



**Comprehensive Annual Financial Report
For the Years Ended June 30, 2017 and 2016**





**Comprehensive Annual Financial Report
For the Years Ended June 30, 2017 and 2016**

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 Years Ended June 30, 2017 and 2016
Table of Contents

Page

Introductory Section:

Letter of Transmittal.....	i
Board of Directors.....	vi
Organization Chart.....	vii
Certificate of Achievement for Excellence in Financial Reporting.....	viii

Financial Section:

Independent Auditor's Report on Financial Statements.....	1
Management's Discussion and Analysis (Required Supplementary Information).....	4

Basic Financial Statements:

Statement of Net Position.....	10
Statement of Revenue, Expenses, and Changes in Net Position.....	12
Statement of Cash Flows.....	13
Notes to the Financial Statements.....	15

Required Supplementary Information:

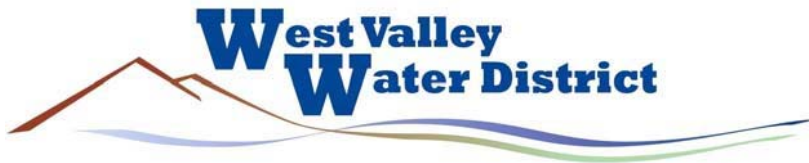
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date.....	46
Schedule of the District's Contributions to the Pension Plan.....	47
Schedule of Funding Progress - Other Post-Employment Benefit Plan.....	48

Statistical Section:

Statistical Section – Table of Contents.....	49
Changes in Net Position by Component.....	50
Operating Revenues by Source.....	52
Operating Expenses by Activity.....	53
Revenue Base.....	54
Revenue Rates.....	55
Customers by Type.....	56
Principal Customers.....	57
Ratios of Outstanding by Debt by Type.....	58
Pledged-Revenue Coverage.....	59
Demographic and Economic Statistics.....	60
Operating and Capacity Indicators.....	61

INTRODUCTORY SECTION

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February 9, 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, 2017, following guidelines set forth by the Governmental Accounting Standards Board (GASB). District staff prepared this financial report and the District is ultimately responsible for both the accuracy of the data as well as the completeness and fairness of the presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

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

District Structure and Leadership

The District is an independent special district, which operates under the authority of Division 12 of the California Water Code. Formed in 1952, the District is governed by a five member Board of Directors ("Board"), elected at-large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board. The District employs approximately 78 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 21,204 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 gallons per minute (GPM). The District also operates a surface water treatment plant with a capacity of 14.4 million gallons per day (MGD) and a biological treatment plant for perchlorate destruction with a capacity of 2.9 MGD.

Economic Condition and Outlook

The District's Office is located in the City of Rialto in San Bernardino County. San Bernardino and Riverside counties (also known as the Inland Empire) have begun to witness increased economic activity from new development as the region continues to recover from the recent recession. The District's source of water production comes from various sources which include: 1) local water from several groundwater basins, 2) surface water from Lytle Creek in the San Bernardino Mountains, and 3) the California State Water Project – Silverwood Lake.

The District has also teamed up with the City of Rialto and is operating a state-approved biological treatment process "bioremediation" that employs naturally occurring micro-organisms to remove perchlorate and other contaminants in the basins drinking water supplies as well as reduce the need for waste handling and disposal in a cost effective manner. The District considers this to be the first major step in a regional undertaking that will ultimately restore the region's groundwater resources.

Status of Drought Conditions

On April 7, 2017, Governor Edmund G. Brown Jr. 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.

As the District and its surroundings areas experienced another dry year in 2017, 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 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." 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 2017:

1. For the sixth consecutive year, the District received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the 2016 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. Began 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 in October 2017 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 MGD to 20.4 MGD in the future.
5. Launched a Geographic Information System (GIS) program to provide infrastructure and parcel data in the District's area. Informational uses of the GIS program can include the ability to assess site environmental conditions; provide a platform for a work order tracking system; provide detailed information on infrastructure age, size, condition, and location; and groundwater level monitoring, as well as a field staff application for rapid data retrieval.
6. Adopted a purchasing policy and implemented a Purchasing Department to ensure proper procurement processes and procedures are in place, including purchasing limits by staff level in the District.
7. Received full District participation in grant funding programs, WECAN, and WaterSMART for California drought-friendly turf replacement.

Internal Control Structure

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

Budgetary Control

The Board annually adopts an operating and capital budget prior to the new fiscal year beginning July 1st of each year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

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

Other Post-Employment Benefits Pre-Funding

In fiscal year 2014, the District began participating in a program to pre-fund the cost of its post-employment benefits plan through the California Public Employees Retirement System (CalPERS) Trust. The District established an account.

Water Rates and District Revenues

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

Water Conservation Programs

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

Independent Audit and Financial Reporting

State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Rogers, Anderson, Malody & Scott, LLP has conducted the audit of the District’s financial statements. Their Independent Auditor’s Report containing an unmodified opinion on the District’s financial statements appears in the Financial Section.

Risk Management

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

Technological Advance in Customer Service

Based on feedback from our annual customer feedback survey, customers indicated that they felt they needed additional time to make payments or to be granted extensions, thus, in order to reduce the number of customers impacted by non-payment shutoffs, bill dates were extended by six days and a final phone call reminder is made before service is shutoff. Our goal is to continue to develop customer-focused programs and policies to continue to provide more reliable service to our customers.

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,



Robert Christman
Interim 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”

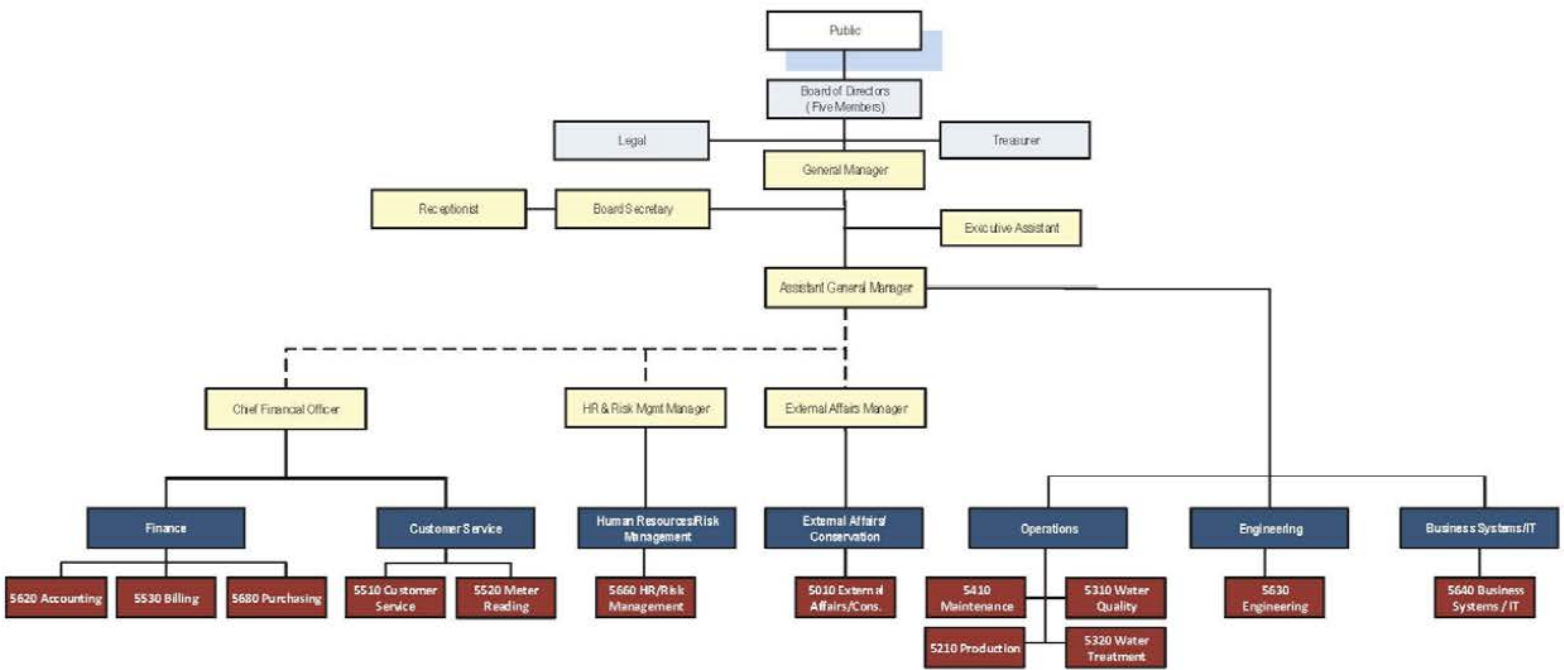
Board of Directors as of June 30, 2017

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Dr. Clifford O. Young, Sr.	President	Elected	11/13 - 11/17
Linda Gonzalez	Vice President	Elected	11/13 - 11/17
Robert Bourland	Director	Appointed	3/17 - 11/17
Don Olinger	Director	Elected	11/15 - 11/19
Greg Young	Director	Elected	11/15 - 11/19

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

July 1, 2017

Organizational Structure



Legend

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



Government Finance Officers Association

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

Presented to

**West Valley Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

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

PARTNERS

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Scott W. Manno, CPA, CGMA
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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

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, 2017, 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

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Governmental 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, 2017, 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.

Other Matters

Comparative Information

The financial statements of the District for the year ended June 30, 2016, before the restatement described in Note 12, from which the prior year comparative information has been derived, were audited by another auditor whose report dated December 31, 2016, expressed an unmodified opinion on those statements.

As part of our audit of the June 30, 2017 financial statements, we also audited the adjustments described in Note 12 that were applied to restate the 2016 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2016 financial statements of the District other than with respect to the adjustments and accordingly, we do not express an opinion or any other form of assurance on the 2016 financial statements as a whole.

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, and Schedule of Funding Progress for Other Post-Employment Benefits, 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 February 9, 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
February 9, 2018

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West Valley Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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, 2017. We encourage readers to consider the information presented here in conjunction with the audited financial statements which follow this section.

Financial Highlights

- In 2017, the District's net position increased approximately \$4.4 million, from \$111.2 million to \$115.6 million or 3.93%.
- In 2016, the District's net position increased approximately \$1.6 million, from \$109.6 million to \$111.2 million or 1.47%.
- 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 2016, the District's operating revenues decreased 11%, or \$(2,871,382), due primarily to decreases in water consumption as a result of the California drought.
- 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 2016, the District's operating expenses before depreciation decreased 1.75%, or \$(298,143), primarily due to the decrease in pumping expense of \$(1,613,913).
- In 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 2016, the District's non-operating revenues increased only 1.21%, or \$23,935, primarily due to an increase in property tax.
- 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 2016, the District's non-operating expenses increased 208.91%, or \$2,434,575, primarily due to the board approved rate rebate of \$2,547,492.
- In 2017, the District had net income before capital contributions of \$867,400.
- In 2016, the District had a net loss before capital contributions of \$(2,769,516).

**West Valley Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

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 \$115.6 million and \$111.2 million as of June 30, 2017 and 2016, respectively.

