

Comprehensive Annual Financial Report Years Ended June 30, 2014 and 2013



Valley Sanitary District

Indio, California

Financial Statements and Independent Auditors' Reports

For the years ended June 30, 2014 and 2013

Prepared by:
Administration and Finance Department

Valley Sanitary District

TABLE OF CONTENTS

Page

Introductory Section (Unaudited):

Letter of Transmittal	i
Organizational Chart.....	iv
List of Elected Officials	v
Certificate of Achievement for Excellence in Financial Reporting	vi

Financial Section:

Independent Auditors' Report	1
-------------------------------------------	---

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---

Management's Discussion and Analysis (Required Supplementary Information) (Unaudited)	7
----------------------------------------------------------------------------------------------------	---

Basic Financial Statements:

Statements of Net Position	15
Statements of Revenues, Expenses, and Changes in Net Position	16
Statements of Cash Flows	17
Statements of Fiduciary Assets and Liabilities – Agency Fund	19
Notes to the Financial Statements	21

Required Supplementary Information:

Schedule of Funding Progress of Defined Pension Plan	39
------------------------------------------------------------	----

Supplementary Information:

Schedule of Operating Expenses – 2014	42
Schedule of Operating Expenses – 2013	43

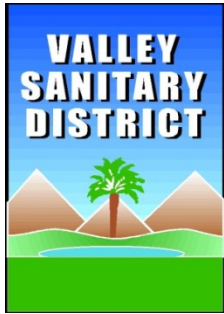
Statistical Section (Unaudited):

Net Position by Component	48
Changes in Net Position.....	50
Customer Type Count Unit Summary	52
Annual Sewer Use Fee and Fiscal Year Revenues	53
Connection Capacity Fee and Fiscal Year Revenues.....	54
Principal Users.....	55
Ratio of Outstanding Debt	56
Pledge Revenue Coverage	57
Principal Employers.....	58
Total Customers and Number of Permits Issued	59
Demographic and Economic Statistics	60
Operating Indicators	62
Capital Assets and Operating Information.....	64
Annual Flow Data	66
Full-Time District Employees by Department.....	67

This page intentionally left blank

INTRODUCTORY SECTION

This page intentionally left blank



November 12, 2014

Board of Directors
Valley Sanitary District
Indio, California

Subject: Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

Introduction

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Valley Sanitary District (the "District") for the fiscal year ended June 30, 2014. This report was prepared by the District's Administration and Finance Department following guidelines recommended by the Governmental Accounting Standards Board (GASB) and in accordance with generally accepted accounting principles (GAAP). The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner believed to enhance your understanding of the District's financial position and activities.

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

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

District Structure and Leadership

The Valley Sanitary District is an independent special district, which operates under the authority of the Health and Safety Code, Sanitary District Act of 1923, sec 6400 Et. Seq. The District was formed June 1, 1925 and is governed by a five member Board of Directors, elected at large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District employs approximately 27 regular employees, organized in three departments. The District's Board of Directors meets on the second and fourth Tuesdays of each month. Meetings are publicly noticed and citizens are encouraged to attend.

The District provides sewer services to approximately 27,000 connections within its 19.5 square mile service area, located in the eastern desert area of Riverside County. The District encompasses the City of Indio and adjacent unincorporated areas of Riverside County, California.

District Services

Residential customers represent approximately 97% of the District's customer base and produce approximately 81% of the sewage. Currently, the District has the capacity to treat approximately 13.5 million gallons of sewage a day.

Economic Condition and Outlook

The District offices are located in the City of Indio in Riverside County. Riverside and San Bernardino Counties (Inland Empire) had previously experienced a decrease in economic activity due to the downturn in property values, employment opportunities and the continued restrictions on credit. Recent activity shows a modest recovery is underway with positive indicators in each of the five sectors (tourism, health care, agriculture, retail sales and housing) primarily responsible for Indio's economic health.

Major Initiatives

During fiscal year 2014, the District completed or initiated a number of significant projects:

- ✓ **Completion of an \$18 million Treatment Plant Expansion** – the project includes a larger influent flow meter to allow the system to meter up to 30 million gallons a day (MGD) of influent flow. A Chemically Enhanced Primary Treatment System (CEPTS) was built to help reduce the hydrogen sulfide that is generated in the anaerobic digester. Two new primary rectangular clarifiers were built as well as a new digester. The digester will break down the sludge and produce methane gas. This gas is used to run the boiler and in the future a co-gen system is planned that will produce electricity for the treatment plant.
- ✓ **Implementation of a Supervisory Control and Data Acquisition System (SCADA)** – a computer system for gathering and analyzing real time data. A SCADA system gathers information, such as influent and effluent flows, chemical usage and process control data to a central control site. The data is utilized in required reporting for the NPDES (National Pollutant Discharge Elimination System). The SCADA system also provides the ability for process control changes within the treatment plant, displaying the information in a logical and organized fashion.
- ✓ **Acquisition of our new Kenworth Vector truck** – the diesel-powered Vector truck uses a 30-foot hose to vacuum debris from sewers, which are accessed through manholes that connect the system. The Vector truck also has a water jet to clear clogs in the sewer. Keeping our sewers clean and our wastewater systems in good repair are of vital importance to the Valley Sanitary District.
- ✓ **Manhole Rehabilitation #13** – the rehabilitation of 25 existing manholes at various locations throughout the District was completed in 2014. The project included rehabbing the manhole bases and coating the inside of the manholes with polyurethane or epoxy coating.
- ✓ **Collection System Master Plan** – this document provides the blueprint for the necessary capital improvements to the collection system in order to meet current and future capacity needs. It is anticipated that over \$49 million in sewer system capital improvements will be required in order to meet system build-out capacity needs. The largest of these projects, the Requa Interceptor, is currently in the design phase and is anticipated to go to construction in the spring of 2015.

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 GAAP. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of the control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

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

Investment Policy

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

Sewer Rates and District Revenues

District policy direction ensures that all revenues from sewer use charges generated from District customers must support all District operations including capital project funding. Accordingly, all sewer use charges are reviewed on an annual basis. The sewer use charges imposed upon the customers for service are the primary component of the District’s revenue. Sewer use charges are calculated on an equivalent dwelling unit (EDU) basis.

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, The Pun Group, Accountants & Advisors, has conducted the audit of the District’s financial statements. Their unqualified Independent Auditors’ Report appears in the Financial Section.

