year Ending June 30, 2015</u>	<u>Fiscal Year Ending June 30, 2014</u>	
	Measurement Date	<u>June 30, 2014</u>	
Percentage of Risk Pool Net Pension Liability	0.177276%	0.224319%	-0.047043%
Percentage of Plan (PERF C) Net Pension Liability	0.070412%	0.068776%	0.001636%

For the years ended June 30, 2016 and 2015, the District recognized pension expense/(credit) in the amounts of \$48,705 and \$481,838, respectively, for the CalPERS Miscellaneous Plan.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2014-15 and 2013-14 measurement periods is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 1,272,292	\$ -
Difference between actual and proportionate share of employer contributions	67,329	-
Adjustment due to differences in proportions	-	42,794
Differences between expected and actual experience	39,031	-
Differences between projected and actual earnings on pension plan investments	-	185,117
Changes in assumptions	-	369,262
Total Deferred Outflows/(Inflows) of Resources	\$ 1,378,652	\$ 597,173

The District will recognize \$1,272,292 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2017, as noted above.

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 49,480	\$ 294,224
2018	43,042	290,595
2019	13,838	248,977
2020	-	(236,623)
Total	\$ 106,360	\$ 597,173

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 608,372	\$ -
Differences between projected and actual earnings on pension plan investments	-	1,120,433
Difference between actual and proportionate share of employer contributions	90,114	-
Adjustment due to differences in proportions	-	50,809
Total Deferred Outflows/(Inflows) of Resources	<u><u>\$ 698,486</u></u>	<u><u>\$ 1,171,242</u></u>

The District will recognize \$608,372 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2016, as noted above.

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 32,184	\$ 298,254
2017	32,184	298,254
2018	25,746	294,625
2019	-	280,109
Total	<u><u>\$ 90,114</u></u>	<u><u>\$ 1,171,242</u></u>

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 9 – Prior Period Adjustments

As a result of the implementation of GASB Statements No. 68 and 71, net position as of July 1, 2014 was restated as follows:

Description	Balance
Net position as of July 1, 2014 – as previously reported	\$ 106,984,522
Net pension liability – GASB Nos. 68/71 implementation	(5,544,028)
Pension contributions made after the measurement date	441,097
Difference between actual and proportionate share of employer contributions	122,297
Total prior period adjustments	(4,980,634)
Net position as of July 1, 2014 – as restated	<u>\$ 102,003,888</u>

Note 10 – Net Investment in Capital Assets

Net investment in capital assets as of June 30 were as follows:

Description	June 30, 2016	June 30, 2015
Capital assets, net	\$ 110,785,069	\$ 112,773,459
Bonds payable – current	(1,165,000)	(1,125,000)
Bonds payable – non-current	(22,790,000)	(23,955,000)
Total net investment in capital assets	<u>\$ 86,830,069</u>	<u>\$ 87,693,459</u>

Note 11 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (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, 2015, 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.

West Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2016 and 2015

Note 11 – Risk Management (Continued)

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 years ending June 30, 2016, 2015 and 2014. 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, 2016, 2015 and 2014.

Note 12 – 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.

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.

REQUIRED SUPPLEMENTARY INFORMATION

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West Valley Water District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	<u>June 30, 2015¹</u>	<u>June 30, 2014¹</u>
District's Proportion of the Net Pension Liability	0.064278%	0.070412%
District's Proportionate Share of the Net Pension Liability	<u>\$ 4,411,991</u>	<u>\$ 4,381,344</u>
District's Covered-Employee Payroll	<u>\$ 3,985,522</u>	<u>\$ 3,776,382</u>
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	<u>110.70%</u>	<u>116.02%</u>
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u>78.40%</u>	<u>79.82%</u>

¹ Historical information is required only for measurement periods for which GASB No. 68 is applicable.

West Valley Water District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan
For the Year Ended June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	2015-16¹	2014-15¹	2013-14¹
Actuarially Determined Contribution ²	\$ 658,011	\$ 608,372	\$ 563,394
Contribution in Relation to the Actuarially Determined Contribution ²	(1,272,291)	(608,372)	(563,394)
Contribution Deficiency (Excess)	\$ (614,280)	\$ -	\$ -
District's Covered-Employee Payroll	\$ 4,319,878	\$ 3,985,522	\$ 3,776,382
Contributions as a Percentage of Covered-Employee Payroll	29.45%	15.26%	14.92%

¹ Historical information is required only for measurement periods for which GASB No. 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

West Valley Water District
Required Supplementary Information (Unaudited)
Schedule of Funding Progress – Other Post-Employment Benefits Plan
For the Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	\$ -	\$ 10,121,028	\$ 10,121,028	0.00%	\$ 4,147,630	244.02%
July 1, 2011	\$ -	\$ 10,360,723	\$ 10,360,723	0.00%	\$ 4,136,087	250.50%
July 1, 2008	\$ -	\$ 7,369,854	\$ 7,369,854	0.00%	\$ 3,334,696	221.01%

Notes to the Schedule:

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 two 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 2017, based on the year ending June 30, 2016.

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SUPPLEMENTARY INFORMATION

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West Valley Water District
Combining Balance Sheet
June 30, 2016

<u>ASSETS</u>	<u>Water District</u>	<u>Assessment District 97-1</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 31,521,441	\$ -	\$ 31,521,441
Investments	-	-	-
Accrued interest receivable	33,774	-	33,774
Accounts receivable – water sales and services, net	1,786,628	-	1,786,628
Accounts receivable – redevelopment pass-through	41,081	-	41,081
Accounts receivable – other	177,806	-	177,806
Property taxes receivable	18,511	-	18,511
Due from other governments	484,803	-	484,803
Materials and supplies inventory	255,758	-	255,758
Prepaid water	53,612	-	53,612
Prepaid items	631,450	-	631,450
Total current assets	35,004,864	-	35,004,864
Noncurrent assets:			
Restricted – cash and cash equivalents	2,524,634	76,241	2,600,875
Restricted – accrued interest receivable	-	-	-
Restricted – assessments receivable	-	44,667	44,667
Water stock – Fontana Union Water Company	1,307	-	1,307
Tax increment pass-through receivable	534,060	-	534,060
Capital assets, net	110,785,069	-	110,785,069
Water participation rights, net	8,038,221	-	8,038,221
Total noncurrent assets	121,883,291	120,908	122,004,199
Total assets	156,888,155	120,908	157,009,063
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources:			
Pension contributions made after the measurement date	1,272,292	-	1,272,292
Difference between actual and proportionate share of employer	67,329	-	67,329
Differences between expected and actual experience	39,031	-	39,031
Total deferred outflows of resources	1,378,652	-	1,378,652
Total assets and deferred outflows of resources	\$ 158,266,807	\$ 120,908	\$ 158,387,715

West Valley Water District
Combining Balance Sheet (Continued)
June 30, 2016

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$ 1,069,058	\$ -	\$ 1,069,058
Accrued salaries and related payables	232,975	-	232,975
Pass-through utility user taxes payable	74,145	-	74,145
Customer deposits	1,449,545	-	1,449,545
Construction advances and deposits	762,106	-	762,106
Accrued interest payable	256,907	1,281	258,188
Long-term liabilities – due within one year:			
Compensated absences	250,555	-	250,555
Contract payable	321,529	-	321,529
Bonds payable	1,130,000	35,000	1,165,000
Total current liabilities	5,546,820	36,281	5,583,101

