



**Comprehensive Annual Financial Report
For the Years Ended June 30, 2018 and 2017**





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For the Years Ended June 30, 2018 and 2017**

West Valley Water District
855 W. Baseline Road
Rialto, California 92376

Prepared by:
West Valley Water District Accounting Department

West Valley Water District
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018 (with comparable data for prior year)
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INTRODUCTORY SECTION

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December 20, 2018

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, 2018, prepared in accordance with generally accepted accounting principles 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.

Rogers Anderson Malody & Scott LLP has issued an unmodified (“clean”) opinion of the District’s financial statements for the year ended June 30, 2018. The independent auditor’s report is located at the front of the financial section of this report.

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 79 regular employees in various functions including operations, maintenance, engineering, finance, customer service, meter reading, human resources, conservation, external affairs, business systems, information technology, 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 21,676 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 66% 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 Acre-Feet per year. 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.

Status of Drought Conditions

On April 7, 2017, Governor Edmund G. Brown J. issued Executive Order B-40-17 lifting the drought emergency in most of California, while maintaining water reporting requirements and prohibitions on wasteful processes, encouraging, and continuing making water conservation a way of life.

The District continues to support its customers by providing rebates that incentivize a change in habit and promote awareness on water conservation and efficiency. The District continues to depend heavily on groundwater supplies that are replenished by local precipitation and conservation will continue to be key to our growing region of Inland Southern California.

Major Initiatives

The activities of the Board and staff are driven by our mission statement, "to provide our customers with safe, high quality, and reliable drinking water service at a reasonable rate and in a sustainable manner." To that end, the District's major priorities include the following:

1. Continue to deliver safe, reliable, high quality water at an affordable price.
2. Nurture a culture that values our employees, customer service, innovation, integrity, excellence, transparency, and conservation.
3. Implement technologies that increase efficiency and enhance safety.
4. Plan and be prepared for anticipated significant housing growth in the District.
5. 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 2018:

1. For the seventh consecutive year, the District received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the 2017 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. Finished construction on the District's first Hydroelectric Plant, which uses turbines to harness energy from water from the State Water Project, where it then is transferred to Southern California Edison's grid to offset energy costs.
3. Expanded our "bioremediation" perchlorate treatment plant facilities using fixed-bed reactor technology that treats perchlorate-contaminated water.
4. Installed four new granular activated carbon (GAC) vessels to increase treatment capacity in the volatile organic chemical treatment process at the Oliver P. Roemer Water Filtration Facility and meet current and future EPA/State regulations. This expansion, plus a future membrane treatment facility, will bring the capacity of the Roemer Facility from the current 14.4 million gallons per day (MGD) to 20.4 MGD in the future.
5. Completed a Geographic Information System (GIS) program to provide infrastructure and parcel data in the District's area. Informational uses of the GIS program can 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.
6. Received full District participation in grant funding programs, WECAN, and WaterSMART for California drought-friendly turf replacement.
7. Employed Chandler asset management to manage a portion of District funds that will increase income through investment in a conservative risk adverse portfolio.

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 normally invested in the State Treasurer's Local Agency Investment Fund, CalTRUST institutional savings, Federal government Treasury notes, agency obligations and other investments.

Long-term Financial Planning

The District's financial plan includes the establishment of reserve funds in accordance with the District's Reserve Policy. Reserve funds are set to ensure the continued orderly operation of the District's water system, the provision of services to customers at established levels, and the continued stability of the District's rate structure. The District has committed to the following objectives in the Reserve Policy as of June 30, 2018.

1. The District will strive to adopt a balanced budget.
2. Capital Reserves are established to provide funds for capital facility and equipment replacement.
3. Liquidity Reserves are established to safeguard the financial flexibility and stability of the District and to maintain stable customer charges and rates.
4. Restricted Reserves are maintained to comply with restrictions imposed by outside sources such as creditors, grantors, contributors, laws, or regulations.

Debt Administration

The District has received and maintained a credit rating of AA- from Standard and Poor's. Revenue Bonds were issued in December 2016. The bond proceeds were used to pay off 2006D-2 Installment Purchase Agreement.

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 annually contributes funding.

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. In 2018, the District issued a rebate to customers for 2017 water consumption charges averaging \$100 in May 2018. 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 standards provide additional flexibility for our customers while improving the clarity of the regulations in order to support meeting 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 Rogers, Anderson, Malody & Scott, LLP has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Risk Management

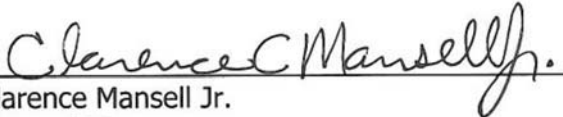
The District is a member of the Association of California Water Agencies Joint Power Insurance Authority (Authority). The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The District's Human Resources/Risk Management Department provides staff with regular safety training each month as part of the District's safety program.

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.

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,


Clarence Mansell Jr.

General Manager

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”

Elected Board of Directors as of June 30, 2018

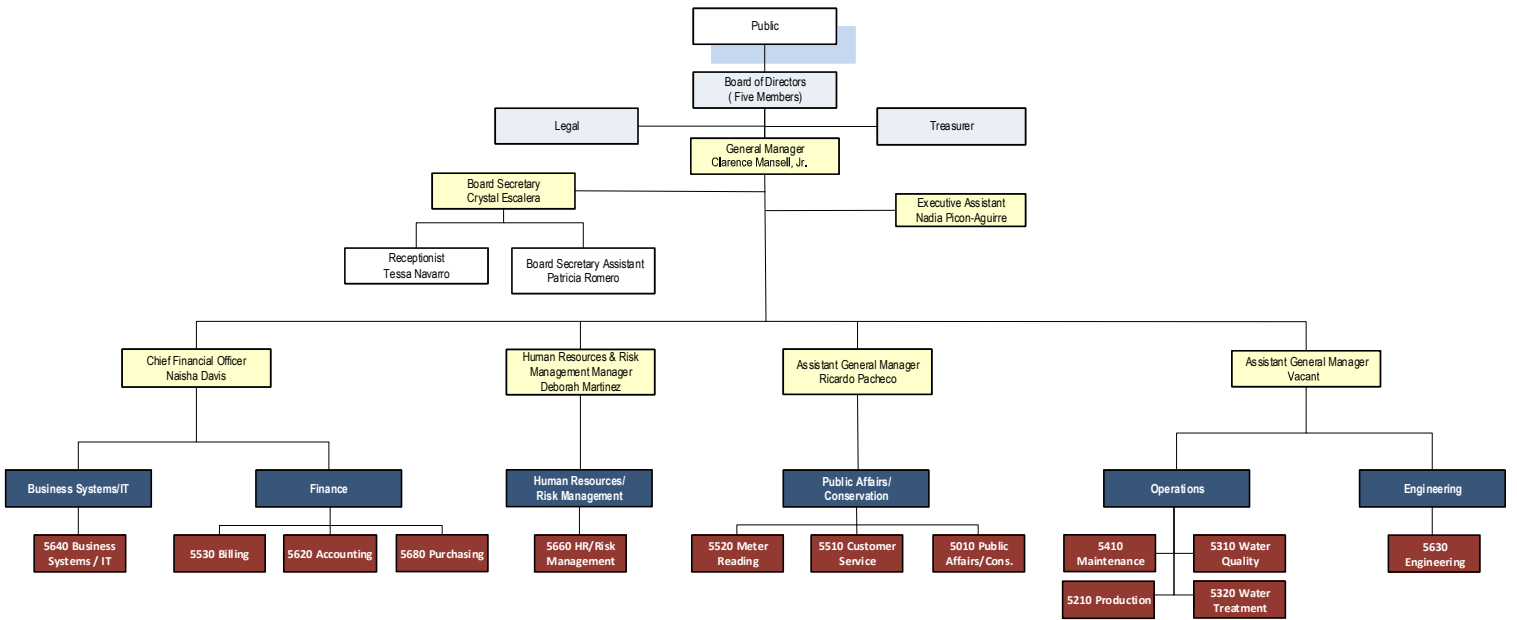
Name	Title	Current Term
Dr. Clifford O. Young, Sr.	President	11/17 - 11/21
Greg Young	Vice President	11/15 - 11/19
Don Olinger	Director	11/15 - 11/19
Dr. Michael Taylor	Director	11/17 - 11/21
Kyle Crowther	Director	11/17 - 11/19

**West Valley Water District
Clarence Mansell, General Manager
855 W. Baseline Road
Rialto, California 92376
(909) 875-1804
www.wvwd.org**

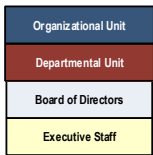


July 1, 2018

Organizational Structure



Legend





**The Government Finance Officers Association
of the United States and Canada**

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Accounting Department
West Valley Water District, California



The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Christopher P. Morill

Date August 17, 2018

FINANCIAL SECTION

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

INDEPENDENT AUDITOR'S REPORT

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

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Lisa Dongxue Guo, CPA, MSA
Samuel Singery, CPA
Jing Wu, CPA
Evelyn Morentin-Barcena, CPA
Jin Gu, CPA, MT

Report on the Financial Statements

We have audited the accompanying financial statements of the West Valley Water District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.



MEMBERS

American Institute of
Certified Public Accountants

PCPS The AICPA Alliance
for CPA Firms

Governmental Audit
Quality Center

Employee Benefit Plan
Audit Quality Center

California Society of
Certified Public Accountants

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, 2018, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the California State Controller's office and state regulations governing special districts.

Emphasis of a Matter

Change in Accounting Principle

As discussed in Note 1 of the financial statements, the District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). Our opinion is not modified with respect to this matter. Restatement of the comparative financial data for the prior period presented is not practical due to the unavailability of comparable actuarial information, therefore the provisions of GASB Statement No. 75 were not applied to the prior period. The cumulative effects of applying the provisions of GASB Statement No. 75 have been reported as a restatement of beginning net position for the year ended June 30, 2018 in accordance with the Statement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of the District's Proportionate Share of the Plans' Net Pension Liability and Related Ratios as of the Measurement Date, Schedule of Plan Contributions, the Schedule of Changes in the net OPEB liability and related ratios, and the schedule of OPEB plan contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and the statistical section are presented for purposes of additional analysis and are not a required part 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 21, 2018, 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
December 20, 2018

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West Valley Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with the audited financial statements which follow this section.

Financial Highlights

- In 2018, the District's net position increased approximately \$10.1 million, from \$115.6 million to \$125.7 million or 8.78%.
- In 2017, the District's net position increased approximately \$4.4 million, from \$111.2 million to \$115.6 million or 3.93%.
- In 2018, the District's operating revenues increased 7%, or \$1.9 million primarily to an increase in water usage of \$1,515,629 and service charges of \$212,878.
- In 2017, the District's operating revenues increased 14.8%, or \$3.4 million, due primarily to an increase in water usage of \$1,568,157 and four years of Goodrich Corporation's restitution reimbursement for water contamination of \$1,593,145.
- In 2018, the District's operating expenses before depreciation increased 6.16%, or \$1,260,218, primarily due to an increase in other general and administrative expense of \$847,917 and an increase in electricity cost of \$355,871 due to higher pumping volume from our own wells.
- In 2017, the District's operating expenses before depreciation increased 22.16%, or \$3,709,589, primarily due to the increase in water treatment cost of \$1,880,925 and an increase in general and administrative expense of \$1,110,380.
- In 2018, the Districts non-operating revenues decreased by 35.6%, or \$1,667,240. Grant and Reimbursement Revenue decreased by \$1,963,357; the award from the State Water Resource Control Board for the Fixed Bed Reactor was primarily funded in 2017 and is non-recurring. Interest income increased by \$140,446 due to reorganization of district investments.
- In 2017, the District's non-operating revenues increased by 133%, or \$2.7 million, primarily due to a grant from State Water Resource Control Board of \$2.5 million for the Fixed Bed Reactor.
- In 2018, the Districts non-operating expenses increased by \$933,562, or 42.98% due to the issuance of a board approved rate rebate to customers for \$2,263,619. Debt administration expense, debt interest and amortization, and debt issuance cost decreased by \$1,330,057.
- In 2017, the District's non-operating expenses decreased 40.1%, or \$1,446,218, primarily due to the board approved rate rebate of \$2,547,492 during 2016.
- In 2018, the District had net income before capital contributions of \$493,514.
- In 2017, the District had net income before capital contributions of \$867,400.

West Valley Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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.

The *statement 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. 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.

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 \$125.7 million and \$115.6 million as of June 30, 2018 and 2017, respectively.