The largest portion of the District's net position during June 30, 2017 (76%) and 2016 (78%), 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, 2017**

Condensed Statement of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>June 30, 2015</u>	<u>Change</u>
Assets:					
Current assets	\$ 43,911,548	\$ 35,641,634	\$ 8,269,914	\$ 30,486,393	\$ 5,155,241
Noncurrent assets	8,168,589	11,132,075	(2,963,486)	15,654,327	(4,522,252)
Capital assets, net	110,765,260	110,785,069	(19,809)	112,773,459	(1,988,390)
Total assets	<u>162,845,397</u>	<u>157,558,778</u>	<u>5,286,619</u>	<u>158,914,179</u>	<u>(1,355,401)</u>
Deferred outflow of resources	<u>2,461,701</u>	<u>1,378,652</u>	<u>1,083,049</u>	<u>698,486</u>	<u>680,166</u>
Total assets and deferred outflows of resources	<u>\$ 165,307,098</u>	<u>\$ 158,937,430</u>	<u>\$ 6,369,668</u>	<u>\$ 159,612,665</u>	<u>\$ (675,235)</u>
Liabilities:					
Current liabilities	\$ 5,654,419	\$ 5,583,101	\$ 71,318	\$ 6,054,556	\$ (471,455)
Non-current liabilities	43,294,173	41,574,624	1,719,549	42,818,283	(1,243,659)
Total liabilities	<u>48,948,592</u>	<u>47,157,725</u>	<u>1,790,867</u>	<u>48,872,839</u>	<u>(1,715,114)</u>
Deferred inflows of resources	<u>801,637</u>	<u>597,173</u>	<u>204,464</u>	<u>1,171,242</u>	<u>(574,069)</u>
Net position:					
Net investment in capital assets	87,532,879	87,041,544	491,335	87,693,459	(651,915)
Restricted	929,737	2,387,354	(1,457,617)	6,534,192	(4,146,838)
Unrestricted	27,094,253	21,753,634	5,340,619	15,340,933	6,412,701
Total net position	<u>115,556,869</u>	<u>111,182,532</u>	<u>4,374,337</u>	<u>109,568,584</u>	<u>1,613,948</u>
Total liabilities, deferred outflows of resources and net position	<u>\$ 165,307,098</u>	<u>\$ 158,937,430</u>	<u>\$ 6,369,668</u>	<u>\$ 159,612,665</u>	<u>\$ (675,235)</u>

As of June 30, 2017 and 2016, the District reports a positive balance in its unrestricted net position of \$27,094,253 and \$21,753,634, respectively.

**West Valley Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>June 30, 2015</u>	<u>Change</u>
Operating revenues	\$ 26,677,886	\$ 23,230,364	\$ 3,447,522	\$ 26,101,746	\$ (2,871,382)
Operating expenses	(20,446,067)	(16,736,478)	(3,709,589)	(17,034,621)	298,143
Operating income before depreciation	6,231,819	6,493,886	(262,067)	9,067,125	(2,573,239)
Depreciation and amortization expense	(7,889,469)	(7,667,691)	(221,778)	(7,589,826)	(77,865)
Operating income(loss)	(1,657,650)	(1,173,805)	(483,845)	1,477,299	(2,651,104)
Non-operating revenues(expenses), net	2,525,050	(1,595,711)	4,120,761	814,929	(2,410,640)
Net income (loss) before capital contributions	867,400	(2,769,516)	3,636,916	2,292,228	(5,061,744)
Capital contributions	3,506,937	4,383,464	(876,527)	4,940,175	(556,711)
Change in net position	4,374,337	1,613,948	2,760,389	7,232,403	(5,618,455)
Net position:					
Beginning of year	111,182,532	109,568,584	1,613,948	106,984,522	2,584,062
Prior period adjustment	-	-	-	(4,648,341)	4,648,341
End of year	\$ 115,556,869	\$ 111,182,532	\$ 4,374,337	\$ 109,568,584	\$ 1,613,948

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 \$4,374,337 and \$1,613,948 during the years ended June 30, 2017 and 2016, respectively.

Total District Revenues

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Increase (Decrease)</u>	<u>June 30, 2015</u>	<u>Increase (Decrease)</u>
Operating revenues:					
Water consumption sales	\$ 15,854,879	\$ 14,286,722	\$ 1,568,157	\$ 17,336,032	\$(3,049,310)
Water service charges	6,989,061	6,702,841	286,220	6,061,174	641,667
Other operating revenue	3,833,946	2,240,801	1,593,145	2,704,540	(463,739)
Total operating revenues	26,677,886	23,230,364	3,447,522	26,101,746	(2,871,382)
Non-operating:					
Property taxes	1,821,922	1,758,220	63,702	1,658,936	99,284
Grants and reimbursements	2,518,254	43,241	2,475,013	-	43,241
Interest and investment earnings	227,465	127,090	100,375	65,371	61,719
Rental revenue	37,241	29,966	7,275	32,207	(2,241)
Gain on sale of capital assets, net	60,980	24,400	36,580	24,644	(244)
Other non-operating revenue, net	16,122	24,524	(8,402)	202,348	(177,824)
Total non-operating:	4,681,984	2,007,441	2,674,543	1,983,506	23,935
Total revenues	\$ 31,359,870	\$ 25,237,805	\$ 6,122,065	\$ 28,085,252	\$ (2,847,447)

As of June 30, 2017 and 2016, the District's total revenues increased \$6,122,065 and decreased \$2,847,447, respectively, over the prior year.

**West Valley Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Total District Expenses

	June 30, 2017	June 30, 2016	Increase (Decrease)	June 30, 2015	Increase (Decrease)
Operating expenses:					
Source of supply	\$ 1,307,160	\$ 1,404,819	\$ (97,659)	\$ 960,369	\$ 444,450
Pumping	2,823,389	2,910,119	(86,730)	4,524,032	(1,613,913)
Water treatment	3,723,148	1,842,223	1,880,925	1,680,613	161,610
Transmission and distribution	2,071,867	1,825,012	246,855	1,907,194	(82,182)
Customer accounts	1,923,943	1,885,567	38,376	2,104,526	(218,959)
Conservation	1,273,562	656,120	617,442	383,739	272,381
Bio-remediation	-	-	-	308,193	(308,193)
General and administrative	7,322,998	6,212,618	1,110,380	5,165,955	1,046,663
Operating expenses before depreciation	20,446,067	16,736,478	3,709,589	17,034,621	(298,143)
Depreciation and amortization	7,889,469	7,667,691	221,778	7,589,826	77,865
Total operating expenses	28,335,536	24,404,169	3,931,367	24,624,447	(220,278)
Non-operating expenses:					
Board approved rate rebate	-	2,547,492	(2,547,492)	-	2,547,492
Interest expense	940,835	1,055,660	(114,825)	1,148,837	(93,177)
Coyote Canyon CFD project expenses	453,938	-	453,938	-	-
Debt issuance cost	268,915	-	268,915	-	-
Debt administration expense	493,246	-	493,246	19,740	(19,740)
Total non-operating	2,156,934	3,603,152	(1,446,218)	1,168,577	2,434,575
Total expenses	\$ 30,492,470	\$ 28,007,321	\$ 2,485,149	\$ 25,793,024	\$ 2,214,297

As of June 30, 2017 and 2016, the District's total expenses increased \$2,485,149 and \$2,214,297, respectively. For 2017, the District incurred increased expense for water treatment, conservation, and general and administration. For 2016, the District was able to purchase more water, which increased the costs of our sources of supply. Because of that, our pumping costs from our own wells had a significant decrease. Our General and Administrative costs increased primarily because of changes in the allocation of PERS Pension allocations and adjustments made as a result of GASB No. 68. The other significant Non-operating expense was the result of a Board approved rebate to customers in the amount of \$2,547,492. This was a one-time rebate program that will not affect future years' operating profits.

Capital Asset Administration

The District's capital assets (net of accumulated depreciation) as of June 30, 2017, 2016 and 2015 were in the amounts of \$110,765,260, \$110,785,069 and \$112,773,459, respectively. This includes land and land rights, transmission and distribution systems, wells, tanks, reservoirs, pumps, building and structures, equipment, vehicles and construction-in-process. In 2015, various capital projects were finalized and added to capital assets. See note 3 for further information.

**West Valley Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Capital Asset Administration (continued)

	<u>Balance June 30, 2017</u>	<u>Balance June 30, 2016</u>	<u>Balance June 30, 2015</u>
Capital assets:			
Non-depreciable assets	\$ 7,177,703	\$ 7,011,783	\$ 9,694,787
Depreciable assets	185,201,514	177,888,053	169,861,717
Accumulated depreciation	<u>(81,613,957)</u>	<u>(74,114,767)</u>	<u>(66,783,045)</u>
Total capital assets, net	<u><u>\$ 110,765,260</u></u>	<u><u>\$ 110,785,069</u></u>	<u><u>\$ 112,773,459</u></u>

Long-term Debt Administration

At the end of June 30, 2017, 2016 and 2015, the District had total long-term debt of \$30,949,073, \$31,781,746 and \$33,215,261, respectively. In 2017 and 2016, long-term debt decreased by \$832,673 and \$1,433,515, respectively, due to principal payments made on the Districts outstanding debt.

	<u>Balance June 30, 2017</u>	<u>Balance June 30, 2016</u>	<u>Balance June 30, 2015</u>
Long-term debt:			
Reimbursement agreement	\$ 7,716,692	\$ 8,038,221	\$ 8,359,750
Revenue bonds payable	<u>23,232,381</u>	<u>23,743,525</u>	<u>24,855,511</u>
Total	<u><u>\$ 30,949,073</u></u>	<u><u>\$ 31,781,746</u></u>	<u><u>\$ 33,215,261</u></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, 2017 (with comparative data for prior year)

ASSETS	2017	2016
Current assets:		
Cash and cash equivalents (Note 2)	\$ 14,691,626	\$ 27,932,932
Investments (Note 2)	22,749,118	3,589,816
Accrued interest receivable	45,926	33,774
Accounts receivable - water sales and services, net	3,174,441	2,742,858
Accounts receivable - redevelopment pass-through	41,081	41,081
Grants reimbursements receivable	1,370,100	-
Accounts receivable - other	64,466	177,806
Property taxes receivable	16,923	18,511
Due from other governments	397,589	484,803
Materials and supplies inventory	269,706	255,758
Prepaid water	717,087	53,612
Prepaid items	373,485	310,683
Total current assets	<u>43,911,548</u>	<u>35,641,634</u>
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	-	2,600,875
Accounts receivable - redevelopment pass-through	451,897	492,979
Capital assets, net (Note 3)	110,765,260	110,785,069
Water participation rights, net (Note 4)	7,716,692	8,038,221
Total noncurrent assets	<u>118,933,849</u>	<u>121,917,144</u>
Total assets	<u>162,845,397</u>	<u>157,558,778</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	2,263,240	1,378,652
Loss on debt refunding	198,461	-
Total deferred outflows of resources	<u>2,461,701</u>	<u>1,378,652</u>

West Valley Water District
Statement of Net Position (Continued)
June 30, 2017 (with comparative data for prior year)