Noncurrent liabilities:

Unearned revenue – developers	165,345	-	165,345
Unearned revenue – tax increment pass-through	534,060	-	534,060
Long-term liabilities – due in more than one year:			
Compensated absences	306,234	-	306,234
Contract payable	7,716,692	-	7,716,692
Bonds payable	22,790,000	-	22,790,000
Net other post-employment benefits payable	6,355,837	40,000	6,395,837
Net pension liability	4,411,991	-	4,411,991
Total noncurrent liabilities	42,280,159	40,000	42,320,159
Total liabilities	47,826,979	76,281	47,903,260

DEFERRED INFLOWS OF RESOURCES

Differences between projected and actual earnings on pension plan	185,117	-	185,117
Adjustment due to differences in proportions	42,794	-	42,794
Changes in assumptions	369,262	-	369,262
Total deferred inflows of resources	597,173	-	597,173

NET POSITION

Net investment in capital assets	86,830,069	-	86,830,069
Restricted – capital projects	1,366,458	-	1,366,458
Restricted – debt service	976,269	44,627	1,020,896
Unrestricted	20,669,859	-	20,669,859
Total net position	109,842,655	44,627	109,887,282
Total liabilities, deferred inflows of resources and net position	\$ 158,266,807	\$ 120,908	\$ 158,387,715

West Valley Water District
Combining Balance Sheet
June 30, 2015

<u>ASSETS</u>	<u>Water District</u>	<u>Assessment District 97-1</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 11,559,343	\$ -	\$ 11,559,343
Investments	14,562,258	-	14,562,258
Accrued interest receivable	9,578	-	9,578
Accounts receivable – water sales and services, net	1,849,668	-	1,849,668
Accounts receivable – redevelopment pass-through	41,081	-	41,081
Accounts receivable – other	79,635	-	79,635
Property taxes receivable	16,021	-	16,021
Due from other governments	438,490	-	438,490
Materials and supplies inventory	277,193	-	277,193
Prepaid water	71,745	-	71,745
Prepaid items	607,813	-	607,813
Total current assets	29,512,825	-	29,512,825
Noncurrent assets:			
Restricted – cash and cash equivalents	6,645,864	76,241	6,722,105
Restricted – accrued interest receivable	1,469	-	1,469
Restricted – assessments receivable	-	80,302	80,302
Water stock – Fontana Union Water Company	1,307	-	1,307
Tax increment pass-through receivable	575,142	-	575,142
Capital assets, net	112,773,459	-	112,773,459
Water participation rights, net	8,359,750	-	8,359,750
Total noncurrent assets	128,356,991	156,543	128,513,534
Total assets	157,869,816	156,543	158,026,359
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension contributions made after the measurement date	608,372	-	608,372
Difference between actual and proportionate share of employer contributions	90,114	-	90,114
Total deferred outflows of resources	698,486	-	698,486
Total assets and deferred outflows of resources	\$ 158,568,302	\$ 156,543	\$ 158,724,845

West Valley Water District
Combining Balance Sheet (Continued)
June 30, 2015

<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,656,219	\$ -	\$ 1,656,219
Accrued salaries and related payables	160,733	-	160,733
Pass-through utility user taxes payable	61,395	-	61,395
Customer deposits	1,434,428	-	1,434,428
Construction advances and deposits	768,841	-	768,841
Accrued interest payable	267,807	1,877	269,684
Long-term liabilities – due within one year:			
Compensated absences	256,727	-	256,727
Contract payable	321,529	-	321,529
Bonds payable	1,090,000	35,000	1,125,000
Total current liabilities	6,017,679	36,877	6,054,556
Noncurrent liabilities:			
Unearned revenue – developers	587,587	-	587,587
Unearned revenue – tax increment pass-through	575,142	-	575,142
Long-term liabilities – due in more than one year:			
Compensated absences	315,049	-	315,049
Contract payable	8,038,221	-	8,038,221
Bonds payable	23,955,000	-	23,955,000
Net other post-employment benefits payable	5,425,000	75,000	5,500,000
Net pension liability	4,381,344	-	4,381,344
Total noncurrent liabilities	43,277,343	75,000	43,352,343
Total liabilities	49,295,022	111,877	49,406,899
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Differences between projected and actual earnings on pension plan investments	1,120,433	-	1,120,433
Adjustment due to differences in proportions	50,809	-	50,809
Total deferred inflows of resources	1,171,242	-	1,171,242
<u>NET POSITION</u>			
Net investment in capital assets	87,693,459	-	87,693,459
Restricted – capital projects	5,360,944	-	5,360,944
Restricted – debt service	1,128,582	44,666	1,173,248
Unrestricted	13,919,053	-	13,919,053
Total net position	108,102,038	44,666	108,146,704
Total liabilities, deferred inflows of resources and net position	\$ 158,568,302	\$ 156,543	\$ 158,724,845

West Valley Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

	<u>Water District</u>	<u>Assessment District 97-1</u>	<u>Total</u>
Operating revenues:			
Water consumption sales	\$ 14,420,079	\$ -	\$ 14,420,079
Water service charges	6,702,841	-	6,702,841
Other operating revenue	2,240,801	-	2,240,801
Total operating revenues	<u>23,363,721</u>	<u>-</u>	<u>23,363,721</u>
Operating expenses:			
Source of supply	1,404,819	-	1,404,819
Pumping	2,910,119	-	2,910,119
Water treatment	1,524,622	-	1,524,622
Transmission and distribution	1,825,012	-	1,825,012
Customer accounts	1,885,567	-	1,885,567
Conservation	656,120	-	656,120
Bio-remediation	317,601	-	317,601
General and administrative	6,212,618	-	6,212,618
Total operating expenses	<u>16,736,478</u>	<u>-</u>	<u>16,736,478</u>
Operating income before depreciation	6,627,243	-	6,627,243
Depreciation expense	(7,346,162)	-	(7,346,162)
Amortization of water participation rights	(321,529)	-	(321,529)
Operating income	<u>(1,040,448)</u>	<u>-</u>	<u>(1,040,448)</u>
Non-operating revenues(expenses):			
Property taxes	1,758,220	-	1,758,220
Interest and investment earnings	123,135	3,955	127,090
Rental revenue	29,966	-	29,966
Gain(loss) on sale of capital asset	24,400	-	24,400
Board approved rate rebate	(2,547,492)	-	(2,547,492)
Interest expense	(1,038,528)	(4,119)	(1,042,647)
Debt administration expense	(19,740)	-	(19,740)
Other non-operating revenue, net	67,640	125	67,765
Total non-operating revenues, net	<u>(1,602,399)</u>	<u>(39)</u>	<u>(1,602,438)</u>
Net income before capital contributions	<u>(2,642,847)</u>	<u>(39)</u>	<u>(2,642,886)</u>
Capital contributions:			
Capital grant	-	-	-
Developer contributions	3,292,230	-	3,292,230
Facility charges	1,091,234	-	1,091,234
Total capital contributions	<u>4,383,464</u>	<u>-</u>	<u>4,383,464</u>
Change in net position	<u>1,740,617</u>	<u>(39)</u>	<u>1,740,578</u>
Net position:			
Beginning of year	108,102,038	44,666	108,146,704
Prior period adjustment	-	-	-
End of year	<u>\$ 109,842,655</u>	<u>\$ 44,627</u>	<u>\$ 109,887,282</u>