Risk Management

The District annually renews its commercial insurance package which includes a primary package, umbrella, employer liability program of insurance, earthquake and excess earthquake coverage.

The District is also a member of the California Sanitation Risk Management Authority (CSRMA). The purpose of this Authority is to arrange and administer the District’s Workers’ Compensation.

Other References

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

Awards/Recognition

During the past year, the District received the following awards:

- ❖ Government Finance Officers Association (GFOA) – Excellence in Financial Reporting
- ❖ CWEA Colorado River Basin Section Collection System of the Year Award (0-249 Miles)
- ❖ CWEA Colorado River Basin Section Operator of the Year Award – Mark Lemus

Acknowledgements

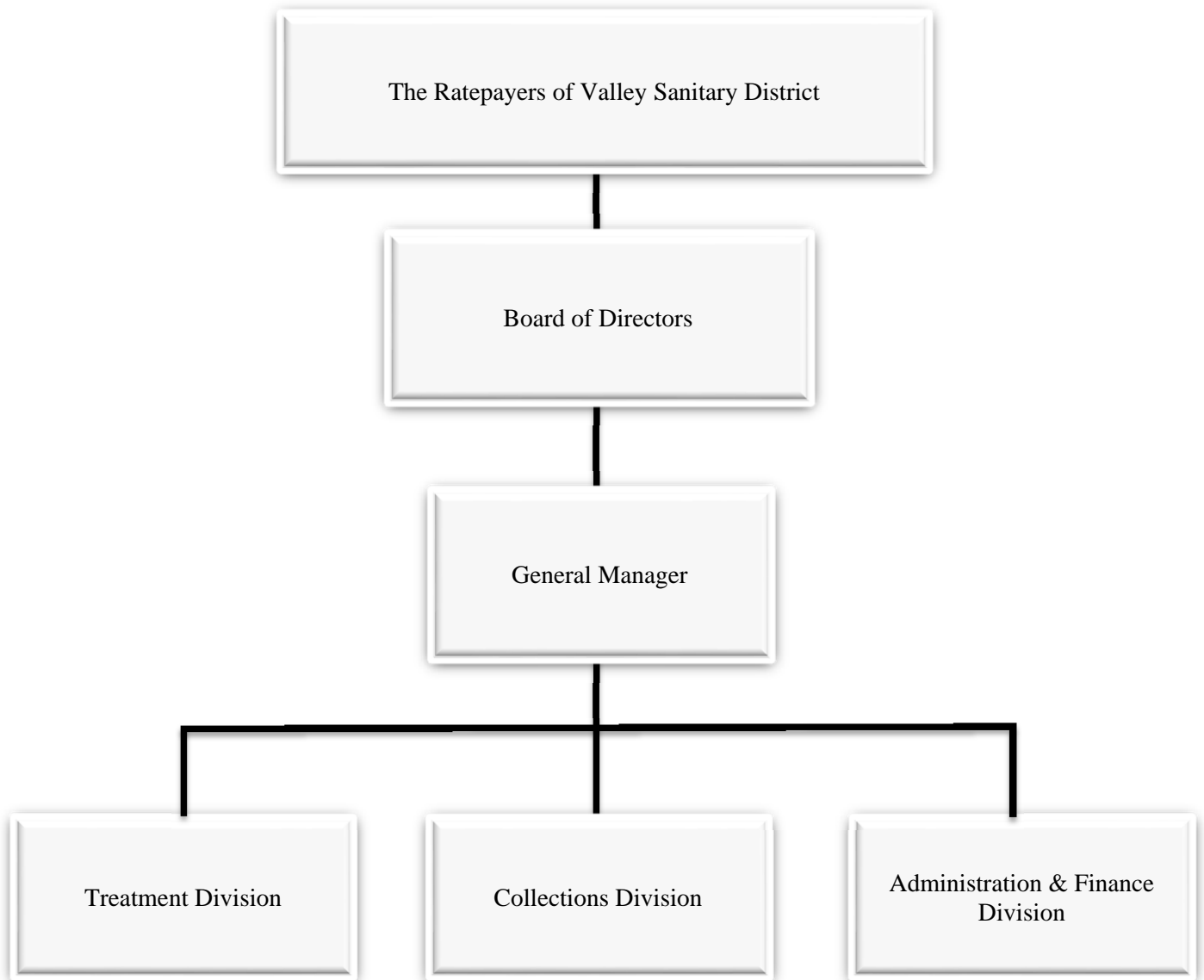
Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Valley Sanitary District’s fiscal policies.

Respectfully submitted,



Joseph Glowitz
General Manager

Valley Sanitary District Organizational Chart



Valley Sanitary District Board of Directors



The five-member Board of Directors are elected by the citizens who reside within Valley Sanitary District to set policy and govern the District. The current Board of Directors are:

Douglas A. York, President

Richard Friestad, Vice President

Merritt W. Wiseman, Secretary / Treasurer

Mike Duran, Director

William R. Teague, Director



Government Finance Officers Association

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

Presented to

**Valley Sanitary District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

FINANCIAL SECTION

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Valley Sanitary District
Indio, California

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary fund financial statements of the Valley Sanitary District (the "District") as of and for the year ended June 30, 2014, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the fiduciary fund financial statements of the District, as of June 30, 2014, 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.

Other Matters

Prior Period Adjustments

As part of our audit of the 2014 financial statements, we also audited the adjustments described in Note 13 that were applied to restate the 2013 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 2013 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 2013 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 Schedules of Funding Progress on pages 7 to 14 and 39, respectively, 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, the Schedules of Operating Expenses, and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Operating Expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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.

2013 Financial Statements

The District's basic financial statements for the year ended June 30, 2013 were audited by other auditors whose report thereon dated November 4, 2013, expressed unmodified opinions on the respective financial statements of the business-type activities and the fiduciary fund financial statements of the District. The report of the other auditors dated November 4, 2013 stated that the Schedules of Operating Expenses for the year ended June 30, 2013 was subjected to the auditing procedures applied in the audit of the 2013 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014 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.

A handwritten signature in black ink that reads "The Pen Group, LLP". The signature is written in a cursive, flowing style.

La Quinta, California
November 3, 2014

This page intentionally left blank.