The largest portion of the District's net position during June 30, 2018 (76%) and 2017 (76%), reflects its net 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
For the Year Ended June 30, 2018

Condensed Statement of Net Position

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change</u>	<u>June 30, 2016</u>	<u>Change</u>
Assets:					
Current assets	\$ 54,694,499	\$ 43,911,548	\$ 10,782,951	\$ 35,641,634	\$ 8,269,914
Noncurrent assets	7,805,979	8,168,589	(362,610)	11,132,075	(2,963,486)
Capital assets, net	117,609,581	110,765,260	6,844,321	110,785,069	(19,809)
Total assets	<u>180,110,059</u>	<u>162,845,397</u>	<u>17,264,662</u>	<u>157,558,778</u>	<u>5,286,619</u>
Deferred outflow of resources	<u>3,899,998</u>	<u>2,461,701</u>	<u>1,438,297</u>	<u>1,378,652</u>	<u>1,083,049</u>
Total assets and deferred outflows of resources	<u>\$184,010,057</u>	<u>\$165,307,098</u>	<u>\$ 18,702,959</u>	<u>\$158,937,430</u>	<u>\$ 6,369,668</u>
Liabilities:					
Current liabilities	\$ 6,956,234	\$ 5,654,419	\$ 1,301,815	\$ 5,583,101	\$ 71,318
Non-current liabilities	44,330,117	43,294,173	1,035,944	41,574,624	1,719,549
Total liabilities	<u>51,286,351</u>	<u>48,948,592</u>	<u>2,337,759</u>	<u>47,157,725</u>	<u>1,790,867</u>
Deferred inflows of resources	<u>7,020,730</u>	<u>801,637</u>	<u>6,219,093</u>	<u>597,173</u>	<u>204,464</u>
Net position:					
Net investment in capital assets	95,204,664	87,731,340	7,473,324	87,041,544	689,796
Restricted	7,875,322	929,737	6,945,585	2,387,354	(1,457,617)
Unrestricted	22,622,990	26,895,792	(4,272,802)	21,753,634	5,142,158
Total net position	<u>125,702,976</u>	<u>115,556,869</u>	<u>10,146,107</u>	<u>111,182,532</u>	<u>4,374,337</u>
Total liabilities, deferred inflows of resources and net position	<u>\$184,010,057</u>	<u>\$165,307,098</u>	<u>\$ 18,702,959</u>	<u>\$158,937,430</u>	<u>\$ 6,369,668</u>

As of June 30, 2018 and 2017, the District reports a positive balance in its unrestricted net position of \$22,622,990 and \$26,895,792, respectively.

West Valley Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change</u>	<u>June 30, 2016</u>	<u>Change</u>
Operating revenues	\$ 28,543,972	\$ 26,677,886	\$ 1,866,086	\$ 23,230,364	\$ 3,447,522
Operating expenses	(21,706,285)	(20,446,067)	(1,260,218)	(16,736,478)	(3,709,589)
Operating income before depreciation	6,837,687	6,231,819	605,868	6,493,886	(262,067)
Depreciation and amortization expense	(6,268,421)	(7,889,469)	1,621,048	(7,667,691)	(221,778)
Operating income(loss)	569,266	(1,657,650)	2,226,916	(1,173,805)	(483,845)
Non-operating revenues(expenses), net	(75,752)	2,525,050	(2,600,802)	(1,595,711)	4,120,761
Net income (loss) before capital contributions	493,514	867,400	(373,886)	(2,769,516)	3,636,916
Capital contributions	16,643,552	3,506,937	13,136,615	4,383,464	(876,527)
Change in net position	17,137,066	4,374,337	12,762,729	1,613,948	2,760,389
Net position:					
Beginning of year	115,556,869	111,182,532	4,374,337	109,568,584	1,613,948
Prior period adjustment	(6,990,959)	-	(6,990,959)	-	-
End of year	\$ 125,702,976	\$ 115,556,869	\$ 10,146,107	\$ 111,182,532	\$ 4,374,337

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 \$17,137,066 and \$4,374,337 during the years ended June 30, 2018 and 2017, respectively. Beginning net position in year ended June 30, 2018 was reduced by \$6,990,959 as a result of implementing GASB Statement No. 75 related to other-post employment benefits.

Total District Revenues

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Increase (Decrease)</u>	<u>June 30, 2016</u>	<u>Increase (Decrease)</u>
Operating revenues:					
Water consumption sales	\$ 17,370,508	\$ 15,854,879	\$1,515,629	\$ 14,286,722	\$ 1,568,157
Water service charges	7,201,939	6,989,061	212,878	6,702,841	286,220
Other operating revenue	3,971,525	3,833,946	137,579	2,240,801	1,593,145
Total operating revenues	28,543,972	26,677,886	1,866,086	23,230,364	3,447,522
Non-operating:					
Property taxes	2,023,173	1,821,922	201,251	1,758,220	63,702
Grants and reimbursements	554,897	2,518,254	(1,963,357)	43,241	2,475,013
Interest and investment earnings	367,911	227,465	140,446	127,090	100,375
Rental revenue	32,941	37,241	(4,300)	29,966	7,275
Gain on sale of capital assets, net	15,400	60,980	(45,580)	24,400	36,580
Other non-operating revenue, net	20,422	16,122	4,300	24,524	(8,402)
Total non-operating:	3,014,744	4,681,984	(1,667,240)	2,007,441	2,674,543
Total revenues	\$ 31,558,716	\$ 31,359,870	\$ 198,846	\$ 25,237,805	\$ 6,122,065

As of June 30, 2018 and 2017, the District's total revenues increased \$198,846 and increased \$6,122,065, respectively, over the prior year.

West Valley Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Total District Expenses

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Increase (Decrease)</u>	<u>June 30, 2016</u>	<u>Increase (Decrease)</u>
Operating expenses:					
Source of supply	\$ 972,624	\$ 1,307,160	\$ (334,536)	\$ 1,404,819	\$ (97,659)
Pumping	3,066,501	2,823,389	243,112	2,910,119	(86,730)
Water treatment	4,110,055	3,723,148	386,907	1,842,223	1,880,925
Transmission and distribution	2,074,410	2,071,867	2,543	1,825,012	246,855
Customer accounts	2,031,657	1,923,943	107,714	1,885,567	38,376
Conservation	1,280,123	1,273,562	6,561	656,120	617,442
General and administrative	8,170,915	7,322,998	847,917	6,212,618	1,110,380
Operating expenses before depreciation	<u>21,706,285</u>	<u>20,446,067</u>	<u>1,260,218</u>	<u>16,736,478</u>	<u>3,709,589</u>
Depreciation and amortization	6,268,421	7,889,469	(1,621,048)	7,667,691	221,778
Total operating expenses	<u>27,974,706</u>	<u>28,335,536</u>	<u>(360,830)</u>	<u>24,404,169</u>	<u>3,931,367</u>
Non-operating expenses:					
Interest expense	879,953	940,835	(60,882)	1,055,660	(114,825)
Coyote Canyon CFD project expenses	-	453,938	(453,938)	-	453,938
Water rate rebate	2,263,619	-	2,263,619	2,547,492	(2,547,492)
Debt issuance cost	-	268,915	(268,915)	-	268,915
Debt administration expense	(53,076)	493,246	(546,322)	-	493,246
Total non-operating	<u>3,090,496</u>	<u>2,156,934</u>	<u>933,562</u>	<u>3,603,152</u>	<u>(1,446,218)</u>
Total expenses	<u>\$ 31,065,202</u>	<u>\$ 30,492,470</u>	<u>\$ 572,732</u>	<u>\$ 28,007,321</u>	<u>\$ 2,485,149</u>

As of June 30, 2018 and 2017, the District's total expenses increased \$572,732 and \$2,485,149, respectively. For 2018 and 2017, the District incurred increased expense for water treatment and general and administration. The increases in general and administration were primarily related to changes related to pensions and other post-employment benefits resulting from GASB Nos. 68 and 75. The other significant non-operating expense was the result of a Board approved rebate to customers in the amount of \$2,263,619. This was a one-time rebate program that will not affect future years' operating profits.

Capital Asset Administration

The District's capital assets (net of accumulated depreciation) as of June 30, 2018, 2017 and 2016 were in the amounts of \$117,609,581, \$110,765,260 and \$110,785,069, respectively. This includes land and land rights, transmission and distribution systems, wells, tanks, reservoirs, pumps, building and structures, equipment, vehicles and construction-in-process.

	<u>Balance June 30, 2018</u>	<u>Balance June 30, 2017</u>	<u>Balance June 30, 2016</u>
Capital assets:			
Non-depreciable assets	\$ 6,961,405	\$ 7,177,703	\$ 7,011,783
Depreciable assets	198,209,025	185,201,514	177,888,053
Accumulated depreciation	<u>(87,560,849)</u>	<u>(81,613,957)</u>	<u>(74,114,767)</u>
Total capital assets, net	<u>\$ 117,609,581</u>	<u>\$ 110,765,260</u>	<u>\$ 110,785,069</u>

Additional information on the District's capital assets can be found in note 3 of this report.

West Valley Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Long-term Debt Administration

At the end of June 30, 2018, 2017 and 2016, the District had total long-term debt of \$29,991,926, \$30,949,073 and \$31,781,746, respectively. In 2018 and 2017, long-term debt decreased by \$957,147 and \$832,673, respectively, due to principal payments made on the Districts outstanding debt.

	<u>Balance</u> <u>June 30, 2018</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Balance</u> <u>June 30, 2016</u>
Long-term debt:			
Reimbursement agreement	\$ 7,395,163	\$ 7,716,692	\$ 8,038,221
Revenue bonds payable	<u>22,596,763</u>	<u>23,232,381</u>	<u>23,743,525</u>
Total	<u>\$ 29,991,926</u>	<u>\$ 30,949,073</u>	<u>\$ 31,781,746</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.

BASIC FINANCIAL STATEMENTS

West Valley Water District
Statement of Net Position
June 30, 2018 (with comparative data for prior year)

ASSETS	2018	2017
Current assets:		
Cash and cash equivalents (Note 2)	\$ 12,563,958	\$ 14,691,626
Investments (Note 2)	36,973,282	22,749,118
Accrued interest receivable	55,839	45,926
Accounts receivable - water sales and services, net	3,142,010	3,174,441
Accounts receivable - redevelopment pass-through	41,081	41,081
Grants reimbursements receivable	389,023	1,370,100
Accounts receivable - other	95,000	64,466
Property taxes receivable	20,104	16,923
Due from other governments	274,167	397,589
Materials and supplies inventory	260,545	269,706
Prepaid water	413,814	717,087
Prepaid items	465,676	373,485
Total current assets	54,694,499	43,911,548
Noncurrent assets:		
Accounts receivable - redevelopment pass-through	410,816	451,897
Capital assets, net (Note 3)	117,609,581	110,765,260
Water participation rights, net (Note 4)	7,395,163	7,716,692
Total noncurrent assets	125,415,560	118,933,849
Total assets	180,110,059	162,845,397
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	2,557,927	2,263,240
OPEB related	1,150,225	-
Loss on debt refunding	191,846	198,461
Total deferred outflows of resources	3,899,998	2,461,701

West Valley Water District
Statement of Net Position (Continued)
June 30, 2018 (with comparative data for prior year)

LIABILITIES	2018	2017
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,190,443	\$ 1,705,316
Accrued salaries and related payables	334,292	310,455
Pass-through utility user taxes payable	104,699	86,483
Customer deposits	1,755,630	1,372,179
Construction advances and deposits	1,299,786	736,276
Accrued interest payable	227,224	230,191
Long-term liabilities - due within one year:		
Compensated absences (Note 5)	322,631	296,990
Contract payable (Note 6)	321,529	321,529
Bonds payable (Note 6)	400,000	595,000
Total current liabilities	<u>6,956,234</u>	<u>5,654,419</u>
Noncurrent liabilities:		
Unearned revenue - developers	391,915	283,417
Long-term liabilities - due in more than one year:		
Compensated absences (Note 5)	263,992	242,991
Contingent liability (Note 10)	438,970	493,246
Contract payable (Note 6)	7,073,634	7,395,163
Bonds payable (Note 6)	22,196,763	22,637,381
Net other post-employment benefits obligation	-	7,216,645
Net other post-employment benefits liability (Note 8)	8,110,225	-
Net pension liability (Note 7)	5,854,618	5,025,330
Total noncurrent liabilities	<u>44,330,117</u>	<u>43,294,173</u>
Total liabilities	<u>51,286,351</u>	<u>48,948,592</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related	630,590	801,637
OPEB related	6,390,140	-
Total deferred inflows of resources	<u>7,020,730</u>	<u>801,637</u>
NET POSITION		
Net investment in capital assets (Note 9)	95,204,664	87,731,340
Restricted - capital projects	7,875,322	929,737
Unrestricted	22,622,990	26,895,792
Total Net Position	<u>\$ 125,702,976</u>	<u>\$ 115,556,869</u>

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West Valley Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018 (with comparative data for prior year)