LIABILITIES	<u>2017</u>	<u>2016</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,705,316	\$ 1,069,058
Accrued salaries and related payables	310,455	232,975
Pass-through utility user taxes payable	86,483	74,145
Customer deposits	1,372,179	1,449,545
Construction advances and deposits	736,276	762,106
Accrued interest payable	230,191	258,188
Long-term liabilities - due within one year:		
Compensated absences (Note 5)	296,990	250,555
Contract payable (Note 6)	321,529	321,529
Bonds payable (Note 6)	595,000	1,165,000
Total current liabilities	<u>5,654,419</u>	<u>5,583,101</u>
Noncurrent liabilities:		
Unearned revenue - developers	283,417	165,345
Long-term liabilities - due in more than one year:		
Compensated absences (Note 5)	242,991	306,234
Contingent liability (Note 10)	493,246	-
Contract payable (Note 6)	7,395,163	7,716,692
Bonds payable (Note 6)	22,637,381	22,578,525
Net other post-employment benefits obligation (Note 7)	7,216,645	6,395,837
Net pension liability (Note 8)	5,025,330	4,411,991
Total noncurrent liabilities	<u>43,294,173</u>	<u>41,574,624</u>
Total liabilities	<u>48,948,592</u>	<u>47,157,725</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related	801,637	597,173
Total deferred inflows of resources	<u>801,637</u>	<u>597,173</u>
NET POSITION		
Net investment in capital assets (Note 9)	87,532,879	87,041,544
Restricted - capital projects	929,737	1,366,458
Restricted - debt service	-	1,020,896
Unrestricted	27,094,253	21,753,634
Total Net Position	<u>\$ 115,556,869</u>	<u>\$ 111,182,532</u>

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West Valley Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017 (with comparative data for prior year)

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Water consumption sales	\$ 15,854,879	\$ 14,286,722
Water service charges	6,989,061	6,702,841
Other operating revenue	3,833,946	2,240,801
Total operating revenues	<u>26,677,886</u>	<u>23,230,364</u>
OPERATING EXPENSES		
Source of supply	1,307,160	1,404,819
Pumping	2,823,389	2,910,119
Water treatment	3,723,148	1,842,223
Transmission and distribution	2,071,867	1,825,012
Customer accounts	1,923,943	1,885,567
Conservation	1,273,562	656,120
General and administrative	7,322,998	6,212,618
Total operating expenses	<u>20,446,067</u>	<u>16,736,478</u>
Operating income before depreciation and amortization	<u>6,231,819</u>	<u>6,493,886</u>
Depreciation expense	7,567,940	7,346,162
Amortization of water participation rights	321,529	321,529
Total depreciation and amortization expense	<u>7,889,469</u>	<u>7,667,691</u>
Operating income (loss)	<u>(1,657,650)</u>	<u>(1,173,805)</u>
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	1,821,922	1,758,220
Grants and reimbursements	2,518,254	43,241
Interest and investment earnings	227,465	127,090
Rental revenue	37,241	29,966
Gain on sale of capital assets	60,980	24,400
Other non-operating revenues	16,122	24,524
Board approved rate rebate	-	(2,547,492)
Interest expense	(940,835)	(1,055,660)
Coyote Canyon CFD project expenses	(453,938)	-
Debt issuance cost	(268,915)	-
Change in contingent liability	(493,246)	-
Total non-operating revenues (expenses), net	<u>2,525,050</u>	<u>(1,595,711)</u>
Net income (loss) before capital contributions	867,400	(2,769,516)
CAPITAL CONTRIBUTIONS		
Developer contributions	2,340,207	3,292,230
Capacity charges	1,166,730	1,091,234
Total capital contributions	<u>3,506,937</u>	<u>4,383,464</u>
Change in net position	4,374,337	1,613,948
NET POSITION		
Beginning of year, as restated (Note 12)	<u>111,182,532</u>	<u>109,568,584</u>
End of year	<u>\$ 115,556,869</u>	<u>\$ 111,182,532</u>

West Valley Water District
Statement of Cash Flows
For the Year Ended June 30, 2017 (with comparative data for prior year)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and others	\$ 26,540,926	\$ 22,971,379
Cash paid to employees for salaries and benefits	(7,051,860)	(4,480,584)
Cash paid to vendors and suppliers for materials and services	(13,150,909)	(15,709,846)
Net cash provided by operating activities	6,338,157	2,780,949
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from property taxes	1,823,510	1,714,648
Net cash provided by noncapital financing activities	1,823,510	1,714,648
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(7,548,131)	(5,357,772)
Proceeds from capital grants	1,148,154	-
Proceeds from developer contributions	2,340,207	3,292,230
Proceeds from facility charges	1,166,730	1,091,234
Proceeds from accounts receivable - redevelopment pass-through	41,082	41,082
Proceeds from sale of capital assets	60,980	24,400
Proceeds from issuance of long term-debt	23,253,524	-
Cost of issuance	(268,915)	-
Principal paid on long-term debt	(24,276,529)	(1,446,529)
Interest paid on long-term debt	(976,961)	(995,689)
Net cash used for capital and related financing activities	(5,059,859)	(3,351,044)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	-	7,410,788
Purchase of investments	(19,159,302)	-
Proceeds from interest and investment earnings	215,313	134,057
Net cash (used for) provided by investing activities	(18,943,989)	7,544,845
Net (decrease) increase in cash and cash equivalents	(15,842,181)	8,689,398
CASH AND CASH EQUIVALENTS		
Beginning of year	30,533,807	21,844,409
End of year	\$ 14,691,626	\$ 30,533,807
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 14,691,626	\$ 27,932,932
Restricted cash and cash equivalents	-	2,600,875
Total cash and cash equivalents	\$ 14,691,626	\$ 30,533,807

West Valley Water District
Statements of Cash Flows (Continued)
For the Year Ended June 30, 2017 (with comparative data for prior year)

	2017	2016
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (1,657,650)	\$ (1,173,805)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation expense	7,567,940	7,346,162
Amortization of water participation rights	321,529	321,529
Rental revenue	37,241	29,966
Other non-operating revenues	16,122	26,683
Board approved rate rebate	-	(2,547,492)
Coyote Canyon CFD project expenses	(453,938)	-
CHANGES IN ASSETS - (INCREASE) DECREASE		
Accounts receivable - water sales and services, net	(431,583)	196,397
Accounts receivable - other	113,340	(98,171)
Due from other governments	87,214	-
Materials and supplies inventory	(13,948)	-
Prepaid water	(663,475)	(2,490)
Prepaid items	(62,802)	(46,313)
CHANGES IN DEFERRED OUTFLOWS OF RESOURCES (INCREASE) DECREASE		
Pension related	(884,588)	(680,166)
CHANGES IN LIABILITIES - INCREASE (DECREASE)		
Accounts payable and accrued expenses	636,258	(587,161)
Accrued salaries and related payables	77,480	72,242
Pass-through utility user taxes payable	12,338	-
Customer deposits	(77,366)	15,117
Construction advances and deposits	(25,830)	(6,735)
Compensated absences	(16,808)	(14,987)
Unearned revenue - developers	118,072	(422,242)
Net other post-employment benefits obligation	820,808	895,837
Net pension liability	613,339	30,647
CHANGES IN DEFERRED INFLOWS OF RESOURCES INCREASE (DECREASE)		
Pension related	204,464	(574,069)
Total adjustments	7,995,807	3,954,754
Net cash provided by operating activities	\$ 6,338,157	\$ 2,780,949

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West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (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 360 miles of water mains to provide water to approximately 20,000 customers. The District is governed by a five-member Board of Directors who serve overlapping four-year terms.

The West End Water Development, Treatment and Conservation Joint Powers Authority (Authority) was formed on April 7, 1989, pursuant to the provisions of Article I, Chapter S, Division 7, 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.

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

The criteria used in determining the scope of the financial reporting entity is based on 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.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

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

Basis of Accounting and Measurement Focus

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

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

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

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

Investments (Continued)

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.

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 \$62,000 and \$164,652 as of June 30, 2017 and 2016, 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.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

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

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.

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 two 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 item, deferred pension related items, is reported in the statement of net position.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

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

Deferred Outflows and Inflows of Resources (Continued)

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 one type of these items. The item is deferred pension related items 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.

Net Other Post-Employment Retirement Benefits Payable

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

Defined Benefit Pension Plans

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

The following timeframes are used for pension reporting:

<u>CalPERS</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Valuation date	June 30, 2015	June 30, 2014
Measurement date	June 30, 2016	June 30, 2015
Measurement period	July 1, 2015 to June 30, 2016	July 1, 2014 to June 30, 2015

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

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

Defined Benefit Pension Plans (Continued)

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

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

Net Position

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

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

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

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

Water Sales and Sewer Services

Water sales and sewer services are billed on a monthly cyclical basis and 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.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

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

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.

Note 2 – Cash and Investments

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

<u>Description</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 14,691,626	\$ 27,932,932
Investments	22,749,118	3,589,816
Restricted cash and cash equivalents	-	2,600,875
	<u>\$ 37,440,744</u>	<u>\$ 34,123,623</u>
Total cash and investments	<u>\$ 37,440,744</u>	<u>\$ 34,123,623</u>

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

<u>Description</u>	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 4,300	\$ 3,700
Deposits held with financial institutions	4,528,568	8,421,220
Cash held with LAIF	10,158,758	22,108,887
Investments	22,749,118	3,589,816
	<u>\$ 37,440,744</u>	<u>\$ 34,123,623</u>
Total cash and investments	<u>\$ 37,440,744</u>	<u>\$ 34,123,623</u>

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (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	3 years	50%	50%
U.S. Government Sponsored Entities Securities	3 years	50%	50%
Certificates of Deposit	5 years	50%	None
Money Market Mutual Funds	None	None	None
Collateralized Bank Deposits	None	None	None
Local Agency Investment Fund (LAIF)	None	None	\$65 Million
CalTrust - Short -Term Fund	2 years	None	None

Interest Rate Risk

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

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, 2017 and 2016, the District had no deposits with financial institutions subject to custodial credit risk.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk (Continued)

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.

Concentration of Credit Risk

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. There were no investments in any one non-governmental issuer that represent 5% or more of the District's total investments as of June 30, 2017 and 2016.

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

<u>Investment Type</u>	<u>Maturity</u>			<u>Total</u>
	<u>12 months or less</u>	<u>13 to 24 months</u>	<u>25 to 36 months</u>	
CalTrust Investment Fund	\$ 22,749,118	\$ -	\$ -	\$ 22,749,118
Total	<u>\$ 22,749,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,749,118</u>

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

<u>Investment Type</u>	<u>Maturity</u>			<u>Total</u>
	<u>12 months or less</u>	<u>13 to 24 months</u>	<u>25 to 36 months</u>	
CalTrust Investment Fund	\$ 3,589,816	\$ -	\$ -	\$ 3,589,816
Total	<u>\$ 3,589,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,589,816</u>

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (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, 2017 and 2016, 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 \$10,158,758 and \$22,108,887 invested in LAIF, which had invested 2.81% and 2.08% of the pooled investment funds as of June 30, 2017 and June 30, 2016, respectively, in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 0.998940671 and 1.000621222 was used to calculate the fair value of the investments in LAIF as of June 30, 2017 and 2016, respectively.