West Valley Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

	Water District	Assessment District 97-1	Total
Operating revenues:			
Water consumption sales	\$ 16,246,445	\$ -	\$ 16,246,445
Water service charges	6,061,174	-	6,061,174
Other operating revenue	2,704,540	-	2,704,540
Total operating revenues	25,012,159	-	25,012,159
Operating expenses:			
Source of supply	960,369	-	960,369
Pumping	4,524,032	-	4,524,032
Water treatment	1,680,613	-	1,680,613
Transmission and distribution	1,907,194	-	1,907,194
Customer accounts	2,104,526	-	2,104,526
Conservation	383,739	-	383,739
Bio-remediation	308,193	-	308,193
General and administrative	5,165,955	-	5,165,955
Total operating expenses	17,034,621	-	17,034,621
Operating income before depreciation	7,977,538	-	7,977,538
Depreciation expense	(7,268,297)	-	(7,268,297)
Amortization of water participation rights	(321,529)	-	(321,529)
Operating income	387,712	-	387,712
Non-operating revenues(expenses):			
Property taxes	1,658,936	-	1,658,936
Interest and investment earnings	59,065	6,306	65,371
Rental revenue	32,207	-	32,207
Gain(loss) on sale of capital asset	24,644	-	24,644
Interest expense	(1,142,181)	(6,656)	(1,148,837)
Debt administration expense	(19,740)	-	(19,740)
Other non-operating revenue, net	208,258	(5,910)	202,348
Total non-operating revenues, net	821,189	(6,260)	814,929
Net income before capital contributions	1,208,901	(6,260)	1,202,641
Capital contributions:			
Capital grant	50,000	-	50,000
Developer contributions	3,977,745	-	3,977,745
Facility charges	912,430	-	912,430
Total capital contributions	4,940,175	-	4,940,175
Change in net position	6,149,076	(6,260)	6,142,816
Net position:			
Beginning of year	106,933,596	50,926	106,984,522
Prior period adjustment	(4,980,634)	-	(4,980,634)
End of year	\$ 108,102,038	\$ 44,666	\$ 108,146,704

STATISTICAL SECTION

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**West Valley Water District
Statistical Section (Unaudited)
Last Ten Years**

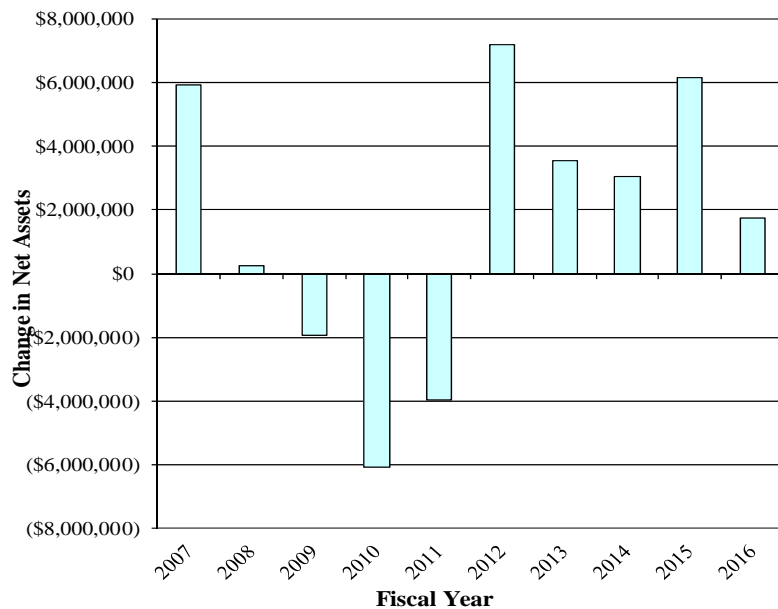
This part of the District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 12,649,898	11,952,084	12,516,368	12,847,976	14,396,755
Operating expenses (see Schedule 3)	(11,769,102)	(13,143,682)	(14,239,766)	(15,076,628)	(15,152,541)
Depreciation and amortization	(2,884,865)	(3,124,657)	(3,435,901)	(5,931,124)	(7,183,269)
Operating income(loss)	(2,004,069)	(4,316,255)	(5,159,299)	(8,159,776)	(7,939,055)
Non-operating revenues(expenses):					
Property taxes	1,056,260	1,218,693	1,368,431	1,160,572	1,268,513
Interest and investment earnings	1,377,234	1,349,096	367,362	92,589	87,581
Rental income - cellular antennas	25,923	24,629	26,116	41,767	42,393
Intergovernmental revenue	-	-	-	-	-
Gain/(loss) on sale/disposition of capital assets	1,350	-	18,486	(15,414)	3,137
Expense Reimbursement	-	-	-	-	-
Board approved rate rebate	-	-	-	-	-
Interest expense - long term debt	(1,800,506)	(1,358,255)	(1,323,745)	(1,289,174)	(1,339,178)
Pension Related debt	-	-	(1,264,902)	-	-
Bond issuance costs	-	-	-	-	-
Amortization of deferred charges	(36,356)	(48,474)	(48,474)	(48,474)	(48,474)
Other non-operating revenue/(expense), net	679,361	1,066,092	841,471	(505,204)	56,826
Total non-operating revenues(expenses), net	1,303,266	2,251,781	(15,255)	(563,338)	70,798
Net income (loss) before capital contributions	(700,803)	(2,064,474)	(5,174,554)	(8,723,114)	(7,868,257)
Capital contributions	6,628,672	2,331,245	3,233,296	2,672,626	3,893,837
Changes in net position	\$ 5,927,869	266,771	(1,941,258)	(6,050,488)	(3,974,420)
Net position by component:					
Net investment in capital assets	\$ 73,722,823	69,334,292	74,414,772	74,814,533	76,040,629
Restricted for capital projects	2,842,857	8,756,776	7,741,740	7,177,336	6,061,134
Restricted for debt service	68,908	69,100	57,555	55,816	56,104
Restricted for perchlorate treatment	-	-	-	-	-
Unrestricted	25,229,674	23,970,865	17,975,708	12,145,548	10,824,854
Total net position	\$ 101,864,262	102,131,033	100,189,775	94,193,233	92,982,721