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Water consumption sales	\$ 17,370,508	\$ 15,854,879
Water service charges	7,201,939	6,989,061
Other operating revenue	3,971,525	3,833,946
Total operating revenues	<u>28,543,972</u>	<u>26,677,886</u>
OPERATING EXPENSES		
Source of supply	972,624	1,307,160
Pumping	3,066,501	2,823,389
Water treatment	4,110,055	3,723,148
Transmission and distribution	2,074,410	2,071,867
Customer accounts	2,031,657	1,923,943
Conservation	1,280,123	1,273,562
General and administrative	8,170,915	7,322,998
Total operating expenses	<u>21,706,285</u>	<u>20,446,067</u>
Operating income before depreciation and amortization	<u>6,837,687</u>	<u>6,231,819</u>
Depreciation expense	5,946,892	7,567,940
Amortization of water participation rights	321,529	321,529
Total depreciation and amortization expense	<u>6,268,421</u>	<u>7,889,469</u>
Operating income (loss)	<u>569,266</u>	<u>(1,657,650)</u>
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	2,023,173	1,821,922
Grants and reimbursements	554,897	2,518,254
Interest and investment earnings	367,911	227,465
Rental revenue	32,941	37,241
Gain on sale of capital assets	15,400	60,980
Other non-operating revenues	20,422	16,122
Interest expense	(879,953)	(940,835)
Coyote Canyon CFD project expenses	-	(453,938)
Water rate rebate	(2,263,619)	-
Debt issuance cost	-	(268,915)
Change in contingent liability	53,076	(493,246)
Total non-operating revenues (expenses), net	<u>(75,752)</u>	<u>2,525,050</u>
Net income (loss) before capital contributions	493,514	867,400
CAPITAL CONTRIBUTIONS		
Developer contributions	8,161,111	2,340,207
Capacity charges	8,482,441	1,166,730
Total capital contributions	<u>16,643,552</u>	<u>3,506,937</u>
Change in net position	17,137,066	4,374,337
NET POSITION		
Beginning of year, as restated (Note 12)	<u>108,565,910</u>	<u>111,182,532</u>
End of year	<u>\$ 125,702,976</u>	<u>\$ 115,556,869</u>

West Valley Water District**Statement of Cash Flows****For the Year Ended June 30, 2018 (with comparative data for prior year)**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and others	\$ 29,214,603	\$ 26,540,926
Cash rebated to customers	(2,263,619)	-
Cash paid to employees for salaries and benefits	(9,442,932)	(7,051,860)
Cash paid to vendors and suppliers for materials and services	(11,400,888)	(13,150,909)
	<u>6,107,164</u>	<u>6,338,157</u>
Net cash provided by operating activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from property taxes	2,019,992	1,823,510
	<u>2,019,992</u>	<u>1,823,510</u>
Net cash provided by noncapital financing activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(12,791,213)	(7,548,131)
Proceeds from capital grants	1,535,974	1,148,154
Proceeds from developer contributions	8,161,111	2,340,207
Proceeds from capacity charges	8,482,441	1,166,730
Proceeds from accounts receivable - redevelopment pass-through	41,081	41,082
Proceeds from sale of capital assets	15,400	60,980
Proceeds from issuance of long term-debt	-	23,253,524
Cost of issuance	-	(268,915)
Principal paid on long-term debt	(916,529)	(24,276,529)
Interest paid on long-term debt	(916,923)	(976,961)
	<u>3,611,342</u>	<u>(5,059,859)</u>
Net cash provided by (used for) capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(14,224,164)	(19,159,302)
Proceeds from interest and investment earnings	357,998	215,313
	<u>(13,866,166)</u>	<u>(18,943,989)</u>
Net cash used for investing activities		
Net decrease in cash and cash equivalents	(2,127,668)	(15,842,181)
CASH AND CASH EQUIVALENTS		
Beginning of year	14,691,626	30,533,807
	<u>14,691,626</u>	<u>30,533,807</u>
End of year	<u>\$ 12,563,958</u>	<u>\$ 14,691,626</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 12,563,958	\$ 14,691,626
	<u>\$ 12,563,958</u>	<u>\$ 14,691,626</u>
Total cash and cash equivalents		
SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Change in fair value of investments	\$ (654)	\$ 1,307

West Valley Water District
Statements of Cash Flows (Continued)
For the Year Ended June 30, 2018 (with comparative data for prior year)

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 569,266	\$ (1,657,650)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation expense	5,946,892	7,567,940
Amortization of water participation rights	321,529	321,529
Rental revenue	32,941	37,241
Other non-operating revenues	20,422	16,122
Coyote Canyon CFD project expenses	-	(453,938)
Water rate rebate	(2,263,619)	-
Prior period adjustment - GASB 75 implementation	(6,990,959)	-
CHANGES IN ASSETS - (INCREASE) DECREASE		
Accounts receivable - water sales and services, net	32,431	(431,583)
Accounts receivable - other	(30,534)	113,340
Due from other governments	123,422	87,214
Materials and supplies inventory	9,161	(13,948)
Prepaid water	303,273	(663,475)
Prepaid items	(92,191)	(62,802)
CHANGES IN DEFERRED OUTFLOWS OF RESOURCES (INCREASE) DECREASE		
Pension related	(294,687)	(884,588)
OPEB related	(1,150,225)	-
CHANGES IN LIABILITIES - INCREASE (DECREASE)		
Accounts payable and accrued expenses	483,927	636,258
Accrued salaries and related payables	23,837	77,480
Pass-through utility user taxes payable	18,216	12,338
Customer deposits	383,451	(77,366)
Construction advances and deposits	563,510	(25,830)
Compensated absences	46,642	(16,808)
Unearned revenue - developers	108,498	118,072
Net other post-employment obligation	(7,216,645)	820,808
Net other post-employment liability	8,110,225	-
Net pension liability	829,288	613,339
CHANGES IN DEFERRED INFLOWS OF RESOURCES INCREASE (DECREASE)		
Pension related	(171,047)	204,464
OPEB related	6,390,140	-
Total adjustments	<u>5,537,898</u>	<u>7,995,807</u>
Net cash provided by operating activities	<u>\$ 6,107,164</u>	<u>\$ 6,338,157</u>

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West Valley Water District

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018 (with comparative data for prior year)

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 376 miles of water mains to provide water to approximately 21,000 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, and 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.

The criteria used in determining the scope of the financial reporting entity is based on generally accepted accounting principles. 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 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. The District follows all pronouncements of the GASB. The most significant of the District's accounting policies are described below.

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.

West Valley Water District

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018 (with comparative data for prior year)

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

Basis of Accounting and Measurement Focus (continued)

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 earnings associated with the current fiscal period are considered to be susceptible to accrual and so have 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 nonoperating revenues and expenses.

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.

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statement 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

For the Year Ended June 30, 2018 (with comparative data for prior year)

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

Restricted Assets

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

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. The allowance for uncollectible accounts was \$72,725 and \$62,000 as of June 30, 2018 and 2017, respectively.

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. The stock is presented with investments in the accompanying statement of net position, and is reported at acquisition cost, which approximates fair value.

Accounts Receivable – Redevelopment Pass Through

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.

West Valley Water District

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018 (with comparative data for prior year)

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has three items that qualify for reporting in this category. One is the deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or refunding debt. The other items, deferred pension and other post-employment benefits (OPEB) related items, are reported in the statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of these items. The items are deferred pension and OPEB related items, and are reported in the statement of net position.

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.

West Valley Water District

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018 (with comparative data for prior year)

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

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District’s plan (OPEB Plan) and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

<u>OPEB</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Valuation date	June 30, 2017	Not applicable*
Measurement date	June 30, 2017	Not applicable*
Measurement period	July 1, 2016 to June 30, 2017	Not applicable*

* Recognition of the net OPEB liability resulting from the implementation of GASB Statement No. 75 is effective for fiscal year 2018, and retroactive restatement of fiscal year 2017 was not performed as actuarial information was not available.

Defined Benefit Pension Plan

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. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS’ website at www.calpers.ca.gov.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

The following timeframes are used for pension reporting:

<u>CalPERS</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Valuation date	June 30, 2016	June 30, 2015
Measurement date	June 30, 2017	June 30, 2016
Measurement period	July 1, 2016 to June 30, 2017	July 1, 2015 to June 30, 2016

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.

West Valley Water District

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018 (with comparative data for prior year)

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

Defined Benefit Pension Plans (Continued)

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 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 recognized as 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 as unearned 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**

For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)***Implementation of New Pronouncement***

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for other postemployment benefits. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses. For postemployment benefits other than pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Prior Year Data

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

Note 2 – Cash and Investments

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

Description	2018	2017
Cash and cash equivalents	\$ 12,563,958	\$ 14,691,626
Investments	36,973,282	22,749,118
Total cash and investments	\$ 49,537,240	\$ 37,440,744

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

Description	2018	2017
Cash on hand	\$ 4,300	\$ 4,300
Deposits held with financial institutions	1,070,071	4,528,568
Cash held with LAIF	11,489,587	10,158,758
Investments	36,973,282	22,749,118
Total cash and investments	\$ 49,537,240	\$ 37,440,744

West Valley Water District

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 2 – Cash and Investments (Continued)

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

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

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Entities Securities ¹	3 years	None	None
Certificates of Deposit ²	5 years	None	50%
Money Market Mutual Funds	None	20%	50%
Collateralized Bank Deposits ³	5 years	None	None
Local Agency Investment Fund (LAIF)	None	None	\$65 Million
CalTrust	2 years	None	None
Municipal Securities	5 years	20%	None
Bankers' Acceptances	180 days	25%	50%
Commercial Paper	270 days	25%	10%
Repurchase Agreement	90 days	10%	50%
Medium-Term Notes	5 years	30%	50%
Local Government Investment Pools (LGIP)	5 years	50%	50%
Supranational	5 years	30%	10%

¹ Purchases of callable Federal Agency obligations are limited to a maximum 30% of portfolio.

² Only a maximum 30% of surplus funds can be invested in Certificates of Deposit.

³ Only a maximum of 20% of the portfolio may be invested in TCSs and may not exceed 4 years.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 2 – Cash and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that 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. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity.

The District's investments as of June 30, 2018 were as follows:

Investment Type	Maturity			Total
	1 year or less	1 to 3 years	3 to 5 years	
CalTrust	\$ 14,924,515	\$ 10,067,626	\$ -	\$ 24,992,141
U.S. Agency	247,788	2,722,103	1,471,755	4,441,646
U.S. Treasury	497,705	1,720,869	1,208,047	3,426,621
U.S. Corporate	149,841	1,035,547	1,681,880	2,867,268
Commercial Paper	497,940	-	-	497,940
Supranational	-	-	478,917	478,917
Negotiable CD	249,523	-	-	249,523
Money Market Fund	19,226	-	-	19,226
Total	\$ 16,586,538	\$ 15,546,145	\$ 4,840,599	\$ 36,973,282

The District's investments as of June 30, 2017 were as follows:

Investment Type	Maturity			Total
	1 year or less	1 to 3 years	3 to 5 years	
CalTrust	\$ 12,717,201	\$ 10,031,917	\$ -	\$ 22,749,118
Total	\$ 12,717,201	\$ 10,031,917	\$ -	\$ 22,749,118

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The 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, 2018 and 2017, 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.

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. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End	
			A or higher	N/A
CalTrust	\$ 24,992,141	N/A	\$ -	\$ 24,992,141
U.S. Agency	4,441,646	N/A	-	4,441,646
U.S. Treasury	3,426,621	N/A	-	3,426,621
U.S. Corporate	2,867,268	A	2,867,268	-
Commercial Paper	497,940	A	497,940	-
Supranational	478,917	AA	478,917	-
Negotiable CD	249,523	N/A	-	249,523
Money Market Fund	19,226	AAA	19,226	-
	<u>\$ 36,973,282</u>		<u>\$ 3,863,351</u>	<u>\$ 33,109,931</u>

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 2 – Cash and Investments (Continued)

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. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

As of June 30, 2018:

Issuer	Investment Type	Reported Amount	Percentage of Portfolio
Federal Home Loan Bank	U.S. Government Sponsored Entities Securities	\$2,226,902	6.0%

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, 2017.

Fair Value Measurements

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability.

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
U.S. Agency	\$ 4,441,646	\$ -	\$ 4,441,646	\$ -
U.S. Treasury	3,426,621	-	3,426,621	-
U.S. Corporate	2,867,268	-	2,867,268	-
Commercial Paper	497,940	-	497,940	-
Supranational	478,917	-	478,917	-
Negotiable CD	249,523	-	249,523	-
Total investments by fair value	11,961,915	<u>\$ -</u>	<u>\$11,961,915</u>	<u>\$ -</u>
Investments not subject to the fair value hierarchy:				
CalTrust	24,992,141			
Money Market Fund	19,226			
Total investments	<u>\$36,973,282</u>			

West Valley Water District

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 2 – Cash and Investments (Continued)

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 District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Further information about LAIF is available on the California State Controller's website: www.treasurer.ca.gov/pmia-laif/.