Investment in CalTrust

The Investment Trust of California, doing business as CalTrust, is a California joint powers authority which provides California Public Agencies with investment management services for surplus funds to consolidate investment activities of its participants and thereby reduces duplication, achieves economies of scale and carries out coherent and consolidated investment strategies through the issuance of shares of beneficial interest in investments purchased by CalTrust. CalTrust currently offers three accounts or series as a means for public agencies to invest their funds. The District has investments in the CalTrust Short-Term Fund Series of \$22,749,118 and \$3,589,816, respectively, as of June 30, 2017 and 2016.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

Note 3 – Capital Assets

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	7,011,783	5,121,011	(4,955,091)	7,177,703
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	177,888,053	7,382,211	(68,750)	185,201,514
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	(74,114,767)	(7,567,940)	68,750	(81,613,957)
Total depreciable assets, net	103,773,286	(185,729)	-	103,587,557
Total capital assets, net	\$ 110,785,069	\$ 4,935,282	\$ (4,955,091)	\$ 110,765,260

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

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

Note 3 – Capital Assets (Continued)

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

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

Depreciation expense for the year ended June 30, 2016 was \$7,346,162.

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

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

Note 3 – Capital Assets (Continued)

Construction-In-Process

The construction-in-process balances at June 30, 2017 and 2016 were as follows:

<u>Description</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Agua Mansa Commerce Center	\$ 314,903	\$ -
Bed Reactor Design	2,502,169	-
Line Relocation at Duncan Canyon & I15	-	1,063,961
Zone 2 Waterline Reloc Phase 2	-	1,207,174
Zone 3A-2 Reservoir Recoat	-	736,010
Sierra Crest Waterline	640,647	640,490
Various minor district projects	996,382	732,189
Various other developer projects	105,686	14,043
Total construction-in-process	<u>\$ 4,559,787</u>	<u>\$ 4,393,867</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, 2017 and 2016 were as follows:

<u>Description</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Water participation rights	\$ 9,645,865	\$ 9,645,865
Accumulated amortization	(1,929,173)	(1,607,644)
	<u>\$ 7,716,692</u>	<u>\$ 8,038,221</u>

Note 5 – Compensated Absences

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

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

Changes to compensated absences for fiscal year ended June 30, 2016, were as follows:

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

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

Note 6 – Long-term Debt

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

Description	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:						
Bond discount	(211,475)	-	211,475	-	-	-
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
Total 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	\$ 43,146,363	\$ 26,750,180	\$ (26,165,514)	\$ 43,731,029	\$ 1,213,519	\$ 42,517,510

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

Description	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Amount Due Within One Year	Amount Due in More Than One Year
Bonds payable:						
Series 2006 D-2	\$ 24,970,000	\$ -	\$ (1,090,000)	\$ 23,880,000	\$ 1,130,000	\$ 22,750,000
Assessment District 97-1	110,000	-	(35,000)	75,000	35,000	40,000
Plus (less) deferred amounts:						
Bond discount	(224,489)	-	13,014	(211,475)	-	(211,475)
Total bonds payable	24,855,511	-	(1,111,986)	23,743,525	1,165,000	22,578,525
Loans payable:						
Contract payable	8,359,750	-	(321,529)	8,038,221	321,529	7,716,692
Total contract payable	8,359,750	-	(321,529)	8,038,221	321,529	7,716,692
Compensated absences	571,776	248,566	(263,553)	556,789	250,555	306,234
Net OPEB obligation	5,500,000	1,119,055	(223,218)	6,395,837	-	6,395,837
Net pension liability	4,381,344	639,019	(608,372)	4,411,991	-	4,411,991
Total long-term debt	\$ 43,668,381	\$ 2,006,640	\$ (2,528,658)	\$ 43,146,363	\$ 1,737,084	\$ 41,409,279

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (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 are payable solely from the net revenues of the District's water system as defined in the Series 2006D-2 Bond Indenture. The Bonds bear interest at a variable rate with principal maturities from 2007 to 2033. 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.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (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>
2018	\$ 595,000	\$ 715,596	\$ 1,310,596
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
2023-2027	2,375,000	4,179,600	6,554,600
2028-2032	2,990,000	3,565,300	6,555,300
2033-2037	3,800,000	2,756,000	6,556,000
2038-2042	4,785,000	1,765,750	6,550,750
2043-2047	5,835,000	718,200	6,553,200
	<u>\$ 22,035,000</u>	<u>\$ 17,293,396</u>	<u>\$ 39,328,396</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>
2018	\$ 321,529
2019	321,529
2020	321,529
2021	321,529
2022	321,529
2023-2027	1,607,645
2028-2032	1,607,645
2033-2037	1,607,645
2038-2041	1,286,112
Total	<u>\$ 7,716,692</u>

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

Note 7 – Net Other Post-Employment Benefits Obligation

Plan Description – Eligibility

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

Membership in the Other Post-Employment Benefits (OPEB) plan consisted of the following members as of June 30, 2016 (Valuation Date):

Description	June 30, 2016
Active plan members	67
Retirees and beneficiaries receiving benefits	21
Separated plan members entitled to but not yet receiving benefits	-
	88

Plan Description – Benefits

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

Funding Policy

The District contributes the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District will pay a fixed contribution towards the cost of the post-employment benefit plan for those employees who meet the required service years for retirement from the District. The District funds the plan on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined ARC cost.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

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

Annual OPEB Cost and Net OPEB Obligation

For the years ended June 30, 2017 and 2016, the District's annual OPEB cost was \$1,108,000 and \$1,119,055, respectively. The District's net OPEB obligation amounted to \$7,216,645 and \$6,395,837 for the years ended June 30, 2017 and 2016, respectively. The District contributed \$287,192 and \$223,218 for retiree healthcare OPEB premiums, for the years ended June 30, 2017 and 2016, respectively.

<u>Description</u>	<u>2017</u>	<u>2016</u>
Annual OPEB cost		
Annual required contribution	\$ 1,228,000	\$ 1,145,459
Interest on net OPEB obligation	235,000	220,000
Adjustment on annual required contribution	(355,000)	(246,404)
Total annual OPEB cost	<u>1,108,000</u>	<u>1,119,055</u>
Contributions made		
Contributions	(287,192)	(223,218)
Total contributions made	<u>(287,192)</u>	<u>(223,218)</u>
Total change in net OPEB obligation	820,808	895,837
Net OPEB obligation		
Beginning of year	<u>6,395,837</u>	<u>5,500,000</u>
End of year	<u>\$ 7,216,645</u>	<u>\$ 6,395,837</u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2017 and the two preceding years were as follows:

Three-Year History of Net OPEB Obligation (Asset)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Costs</u>	<u>Contributions Made</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 1,108,000	\$ 287,192	25.92%	\$ 7,216,645
June 30, 2016	1,119,055	223,218	19.95%	6,395,837
June 30, 2015	1,049,976	187,468	17.85%	5,500,000

The most recent valuation (June 30, 2016) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$12,314,000. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2016, was estimated at \$4,553,000. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 174%.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

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

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Remaining amortization period	20 Years as of the valuation date
Asset valuation method	15 Year smoothed market
Actuarial assumptions:	
Investment rate of return (discount rate)	3.75%
Projected salary increase	3.0%
Inflation	2.75%
Health care trend rate	7.5%

Note 8 – 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.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

Note 8 – Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plans (Continued)

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, 2017 are summarized as follows:

<u>Hire date</u>	Miscellaneous Plan	
	<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	17.432%	8.880%

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

Note 8 – 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, 2017 were \$628,828. The actual employer payments of \$1,272,292 made to CalPERS by the District during the measurement period ended June 30, 2016 differed from the District's proportionate share of the employer's contributions of \$687,583 by \$584,709, 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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

Note 8 – Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

	Miscellaneous Plan
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry age normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases (1)	3.3% -14.2%
Investment Rate of Return (2)	7.65%
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.

All other actuarial assumptions used in the June 30, 2015, 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

There were no changes of assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 7.65 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.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

Note 8 – Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

Discount Rate (Continued)

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.

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	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
	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.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

Note 8 – Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

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.

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

Miscellaneous Plans	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2014 (VD)	\$ 20,693,113	\$ 16,311,769	\$ 4,381,344
Balance at: 6/30/2015 (MD)	21,630,888	17,218,897	4,411,991
Net changes during 2014-15	<u>\$ 937,775</u>	<u>\$ 907,128</u>	<u>\$ 30,647</u>

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

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

Note 8 – Defined Benefit Pension Plan (Continued)

C. Proportionate Share of Net Pension Liability (Continued)

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, 2016, 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, 2015, rolled forward to June 30, 2016, 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, 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>

The District's proportionate share of the net pension liability for the Plan as of the June 30, 2014, and 2015 measurement dates was as follows:

Proportionate Share - June 30, 2014	0.17728%
Proportionate Share - June 30, 2015	0.16082%
Change - Increase (Decrease)	<u>(0.01646%)</u>

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 7.65%, 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:

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

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

Note 8 – Defined Benefit Pension Plan (Continued)

C. Proportionate Share of Net Pension Liability (Continued)

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

Miscellaneous Plans	Discount Rate-1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Net Pension Liability	\$ 7,357,830	\$ 4,411,991	\$ 1,979,859

Subsequent Events

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

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 2015-16 and 2014-15 measurement period is 3.7 years which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (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, 2017 (with comparative data for prior year)

Note 8 – 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, 2015), the net pension liability for the plan was \$4,411,991. For the measurement period ending June 30, 2016 (the measurement date), the District incurred a pension expense of \$562,045 for the Plan.

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	-
	\$ 832,775

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

Note 8 – Defined Benefit Pension Plan (Continued)

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

As of June 30, 2016, 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	\$ 39,031	\$ -
Changes of Assumptions	-	369,262
Difference Between Projected and Actual Investment Earnings	-	185,117
Change in Employer's Proportion	-	42,794
Difference Between Employer's Contributions and Proportionate Share of Contributions	67,329	-
Pension Contributions Subsequent to Measurement Date	1,272,292	-
Total	<u>\$ 1,378,652</u>	<u>\$ 597,173</u>

The amounts above are net of outflows and inflows recognized in the 2014-15 measurement period expense. The \$1,272,292 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>
2016	\$ (244,744)
2017	(247,553)
2018	(235,139)
2019	236,623
2020	-
Thereafter	-
	<u>\$ (490,813)</u>

E. Payable to the Pension Plan

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

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

Note 9 – Net Investment in Capital Assets

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

<u>Description</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Capital assets, net	\$ 110,765,260	\$ 110,785,069
Water participation rights	7,716,692	8,038,221
Capital related debt:		
Bonds payable - current	(595,000)	(1,165,000)
Bonds payable - noncurrent	(21,440,000)	(22,790,000)
Bond premium	(1,197,381)	-
Bond discount	-	211,475
Contracts payable - current	(321,529)	(321,529)
Contracts payable - noncurrent	(7,395,163)	(7,716,692)
Net investment in capital assets	<u>\$ 87,532,879</u>	<u>\$ 87,041,544</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.

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 \$493,246. 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.

West Valley Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017 (with comparative data for prior year)

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, 2017, 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, 2017, 2016 and 2015, 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, 2017 (with comparative data for prior year)

Note 12 – Prior Period Adjustments

During the fiscal year ended June 30, 2017, several items were identified that are being reported as an accounting correction of an error, by restating beginning net position of the earliest reported year in the accompanying financial statements. The items are listed in the following table, and described below.