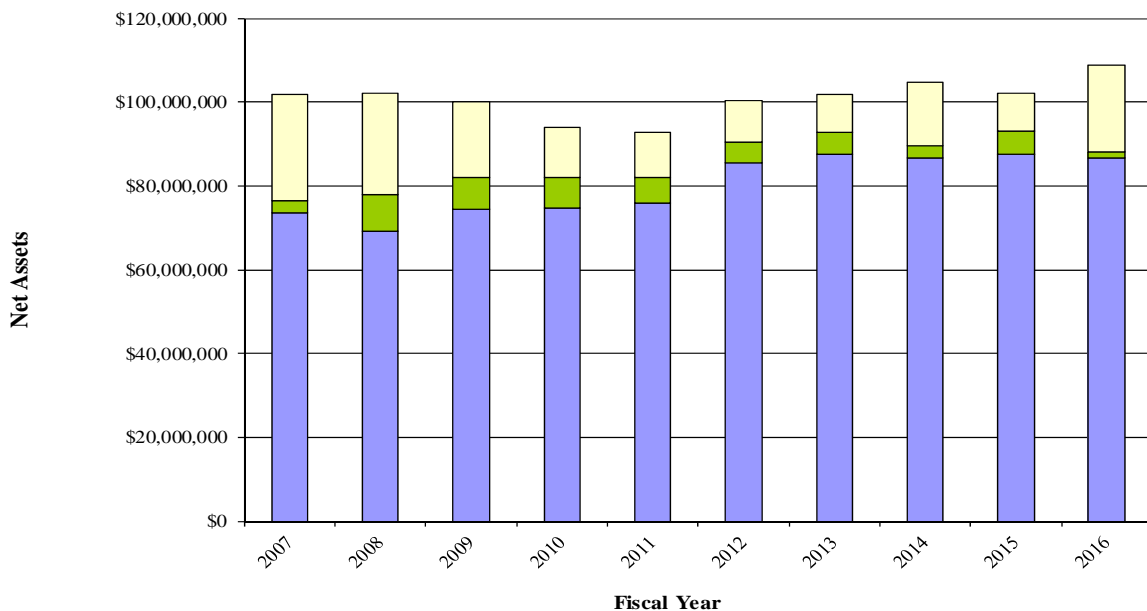


Source: West Valley Water District Accounting Department

West Valley Water District
Changes in Net Position and Net Position by Component (Continued)
Last Ten Years

Schedule 1

	Fiscal Year				
	As Restated	As Restated			
	2012	2013	2014	2015	2016
Changes in net position:					
Operating revenues (see Schedule 2)	15,601,438	19,264,708	22,907,911	25,012,159	23,363,721
Operating expenses (see Schedule 3)	(14,146,510)	(15,781,608)	(16,995,392)	(17,034,621)	(16,736,478)
Depreciation and amortization	(6,751,348)	(6,734,329)	(7,554,520)	(7,589,826)	(7,667,691)
Operating income (loss)	(5,296,420)	(3,251,229)	(1,642,001)	387,712	(1,040,448)
Non-operating revenues(expenses):					
Property taxes	1,422,629	1,760,434	1,459,571	1,658,936	1,758,220
Interest and investment earnings	60,255	48,171	64,380	65,371	127,090
Rental income - cellular antennas	27,714	35,663	26,746	32,207	29,966
Intergovernmental revenue	-	-	-	-	-
Gain/(loss) on sale/disposition of capital assets	16,171	-	45,650	24,644	24,400
Expense Reimbursement	-	2,000,000	-	-	-
Board approved rate rebate	-	-	-	-	(2,547,492)
Interest expense - long term debt	(1,295,266)	(1,246,914)	(1,196,877)	(1,148,837)	(1,042,647)
Pension Related debt	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Amortization of deferred charges	(48,474)	(601,613)	(19,740)	(19,740)	(19,740)
Other non-operating revenue/(expense), net	(146,563)	55,737	34,575	202,348	67,765
Total non-operating revenues(expenses), net	36,466	2,051,478	414,305	814,929	(1,602,438)
Net income (loss) before capital contributions	(5,259,954)	(1,199,751)	(1,227,696)	1,202,641	(2,642,886)
Capital contributions	12,431,630	4,760,891	4,283,248	4,940,175	4,383,464
Changes in net position	7,171,676	3,561,140	3,055,552	6,142,816	1,740,578
Net position by component:					
Net investment in capital assets	85,587,880	87,705,995	86,581,350	87,693,459	86,830,069
Restricted for capital projects	5,058,581	5,061,866	3,190,652	5,360,944	1,366,458
Restricted for debt service	55,093	2,196,172	2,194,435	5,873,252	1,020,896
Restricted for perchlorate treatment	-	-	-	-	-
Unrestricted	9,666,276	8,964,937	15,018,085	9,219,049	20,669,859
Total net position	100,367,830	103,928,970	106,984,522	108,146,704	109,887,282