The District's investments with LAIF at June 30, 2018 and 2017, 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 \$11,489,587 and \$10,158,758 invested in LAIF, which had invested 1.89% and 2.81% of the pooled investment funds as of June 30, 2018 and June 30, 2017, respectively, in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 0.998126869 and 0.998940671 was used to calculate the fair value of the investments in LAIF as of June 30, 2018 and 2017, 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 and Medium-Term Fund Series.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 3 – Capital Assets

Changes in capital assets for the year ended June 30, 2018, were as follows:

Description	Balance at June 30, 2017	Additions/ Transfers	Deletions/ Transfers	Balance at June 30, 2018
Non-depreciable assets				
Land	\$ 2,212,967	\$ -	\$ -	\$ 2,212,967
Water rights	404,949	-	-	404,949
Construction-in-progress	4,559,787	4,664,314	(4,880,612)	4,343,489
	7,177,703	4,664,314	(4,880,612)	6,961,405
Depreciable assets				
Source of supply plant	5,863,657	-	-	5,863,657
Pumping plant	10,336,701	486,674	-	10,823,375
Bio-remediation plant	24,907,020	-	-	24,907,020
Water treatment plant	30,670,420	1,558,216	-	32,228,636
Transmission and distribution plant	101,307,419	9,904,856	-	111,212,275
General Plant	12,116,297	1,057,765	-	13,174,062
	185,201,514	13,007,511	-	198,209,025
Accumulated Depreciation				
Source of supply plant	(3,550,710)	(277,472)	-	(3,828,182)
Pumping plant	(6,732,323)	(531,363)	-	(7,263,686)
Bio-remediation plant	(2,890,407)	(830,234)	-	(3,720,641)
Water treatment plant	(25,923,140)	(1,121,058)	-	(27,044,198)
Transmission and distribution plant	(37,090,009)	(2,420,962)	-	(39,510,971)
General plant	(5,427,368)	(765,803)	-	(6,193,171)
	(81,613,957)	(5,946,892)	-	(87,560,849)
Total depreciable assets, net	103,587,557	7,060,619	-	110,648,176
Total capital assets, net	\$ 110,765,260	\$ 11,724,933	\$ (4,880,612)	\$ 117,609,581

Depreciation expense for the year ended June 30, 2018 was \$5,946,892.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 3 – Capital Assets (Continued)

Changes in capital assets for the year ended June 30, 2017, were as follows:

Description	Balance at June 30, 2016	Additions/ Transfers	Deletions/ Transfers	Balance at June 30, 2017
Non-depreciable assets				
Land	\$ 2,212,967	\$ -	\$ -	\$ 2,212,967
Water rights	404,949	-	-	404,949
Construction-in-progress	4,393,867	5,121,011	(4,955,091)	4,559,787
Total non-depreciable assets	<u>7,011,783</u>	<u>5,121,011</u>	<u>(4,955,091)</u>	<u>7,177,703</u>
Depreciable assets				
Source of supply plant	5,863,657	-	-	5,863,657
Pumping plant	10,062,690	274,011	-	10,336,701
Bio-remediation plant	24,907,020	-	-	24,907,020
Water treatment plant	30,670,420	-	-	30,670,420
Transmission and distribution plant	95,082,505	6,224,914	-	101,307,419
General Plant	11,301,761	883,286	(68,750)	12,116,297
Total depreciable assets	<u>177,888,053</u>	<u>7,382,211</u>	<u>(68,750)</u>	<u>185,201,514</u>
Accumulated Depreciation				
Source of supply plant	(3,273,237)	(277,473)	-	(3,550,710)
Pumping plant	(6,179,975)	(552,348)	-	(6,732,323)
Bio-remediation plant	(2,060,173)	(830,234)	-	(2,890,407)
Water treatment plant	(22,951,250)	(2,971,890)	-	(25,923,140)
Transmission and distribution plant	(34,813,478)	(2,276,531)	-	(37,090,009)
General plant	(4,836,654)	(659,464)	68,750	(5,427,368)
Total accumulated depreciation	<u>(74,114,767)</u>	<u>(7,567,940)</u>	<u>68,750</u>	<u>(81,613,957)</u>
Total depreciable assets, net	<u>103,773,286</u>	<u>(185,729)</u>	<u>-</u>	<u>103,587,557</u>
Total capital assets, net	<u>\$ 110,785,069</u>	<u>\$ 4,935,282</u>	<u>\$ (4,955,091)</u>	<u>\$ 110,765,260</u>

Depreciation expense for the year ended June 30, 2017 was \$7,567,940.

Major capital assets additions during the current year include the upgrades and extensions of the District's transmission and distribution, water treatment plan, 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 competition of these various projects.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 3 – Capital Assets (Continued)

Construction-In-Process

The construction-in-process balances at June 30, 2018 and 2017 were as follows:

<u>Description</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Fixed Bed Reactor Design	\$ 2,880,000	\$ -
Rehab Reservoir 4-3in/Ex	337,781	
Various minor District projects	1,125,201	996,382
Various other developer projects	507	105,686
Agua Mansa Commerce Center	-	314,903
Bed Reactor Design	-	2,502,169
Sierra Crest Waterline	-	640,647
Total construction-in-process	<u>\$ 4,343,489</u>	<u>\$ 4,559,787</u>

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, 2018 and 2017 were as follows:

<u>Description</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Water participation rights	\$ 9,645,865	\$ 9,645,865
Accumulated amortization	(2,250,702)	(1,929,173)
	<u>\$ 7,395,163</u>	<u>\$ 7,716,692</u>

Note 5 – Compensated Absences

Changes to compensated absences for fiscal year ended June 30, 2018 were as follows:

<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>	<u>Due in More</u>
<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>	<u>One Year</u>	<u>Than One Year</u>
\$ 539,981	\$ 638,410	\$ (591,768)	\$ 586,623	\$ 322,631	\$ 263,992

Changes to compensated absences for fiscal year ended June 30, 2017, were as follows:

<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>	<u>Due in More</u>
<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>	<u>One Year</u>	<u>Than One Year</u>
\$ 556,789	\$ 503,025	\$ (519,833)	\$ 539,981	\$ 296,990	\$ 242,991

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 6 – Long-term Debt

Changes in long-term debt for the year ended June 30, 2018 were as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Amount Due Within One Year	Amount Due in More Than One Year
Bonds payable:						
Series 2016A	\$ 22,035,000	\$ -	\$ (595,000)	\$ 21,440,000	\$ 400,000	\$ 21,040,000
Series 2016A bond premium	1,197,381	-	(40,618)	1,156,763	-	1,156,763
Total bonds payable	23,232,381	-	(635,618)	22,596,763	400,000	22,196,763
Loans payable:						
Contract payable	7,716,692	-	(321,529)	7,395,163	321,529	7,073,634
Compensated absences	539,981	638,410	(591,768)	586,623	322,631	263,992
Net OPEB obligation	7,216,645	-	(7,216,645)	-	-	-
Net OPEB liability	-	15,606,859	(7,496,634)	8,110,225	-	8,110,225
Net pension liability	5,025,330	1,458,116	(628,828)	5,854,618	-	5,854,618
Total long-term debt	<u>\$ 43,731,029</u>	<u>\$ 17,703,385</u>	<u>\$ (16,891,022)</u>	<u>\$ 44,543,392</u>	<u>\$ 1,044,160</u>	<u>\$ 43,499,232</u>

Changes in long-term debt for the year ended June 30, 2017 were as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Amount Due Within One Year	Amount Due in More Than One Year
Bonds payable:						
Series 2006 D-2	\$ 23,880,000	\$ -	\$ (23,880,000)	\$ -	\$ -	\$ -
Assessment District 97-1	75,000	-	(75,000)	-	-	-
Series 2016A	-	22,035,000	-	22,035,000	595,000	21,440,000
Plus (less) deferred amounts:						
Series 2006 bond discount	(211,475)	-	211,475	-	-	-
Series 2016A bond premium	-	1,218,524	(21,143)	1,197,381	-	1,197,381
Total bonds payable	23,743,525	23,253,524	(23,764,668)	23,232,381	595,000	22,637,381
Loans payable:						
Contract payable	8,038,221	-	(321,529)	7,716,692	321,529	7,395,163
Compensated absences	556,789	503,025	(519,833)	539,981	296,990	242,991
Net OPEB obligation	6,395,837	1,108,000	(287,192)	7,216,645	-	7,216,645
Net pension liability	4,411,991	1,885,631	(1,272,292)	5,025,330	-	5,025,330
Total long-term debt	<u>\$ 43,146,363</u>	<u>\$ 26,750,180</u>	<u>\$ (26,165,514)</u>	<u>\$ 43,731,029</u>	<u>\$ 1,213,519</u>	<u>\$ 42,517,510</u>

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 6 – Long-term Debt (Continued)

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 were payable solely from the net revenues of the District's water system as defined in the Series 2006D-2 Bond Indenture. The Bonds bore interest at a variable rate with principal maturities from 2007 to 2033. As of June 30, 2017, Series 2006D-2 bonds were paid off in full.

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. As of June 30, 2017, Assessment District No. 97-1 bonds were paid off in full.

Series 2016A Bonds

The 2016A Bonds were issued to provide funds, together with certain other moneys: (i) to prepay all amounts payable under the Series 2006D-2 Bonds installment purchase agreement between the District and California Statewide Communities Development Authority; and (ii) pay costs of issuance of the 2016A Bonds. The 2016A Bonds were issued pursuant to an Indenture of Trust, dated December 1, 2016, by and between the District and U.S. Bank National Association. The 2016A Bonds were in the aggregate principal amount of \$22,035,000. The 2016A Bonds were dated as of the date of initial issuance, and will bear interest ranging from 2.00% to 5.00% per annum, payable on April 1 and October 1, commencing April 1, 2017, and ending October 1, 2047. The Series 2016A Bonds are payable solely from the net revenues of the District's water system as defined in the Series 2016A Bond Indenture.

West Valley Water District**Notes to the Basic Financial Statements****For the Year Ended June 30, 2018 (with comparative data for prior year)****Note 6 – Long-term Debt (Continued)****Series 2016A Bonds (Continued)**

Annual payments on the 2016A Bonds are as follows:

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 400,000	\$ 911,450	\$ 1,311,450
2020	410,000	903,450	1,313,450
2021	415,000	895,250	1,310,250
2022	430,000	882,800	1,312,800
2023	440,000	869,900	1,309,900
2024-2028	2,475,000	4,078,950	6,553,950
2029-2033	3,140,000	3,419,600	6,559,600
2034-2038	3,985,000	2,566,000	6,551,000
2039-2043	4,990,000	1,565,600	6,555,600
2044-2047	4,755,000	484,800	5,239,800
	<u>\$ 21,440,000</u>	<u>\$ 16,577,800</u>	<u>\$ 38,017,800</u>

Water Participation Rights Contract Payable

In 2012, the District acquired water participation rights from the San Bernardino Valley Municipal Water District. These rights entitle the District to purchase water from the Baseline Feeder system. The payment for the rights is calculated at 5,000 acre feet at \$90 per acre foot, per year, payable in monthly installments of \$26,794, until January 31, 2041. The calculated annual amount of \$321,529 is a minimum usage fee which does not actually represent the purchase of any water. Purchased water is billed in addition to the minimum fee.

Annual payments on the water participation rights are as follows:

<u>Fiscal Year(s)</u>	<u>Principal</u>
2019	\$ 321,529
2020	321,529
2021	321,529
2022	321,529
2023	321,529
2024-2028	1,607,645
2029-2033	1,607,645
2034-2038	1,607,645
2039-2041	964,583
Total	<u>\$ 7,395,163</u>

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 7 – Defined Benefit Pension Plan

A. General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees’ Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS’ website, at www.calpers.ca.gov.