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

Independent Auditors' Report

Board of Directors
Valley Sanitary District
Indio, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary fund of Valley Sanitary District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated November 3, 2014.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal controls, described in our separately issued *Report on Internal Control Matters Identified in an Audit* that we consider to be significant deficiencies as item 2014-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have issued a separate *Report on Internal Control Related Matters Identified in an Audit* dated November 3, 2014, which is an integral part of our audit and should be read in conjunction with this report.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the *Report on Internal Control Related Matters Identified in an Audit* dated November 3, 2014. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

La Quinta, California
November 3, 2014

Valley Sanitary District Management's Discussion and Analysis

As management of the Valley Sanitary District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the audited financial statements which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities by \$95,688,043 as of June 30, 2014. Of this amount, \$27,817,622 may be used to meet the District's ongoing obligations to ratepayers and creditors.
- The District's total net position increased by \$2.8 million, from \$92.9 million to \$95.7 million or 3%. This was primarily due to an increase in operating revenues, and prior period adjustments (Note 13) restating construction in progress, interest and retention payable.
- Current assets increased by 13%, while noncurrent assets decreased 2.7%. This is due to the \$18 million plant expansion project started in 2012/2013 and completed in the 2013/2014 fiscal year. Approximately 90% of the increase in total net position as of June 30, 2014 is derived from net operating income of which approximately 88% is attributable to a one-time infusion of resources from connection fees while approximately 11% of the increase in net position is derived from nonoperating revenues.
- The District's total liabilities decreased by \$1,512,934 (13%) in 2014 and decreased by \$328,699 (3%) in 2013. The key factor in the decrease in 2014 is due to a \$550,000 payment on the 2006 Certificates of Participation (COPS) loan, and a \$938,804 restatement of retention payable in 2013 (Note 13). The key factor in the decrease in 2013 is due to a \$505,000 payment on the COPS loan, a \$47,846 increase in accounts payable, and a \$56,960 increase in accrued salaries and related liabilities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic 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 basic financial statements themselves.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two 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 the District's 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 District has only business type activities. The business-type activity of the District is the provision of sanitary services to the community.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The various funds are presented in the accompanying financial statements as a proprietary fund category, enterprise fund type.

Fiduciary Funds. Fiduciary funds, which consist solely of trust and agency funds, are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the *statement of net position* or the *statement of revenue, expenses, and changes in net position* because the resources of the funds are *not* available to support the District's own programs. Fiduciary funds are custodial in nature and, therefore, the accounting used does not involve the measurement of the results of operations. The basic fiduciary fund financial statement can be found on page 17 of this report.

Valley Sanitary District

Management's Discussion and Analysis (Continued)

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 17-30 of this report.

The Schedule of Operating Expenses. The schedule of operating expenses presents the functional expense items by activity and is presented immediately following the notes to the financial statements. The Schedule of Operating Expenses presented as supplementary information can be found on pages 34 and 35 of this report.

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 \$95,688,043 and \$92,945,089 as of June 30, 2014 and 2013, respectively.

By far the largest portion of the District's net position during June 30, 2014 (80%) and 2013 (83%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of the District also includes \$964,900 of restricted net position. These are assets representing resources subject to external restrictions as to how they may be used by the District.

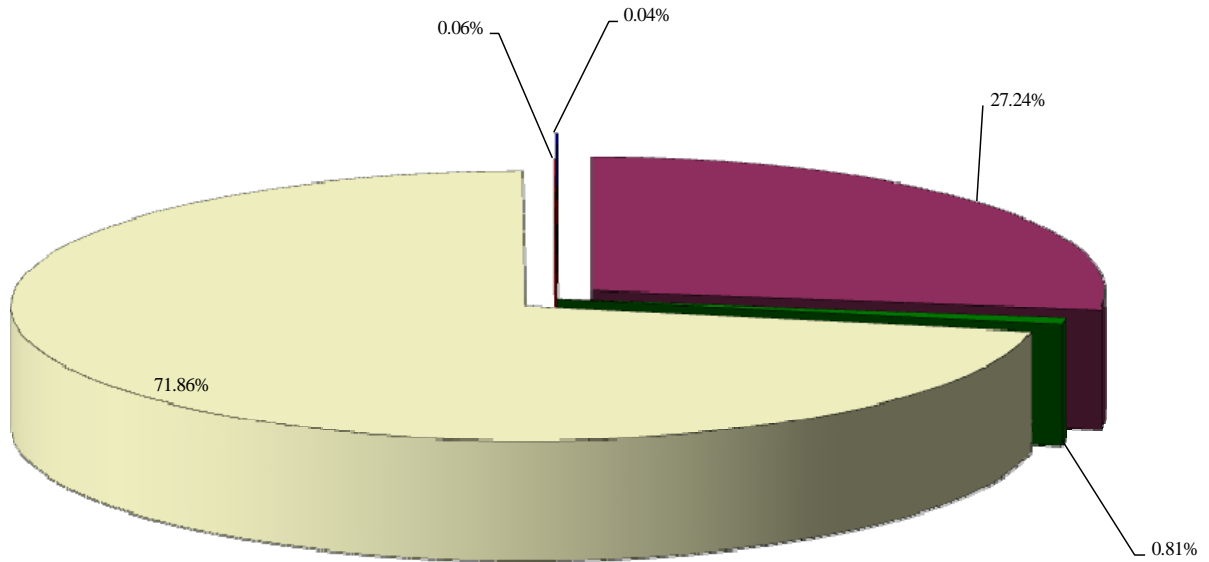
DISTRICT'S NET POSITION

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net position. The same situation held true for the prior two fiscal years.

	2014	2013 As Restated	2012 As Restated
Current Assets	\$ 28,903,732	\$ 25,568,886	\$ 34,160,779
Noncurrent Assets:			
Capital assets	76,284,601	77,455,623	65,702,338
Other noncurrent assets	969,900	1,903,704	1,202,513
Total Assets	<u>\$ 106,158,233</u>	<u>\$ 104,928,213</u>	<u>\$ 101,065,630</u>
Current Liabilities	\$ 1,430,465	\$ 2,399,155	\$ 1,008,570
Noncurrent Liabilities	9,039,725	9,583,969	10,175,706
Total Liabilities	<u>\$ 10,470,190</u>	<u>\$ 11,983,124</u>	<u>\$ 11,184,276</u>
Net Position:			
Invested in Capital Assets, net of Related Debt	\$ 66,905,521	\$ 67,535,369	\$ 55,265,910
Restricted	964,900	964,900	967,394
Unrestricted	27,817,622	24,444,820	33,266,658
Total Net Position	<u>\$ 95,688,043</u>	<u>\$ 92,945,089</u>	<u>\$ 89,499,962</u>