Net position at June 30, 2015 - as previously reported	\$ 108,146,704
Debt issuance costs for 2006D bonds	(116,019)
City of Rialto (Agua Mansa project) pass-through receivable	(41,081)
City of Rialto (Agua Mansa project) pass-through unearned revenue	534,060
Assessment District 97-1 (Crestmore Heights) receivable	(44,667)
Unbilled water sales and services	1,089,587
Total prior period adjustments	1,421,880
 Net position at June 30, 2015 - as restated	 \$ 109,568,584

Debt issuance costs of \$116,019 associated with the 2006D bonds are no longer amortized over the life of the bonds, in accordance with GASB Statement No. 65, and are reported as a current period costs prospectively, and as a prior period adjustment upon implementation of the standard.

The City of Rialto (Agua Mansa project) pass-through receivable balance was previously overstated by \$41,081, the amount of the current portion of the long-term receivable. The balance was adjusted to the actual receivable amount as a prior period adjustment.

Certain amounts previously reported as unearned revenue related to the City of Rialto (Agua Mansa project) pass-through of \$534,060, prior to the effective implementation date for GASB Statement No. 65, do not meet the criteria to be reported as unearned revenue, and should be reported as a prior period adjustment upon implementation of the standard.

The Assessment District No. 97-1 (Crestmore Heights) debt was retired during the year ended June 30, 2017. The County informed the District that no additional special assessment levy would be made because the reserve balance should be used to assist in retiring the outstanding debt. The District previously accrued a special assessment for the final year of the debt that would not be included on the tax roll by the County due to sufficient cumulative reserves from prior year assessments, and therefore the remaining receivable balance of \$44,667 was adjusted to zero as a prior period adjustment.

Water sales and services related to a fiscal period are required to be accrued to such a period under generally accepted accounting principles, regardless of the timing of such related customer billing. The amount of \$1,089,587 represents the unbilled water sales and services accrual as of June 30, 2015. The accompanying financial statements also reflect an increase in accounts receivable of \$956,230 as of June 30, 2016, and an increase in water sales revenue of \$133,357, related to the prior period adjustment, and subsequent accruals of unbilled water sales and services.

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REQUIRED SUPPLEMENTARY INFORMATION

**West Valley Water District
Required Supplementary Information (Unaudited)
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***

	<u>Measurement Date</u>		
	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>
Employer's Proportion of the Collective Net Pension Liability ¹	0.17728%	0.16082%	0.14470%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 4,381,344	\$ 4,411,991	\$ 5,025,330
Employer's Covered Payroll	\$ 3,776,382	\$ 3,985,522	\$ 4,320,078
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	116.02%	110.70%	116.32%
Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	79.82%	78.40%	78.61%

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 1st year of implementation, therefore, only three years are shown.

West Valley Water District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan
Last Ten Years*

	<u>Fiscal Year</u>			
	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
Actuarially Determined Contributions	\$ 563,394	\$ 608,372	\$ 658,011	\$ 628,828
Contributions in Relation to the Contractually Determined Contributions	(563,394)	(608,372)	(1,272,291)	(628,828)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (614,280)</u>	<u>\$ -</u>
Employer's Covered Payroll	<u>\$ 3,776,382</u>	<u>\$ 3,985,522</u>	<u>\$ 4,320,078</u>	<u>\$ 5,443,095</u>
Contributions as a Percentage of Covered Payroll	14.92%	15.26%	29.45%	11.55%

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: None

* Fiscal year 2014-15 was the first year of implementation, therefore, only four years are presented.

West Valley Water District
Required Supplementary Information (Unaudited)
Schedule of Funding Progress – Other Post-Employment Benefits Plan
For the Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
6/30/2016	\$ -	\$ 12,314,000	\$ 12,314,000	0.00%	\$ 4,553,000	270.46%
6/30/2013	\$ -	\$ 10,121,028	\$ 10,121,028	0.00%	\$ 4,147,630	244.02%
6/30/2011	\$ -	\$ 10,360,723	\$ 10,360,723	0.00%	\$ 4,136,087	250.50%
6/30/2008	\$ -	\$ 7,369,854	\$ 7,369,854	0.00%	\$ 3,334,696	221.01%

Notes to the schedule:

Funding progress is presented for the years that an actuarial study has been prepared since the effective date of GASB 45. Actuarial review and analysis of the post-employment benefits liability and funding is performed every three years or annually if there are significant changes in the plan.

STATISTICAL SECTION

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

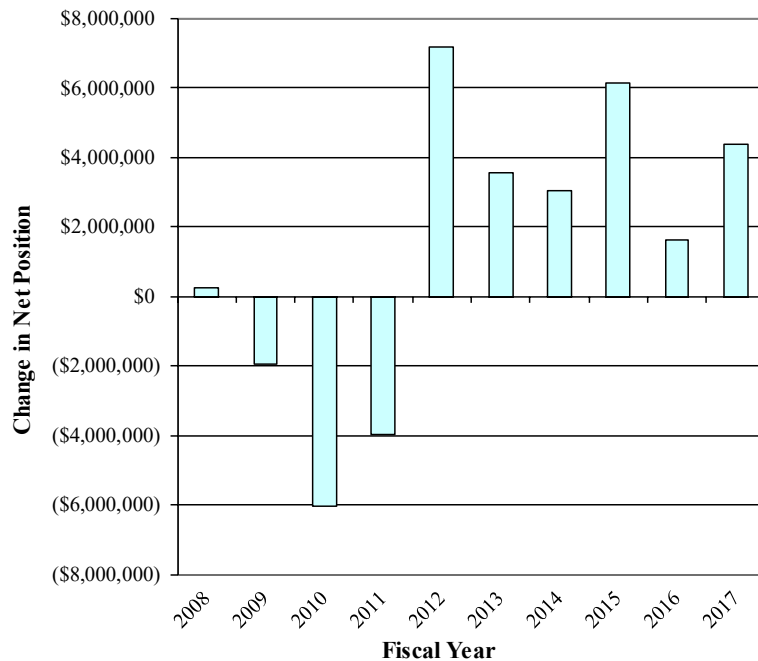
This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Table of Contents

	<u>Page No.</u>
Financial Trends	
These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.....	50
Revenue Capacity	
These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	54
Debt Capacity	
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.....	58
Demographic Information	
This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	60
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.	61

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 11,952,084	12,516,368	12,847,976	14,396,755	15,601,438
Operating expenses (see Schedule 3)	(13,143,682)	(14,239,766)	(15,076,628)	(15,152,541)	(14,146,510)
Depreciation and amortization	(3,124,657)	(3,435,901)	(5,931,124)	(7,183,269)	(6,751,348)
Operating income(loss)	(4,316,255)	(5,159,299)	(8,159,776)	(7,939,055)	(5,296,420)
Non-operating revenues(expenses):					
Property taxes	1,218,693	1,368,431	1,160,572	1,268,513	1,422,629
Grants and Reimbursements	-	-	-	-	-
Interest and investment earnings	1,349,096	367,362	92,589	87,581	60,255
Rental income - cellular antennas	24,629	26,116	41,767	42,393	27,714
Intergovernmental revenue	-	-	-	-	-
Gain/(loss) on sale/disposition of capital assets	-	18,486	(15,414)	3,137	16,171
Board approved rate rebate	-	-	-	-	-
Interest expense - long term debt	(1,358,255)	(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)	(48,474)
Other non-operating revenue/(expense), net	1,066,092	841,471	(505,204)	56,826	(146,563)
Total non-operating revenues(expenses), net	2,251,781	(15,255)	(563,338)	70,798	36,466
Net income (loss) before capital contributions	(2,064,474)	(5,174,554)	(8,723,114)	(7,868,257)	(5,259,954)
Capital contributions	2,331,245	3,233,296	2,672,626	3,893,837	12,431,630
Changes in net position	\$ 266,771	(1,941,258)	(6,050,488)	(3,974,420)	7,171,676
Net position by component:					
Net investment in capital assets	\$ 69,334,292	74,414,772	74,814,533	76,040,629	85,587,880
Restricted for capital projects	8,756,776	7,741,740	7,177,336	6,061,134	5,058,581
Restricted for debt service	69,100	57,555	55,816	56,104	55,093
Restricted for perchlorate treatment	-	-	-	-	-
Unrestricted	23,970,865	17,975,708	12,145,548	10,824,854	9,666,276
Total net position	\$ 102,131,033	100,189,775	94,193,233	92,982,721	100,367,830

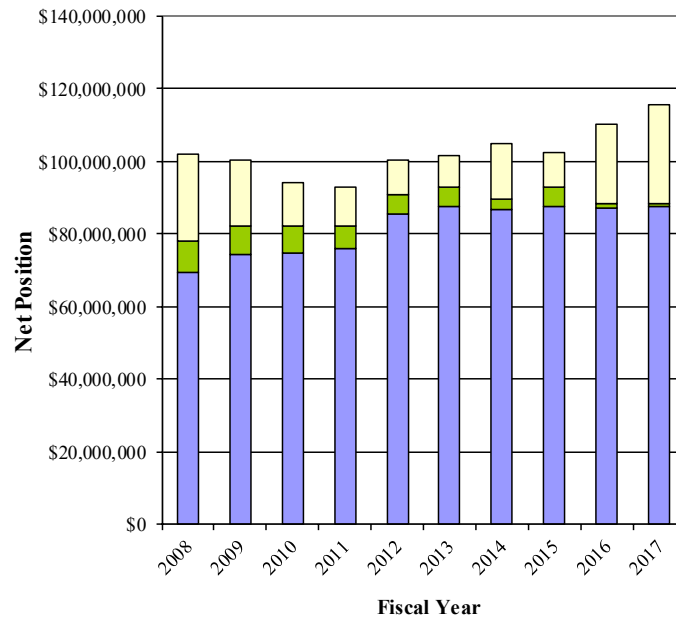


Source: West Valley Water District Accounting Department

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
Changes in net position:					
Operating revenues (see Schedule 2)	19,264,708	22,907,911	25,012,159	23,230,364	26,677,886
Operating expenses (see Schedule 3)	(15,781,608)	(16,995,392)	(17,034,621)	(16,736,478)	(20,446,067)
Depreciation and amortization	(6,734,329)	(7,554,520)	(7,589,826)	(7,667,691)	(7,889,469)
Operating income(loss)	(3,251,229)	(1,642,001)	387,712	(1,173,805)	(1,657,650)
Non-operating revenues(expenses):					
Property taxes	1,760,434	1,459,571	1,658,936	1,758,220	1,821,922
Grants and Reimbursements	2,000,000	-	-	43,241	2,518,254
Interest and investment earnings	48,171	64,380	65,371	127,090	227,465
Rental income - cellular antennas	35,663	26,746	32,207	29,966	37,241
Intergovernmental revenue	-	-	-	-	-
Gain/(loss) on sale/disposition of capital assets	-	45,650	24,644	24,400	60,980
Board approved rate rebate	-	-	-	(2,547,492)	-
Interest expense - long term debt	(1,246,914)	(1,196,877)	(1,148,837)	(1,055,660)	(940,835)
Pension Related debt	-	-	-	-	-
Bond issuance costs	-	-	-	-	(268,915)
Amortization of deferred charges	(601,613)	(19,740)	(19,740)	-	-
Other non-operating revenue/(expense), net	55,737	34,575	202,348	24,524	(931,062)
Total non-operating revenues(expenses), net	2,051,478	414,305	814,929	(1,595,711)	2,525,050
Net income (loss) before capital contributions	(1,199,751)	(1,227,696)	1,202,641	(2,769,516)	867,400
Capital contributions	4,760,891	4,283,248	4,940,175	4,383,464	3,506,937
Changes in net position	3,561,140	3,055,552	6,142,816	1,613,948	4,374,337
Prior period adjustment				1,421,880	
Net position by component:					
Net investment in capital assets	87,705,995	86,581,350	87,693,459	87,041,544	87,532,879
Restricted for capital projects	5,061,866	3,190,652	5,360,944	1,366,458	929,737
Restricted for debt service	2,196,172	2,194,435	5,873,252	1,020,896	-
Restricted for perchlorate treatment	-	-	-	-	-
Unrestricted	8,964,937	15,018,085	9,219,049	21,753,634	27,094,253
Total net position	103,928,970	106,984,522	108,146,704	111,182,532	115,556,869