Benefits Provided

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

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

The Plan’s provisions and benefits in effect at June 30, 2018 are summarized as follows:

<u>Hire date</u>	<u>Miscellaneous Plan</u>	
	<u>Classic Tier I</u>	<u>PEPRA Tier 2</u>
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Benefit formula	2 % @ 55	2 % @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit 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 employee contribution rates	7.000%	6.500%
Required employer contribution rates	8.921%	6.533%

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 7 – Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2018 were \$715,005. The actual employer payments of \$628,828 made to CalPERS by the District during the measurement period ended June 30, 2017 differed from the District’s proportionate share of the employer’s contributions of \$806,030 by \$177,202, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net Pension Liability

The District’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases (1)	Varies
Investment Rate of Return (2)	7.15%
Mortality Rate Table (3)	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

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

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

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

West Valley Water District

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 7 – Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

All other actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

Change of Assumptions

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 to 7.15 percent. Deferred outflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represent the unamortized portion of this assumption change.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website, at www.calpers.ca.gov.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the PERF asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 7 – Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
	100%		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

Information about the pension plan’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS’ audited financial statements, which are publicly available reports that can be obtained at CalPERS’ website, at www.calpers.ca.gov. The plan’s fiduciary net position and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 7 – Defined Benefit Pension Plan (Continued)

C. Proportionate Share of Net Pension Liability

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, 2018:

Miscellaneous Plans	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2016 (VD)	\$ 23,489,282	\$ 18,463,952	\$ 5,025,330
Balance at: 6/30/2017 (MD)	27,157,658	21,303,040	5,854,618
Net changes during 2016-17	<u>\$ 3,668,376</u>	<u>\$ 2,839,088</u>	<u>\$ 829,288</u>

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

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, 2017:

Miscellaneous Plans	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2015 (VD)	\$ 21,630,888	\$ 17,218,897	\$ 4,411,991
Balance at: 6/30/2016 (MD)	23,489,282	18,463,952	5,025,330
Net changes during 2015-16	<u>\$ 1,858,394</u>	<u>\$ 1,245,055</u>	<u>\$ 613,339</u>

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

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The District’s proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS’ website, at www.calpers.ca.gov. The District’s proportionate share of the net pension liability for the Plan as of the June 30, 2016, and 2017 measurement dates was as follows:

Proportionate Share - June 30, 2016	0.14466%
Proportionate Share - June 30, 2017	0.14852%
Change - Increase (Decrease)	<u>0.00386%</u>

The District’s proportionate share of the net pension liability for the Plan as of the June 30, 2015, and 2016 measurement dates was as follows:

Proportionate Share - June 30, 2015	0.16082%
Proportionate Share - June 30, 2016	0.14466%
Change - Increase (Decrease)	<u>(0.01616%)</u>

West Valley Water District**Notes to the Basic Financial Statements****For the Year Ended June 30, 2018 (with comparative data for prior year)**

Note 7 – Defined Benefit Pension Plan (Continued)**C. Proportionate Share of Net Pension Liability (Continued)*****Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, 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 (6.15%) or 1 percentage-point higher (8.15%) than the current rate for the June 30, 2017 Valuation Date as follows:

Miscellaneous Plan	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Net Pension Liability	<u>\$ 9,590,069</u>	<u>\$ 5,854,618</u>	<u>\$ 2,760,850</u>

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, 2016 Valuation Date as follows:

Miscellaneous Plan	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Net Pension Liability	<u>\$ 8,187,719</u>	<u>\$ 5,025,330</u>	<u>\$ 2,411,773</u>

Subsequent Events

There were no subsequent events that would materially affect the results presented in the disclosure.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 7 – Defined Benefit Pension Plan (Continued)

C. Proportionate Share of Net Pension Liability (Continued)

Recognition of Gains and Losses

Under GASB 68, 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:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization 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.

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 the risk pool for the 2016-17 measurement period is 3.8 years which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of the active employees) by 130,595 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

West Valley Water District**Notes to the Basic Financial Statements****For the Year Ended June 30, 2018 (with comparative data for prior year)****Note 7 – Defined Benefit Pension Plan (Continued)****D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

As of the start of the measurement period (July 1, 2016), the net pension liability for the plan was \$5,025,330. For the measurement period ending June 30, 2017 (the measurement date), the District incurred a pension expense of \$1,192,217 for the Plan.

As of June 30, 2018, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

<u>Miscellaneous Plan</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 9,133	\$ 130,852
Changes of Assumptions	1,133,230	86,410
Difference Between Projected and Actual Investment Earnings	256,290	-
Change in Employer's Proportion	172,934	282,758
Difference Between Employer's Contributions and Proportionate Share of Contributions	271,335	130,570
Pension Contributions Subsequent to Measurement Date	715,005	-
Total	<u>\$ 2,557,927</u>	<u>\$ 630,590</u>

The amounts above are net of outflows and inflows recognized in the 2016-17 measurement period expense. The \$715,005 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Measurement Period Ended June 30</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2018	\$ 283,148
2019	672,073
2020	409,276
2021	(152,165)
2022	-
Thereafter	-
	<u>\$ 1,212,332</u>

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 7 – Defined Benefit Pension Plan (Continued)

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

As of June 30, 2017, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

<u>Miscellaneous Plan</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 18,126	\$ -
Changes of Assumptions	-	222,457
Difference Between Projected and Actual Investment Earnings	1,157,817	-
Change in Employer's Proportion	-	579,180
Difference Between Employer's Contributions and Proportionate Share of Contributions	458,469	-
Pension Contributions Subsequent to Measurement Date	628,828	-
Total	\$ 2,263,240	\$ 801,637

The amounts above are net of outflows and inflows recognized in the 2015-16 measurement period expense. The \$628,828 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Measurement Period Ended June 30</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2017	\$ 17,904
2018	28,830
2019	486,150
2020	299,891
2021	-
Thereafter	-
	<u>\$ 832,775</u>

E. Payable to the Pension Plan

At June 30, 2018 and 2017, the District reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2018 and 2017.

West Valley Water District

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 8 – Postemployment Benefits other Than Pensions

Plan Description

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. 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.

Employees Covered

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	79
Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to, but not yet receiving benefits	-
Total	<u>104</u>

Contributions

The OPEB Plan and its contribution requirements are established by Ordinance and may be amended by Board action to update the original Ordinance. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2018, the District’s cash contributions were \$1,119,255 in payments to the California Employers’ Retiree Benefit Trust (CERBT) Fund and the estimated implied subsidy was \$31,000 resulting in total payments of \$1,150,255.

West Valley Water District

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 8 – Postemployment Benefits other Than Pensions (Continued)

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

Actuarial Assumptions	June 30, 2017 Measurement Date
Actuarial Valuation Date	June 30, 2017
Contribution Policy	Pre-fund through CERBT Strategy 1; contributing ADC
Discount Rate	6.75% at 6/30/17, net of investment expenses 2.85% at 6/30/16 bond buyer 20 index
Expected Long-Term Rate on Return on Investments	6.75% at 6/30/17, net of investment expenses N/A at 6/30/16
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	CalPERS 1997-2011 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-16
Salary Increases	3% aggregate; merit CalPERS 1997-2011 experience study
Medical Trend	Non-Medicare rate of 7.5% and Medicare rate of 6.5% for 2018, decreasing to 4.0% in 2076 and later years
Dental and Vision Trend	3.50%
Participation at Retirement	95% of eligible retirees participate in medical, dental and vision
Spouse Coverage	80% of future retirees elect dual coverage

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class Component</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57%	4.82%
Fixed Income	27%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Total	<u>100%</u>	

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 8 – Postemployment Benefits other Than Pensions (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75 percent, based on CERBT Strategy 1 investment policy. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b) = (c)
Balance at June 30, 2017 (6/30/16 measurement date)	\$ 14,494,849	\$ -	\$ 14,494,849
Changes recognized for the measurement period:			
Service cost	683,520	-	683,520
Interest	428,490	-	428,490
Changes of assumptions	(7,209,389)	-	(7,209,389)
Benefit payments	(287,245)	-	(287,245)
Net changes	<u>(6,384,624)</u>	<u>-</u>	<u>(6,384,624)</u>
Balance at June 30, 2018 (6/30/17 measurement date)	<u>\$ 8,110,225</u>	<u>\$ -</u>	<u>\$ 8,110,225</u>

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Total OPEB Liability	<u>\$ 9,397,229</u>	<u>\$ 8,110,225</u>	<u>\$ 7,068,402</u>

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	<u>\$ 6,893,463</u>	<u>\$ 8,110,225</u>	<u>\$ 9,656,183</u>

West Valley Water District

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 8 – Postemployment Benefits other Than Pensions (Continued)

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between
projected and actual earnings
on OPEB plan investments

5 year straight-line amortization

All other amounts

Straight-line amortization 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 (8.9 years at June 30, 2017).

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

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$292,761. As of fiscal year ended June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 6,390,140
Employer contributions made subsequent to the measurement date	<u>1,150,225</u>	<u>-</u>
Total	<u>\$ 1,150,225</u>	<u>\$ 6,390,140</u>

West Valley Water District

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 8 – Postemployment Benefits other Than Pensions (Continued)

The \$1,150,225 reported as deferred outflows of resources related to contributions to the OPEB plan after the measurement date will be recognized as a reduction of the net OPEB liability during the subsequent fiscal year. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2019	\$ (819,249)
2020	(819,249)
2021	(819,249)
2022	(819,249)
2023	(819,249)
Thereafter	(2,293,895)
	<u>\$ (6,390,140)</u>

Note 9 – Net Investment in Capital Assets

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

Description	June 30, 2018	June 30, 2017
Capital assets, net	\$ 117,609,581	\$ 110,765,260
Water participation rights	7,395,163	7,716,692
Loss on debt refunding	191,846	198,461
Capital related debt:		
Bonds payable - current	(400,000)	(595,000)
Bonds payable - noncurrent	(21,040,000)	(21,440,000)
Bond premium	(1,156,763)	(1,197,381)
Contracts payable - current	(321,529)	(321,529)
Contracts payable - noncurrent	(7,073,634)	(7,395,163)
Net investment in capital assets	<u>\$ 95,204,664</u>	<u>\$ 87,731,340</u>

Note 10 – 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.

West Valley Water District

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 10 – Commitments and Contingencies (Continued)

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 has estimated an aggregate contingent liability related to various claims and litigation in the amount of \$438,970. The contingent liability is periodically adjusted as additional information becomes available affecting management's estimate. Actual claims and settlements paid will likely differ from this estimate.

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, 2018, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,000,000, combined single limit at \$2,000,000 per occurrence. The JPIA purchases additional excess coverage layers: \$60 million per occurrence for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

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

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

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the last three years. 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, 2018, 2017 and 2016, other than an estimated contingent liability for various litigation, as described in Note 10.

West Valley Water District

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018 (with comparative data for prior year)

Note 12 – Prior Period Adjustments

Change in Accounting Principle

As discussed in Note 1, the District implemented GASB Statement No. 75 (GASB 75) effective July 1, 2017. GASB 75, among other provisions, amended prior guidance with respect to the reporting of postemployment benefits other than pensions (OPEB). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses. The District's net OPEB liability was not previously recorded on the statement of net position. GASB 75 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements. Restatement of the comparative financial data for the prior period presented is not practical due to the unavailability of actuarial information, therefore the provisions of GASB 75 were not applied to the prior period. The cumulative effects of applying the provisions of GASB 75 have been reported as a restatement of beginning net position for the year ended June 30, 2018 in accordance with the Statement.

Net position at June 30, 2017 - as previously reported	\$ 115,556,869
Implementation of GASB 75	<u>(6,990,959)</u>
Net position at July 1, 2017 - as restated	<u>\$ 108,565,910</u>

REQUIRED SUPPLEMENTARY INFORMATION

West Valley Water District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and Related
Ratios as of the Measurement Date
Last Ten Years*

Measurement Date	Employer's Proportion of the Collective Net Pension Liability ¹	Employer's Proportionate Share of the Collective Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	Pension's Plans Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.17728%	\$ 4,381,344	\$ 3,776,382	116.02%	79.82%
6/30/2015	0.16082%	4,411,991	3,985,522	110.70%	78.40%
6/30/2016	0.14466%	5,025,330	4,320,078	116.32%	78.61%
6/30/2017	0.14852%	5,854,618	5,443,095	107.56%	78.53%

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

*Measurement date June 30, 2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

West Valley Water District
Required Supplementary Information
Schedule of Pension Plan Contributions
Last Ten Years*

Fiscal Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013-14	\$ 563,394	\$ (563,394)	\$ -	\$ 3,776,382	14.92%
2014-15	608,372	(608,372)	-	3,985,522	15.26%
2015-16	658,011	(1,272,291)	(614,280)	4,320,078	29.45%
2016-17	628,828	(628,828)	-	5,443,095	11.55%
2017-18	715,005	(715,005)	-	6,059,920	11.80%

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: For measurement date 6/30/2017, the discount rate was changed from 7.65 percent (net of administrative expenses) to 7.15 percent. For measurement date 6/30/2015, the discount rate was changed from 7.5 percent (net of administrative expenses) to 7.65 percent.

*Measurement date June 30, 2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

West Valley Water District
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Ten Years*

Fiscal Year Measurement Period	<u>2017-18</u> <u>2016-17</u>
Total OPEB Liability	
Service cost	\$ 683,520
Interest	428,490
Changes of assumptions	(7,209,389)
Benefit payments	<u>(287,245)</u>
Net change in total OPEB liability	<u>(6,384,624)</u>
Total OPEB liability - beginning	<u>14,494,849</u>
Total OPEB liability - ending	<u><u>\$ 8,110,225</u></u>
Covered-employee payroll	\$ 6,831,331
Total OPEB liability as a percentage of covered-employee payroll	118.7%

Notes to schedule:

Changes in assumptions: none

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available. Fiscal Year 2017-18 was the first year of implementation.