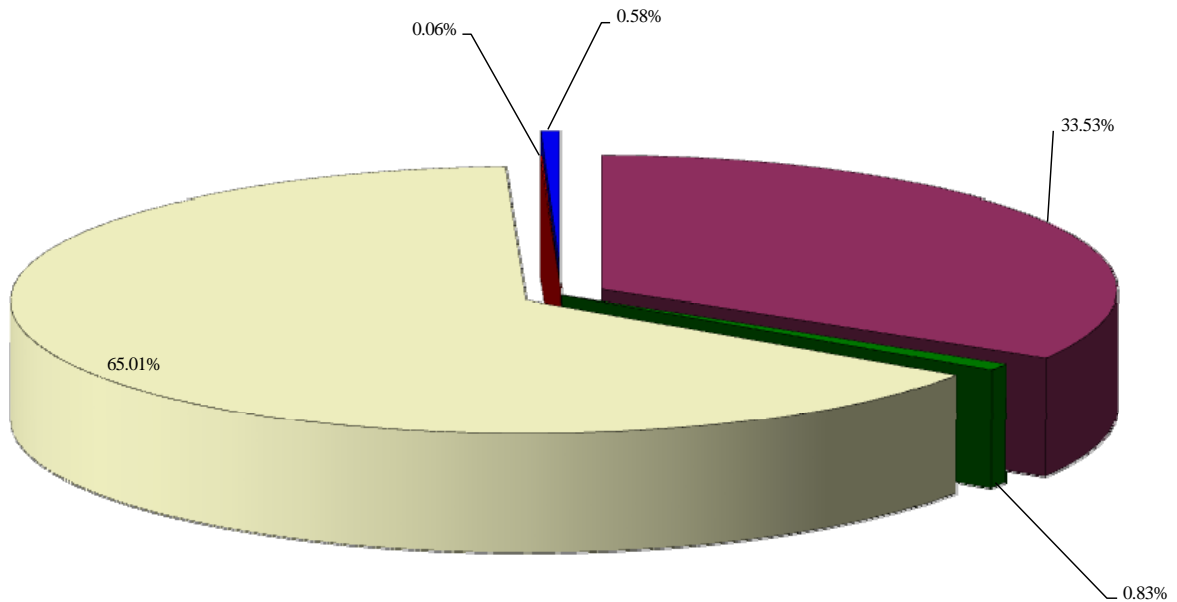
Valley Sanitary District Management's Discussion and Analysis (Continued)

Assets 2014



■ Cash and Investments ■ Receivables □ Capital Assets, Net ■ Inventory ■ Prepaid Expenses and Other Assets

Assets 2013

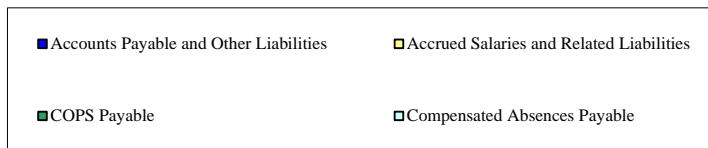
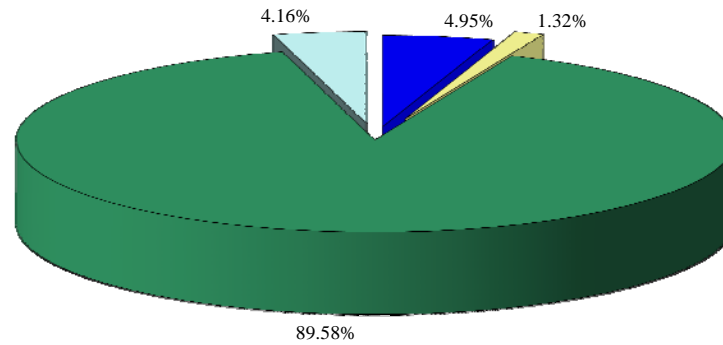


■ Cash and Investments ■ Receivables □ Capital Assets, Net ■ Inventory ■ Prepaid Expenses and Other Assets

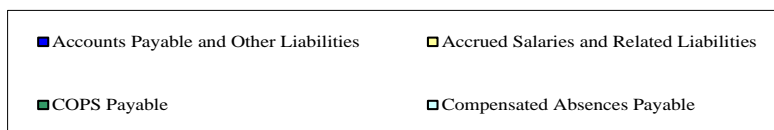
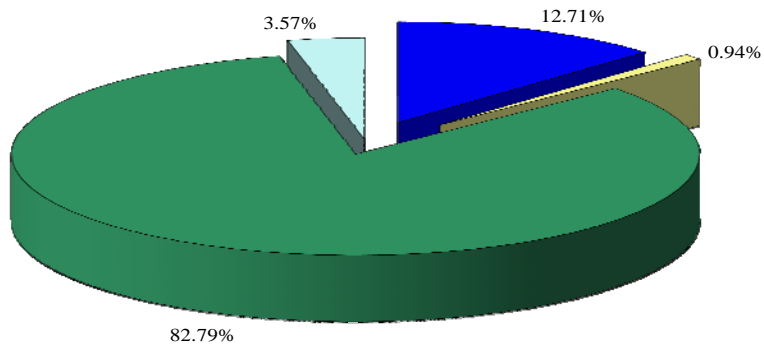
Valley Sanitary District

Management's Discussion and Analysis (Continued)

Liabilities 2014



Liabilities 2013



Valley Sanitary District
Management's Discussion and Analysis (Continued)

Changes in the District's net position reflect an increase of \$2,742,954 and \$3,445,127 as of June 30, 2014 and 2013, respectively. The District's operating revenue increased in the current year by \$1,651,845 due to an increase in sewer service charges and sewer connection fees, while the District's operating expenses also increased due to making a lump sum payment to eliminate the CalPERS side fund in the amount of \$786,357.