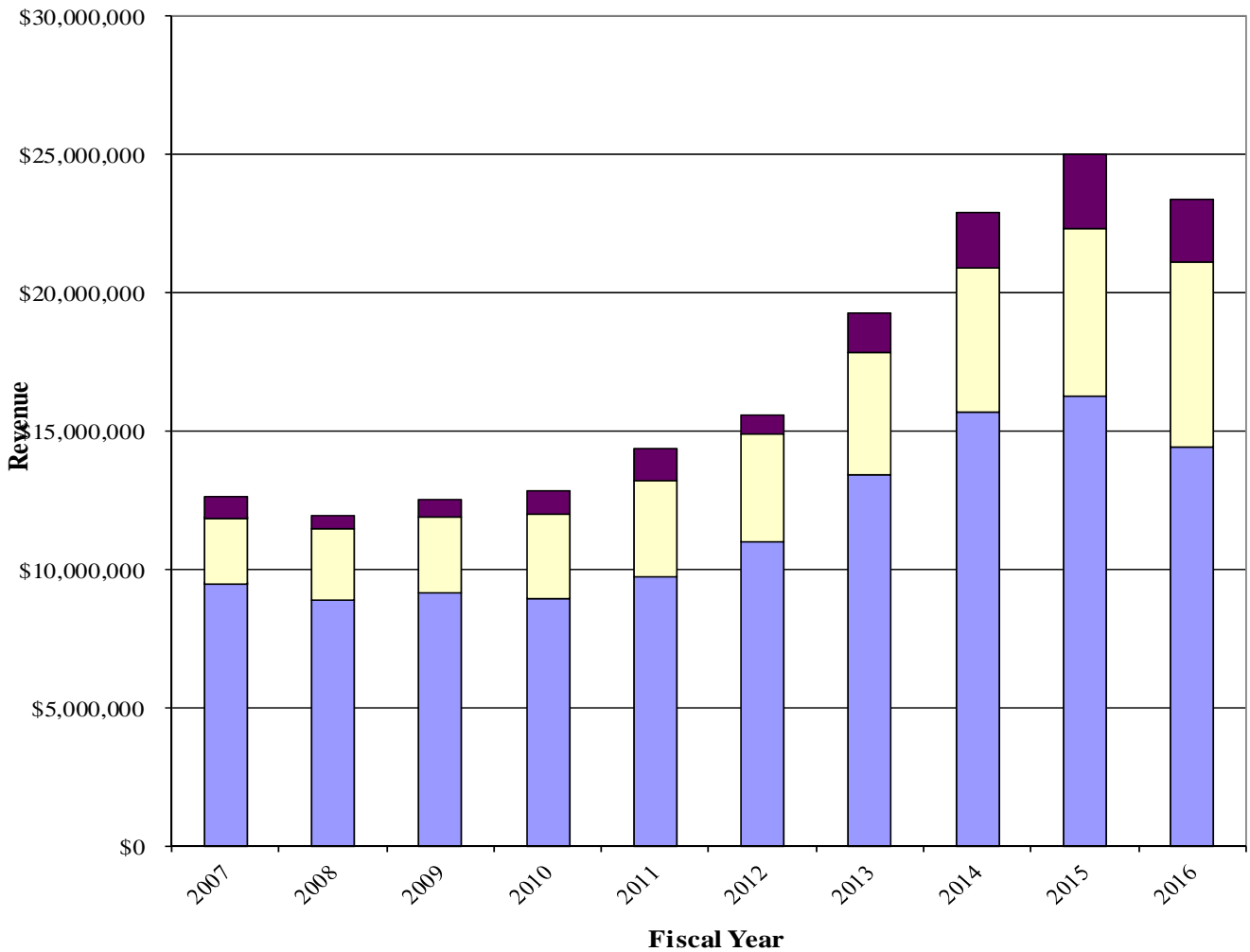


Source: West Valley Water District Accounting Department

West Valley Water District Operating Revenue by Source Last Ten Years

Schedule 2

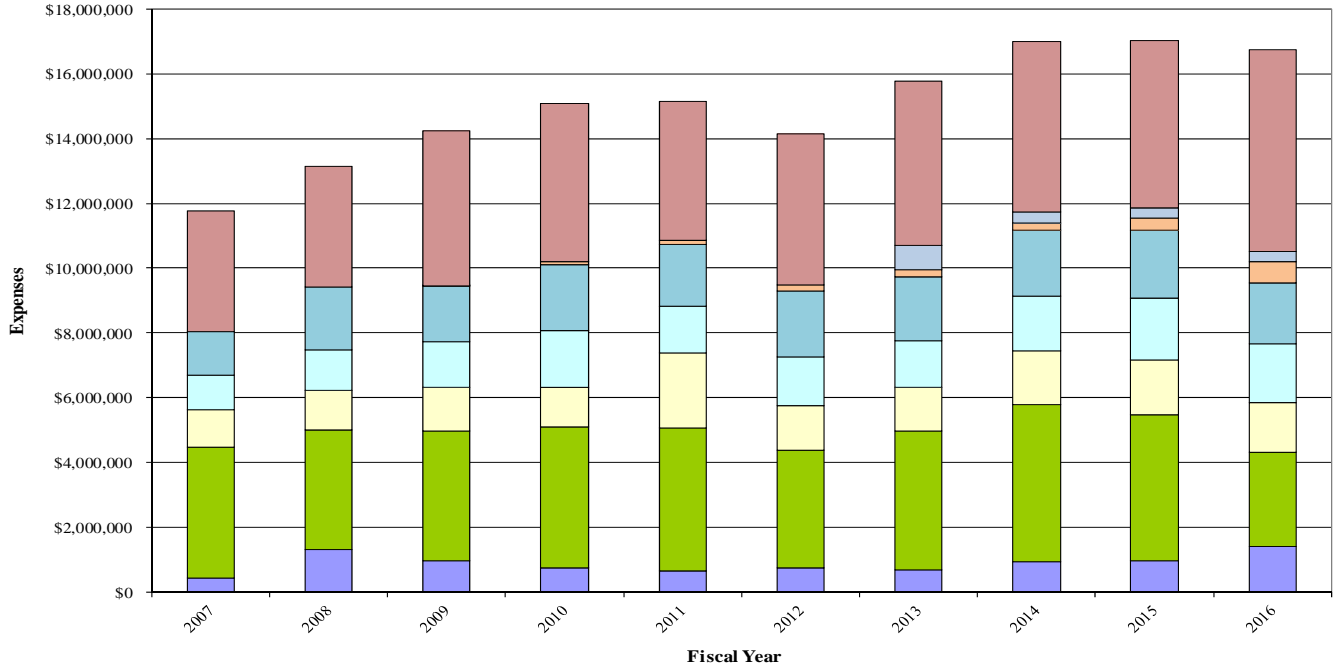
Fiscal Year	Water Consumption Sales	Water Service Charges	Other Operating Income	Total Operating Revenue
2007	\$ 9,499,311	2,336,071	814,516	12,649,898
2008	8,872,941	2,609,836	469,307	11,952,084
2009	9,145,285	2,767,715	603,368	12,516,368
2010	8,961,085	3,053,040	833,851	12,847,976
2011	9,750,303	3,448,236	1,198,216	14,396,755
2012	11,019,032	3,855,757	726,649	15,601,438
2013	13,442,407	4,398,803	1,423,498	19,264,708
2014	15,715,734	5,214,461	1,977,716	22,907,911
2015	16,246,445	6,061,174	2,704,540	25,012,159
2016	14,420,079	6,702,841	2,240,801	23,363,721



Source: West Valley Water District Accounting Department

West Valley Water District Operating Expenses by Activity Last Ten Years

Fiscal Year	Source of Supply	Pumping	Water Treatment	Transmission and Distribution	Customer Accounts	Conservation	Bioremediation	General and Administrative	Schedule 3 Total Operating Expenses
2007	426,103	4,036,380	1,172,713	1,061,602	1,354,056	-	-	3,718,248	11,769,102
2008	1,300,832	3,696,297	1,242,661	1,225,763	1,956,901	-	-	3,721,228	13,143,682
2009	956,940	4,030,155	1,326,083	1,426,379	1,716,249	228	-	4,783,732	14,239,766
2010	760,170	4,356,011	1,204,436	1,740,459	2,043,316	90,123	-	4,882,113	15,076,628
2011	671,055	4,401,510	2,325,866	1,417,810	1,923,981	122,064	-	4,290,255	15,152,541
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	1,323,713	1,451,836	1,977,941	199,973	752,907	5,088,431	15,781,608
2014	951,189	4,831,597	1,668,548	1,687,965	2,035,498	229,295	342,780	5,248,520	16,995,392
2015	960,369	4,524,032	1,680,613	1,907,194	2,104,526	383,739	308,193	5,165,955	17,034,621
2016	1,404,819	2,910,119	1,524,622	1,825,012	1,885,567	656,120	317,601	6,212,618	16,736,478

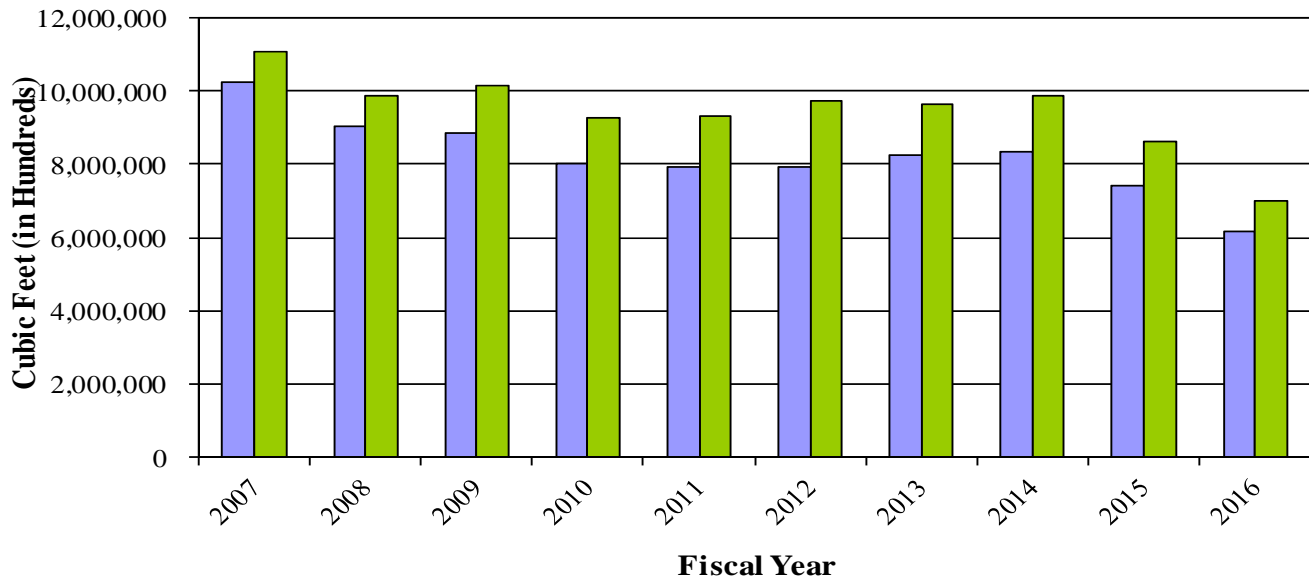


Source: West Valley Water District Accounting Department

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

Schedule 4

Fiscal Year	Water Sales (HCF)	Water Produced (HCF)
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
2014	8,323,184	9,891,169
2015	7,419,170	8,621,349
2016	6,151,431	7,016,601