West Valley Water District
Required Supplementary Information
Schedule of OPEB Plan Contributions
Last Ten Years*

Fiscal Year	<u>2017-18</u>
Actuarially Determined Contribution (ADC)	\$ 869,006
Contributions in relation to the ADC	(1,150,225)
Contribution deficiency (excess)	<u>\$ (281,219)</u>
Covered-employee payroll	\$ 6,831,331
Contributions as a percentage of covered-employee payroll	16.8%

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2018 were from the June 30, 2017 actuarial valuation.

Methods and Assumptions for Actuarially Determined Contribution	
Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal, level percentage of payroll
Amortization Method	Level percent of payroll
Amortization Period	Initial unfunded liability amortized over fixed 20 years from 7/1/16
Asset Valuation Method	N/A
Discount Rate	6.75%
General Inflation	2.75%
Medical Trend	Non-Medicare rate of 7.5% and Medicare rate of 6.5% for 2018, decreasing to 4.0% in 2076 and later years
Mortality Improvement	Mortality projected fully generational with Scale MP-16

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available. Fiscal Year 2017-18 was the first year of implementation.

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STATISTICAL SECTION

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West Valley Water District
Statistical Section
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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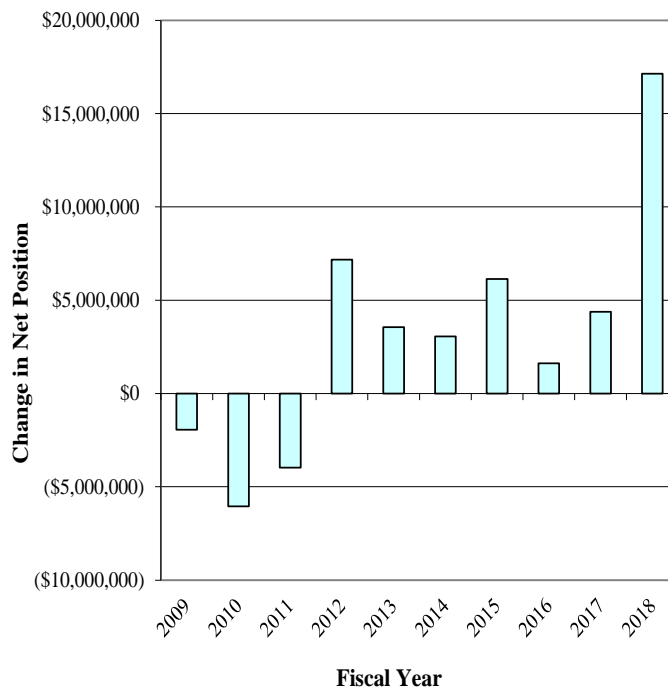
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Financial Trends	
These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.....	54
Revenue Capacity	
These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	58
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These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.....	62
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Operating Information	
This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	66

West Valley Water District

Changes in Net Position and Net Position by Component

Last Ten Years

	Fiscal Year			
	2009	2010	2011	2012
Changes in net position:				
Operating revenues (see Schedule 2)	\$ 12,516,368	12,847,976	14,396,755	15,601,438
Operating expenses (see Schedule 3)	(14,239,766)	(15,076,628)	(15,152,541)	(14,146,510)
Depreciation and amortization	(3,435,901)	(5,931,124)	(7,183,269)	(6,751,348)
Operating income(loss)	(5,159,299)	(8,159,776)	(7,939,055)	(5,296,420)
Non-operating revenues(expenses):				
Property taxes	1,368,431	1,160,572	1,268,513	1,422,629
Interest and investment earnings	367,362	92,589	87,581	60,255
Rental income - cellular antennas	26,116	41,767	42,393	27,714
Gain/(loss) on sale/disposition of capital assets	18,486	(15,414)	3,137	16,171
Grants and Reimbursements	-	-	-	-
Board approved rate rebate	-	-	-	-
Interest expense - long term debt	(1,323,745)	(1,289,174)	(1,339,178)	(1,295,266)
Pension Related debt	(1,264,902)	-	-	-
Bond issuance costs	-	-	-	-
Amortization of deferred charges	(48,474)	(48,474)	(48,474)	(48,474)
Other non-operating revenue/(expense), net	841,471	(505,204)	56,826	(146,563)
Total non-operating revenues(expenses), net	(15,255)	(563,338)	70,798	36,466
Net income (loss) before capital contributions	(5,174,554)	(8,723,114)	(7,868,257)	(5,259,954)
Capital contributions	3,233,296	2,672,626	3,893,837	12,431,630
Changes in net position	\$ (1,941,258)	(6,050,488)	(3,974,420)	7,171,676
Prior period adjustment				
Net position by component:				
Net investment in capital assets	\$ 74,414,772	74,814,533	76,040,629	85,587,880
Restricted for capital projects	7,741,740	7,177,336	6,061,134	5,058,581
Restricted for debt service	57,555	55,816	56,104	55,093
Unrestricted	17,975,708	12,145,548	10,824,854	9,666,276
Total net position	\$ 100,189,775	94,193,233	92,982,721	100,367,830

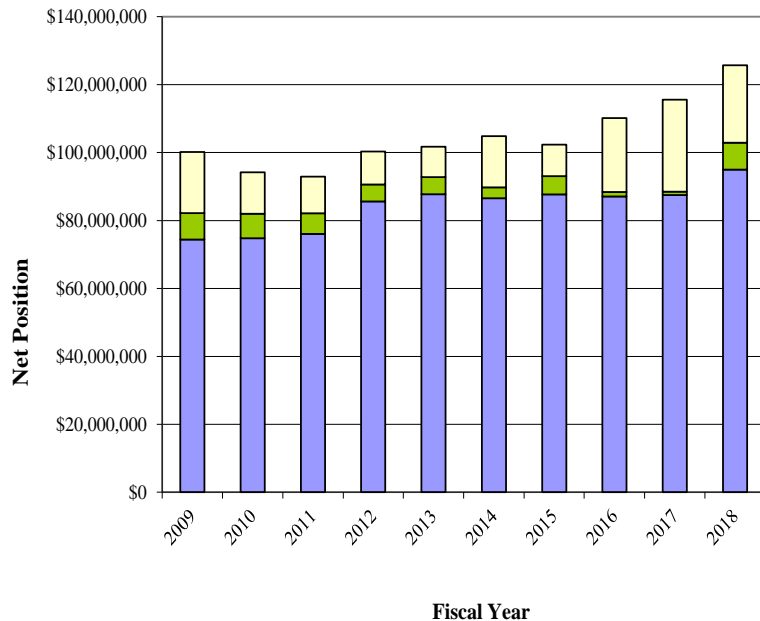


Source: West Valley Water District Accounting Department

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				
2013	2014	2015	2016	2017	2018
19,264,708	22,907,911	25,012,159	23,230,364	26,677,886	28,543,972
(15,781,608)	(16,995,392)	(17,034,621)	(16,736,478)	(20,446,067)	(21,706,285)
(6,734,329)	(7,554,520)	(7,589,826)	(7,667,691)	(7,889,469)	(6,268,421)
(3,251,229)	(1,642,001)	387,712	(1,173,805)	(1,657,650)	569,266
1,760,434	1,459,571	1,658,936	1,758,220	1,821,922	2,023,173
48,171	64,380	65,371	127,090	227,465	367,911
35,663	26,746	32,207	29,966	37,241	32,941
-	45,650	24,644	24,400	60,980	15,400
2,000,000	-	-	43,241	2,518,254	554,897
-	-	-	(2,547,492)	-	(2,263,619)
(1,246,914)	(1,196,877)	(1,148,837)	(1,055,660)	(940,835)	(879,953)
-	-	-	-	-	-
-	-	-	-	(268,915)	-
(601,613)	(19,740)	(19,740)	-	-	-
55,737	34,575	202,348	24,524	(931,062)	73,498
2,051,478	414,305	814,929	(1,595,711)	2,525,050	(75,752)
(1,199,751)	(1,227,696)	1,202,641	(2,769,516)	867,400	493,514
4,760,891	4,283,248	4,940,175	4,383,464	3,506,937	16,643,552
3,561,140	3,055,552	6,142,816	1,613,948	4,374,337	17,137,066
			1,421,880		
87,705,995	86,581,350	87,693,459	87,041,544	87,532,879	95,012,818
5,061,866	3,190,652	5,360,944	1,366,458	929,737	7,875,322
2,196,172	2,194,435	5,873,252	1,020,896	-	-
8,964,937	15,018,085	9,219,049	21,753,634	27,094,253	22,814,836
103,928,970	106,984,522	108,146,704	111,182,532	115,556,869	125,702,976

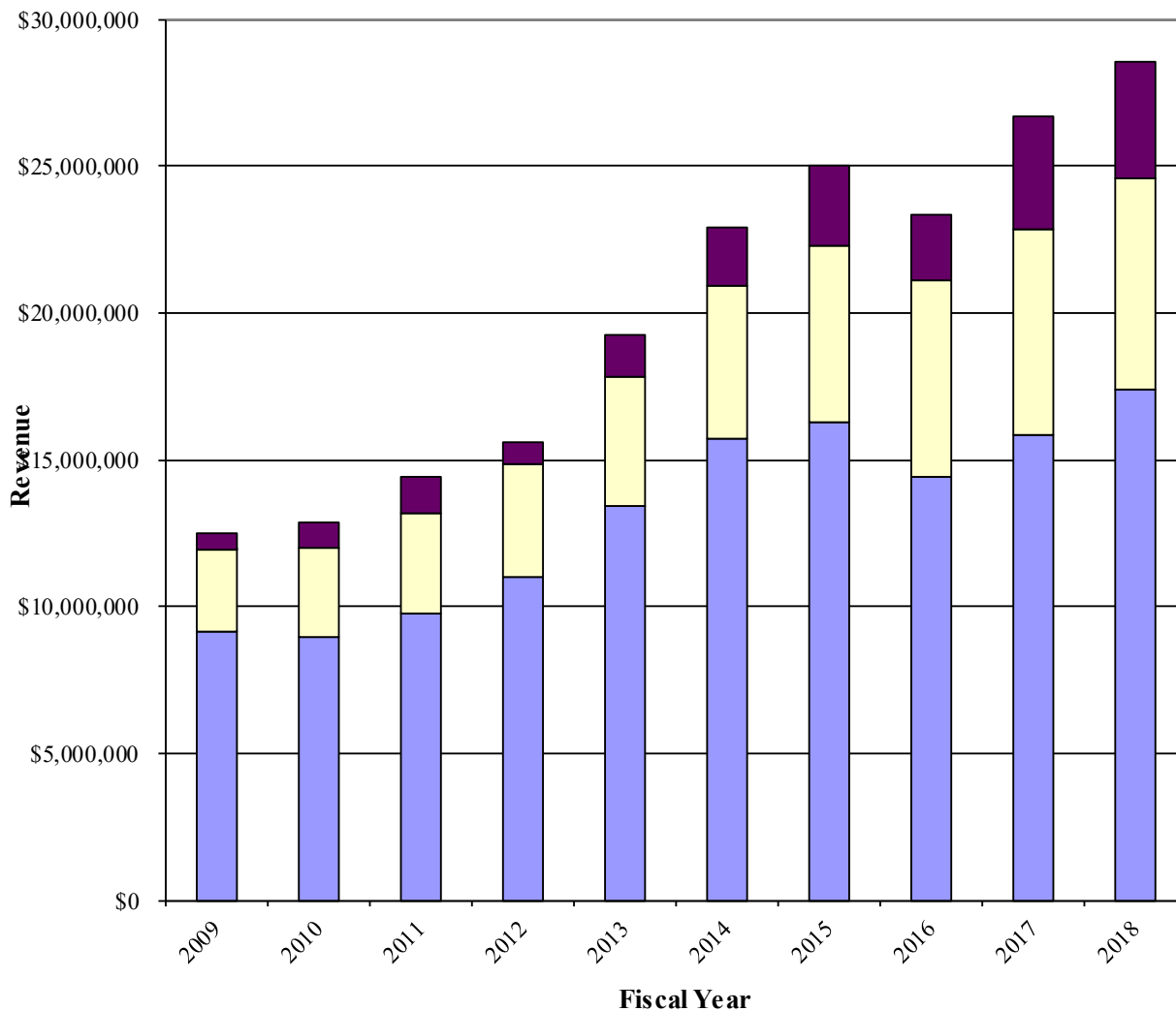


West Valley Water District

Operating Revenue by Source Last Ten Years

Schedule 2

Fiscal Year	Water Consumption Sales	Water Service Charges	Other Operating Income	Total Operating Revenue
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
2017	15,854,879	6,989,061	3,833,946	26,677,886
2018	17,370,508	7,201,939	3,971,525	28,543,972