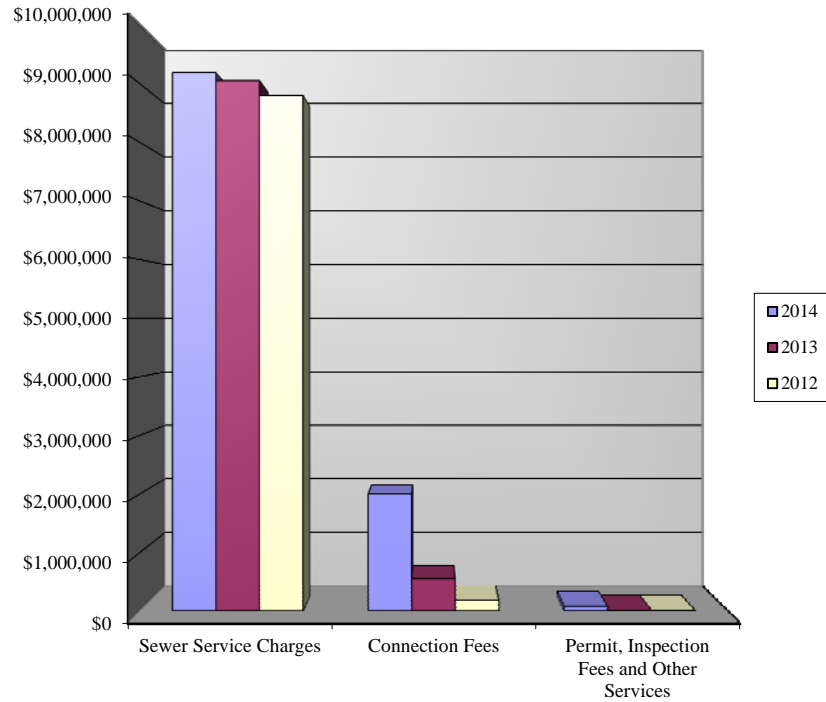
DISTRICT'S CHANGES IN NET POSITION

	2014	2013 As Restated	2012 As Restated
Revenues:			
Service Charges	\$ 9,187,360	\$ 9,053,022	\$ 8,808,414
Connection Fees	1,998,788	548,527	192,763
Permits & Inspections	40,202	12,017	7,362
Other Operating	46,100	7,039	11,173
Nonoperating	693,233	998,360	728,496
Total Revenues	<u>\$ 11,965,683</u>	<u>\$ 10,618,965</u>	<u>\$ 9,748,208</u>
Expenses:			
Depreciation & Nonoperating	\$ 2,737,521	\$ 2,263,758	\$ 2,679,117
Administrative	1,997,332	1,403,644	1,559,137
Sewage Collection	855,884	917,799	846,598
Sewage Treatment	3,631,992	2,588,637	2,465,372
Total Expenses	<u>\$ 9,222,729</u>	<u>\$ 7,173,838</u>	<u>\$ 7,550,224</u>
Increase in Net Position	\$ 2,742,954	\$ 3,445,127	\$ 2,197,984
Beginning Net Position	<u>92,945,089</u>	<u>89,499,962</u>	<u>87,301,978</u>
Ending Net Position	<u>\$ 95,688,043</u>	<u>\$ 92,945,089</u>	<u>\$ 89,499,962</u>

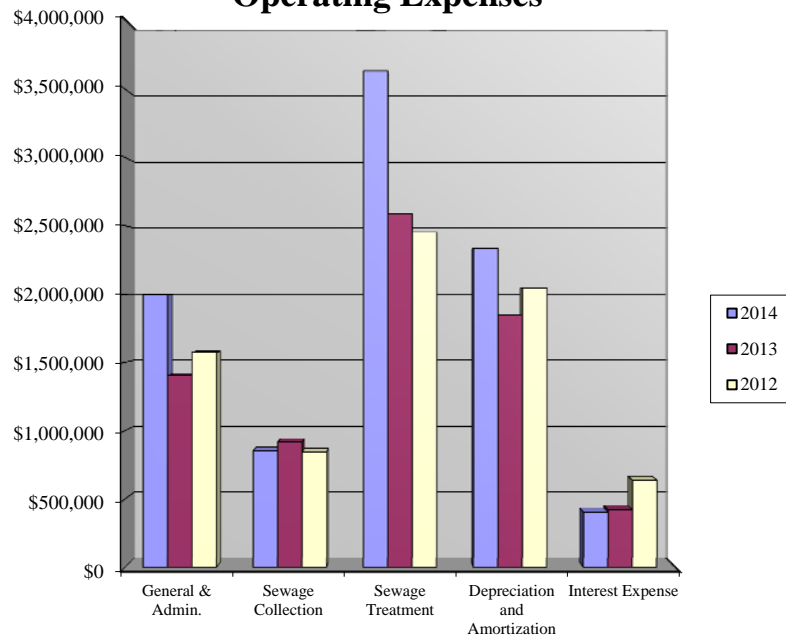
Valley Sanitary District

Management's Discussion and Analysis (Continued)

Operating Revenues



Operating Expenses



Valley Sanitary District

Management's Discussion and Analysis (Continued)

Capital Asset Administration

The District's investment in capital assets as of June 30, 2014 and 2013 amounts to \$76,284,601 and \$77,455,623, respectively, (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment. The decrease in the District's investment in capital assets is due in part to the restatement of Construction in Progress (Note 13) and additional depreciation as the \$18 million Treatment Plant Expansion was completed.

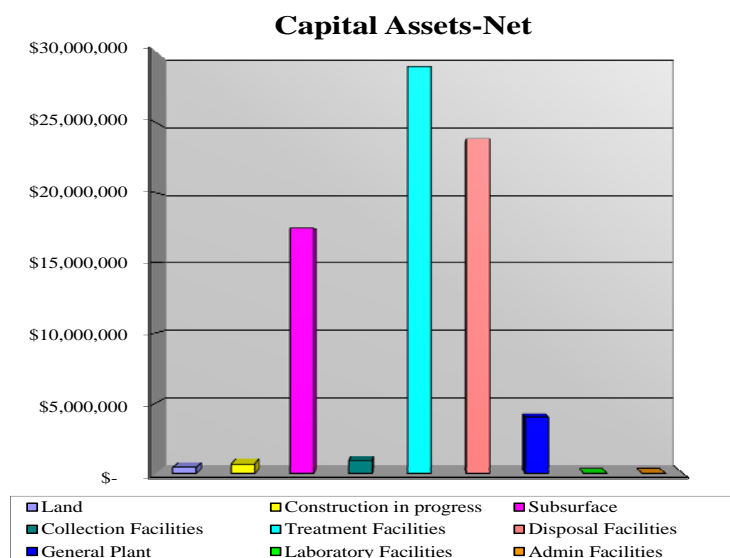
Major capital asset events during the current fiscal year included the following:

- **Completion of an \$18 million Treatment Plant Expansion**
- **Acquisition of our new Kenworth Vector Truck**
- **Implementation of a Supervisory Control and Data Acquisition System (SCADA)**

DISTRICT'S CAPITAL ASSETS

Net of Accumulated Depreciation

	June 30, 2014	June 30, 2013 As restated	June 30, 2012
Land	\$ 448,364	\$ 448,364	\$ 448,364
Construction in Progress	707,120	18,339,065	8,458,800
Subsurface	17,450,946	17,739,482	18,031,418
Collection Facilities	890,103	806,245	927,000
Treatment Facilities	28,972,403	31,995,822	30,573,252
Disposal Facilities	23,812,382	7,939,895	6,994,250
General Plant	3,997,658	175,848	262,099
Laboratory Facilities	997	1,845	2,821
Admin Facilities	4,628	9,057	4,334
Total	\$ 76,284,601	\$ 77,455,623	\$ 65,702,338



Additional information on the District's capital assets can be found on pages 29 and 30, Note 5, of this report.