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 Years

Schedule 5

Water Consumption per Hundred Cubic Feet (HCF)

Service Type	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fire	50.00	50.00	55.00	60.50	67.00	74.00	n/a	n/a	n/a	n/a
Tier 1							80.00	92.50	106.50	106.50
Tier 2							87.50	100.00	115.00	115.00
Tier 3							95.00	110.00	126.50	126.50
Golf Course	0.66	0.66	0.70	0.77	0.85	0.94	By contract	By contract	By contract	By contract
Hydrant	1.63	1.63	1.80	1.98	2.18	2.40	2.76	2.76	2.76	2.76
Irrigation:										
Demand	0.50	0.50	0.55	0.61	0.68	0.75	By contract	By contract	By contract	By contract
Gravity Flow	0.50	0.50	0.55	0.61	0.68	0.75	By contract	By contract	By contract	By contract
Pressure	0.72	0.72	0.80	0.88	0.97	1.07	By contract	By contract	By contract	By contract
Water	1.00	1.00	1.10	1.21	1.34	1.48	n/a	n/a	n/a	n/a
Tier 1							1.60	1.85	2.13	2.13
Tier 2							1.75	2.00	2.30	2.30
Tier 3							1.90	2.20	2.53	2.53

Connection Fees Per Month

Meter Size	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fire										
5/8" & 3/4"	6.25	6.25	6.88	7.57	8.33	9.17	10.54	10.54	10.54	10.54
1"	6.25	6.25	6.88	7.57	8.33	9.17	10.54	10.54	10.54	10.54
1 1/2"	9.38	9.38	10.32	11.36	12.50	13.76	15.81	15.81	15.81	15.81
2"	12.50	12.50	13.76	15.14	16.66	18.34	21.08	21.08	21.08	21.08
3"	18.75	18.75	20.64	22.71	24.99	27.51	31.62	31.62	31.62	31.62
4"	25.00	25.00	27.52	30.28	33.32	36.68	42.16	42.16	42.16	42.16
6"	37.50	37.50	41.28	45.42	49.98	55.02	63.24	63.24	63.24	63.24
8"	50.00	50.00	55.04	60.56	66.64	73.36	84.32	84.32	84.32	84.32
Golf Course										
All Sizes	39.38	39.38	43.32	47.66	52.43	57.68	By contract	By contract	By contract	By contract
Hydrant										
All Sizes	43.45	43.45	47.80	52.58	57.84	63.63	73.17	73.17	73.17	73.17
Irrigation										
All Sizes:										
Demand	39.38	39.38	43.32	47.66	52.43	57.68	By contract	By contract	By contract	By contract
Gravity Flow	39.38	39.38	43.32	47.66	52.43	57.68	By contract	By contract	By contract	By contract
Pressure	39.38	39.38	43.32	47.66	52.43	57.68	By contract	By contract	By contract	By contract
Water										
5/8" & 3/4"	9.96	9.96	10.96	12.06	13.27	14.60	16.79	19.31	22.21	22.21
1"	14.84	14.84	16.33	17.97	19.77	21.75	25.01	28.76	33.07	33.07
1 1/2"	21.90	21.90	24.09	26.50	29.15	32.07	36.88	42.41	48.77	48.77
2"	30.16	30.16	33.18	36.50	40.15	44.17	50.80	58.42	67.18	67.18
3"	43.79	43.79	48.17	52.99	58.29	64.12	73.74	84.80	97.52	97.52
4"	57.71	57.71	63.50	69.85	76.84	84.53	97.21	111.79	128.56	128.56
6"	87.56	87.56	96.33	105.97	116.57	128.23	147.46	169.58	195.02	195.02
8"	117.40	117.40	129.16	142.08	156.29	171.92	197.71	227.37	261.48	261.48

Note 1: Out of District rates for Water Service are one and a half times the In District rates.

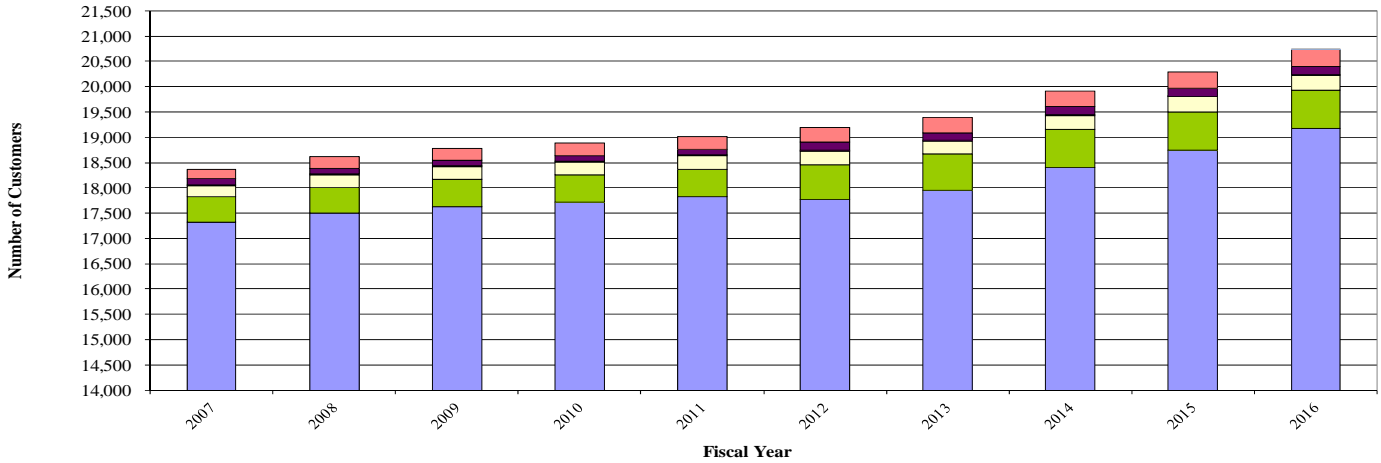
Note 2: The rates for Golf Course and Irrigation Services are by written agreement between the user and the District.