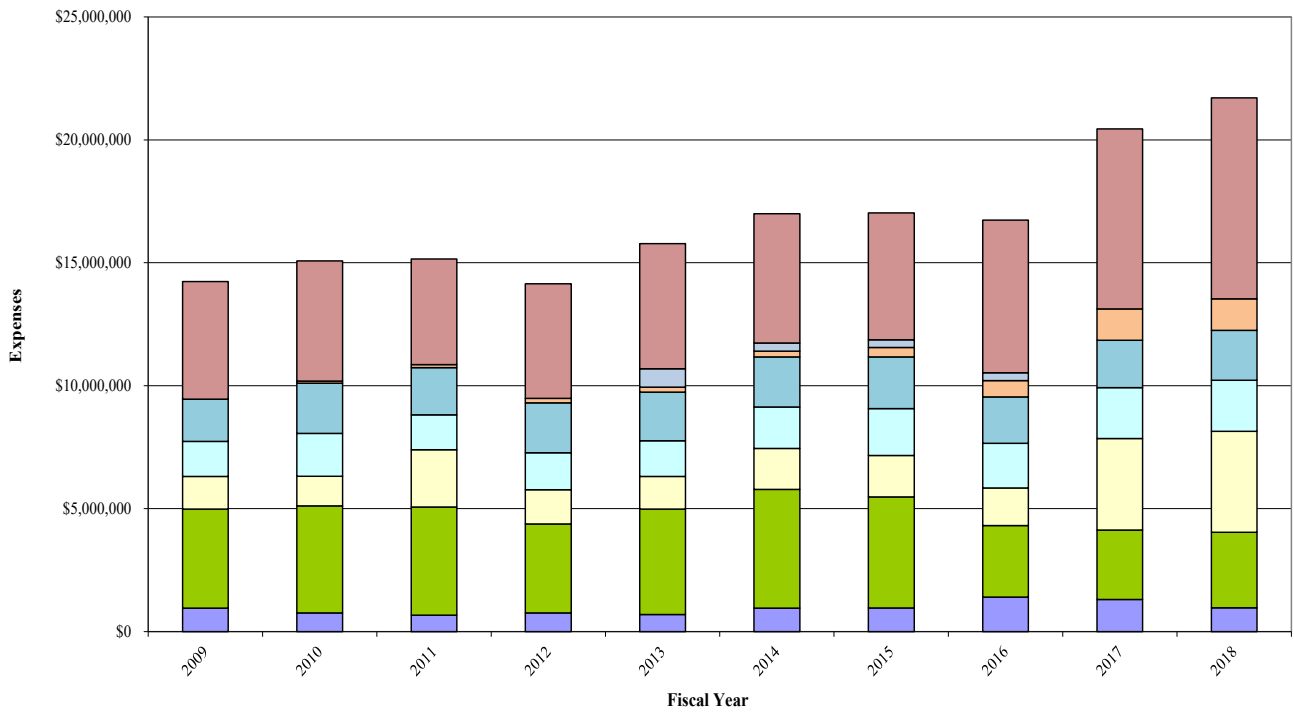
Source: West Valley Water District Accounting Department

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
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
2017	1,307,160	2,823,389	3,723,148	2,071,867	1,923,943	1,273,562	-	7,322,998	20,446,067
2018	972,624	3,066,501	4,110,055	2,074,410	2,031,657	1,280,123	-	8,170,915	21,706,285



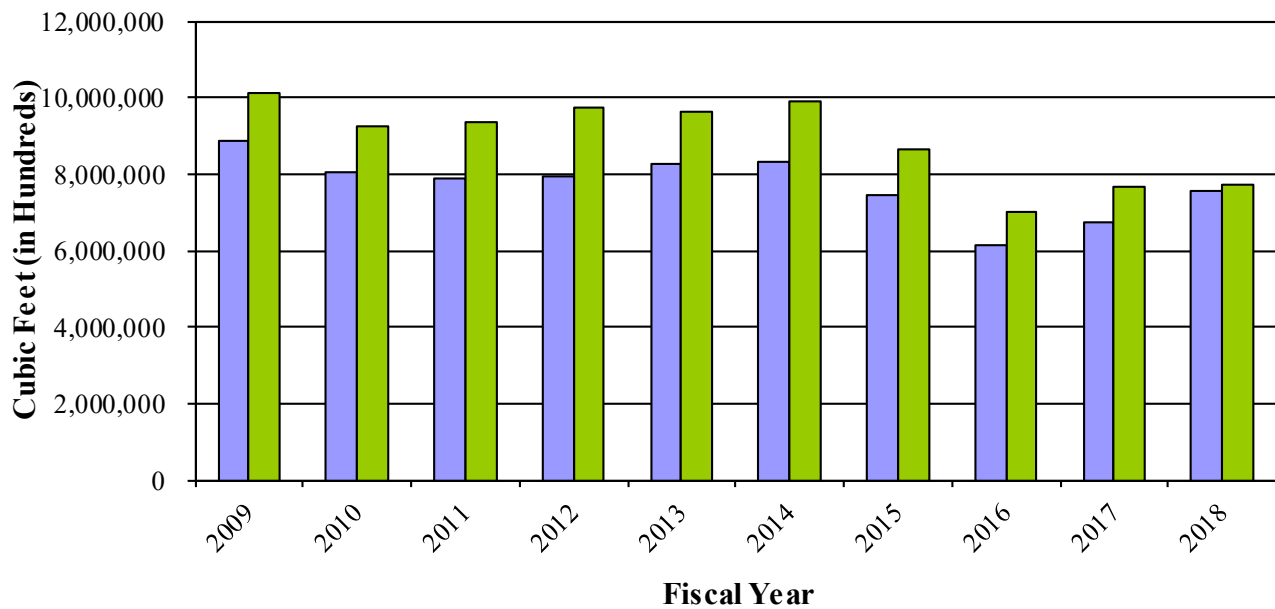
Source: West Valley Water District Accounting Department

West Valley Water District

**Revenue Base
Last Ten Years**

Schedule 4

Fiscal Year	Water Sales (HCF)	Water Produced (HCF)
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
2017	6,710,551	7,685,902
2018	7,576,183	7,705,595



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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fire	\$ 55.00	60.50	67.00	74.00	n/a	n/a	n/a	n/a	n/a	n/a
Tier 1					80.00	92.50	106.50	106.50	106.50	106.50
Tier 2					87.50	100.00	115.00	115.00	115.00	115.00
Tier 3					95.00	110.00	126.50	126.50	126.50	126.50
Golf Course	0.70	0.77	0.85	0.94	By contract	By contract	By contract	By contract	By contract	By contract
Hydrant	1.80	1.98	2.18	2.40	2.76	2.76	2.76	2.76	2.76	2.76
Irrigation:										
Demand	0.55	0.61	0.68	0.75	By contract	By contract	By contract	By contract	By contract	By contract
Gravity Flow	0.55	0.61	0.68	0.75	By contract	By contract	By contract	By contract	By contract	By contract
Pressure	0.80	0.88	0.97	1.07	By contract	By contract	By contract	By contract	By contract	By contract
Water	1.10	1.21	1.34	1.48	n/a	n/a	n/a	n/a	n/a	n/a
Tier 1					1.60	1.85	2.13	2.13	2.13	2.13
Tier 2					1.75	2.00	2.30	2.30	2.30	2.30
Tier 3					1.90	2.20	2.53	2.53	2.53	2.53

Connection Fees Per Month

Meter Size	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fire										
5/8" & 3/4"	\$ 6.88	7.57	8.33	9.17	10.54	10.54	10.54	10.54	10.54	10.54
1"	6.88	7.57	8.33	9.17	10.54	10.54	10.54	10.54	10.54	10.54
1 1/2"	10.32	11.36	12.50	13.76	15.81	15.81	15.81	15.81	15.81	15.81
2"	13.76	15.14	16.66	18.34	21.08	21.08	21.08	21.08	21.08	21.08
3"	20.64	22.71	24.99	27.51	31.62	31.62	31.62	31.62	31.62	31.62
4"	27.52	30.28	33.32	36.68	42.16	42.16	42.16	42.16	42.16	42.16
6"	41.28	45.42	49.98	55.02	63.24	63.24	63.24	63.24	63.24	63.24
8"	55.04	60.56	66.64	73.36	84.32	84.32	84.32	84.32	84.32	84.32
Golf Course										
All Sizes	\$ 43.32	47.66	52.43	57.68	By contract	By contract	By contract	By contract	By contract	By contract
Hydrant										
All Sizes	\$ 47.80	52.58	57.84	63.63	73.17	73.17	73.17	73.17	73.17	73.17
Irrigation										
All Sizes:										
Demand	\$ 43.32	47.66	52.43	57.68	By contract	By contract	By contract	By contract	By contract	By contract
Gravity Flow	43.32	47.66	52.43	57.68	By contract	By contract	By contract	By contract	By contract	By contract
Pressure	43.32	47.66	52.43	57.68	By contract	By contract	By contract	By contract	By contract	By contract
Water										
5/8" & 3/4"	\$ 10.96	12.06	13.27	14.60	16.79	19.31	22.21	22.21	22.21	22.21
1"	16.33	17.97	19.77	21.75	25.01	28.76	33.07	33.07	33.07	33.07
1 1/2"	24.09	26.50	29.15	32.07	36.88	42.41	48.77	48.77	48.77	48.77
2"	33.18	36.50	40.15	44.17	50.80	58.42	67.18	67.18	67.18	67.18
3"	48.17	52.99	58.29	64.12	73.74	84.80	97.52	97.52	97.52	97.52
4"	63.50	69.85	76.84	84.53	97.21	111.79	128.56	128.56	128.56	128.56
6"	96.33	105.97	116.57	128.23	147.46	169.58	195.02	195.02	195.02	195.02
8"	129.16	142.08	156.29	171.92	197.71	227.37	261.48	261.48	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

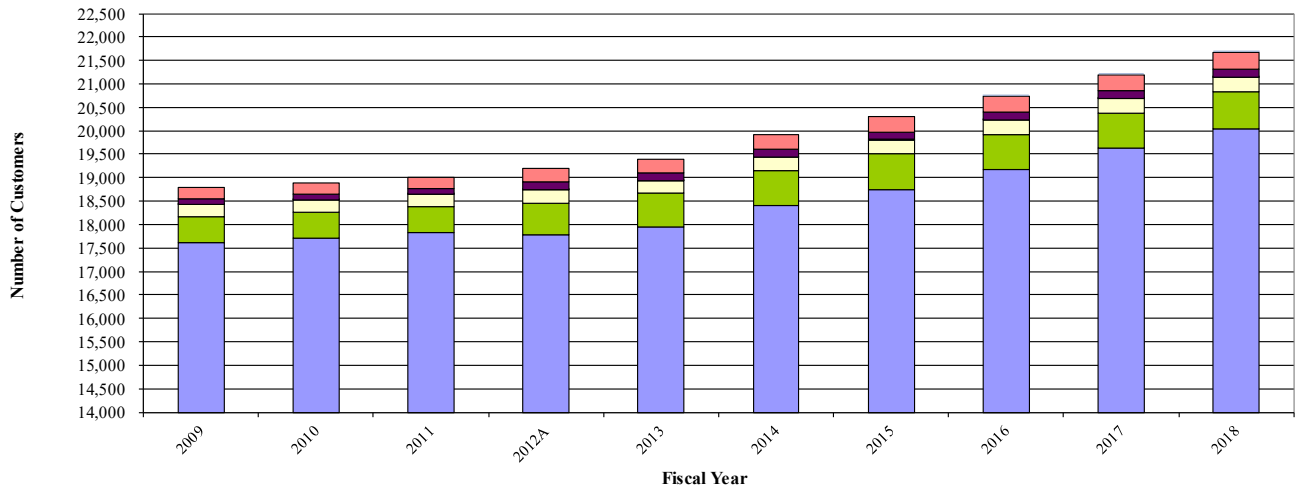
West Valley Water District

Customer 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	
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 ^A	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
2017	19,620	766	302	10	159	346	-	1	21,204
2018	20,043	779	318	10	159	366	-	1	21,676



Note A: 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

Schedule 7

<u>Customer</u>	<u>2018</u>		<u>2009</u>	
	<u>Water Consumed</u>	<u>Percentage of Total</u>	<u>Water Consumed</u>	<u>Percentage of Total</u>
Rialto Unified School District	263,048	3.47%	281,226	3.18%
City of Rialto	181,024	2.39%	167,128	1.89%
Colton Joint Unified School District	141,709	1.87%	168,914	1.91%
Robertson's Ready Mix	128,832	1.70%	163,863	1.85%
City of Fontana	104,041	1.37%	104,186	1.18%
Aramark Uniform Services	103,102	1.36%	32,733	0.37%
Target	91,905	1.21%	148,139	1.68%
Marygold Mutual Water Company	86,728	1.14%		0.00%
Telco Food Products, Inc.	61,719	0.81%	57,850	0.65%
Lennar Homes	61,667	0.81%	5,733	0.06%
Total	<u>1,223,775</u>	<u>16.15%</u>	<u>1,129,772</u>	<u>12.78%</u>
Total Water Consumed (HCF)	<u>7,576,183</u>	<u>100.00%</u>	<u>8,838,936</u>	<u>100.00%</u>