Valley Sanitary District Management's Discussion and Analysis (Continued)

Long-term Debt Administration

At the end of June 30, 2014 and 2013, the District had total long-term debt of \$9,039,725 and \$9,583,969 which includes \$230,645 and \$213,715 of compensated absences, respectively. The debt was incurred to help fund Phase I of the District's Treatment Plan Expansion and Renovation. The term of the certificate runs through 2027 and has a variable rate of interest. Repayment of the debt is funded through the combination of sewer use fees and connection capacity fees of the District.

DISTRICT'S OUTSTANDING DEBT

	<u>2014</u>	<u>2013</u>
Certificates of Participation	\$ 9,485,000	\$ 10,035,000
Total	<u>\$ 9,485,000</u>	<u>\$ 10,035,000</u>

The District's total debt decreased by \$550,000 as a result of a \$550,000 principal payment during the June 30, 2014 fiscal year. During 2012/2013 the District's total debt decreased by \$525,000 as a result of a \$525,000 principal payment during the fiscal year.

Additional information on the District's long-term debt can be found on page 31, Note 8, of this report.

Economic Factors and Next Year's Budgets and Rates

Residential and commercial development within the District's service area has experienced an increase in activity during the 2013/2014 fiscal year. Recent activity shows a modest recovery is underway with positive indicators in each of the five sectors (tourism, health care, agriculture, retail sales and housing) primarily responsible for Indio's economic health.

An indication of the local economy is best demonstrated in the District's connection fee income. There were over 394 new connections, an increase from 105 in fiscal 2013/2014.

The annual sewer use fee of \$270 per equivalent dwelling unit (EDU) remained the same for fiscal year 2013/2014 as it was in fiscal year 2012/2013. The connection capacity charge of \$4,465 per EDU for the fiscal year 2012/2013 also remained the same for fiscal year 2013/2014.

In fiscal year 2014/2015, the operating budget amounts to \$8.2 million and is supplemented with \$6.1 million in capital improvement projects, to produce a total financial program of \$14.3 million. This represents a minimal decrease of \$27,000 over the 2013/2014 operating budget and a \$1 million increase over the 2013/2014 capital improvement plan.

Requests for Information

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Manager, District, 45-500 Van Buren Street, Indio, California, 92201 or (760) 238-5400.

Valley Sanitary District
Statements of Net Position
June 30, 2014 and 2013

	Business-type Activities	
	2014	2013 (As Restated)
ASSETS		
Current assets:		
Cash and investments	\$ 27,948,168	\$ 24,611,575
Accounts receivable, net	847,388	540,697
Interest receivable	13,407	12,530
Inventories of materials	59,214	54,454
Prepaid expenses	35,555	349,630
Total current assets	28,903,732	25,568,886
Noncurrent assets:		
Cash with fiscal agents	964,900	1,903,704
Capital assets, net	76,284,601	77,455,623
Investment in joint venture (Note 6)	5,000	-
Total noncurrent assets	77,254,501	79,359,327
Total assets	106,158,233	104,928,213
LIABILITIES		
Current liabilities:		
Accounts payable	338,186	395,480
Retention payable	-	938,804
Accrued payroll and related liabilities	138,123	112,156
Interest payable	179,621	188,743
Compensated absences - due within one year	204,535	213,972
Certificates of participation - due within one year	570,000	550,000
Total current liabilities	1,430,465	2,399,155
Noncurrent liabilities:		
Compensated absences - due in more than one year	230,645	213,715
Certificates of participation - due in more than one year	8,809,080	9,370,254
Total noncurrent liabilities	9,039,725	9,583,969
Total liabilities	10,470,190	11,983,124
NET POSITION		
Net investment in capital assets	66,905,521	67,535,369
Restricted for:		
Debt service	964,900	964,900
Unrestricted	27,817,622	24,444,820
Total net position	\$ 95,688,043	\$ 92,945,089

Valley Sanitary District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2014 and 2013

	Business-type Activities	
	2014	2013 As Restated
OPERATING REVENUES:		
Sewer service charges	\$ 9,187,360	\$ 9,053,022
Connection fees	1,998,788	548,527
Permit and inspection fees	40,202	12,017
Other services	46,100	7,039
Total operating revenues	11,272,450	9,620,605
OPERATING EXPENSES:		
General and administrative	1,997,332	1,403,644
Sewage collection	855,884	917,799
Sewage treatment	3,631,992	2,588,637
Depreciation	2,335,264	1,841,601
Total operating expenses	8,820,472	6,751,681
NET OPERATING INCOME	2,451,978	2,868,924
NONOPERATING REVENUES (EXPENSES):		
Property taxes	605,711	899,670
Homeowners' tax relief	6,604	6,690
Investment income	52,007	75,110
Interest expenses	(402,257)	(422,157)
Other revenues	14,735	16,890
Gain on sale of assets	14,176	-
Total nonoperating revenues (expenses)	290,976	576,203
CHANGES IN NET POSITION	2,742,954	3,445,127
NET POSITION:		
Beginning of year, as restated (Note 13)	92,945,089	89,499,962
End of year	<u><u>\$ 95,688,043</u></u>	<u><u>\$ 92,945,089</u></u>

Valley Sanitary District
Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013