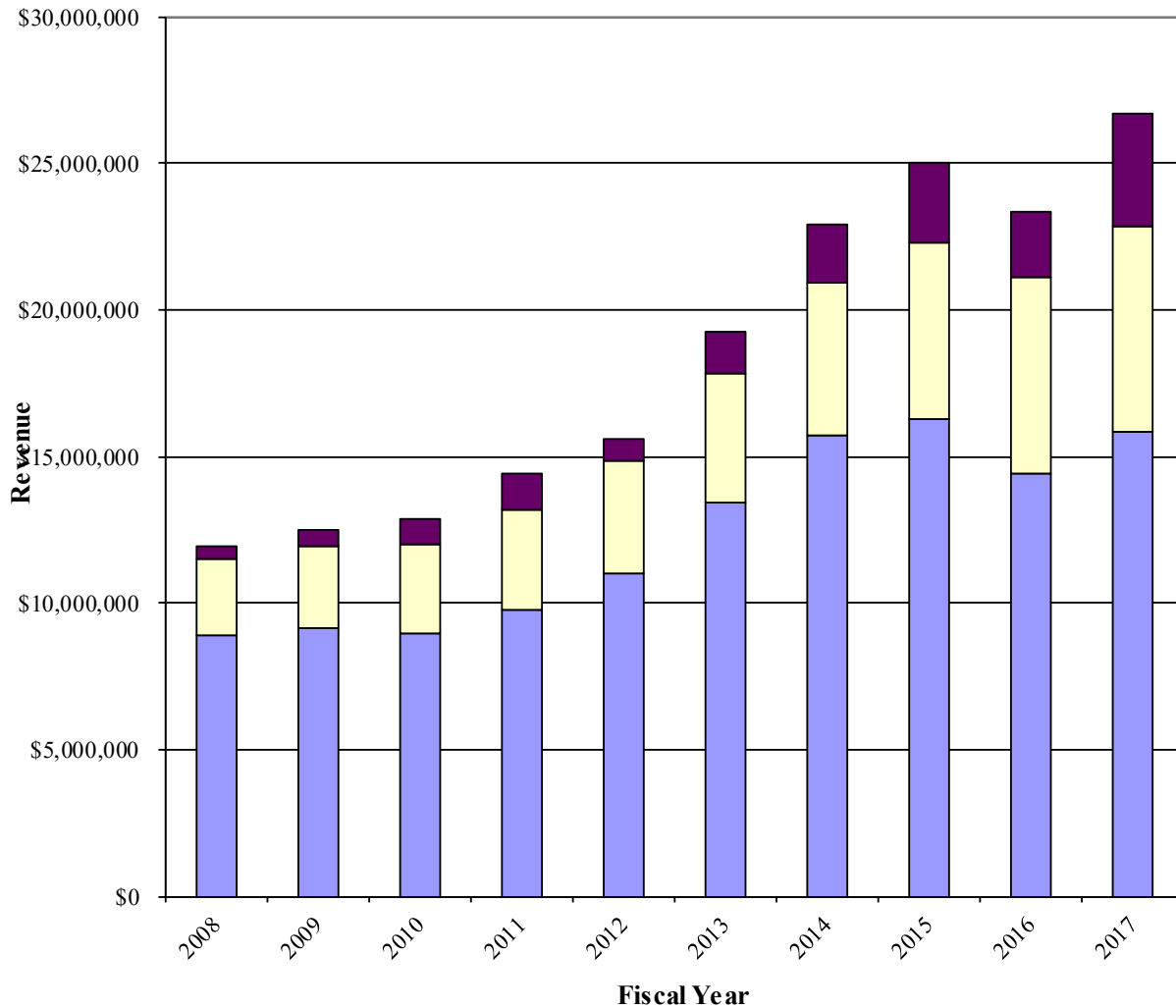


Source: West Valley Water District Accounting Department

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

Schedule 2

Fiscal Year	Water Consumption Sales	Water Service Charges	Other Operating Income	Total Operating Revenue
2008	\$ 8,872,941	\$ 2,609,836	\$ 469,307	\$ 11,952,084
2009	9,145,285	2,767,715	603,368	12,516,368
2010	8,961,085	3,053,040	833,851	12,847,976
2011	9,750,303	3,448,236	1,198,216	14,396,755
2012	11,019,032	3,855,757	726,649	15,601,438
2013	13,442,407	4,398,803	1,423,498	19,264,708
2014	15,715,734	5,214,461	1,977,716	22,907,911
2015	16,246,445	6,061,174	2,704,540	25,012,159
2016	14,420,079	6,702,841	2,240,801	23,363,721
2017	15,854,879	6,989,061	3,833,946	26,677,886



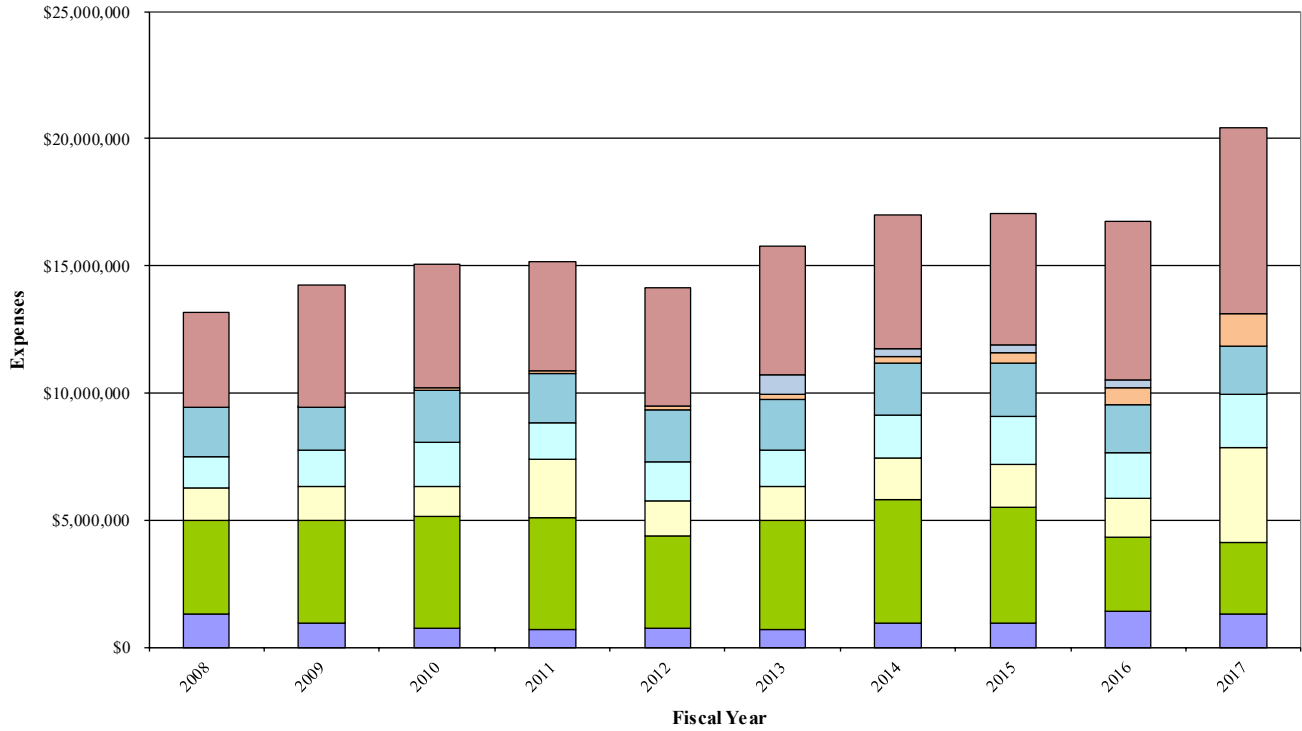
Source: West Valley Water District Accounting Department

West Valley Water District Operating Expenses by Activity Last Ten Years

Last Ten Fiscal Years

Schedule 3

Fiscal Year	Source of Supply	Pumping	Water Treatment	Transmission and Distribution	Customer Accounts	Conservation	Bioremediation	General and Administrative	Total Operating Expenses
2008	\$ 1,300,832	\$ 3,696,297	\$ 1,242,661	\$ 1,225,763	\$ 1,956,901	\$ -	\$ -	\$ 3,721,228	\$ 13,143,682
2009	956,940	4,030,155	1,326,083	1,426,379	1,716,249	228	-	4,783,732	14,239,766
2010	760,170	4,356,011	1,204,436	1,740,459	2,043,316	90,123	-	4,882,113	15,076,628
2011	671,055	4,401,510	2,325,866	1,417,810	1,923,981	122,064	-	4,290,255	15,152,541
2012	759,898	3,624,258	1,388,672	1,500,136	2,032,390	183,840	-	4,657,316	14,146,510
2013	698,507	4,288,300	1,323,713	1,451,836	1,977,941	199,973	752,907	5,088,431	15,781,608
2014	951,189	4,831,597	1,668,548	1,687,965	2,035,498	229,295	342,780	5,248,520	16,995,392
2015	960,369	4,524,032	1,680,613	1,907,194	2,104,526	383,739	308,193	5,165,955	17,034,621
2016	1,404,819	2,910,119	1,524,622	1,825,012	1,885,567	656,120	317,601	6,212,618	16,736,478
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