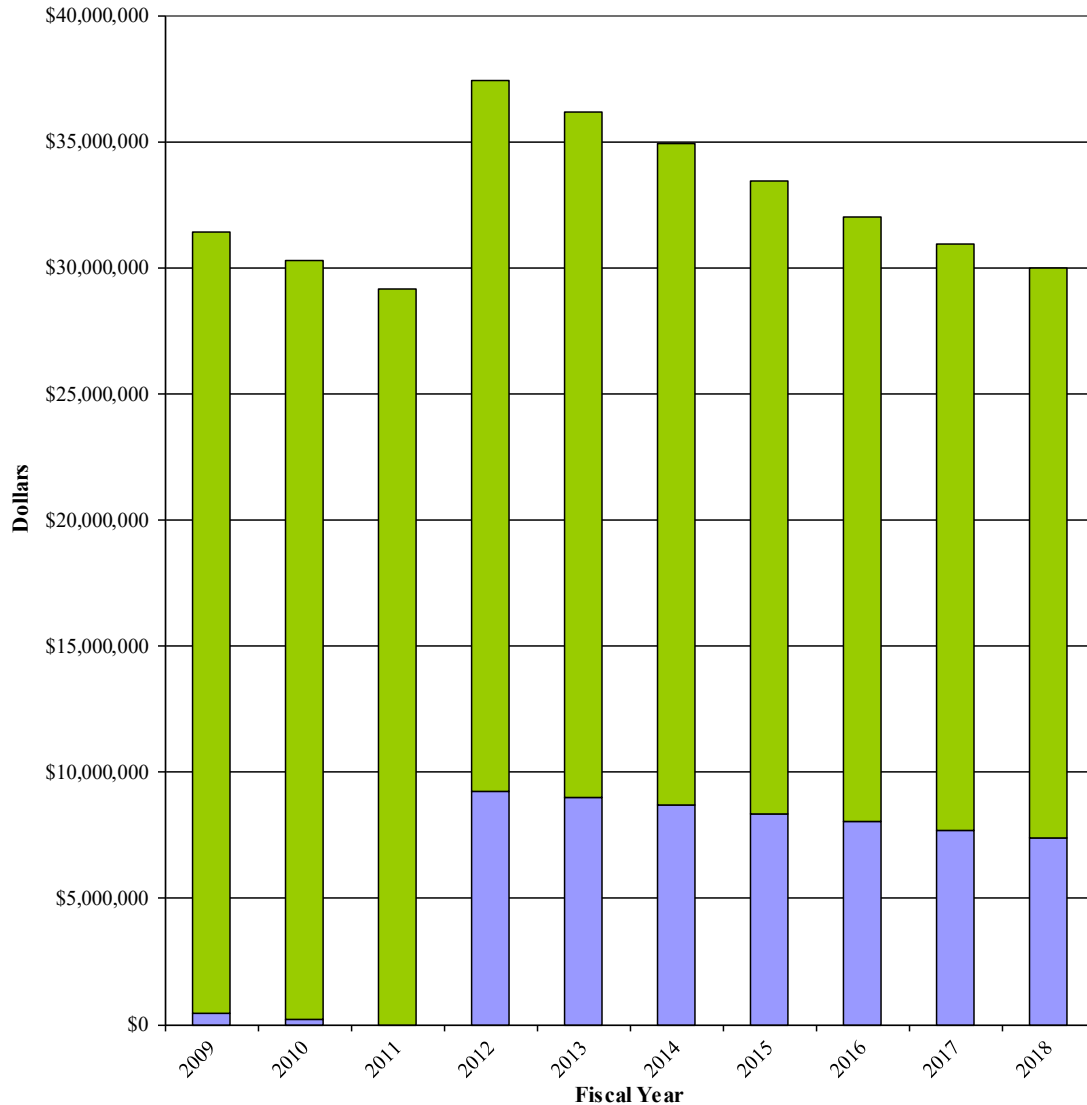
Note 1: Water Sales figures were taken from queries of the consumption data available in HTE.

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
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%
2017	7,716,692	23,232,381	-	30,949,073	299.56	0.81%
2018	7,395,163	22,596,763	-	29,991,926	289.60	0.75%



Source: West Valley Water District Accounting Department

West Valley Water District
Pledged-Revenue Coverage
Last Ten Years

Schedule 9

Fiscal Year	Net Revenues	Operating Expenses ⁽¹⁾	Net Available Revenues	Debt Service			Coverage Ratio
				Principal ⁽²⁾	Interest	Total	
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	1,446,529	1,055,660	2,502,189	2.01
2017	31,359,870	(21,288,947)	10,070,923	1,486,529	940,835	2,427,364	4.15
2018	31,558,717	(24,550,480)	7,008,237	916,529	917,400	1,833,929	3.82

Notes:

(1) Operating expenses exclude depreciation expense and other post employment benefit expenses

(2) Bond was refinanced in fiscal year 2017.

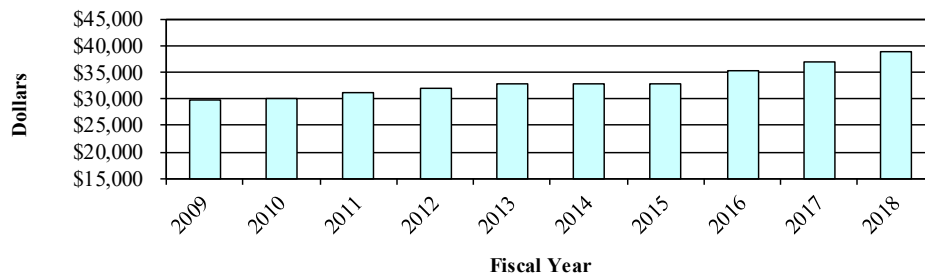
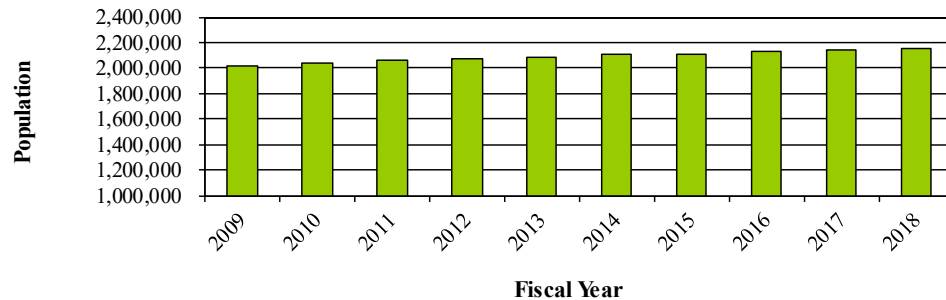
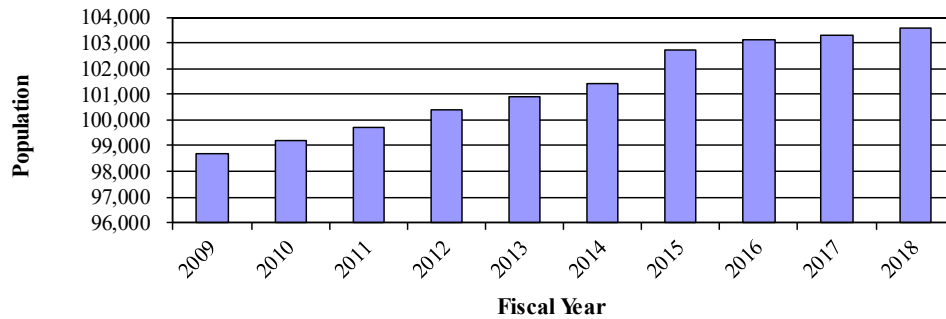
Source: West Valley Water District Accounting Department

West Valley Water District
Demographics and Economics Statistics
Last Ten Years

Schedule 10

County of San Bernardino⁽²⁾

Year	Unemployment Rate	City of Rialto Population ⁽¹⁾	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
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
2017	4.7%	103,314	5.4%	2,140,096	78,830,801	36,835
2018	4.2%	103,562	3.9%	2,157,404	83,741,561	38,816



Sources:

- www.labormarketinfo.edd.ca.gov
- <http://www.bea.gov/regional/bearfacts>
- <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

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

West Valley Water District
Principal Employers
As of June 30, 2017 – Most Recent Data Available

City of Rialto⁽¹⁾			
Employer	Employees	Rank	Percentage of Total Employment
Rialto Unified School District	1000 to 2499	1	2.40 - 6.01%
City of Rialto	500 to 999	2	1.20 - 2.40%
Walmart	250 to 499	3	.60 - 1.20%
Eagle Roofing products	250 to 499	4	.60 - 1.20%
R C Construction Svc	250 to 499	5	.60 - 1.20%
Burlingame Industries	100 to 249	6	.24 - .60%
Columbia Steel Inc.	100 to 249	7	.24 - .60%
Home Depot	100 to 249	8	.24 - .60%
Stater Bros Markets	100 to 249	9	.24 - .60%
Target Import Warehouse	100 to 249	10	.24 - .60%

City of Fontana⁽²⁾			
Employer	Employees	Rank	Percentage of Total Employment
Kaiser Hospital & Med. Group	5,745	1	5.87%
City of Fontana	1,086	2	1.11%
Target Stores T 553	648	3	0.66%

City of Colton⁽³⁾			
Employer	Employees	Rank	Percentage of Total Employment
Colton Joint Unified School District	738	1	3.21%
Lineage Logistics	625	2	2.72%
City of Colton	283	3	1.23%
County of San Bernardino	280	4	1.22%

Note: Above sites have not been updated for the fiscal year 2018. The most recent data available is reported.

(1) City of Rialto, 2016-2017 CAFR, pg. 237

(2) City of Fontana, 2016-2017 CAFR, pg. 152

(3) City of Colton, 2016-2017 CAFR, pg. 180

West Valley Water District

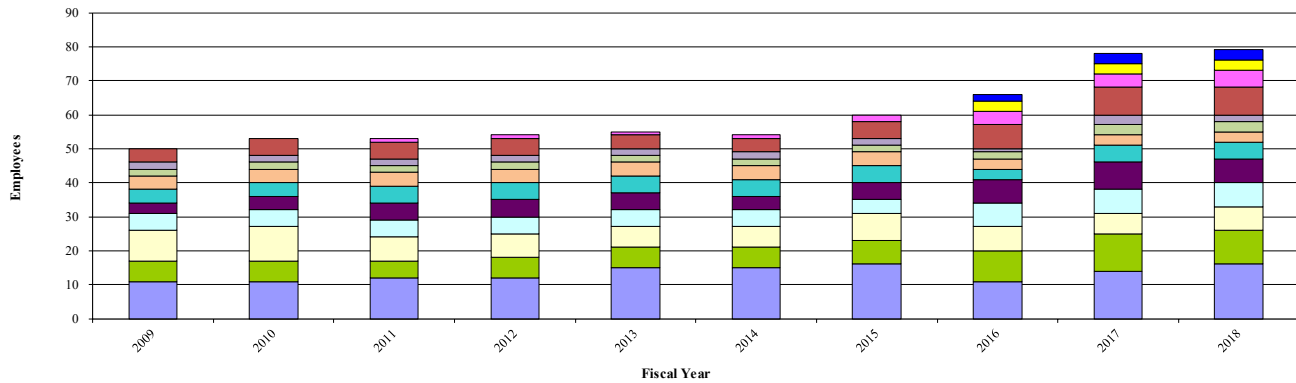
Operating and Capacity Indictors

Last Ten Years

Schedule 11

Full-time Equivalent District Employees by Department

Fiscal Year	Water Treatment /Production	Maintenance	Meters	Administration	Customer Service	Accounting	Billing	IT	Human Resources	Engineering	External Affairs /Conservation	Water Quality	Purchasing	Total
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
2017	14	11	6	7	8	5	3	3	3	8	4	3	3	78
2018	16	10	7	7	7	5	3	3	2	8	5	3	3	79



Source: West Valley Water District Human Resources Department

Schedule 12

Other Operating and Capacity Indictors

Fiscal Year	District Area (Square Miles)	Miles of Pipeline	Storage Tanks	Storage Capacity (MG)	Groundwater Wells	Well Capacity (MGD)	Fire Hydrants
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
2017	32	375	26	73.6	17	35.0	3,085
2018	32	376	26	73.6	17	35.0	3,104

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.

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