	Business-type Activities	
	2014	2013 As Restated
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 10,965,759	\$ 9,836,308
Cash payments to suppliers and vendors for goods and services	(4,172,204)	(2,725,063)
Cash payments to employees for services	(2,027,523)	(1,939,569)
Net cash provided by operating activities	4,766,032	5,171,676
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes	605,711	950,848
Homeowners' tax relief	6,604	6,690
Contribution made to joint venture	(5,000)	-
Other revenues	14,735	16,890
Net cash provided by noncapital financing activities	622,050	974,428
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(2,103,046)	(12,656,083)
Proceeds from sale of assets	14,176	-
Principal paid on certificates of participation	(550,000)	(525,000)
Interest paid on certificates of participation	(402,553)	(422,036)
Net cash (used in) capital and related financing activities	(3,041,423)	(13,603,119)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	51,130	89,546
Net cash provided by investing activities	51,130	89,546
Net increase (decrease) in cash and cash equivalents	2,397,789	(7,367,469)
CASH AND CASH EQUIVALENTS:		
Beginning of year, as restated	26,515,279	33,882,748
End of year	<u>\$ 28,913,068</u>	<u>\$ 26,515,279</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION:		
Cash and investments	\$ 27,948,168	\$ 24,611,575
Cash and investments with fiscal agent	964,900	1,903,704
Total cash and cash equivalents	<u>\$ 28,913,068</u>	<u>\$ 26,515,279</u>
NONCASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Amortization of bond discount	<u>\$ 8,826</u>	<u>\$ 8,826</u>

Valley Sanitary District
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2014 and 2013

	Business-type Activities	
	2014	2013 As Restated
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net operating income	\$ 2,451,978	\$ 2,868,924
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	2,335,264	1,841,601
Changes in operating assets and liabilities		
Accounts receivable	(306,691)	215,704
Inventories of materials	(4,760)	5,032
Prepaid expenses	314,075	52,940
Accounts payable	(57,294)	184,939
Accrued payroll and related liabilities	25,967	55,355
Compensated absences	7,493	(52,819)
Net cash provided by operating activities	\$ 4,766,032	\$ 5,171,676

Valley Sanitary District
Statements of Fiduciary Assets and Liabilities - Agency Fund
June 30, 2014 and 2013

		Fiduciary Fund	
		2014	2013
ASSETS			
Cash and investments	\$	597,218	\$ 592,608
Cash with fiscal agent		634,429	634,429
Assessment receivable		34,813	33,275
Interest receivable		325	336
Total assets		<u>\$ 1,266,785</u>	<u>\$ 1,260,648</u>
LIABILITIES			
Due to bondholders	\$	1,266,785	\$ 1,260,648
Total liabilities		<u>\$ 1,266,785</u>	<u>\$ 1,260,648</u>

This page intetionally left blank.

Valley Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2014 and 2013

Note 1 – Reporting Entity

Valley Sanitary District (the “District”) was formed on June 1, 1925 under the Health and Safety Code, Sanitary District Act of 1923, Section 6400 Et. Seq., for the purpose of operation and maintenance of sewer collection, transmission and treatment facilities, serving a population of approximately 82,000 in the City of Indio and adjacent unincorporated areas of the County of Riverside. The District is a municipal corporation governed by a 5-member elected board of directors.

The accompanying financial statements present the District and its component unit, an entity for which the District is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended Component Unit

Valley Sanitary District Wastewater Facilities Corporation (the “Corporation”) was activated in 2006 by the District. The Corporation was organized pursuant to the Nonprofit Public Benefit Corporation Law of the State of California, being Part 2 of Division 2 of Title 1 of the California Corporation Code. It was formed for the purpose of providing financial assistance to the District by acquiring, constructing, improving and developing certain real and personal property, together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The District’s Board of Directors sits as the Corporation’s Board of Directors. The Corporation’s activities are blended with those of the District in these financial statements. There was no activity in the Corporation until the fiscal year 2007-08. Separate financial statements of the Corporation are not issued.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (“GASB”) commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Business-Type Activities

The Financial Statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the primary government and its component units. The District accounts for its operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Valley Sanitary District
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Business-Type Activities (Continued)

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

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

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

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

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net assets from operations as "operating income" in the statement of revenues, expenses, and changes in net assets. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, settlement receivable allowance, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

The District reports an *Agency Fund*. Agency fund financial statements include a Statement of Fiduciary Net Position. The Agency Fund is purely custodial in nature (assets equal liabilities), and thus do not involve measurement of results of operations. The Agency Fund is used to account for assets for the assessment district for which the District acts as an agent for its debt service activities.

Accounting Changes

GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The requirements of this statement improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement became effective for periods beginning after December 15, 2012 and did not have a significant impact on the District's financial statements for year ended June 30, 2014.

GASB has issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The requirements of this statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This statement became effective for periods beginning after December 15, 2012 and did not have a significant impact on the District's financial statements for year ended June 30, 2014.

Valley Sanitary District
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

Accounting Changes (Continued)

GASB has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The requirements of this statement enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This statement also enhances the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This statement also augments the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. This statement became effective for period beginning after June 15, 2013 and did not have a significant impact on the District's financial statements for the year ended June 30, 2014.

Cash, Cash Equivalents, and Investments

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 are reported at fair value. Changes in fair value that occur during the fiscal year are recognized as investment income for that fiscal year.

The District participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk and to change in interest rates. The reported value of the pool approximates the fair value of the pool shares.

Restricted Cash and Investments

Cash and investments with fiscal agents are restricted due to limitations on their use by bond covenants or donor limitations. Fiscal agents acting on behalf of the District hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds, and have been invested only as permitted by specific State statutes or applicable District ordinance, resolution or bond indenture.

Receivables and Allowance For Doubtful Accounts

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

Inventory of Materials

Inventories consist of expendable supplies, spare parts and fittings and are valued at cost using first-in first-out basis.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid expenses.

Valley Sanitary District
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. The District policy has set the capitalization threshold for reporting capital assets at \$5,000, all of which must have an estimated useful life in excess of one year. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Subsurface Lines	40 years
General Plant	10-40 years
Machinery and equipment	5-10 years
Collection, Treatment and Disposal Facilities	10-40 years

Major outlays for capital assets are capitalized as construction in progress, once constructed, and repairs and maintenance costs are expensed. Interest accrued during capital assets construction, if any, is capitalized as part of the asset cost, net of interest income on construction bond proceeds.

Compensated Absences

District policy permits its employees to accumulate not more than one and one half of their current annual vacation. Employees are compensated 12 days of sick leave per year with a maximum accrual not to exceed 120 days. The combined unused vacation and sick pay will be paid to employee or his/her beneficiary upon leaving the District's employment. The amount due will be determined using salary/wage rate in effect at the time of separation.