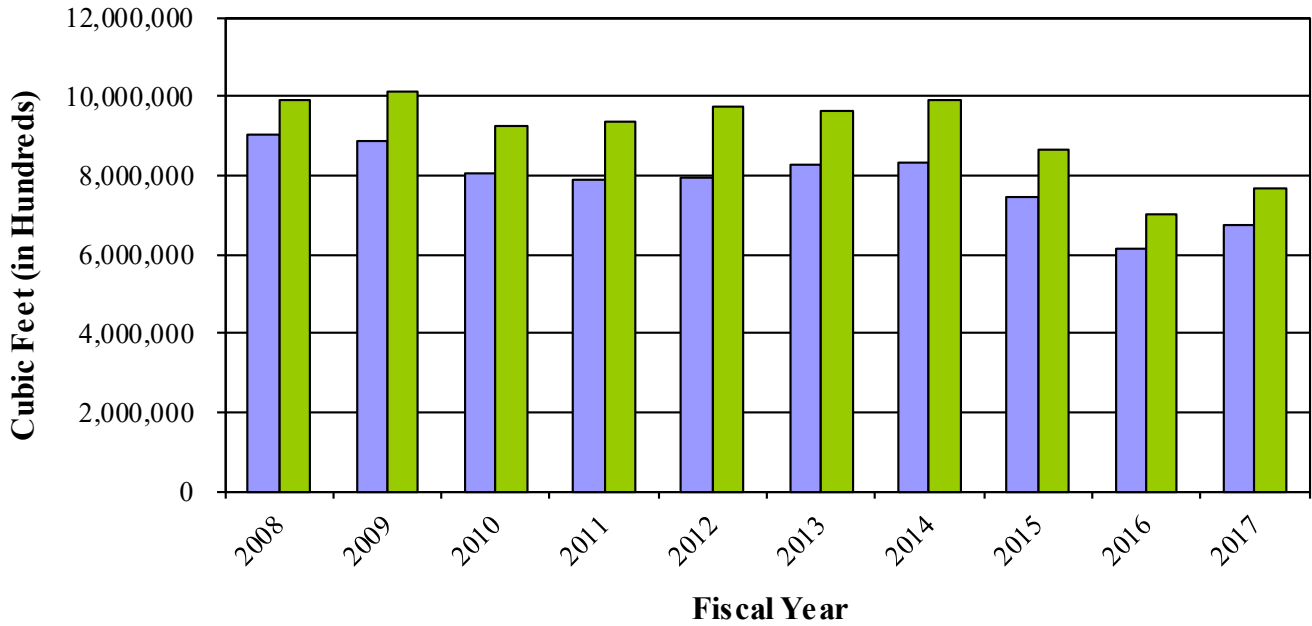


Source: West Valley Water District Accounting Department

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

Schedule 4

Fiscal Year	Water Sales (HCF)	Water Produced (HCF)
2008	9,023,167	9,888,556
2009	8,838,936	10,128,571
2010	8,036,066	9,261,727
2011	7,909,036	9,337,086
2012	7,912,309	9,742,948
2013	8,250,812	9,629,632
2014	8,323,184	9,891,169
2015	7,419,170	8,621,349
2016	6,151,431	7,016,601
2017	6,710,551	7,685,902



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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fire	50.00	55.00	60.50	67.00	74.00	n/a	n/a	n/a	n/a	n/a
Tier 1						80.00	92.50	106.50	106.50	106.50
Tier 2						87.50	100.00	115.00	115.00	115.00
Tier 3						95.00	110.00	126.50	126.50	126.50
Golf Course	0.66	0.70	0.77	0.85	0.94	By contract	By contract	By contract	By contract	By contract
Hydrant	1.63	1.80	1.98	2.18	2.40	2.76	2.76	2.76	2.76	2.76
Irrigation:										
Demand	0.50	0.55	0.61	0.68	0.75	By contract	By contract	By contract	By contract	By contract
Gravity Flow	0.50	0.55	0.61	0.68	0.75	By contract	By contract	By contract	By contract	By contract
Pressure	0.72	0.80	0.88	0.97	1.07	By contract	By contract	By contract	By contract	By contract
Water	1.00	1.10	1.21	1.34	1.48	n/a	n/a	n/a	n/a	n/a
Tier 1						1.60	1.85	2.13	2.13	2.13
Tier 2						1.75	2.00	2.30	2.30	2.30
Tier 3						1.90	2.20	2.53	2.53	2.53

Connection Fees Per Month

Meter Size	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fire										
5/8" & 3/4"	6.25	6.88	7.57	8.33	9.17	10.54	10.54	10.54	10.54	10.54
1"	6.25	6.88	7.57	8.33	9.17	10.54	10.54	10.54	10.54	10.54
1 1/2"	9.38	10.32	11.36	12.50	13.76	15.81	15.81	15.81	15.81	15.81
2"	12.50	13.76	15.14	16.66	18.34	21.08	21.08	21.08	21.08	21.08
3"	18.75	20.64	22.71	24.99	27.51	31.62	31.62	31.62	31.62	31.62
4"	25.00	27.52	30.28	33.32	36.68	42.16	42.16	42.16	42.16	42.16
6"	37.50	41.28	45.42	49.98	55.02	63.24	63.24	63.24	63.24	63.24
8"	50.00	55.04	60.56	66.64	73.36	84.32	84.32	84.32	84.32	84.32
Golf Course										
All Sizes	39.38	43.32	47.66	52.43	57.68	By contract	By contract	By contract	By contract	By contract
Hydrant										
All Sizes	43.45	47.80	52.58	57.84	63.63	73.17	73.17	73.17	73.17	73.17
Irrigation										
All Sizes:										
Demand	39.38	43.32	47.66	52.43	57.68	By contract	By contract	By contract	By contract	By contract
Gravity Flow	39.38	43.32	47.66	52.43	57.68	By contract	By contract	By contract	By contract	By contract
Pressure	39.38	43.32	47.66	52.43	57.68	By contract	By contract	By contract	By contract	By contract
Water										
5/8" & 3/4"	9.96	10.96	12.06	13.27	14.60	16.79	19.31	22.21	22.21	22.21
1"	14.84	16.33	17.97	19.77	21.75	25.01	28.76	33.07	33.07	33.07
1 1/2"	21.90	24.09	26.50	29.15	32.07	36.88	42.41	48.77	48.77	48.77
2"	30.16	33.18	36.50	40.15	44.17	50.80	58.42	67.18	67.18	67.18
3"	43.79	48.17	52.99	58.29	64.12	73.74	84.80	97.52	97.52	97.52
4"	57.71	63.50	69.85	76.84	84.53	97.21	111.79	128.56	128.56	128.56
6"	87.56	96.33	105.97	116.57	128.23	147.46	169.58	195.02	195.02	195.02
8"	117.40	129.16	142.08	156.29	171.92	197.71	227.37	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.

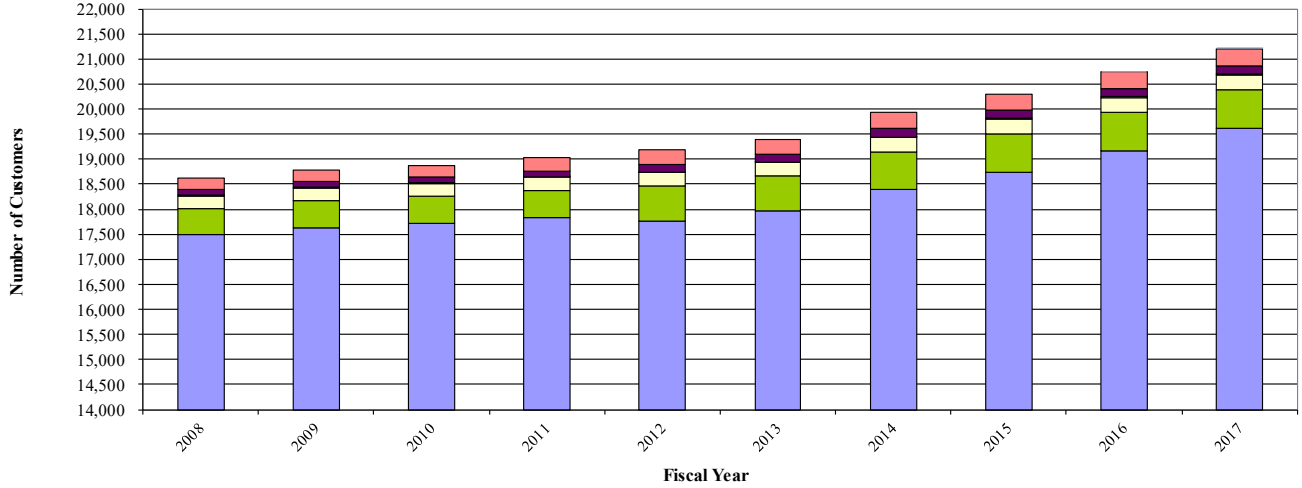
Note 2: The rates for Golf Course and Irrigation Services are by written agreement between the user and the District.

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	
2008	17,495	519	247	11	117	223	1	-	18,613
2009	17,624	541	257	11	117	235	1	-	18,786
2010	17,715	543	257	11	117	238	1	-	18,882
2011	17,824	549	262	12	117	253	1	-	19,018
2012	17,773	692	267	13	155	287	-	-	19,187
2013	17,961	703	266	10	155	296	-	-	19,391
2014	18,397	754	284	11	159	316	-	-	19,921
2015	18,740	769	292	11	159	330	-	-	20,301
2016	19,174	756	299	10	159	341	-	1	20,740
2017	19,620	766	302	10	159	346	-	1	21,204



Note: As a result of the 2012 rate study, certain accounts were reclassified to other types.

Source: West Valley Water District Accounting Department

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

Schedule 7

Customer	2017		2008	
	Water Consumed	Percentage of Total	Water Consumed	Percentage of Total
Marygold Mutual Water Company	221,850	3.31%	-	0.00%
Rialto Unified School District	210,913	3.14%	292,751	3.24%
City of Rialto	163,716	2.44%	198,374	2.20%
Robertson'S Ready Mix	126,055	1.88%	197,642	2.19%
Colton Joint Unified School District	114,036	1.70%	99,883	1.11%
Aramark Uniform Services	101,468	1.51%	11,936	0.13%
Target	82,508	1.23%	134,032	1.49%
City of Fontana	69,289	1.03%	84,679	0.94%
My Montceito III	53,262	0.79%	83,411	0.92%
Telco Food Products, Inc.	53,210	0.79%	52,697	0.58%
Total	1,196,307	17.83%	1,155,405	12.80%
Total Water Consumed (HCF)	6,710,551	100.00%	9,023,167	100.00%