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

West Valley Water District Customers by Type Last Ten Years

Schedule 6

Fiscal Year	Customer Type									Total
	Residential	Commercial	Fire Service	Irrigation	Multi-Family	Park way	Golf Course	Wholesale Water		
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	17,773	692	267	13	155	287	-	-	-	19,187
2013	17,961	703	266	10	155	296	-	-	-	19,391
2014	18,397	754	284	11	159	316	-	-	-	19,921
2015	18,740	769	292	11	159	330	-	-	-	20,301
2016	19,174	756	299	10	159	341	-	1	-	20,740



Note: 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 Year and Nine Years Ago**

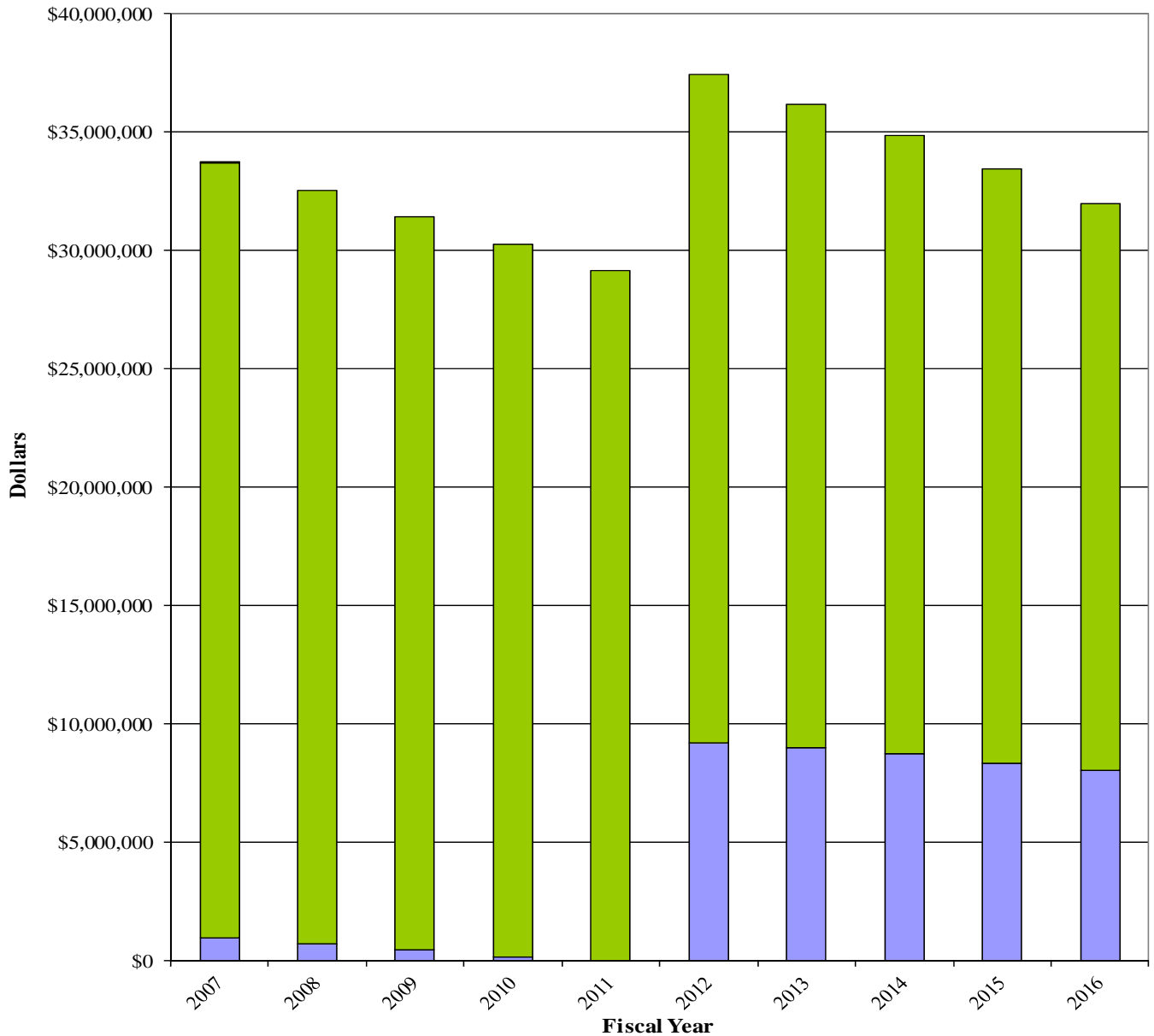
Customer	2016		Schedule 7 2007	
	Water Consumed	Percentage of Total	Water Consumed	Percentage of Total
Rialto Unified School District	168,818	2.74%	313,926	3.07%
Robertson's Ready Mix	161,020	2.62%	208,611	2.04%
City of Rialto	121,093	1.97%	227,626	2.22%
Colton Joint Unified School District	98,657	1.60%	166,527	1.63%
Marygold Mutual Water Company	96,789	1.57%	-	0.00%
Aramark Uniform Services	92,844	1.51%	6,305	0.06%
Target	69,590	1.13%	135,551	1.32%
City of Fontana	62,924	1.02%	82,885	0.81%
My Montceito III	59,645	0.97%	86,329	0.84%
Lennar Homes	48,550	0.79%	36,679	0.36%
Total	979,930	15.93%	1,264,439	12.36%
Total Water Consumed (HCF)	6,151,431	100.00%	10,232,514	100.00%

Source: West Valley Water District Accounting Department

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

Schedule 8

Fiscal Year	Contracts Payable	Bonds Payable	Notes Payable	Total		
				Debt	Per Capita	As a Share of Personal Income
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	9,234,336	28,195,000	-	37,429,336	370.47	1.16%
2013	9,002,807	27,190,000	-	36,192,807	358.71	1.12%
2014	8,734,867	26,155,000	-	34,889,867	345.39	1.05%
2015	8,359,750	25,080,000	-	33,439,750	325.48	0.99%
2016	8,038,221	23,955,000	-	31,993,221	310.22	0.88%



Source: West Valley Water District Accounting Department

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

Fiscal Year	Net Revenues	Operating Expenses ⁽¹⁾	Net Available Revenues	Debt Service			Schedule 9
				Principal ⁽²⁾	Interest	Total	Coverage Ratio
				2007	15,610,594	(13,143,682)	2,466,912
2008	15,138,234	(14,239,766)	898,468	1,120,000	1,348,787	2,468,787	0.36
2009	13,622,286	(14,531,043)	(908,757)	1,160,000	1,314,378	2,474,378	(0.37)
2010	14,142,904	(14,391,194)	(248,290)	1,105,009	1,278,441	2,383,450	(0.10)
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	21,164,713	(17,630,135)	3,534,578	1,356,529	1,297,214	2,653,743	1.33
2014	24,538,833	(18,212,009)	6,326,824	1,450,117	1,113,028	2,563,145	2.47
2015	26,995,665	(18,203,198)	8,792,467	1,446,529	1,148,837	2,595,366	3.39
2016	25,371,162	(20,346,357)	5,024,805	1,486,529	1,042,647	2,529,176	1.99

Notes:

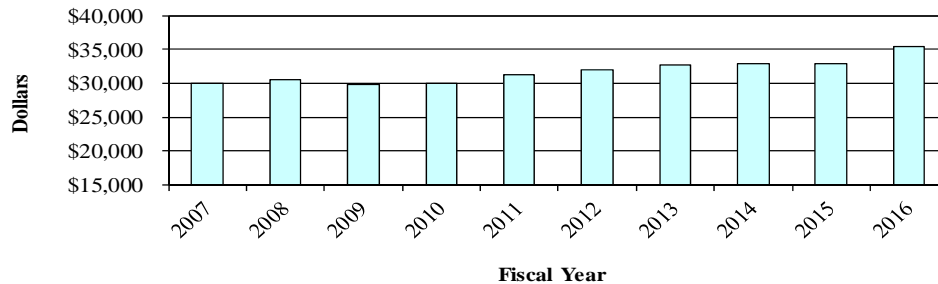
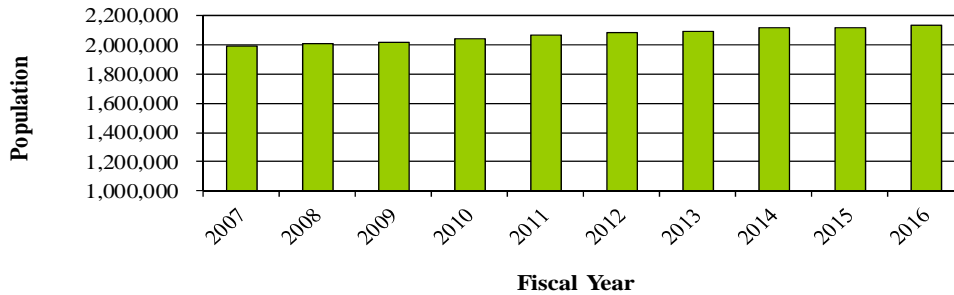
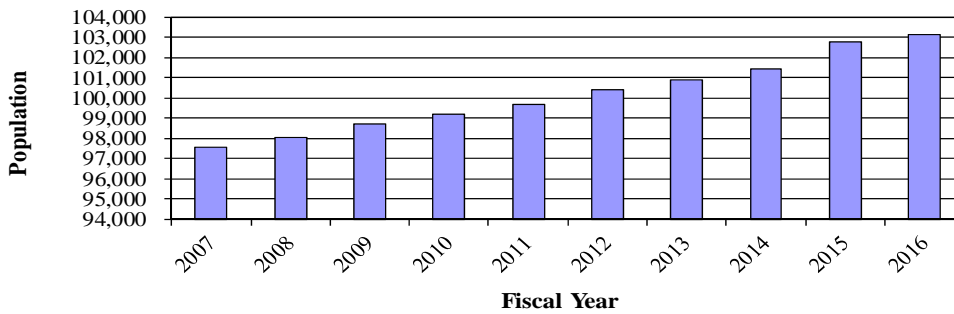
- (1) Operating expenses exclude depreciation expense and other post employment benefit expenses
- (2) Includes only normal principal payments (does not include payments as a result of refinancing of debt)

Source: West Valley Water District Accounting Department

West Valley Water District Demographics and Economics Statistics Last Ten Years

Schedule 10

Year	Unemployment Rate	City of Rialto Population ⁽¹⁾	County of San Bernardino ⁽²⁾			
			Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
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%	2,041,626	61,147,087	29,950
2011	16.4%	99,686	12.9%	2,063,143	64,454,103	31,241
2012	14.3%	100,397	11.1%	2,077,453	66,577,329	32,048
2013	13.3%	100,896	10.4%	2,088,371	68,387,465	32,747
2014	11.6%	101,429	9.0%	2,112,619	69,487,877	32,892
2015	9.5%	102,741	8.1%	2,112,619	69,487,877	32,892
2016	7.0%	103,132	5.8%	2,128,133	75,402,896	35,431



Sources:

- www.labormarketinfo.edd.ca.gov
- <http://www.bea.gov/regional/beafacts>
- <http://www.dof.ca.gov/Research/demographic/reports/estimates/e-1/view.php>

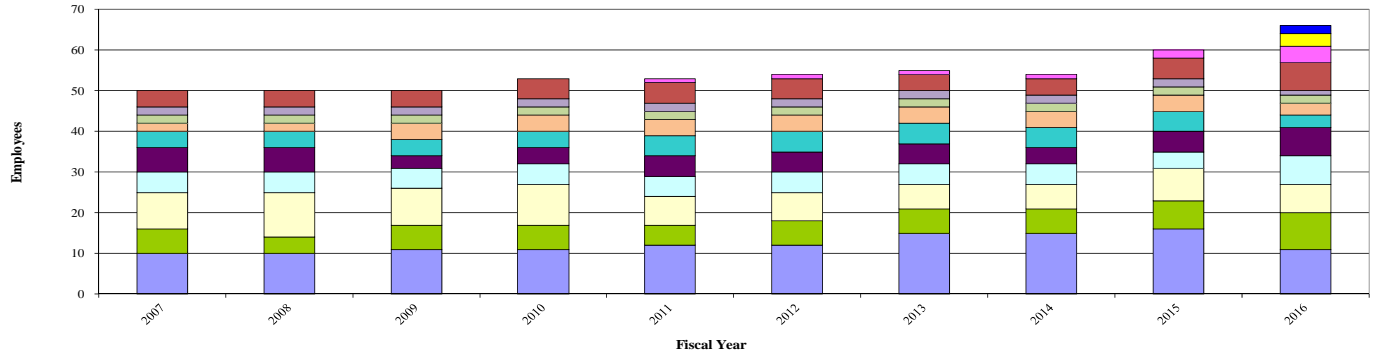
(1) Separate data is not available for the District, therefore the District has used the data for the City of Rialto. A substantial portion of the District lies within the city, and therefore, is a reasonable basis for determining the demographic and economic statistics of the District.

(2) Only County data is updated annually. Therefore, the District has chosen to use its data since the District believes that the County data is representative of the conditions and experience of the District.

West Valley Water District Operating and Capacity Indicators Last Ten 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	Water Quality	Purchasing	Total
2007	10	6	9	5	6	4	2	2	2	4	0	0	0	50
2008	10	4	11	5	6	4	2	2	2	4	0	0	0	50
2009	11	6	9	5	3	4	4	2	2	4	0	0	0	50
2010	11	6	10	5	4	4	4	2	2	5	0	0	0	53
2011	12	5	7	5	5	5	4	2	2	5	1	0	0	53
2012	12	6	7	5	5	5	4	2	2	5	1	0	0	54
2013	15	6	6	5	5	5	4	2	2	4	1	0	0	55
2014	15	6	6	5	4	5	4	2	2	4	1	0	0	54
2015	16	7	8	4	5	5	4	2	2	5	2	0	0	60
2016	11	9	7	7	7	3	3	2	1	7	4	3	2	66



Source: West Valley Water District Human Resources Department

Schedule 12

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
2007	30	355	24	66.6	19	43.0	2,040
2008	31	361	26	73.6	19	41.0	2,040
2009	31	362	26	73.6	20	42.0	2,040
2010	31	365	26	73.6	17	43.0	2,040
2011	31	366	26	73.6	17	38.0	2,040
2012	31	366	26	73.6	17	35.0	2,040
2013	31	368	26	73.6	17	35.0	2,040
2014	31	370	26	73.6	17	35.0	2,040
2015	31	370	26	73.6	17	35.0	2,040
2016	32	370	26	73.6	17	35.0	2,944

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

Sources: West Valley Water District Operations

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