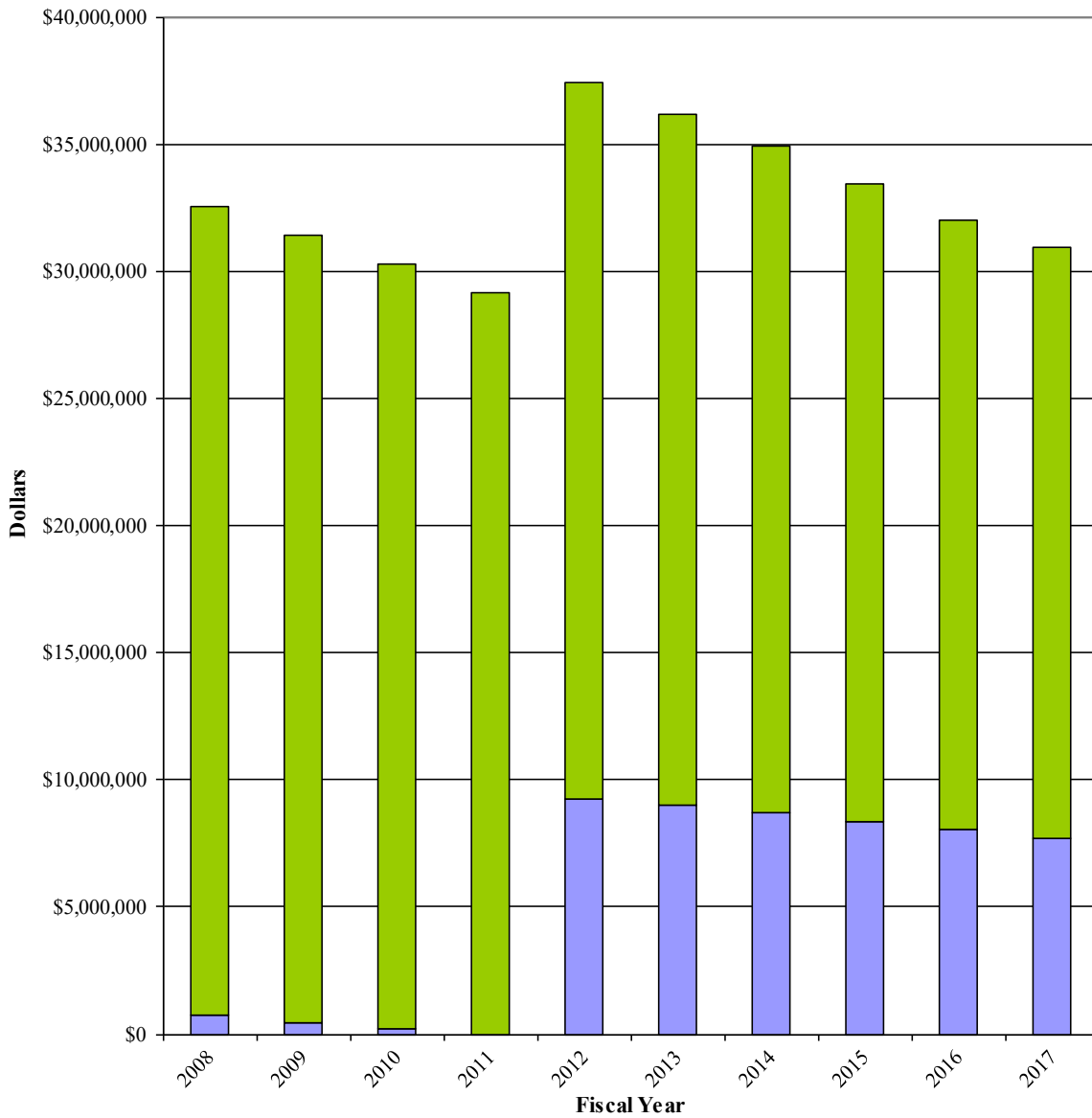
Note 1: Water Sales figures were taken from queries of the consumption data available in HTE.

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%



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	
2008	\$ 15,138,234	\$ (14,239,766)	\$ 898,468	\$ 1,120,000	\$ 1,348,787	\$ 2,468,787	0.36
2009	13,622,286	(14,531,043)	(908,757)	1,160,000	1,314,378	2,474,378	(0.37)
2010	14,142,904	(14,391,194)	(248,290)	1,105,009	1,278,441	2,383,450	(0.10)
2011	15,855,205	(15,843,330)	11,875	1,296,529	1,241,103	2,537,632	0.00
2012	17,128,207	(14,836,728)	2,291,479	1,326,529	1,349,370	2,675,899	0.86
2013	21,164,713	(17,630,135)	3,534,578	1,356,529	1,297,214	2,653,743	1.33
2014	24,538,833	(18,212,009)	6,326,824	1,450,117	1,113,028	2,563,145	2.47
2015	26,995,665	(18,203,198)	8,792,467	1,446,529	1,148,837	2,595,366	3.39
2016	25,371,162	(20,346,357)	5,024,805	1,446,529	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

Notes:

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

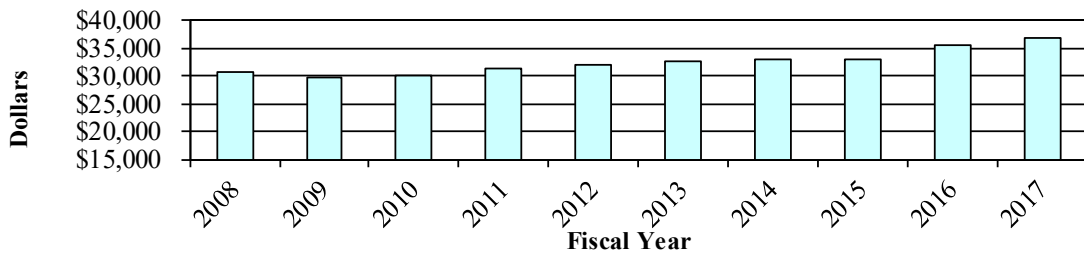
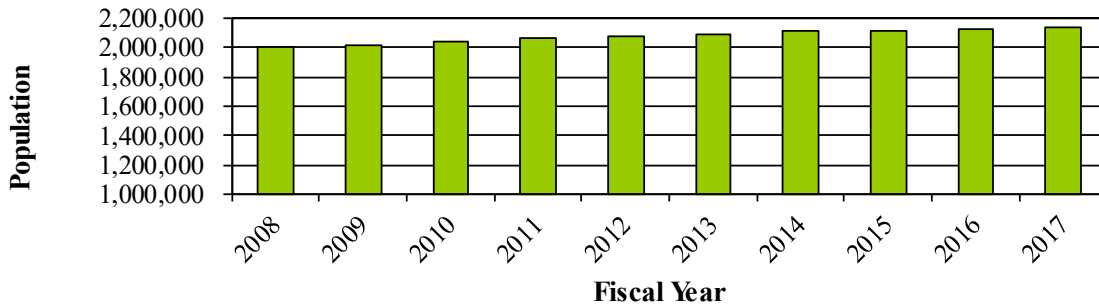
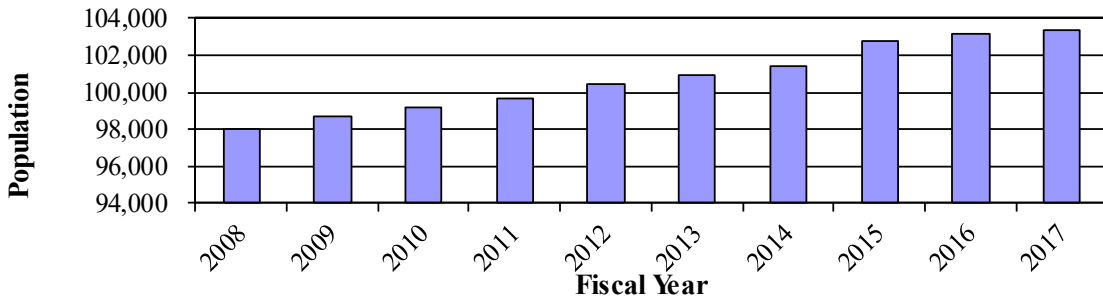
(2) Bond was refinanced in fiscal year 2017.

Source: West Valley Water District Accounting Department

West Valley Water District Demographics and Economics Statistics Last Ten Years

Schedule 10

Year	Unemployment Rate	City of Rialto Population ⁽¹⁾	County of San Bernardino ⁽²⁾			
			Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2008	10.3%	98,030	7.9%	2,003,735	61,161,307	30,524
2009	16.5%	98,698	13.0%	2,013,960	59,991,663	29,788
2010	18.1%	99,171	14.2%	2,041,626	61,147,087	29,950
2011	16.4%	99,686	12.9%	2,063,143	64,454,103	31,241
2012	14.3%	100,397	11.1%	2,077,453	66,577,329	32,048
2013	13.3%	100,896	10.4%	2,088,371	68,387,465	32,747
2014	11.6%	101,429	9.0%	2,112,619	69,487,877	32,892
2015	9.5%	102,741	8.1%	2,112,619	69,487,877	32,892
2016	7.0%	103,132	5.8%	2,128,133	75,402,896	35,431
2017	4.7%	103,314	5.4%	2,140,096	78,830,801	36,835



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>

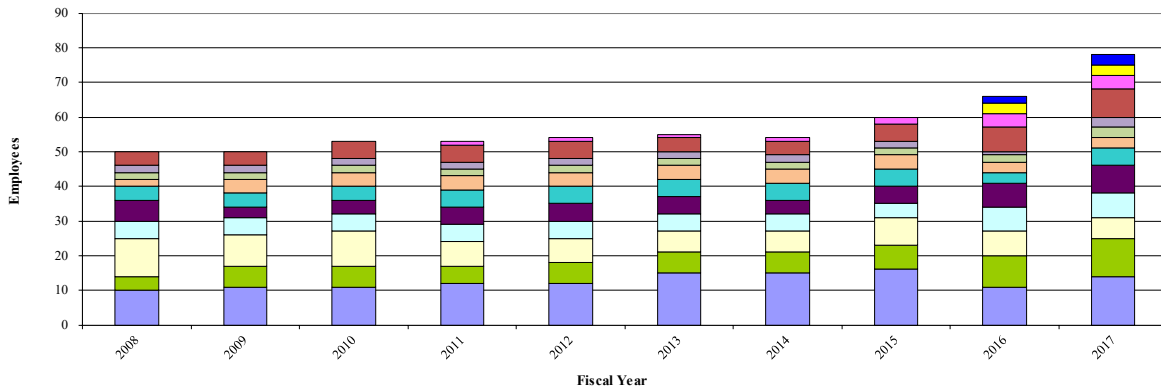
(1) Separate data is not available for the District, therefore the District has used the data for the City of Rialto. A substantial portion of the District lies within the city, and therefore, is a reasonable basis for determining the demographic and economic statistics of the District.

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

West Valley Water District Operating and Capacity Indicators 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
2008	10	4	11	5	6	4	2	2	2	4	0	0	0	50
2009	11	6	9	5	3	4	4	2	2	4	0	0	0	50
2010	11	6	10	5	4	4	4	2	2	5	0	0	0	53
2011	12	5	7	5	5	5	4	2	2	5	1	0	0	53
2012	12	6	7	5	5	5	4	2	2	5	1	0	0	54
2013	15	6	6	5	5	5	4	2	2	4	1	0	0	55
2014	15	6	6	5	4	5	4	2	2	4	1	0	0	54
2015	16	7	8	4	5	5	4	2	2	5	2	0	0	60
2016	11	9	7	7	7	3	3	2	1	7	4	3	2	66
2017	14	11	6	7	8	5	3	3	3	8	4	3	3	78



Source: West Valley Water District Human Resources Department

Schedule 12

Other Operating and Capacity Indicators							
Fiscal Year	District Area (Square Miles)	Miles of Pipeline	Storage Tanks	Storage Capacity (MG)	Groundwater Wells	Well Capacity (MGD)	Fire Hydrants
2008	31	361	26	73.6	19	41.0	2,040
2009	31	362	26	73.6	20	42.0	2,040
2010	31	365	26	73.6	17	43.0	2,040
2011	31	366	26	73.6	17	38.0	2,040
2012	31	366	26	73.6	17	35.0	2,040
2013	31	368	26	73.6	17	35.0	2,040
2014	31	370	26	73.6	17	35.0	2,040
2015	31	370	26	73.6	17	35.0	2,040
2016	32	370	26	73.6	17	35.0	2,944
2017	32	375	26	73.6	17	35.0	3,085

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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