Long-Term Debt

Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Long-term debt is reported net of the applicable bond premium or discount. Debt issuance costs are expensed when incurred.

Arbitrage Rebate Requirement

The District is subject to the Internal Revenue Code ("IRC") Section 148(f), related to its tax exempt revenue bonds. The IRC requires that investment earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed will be surrendered to the Internal Revenue Service. The District had no rebate liability for arbitrage as of June 30, 2014 and 2013.

Valley Sanitary District
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Property Taxes

Property taxes are levied on July 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of Riverside, California ("County") bills and collects property taxes and remits them to the District according to a payment schedule established by the County.

The County is permitted by State law to levy properties at 1% of full market value (at time of purchase) and can increase the property tax rate at no more than 2% per year. The District receives a share of this basic tax levy proportionate to what it received during the years 1976-1978.

Property taxes are recognized in the fiscal year for which the taxes have been levied.

No allowance for doubtful accounts was considered necessary.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Valley Sanitary District
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 3 – Cash and Investments

At June 30, 2014 and 2013, cash and investments are classified in the accompanying statements of net position as follows:

	2014			2013		
	Business-Type Activities	Fiduciary Fund	Total	Business-Type Activities (As Restated)	Fiduciary Fund	Total
Cash and investments	\$ 27,948,168	\$ 597,218	\$ 28,545,386	\$ 24,611,575	\$ 592,608	\$ 25,204,183
Cash and investments with fiscal agent	964,900	634,429	1,599,329	1,903,704	634,429	2,538,133
Total cash and investments	\$ 28,913,068	\$ 1,231,647	\$ 30,144,715	\$ 26,515,279	\$ 1,227,037	\$ 27,742,316

At June 30, 2014 and 2013, cash and investments consisted of the followings:

	2014	2013
Cash on hand	\$ 500	\$ 500
Demand deposits	3,259,434	3,458,864
Investments	26,884,781	24,282,952
Total cash and investments	\$ 30,144,715	\$ 27,742,316

Demand Deposits

At June 30, 2014 and 2013, the carrying amounts of cash deposits were \$3,259,434 and \$3,458,864, respectively, which were fully insured and/or collateralized with securities held by the pledging financial institutions in the District's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

The fair value of pledged securities must equal at least 110% of the District's cash deposits. California law also allows institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits. The District may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The District, however, has not waived the collateralization requirements.

Valley Sanitary District
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 3 – Cash and Investments (Continued)

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

Under the provisions of the District's investment policy and in accordance with California Government Code, the District is authorized to invest or deposit in the following:

- Local Agency Investment Fund (LAIF) established by the State Treasurer
- Bonds issued by the District with a 5 year maximum maturity
- United States Treasury Bills, Notes and Bonds with a 5 year maximum maturity, limited to 20% of the portfolio
- Negotiable Certificates of Deposits with a maximum of 5 year maturity, limited to 20% of the portfolio and must be fully collateralized by U.S. Treasury Obligations. They also must be held by a third party trustee and valued on a monthly basis. The institution must be located within the Coachella Valley and have an above average recognition rating
- Collateralized bank deposits with a maximum maturity of 5 years

Local Agency Investment Funds

The District's investments with Local Agency Investment Fund (LAIF) include a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

- **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** - the bulk of which are mortgage-backed securities, 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 (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

As of June 30, 2014, the District had \$25,285,452 invested in LAIF, which had invested 1.86% of the pooled investment funds in Structured Notes and Asset-Backed Securities compared to \$22,683,623 and 1.96% at June 30, 2013.

Valley Sanitary District
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. However, the District does not have a formal policy regarding interest rate risk.

As of June 30, 2014 and 2013, the District had the following investments:

	2014		2013	
	Maturity Date 12 Months or Less	Total	Maturity Date 12 Months or Less	Total
Local Agency Investment Fund	\$ 25,285,452	\$ 25,285,452	\$ 22,683,623	\$ 22,683,623
Held by bond trustee:				
Money market mutual fund	1,599,329	1,599,329	1,599,329	1,599,329
Total investments	\$ 26,884,781	\$ 26,884,781	\$ 24,282,952	\$ 24,282,952

Disclosures Relating to Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for 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 government investment pools (such as LAIF).

As of June 30, 2014 and 2013, the District had the following investments with the following ratings:

		2014			2013		
	Minimum Legal Rating	Aaa	Not Rated	Total	Aaa	Not Rated	Total
Local Agency Investment Fund	N/A	\$ -	\$ 25,285,452	\$ 25,285,452	\$ -	\$ 22,683,623	\$ 22,683,623
Held by bond trustee:							
Money market mutual fund	N/A	1,599,329	-	1,599,329	1,599,329	-	1,599,329
Total investments		\$ 1,599,329	\$ 25,285,452	\$ 26,884,781	\$ 1,599,329	\$ 22,683,623	\$ 24,282,952

Valley Sanitary District
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 4 – Accounts Receivable

Accounts receivable primarily consists of sewer use fees - direct billings, connection fees, and reimbursements as well as the District's allocation of property taxes and sewer use charges collected but not remitted by County of Riverside.

As of June 30, 2014 and 2013, the accounts receivable was as follows:

	2014	2013
Direct billing, connection fee and reimbursement receivables	\$ 240,093	\$ 10,805
Property taxes and sewer use receivable from County of Riverside	609,550	532,147
Total accounts receivables	849,643	542,952
Allowance for doubtful accounts	(2,255)	(2,255)
Accounts receivables, net	<u>\$ 847,388</u>	<u>\$ 540,697</u>

Note 5 – Capital Assets

Summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013 (As Restated)	Additions	Deletions	Reclassification	Balance June 30, 2014
Capital assets, not depreciated					
Land	\$ 448,364	\$ -	\$ -	\$ -	\$ 448,364
Construction in progress	18,339,065	38,270	(66,920)	(17,603,295)	707,120
Total capital assets, not depreciated	<u>18,787,429</u>	<u>38,270</u>	<u>(66,920)</u>	<u>(17,603,295)</u>	<u>1,155,484</u>
Capital assets, being depreciated					
Subsurface	20,460,898	-	-	-	20,460,898
Sewage collection facilities	3,008,052	114,504	(126,649)	112,690	3,108,597
Wastewater treatment facilities	39,562,865	56,376	(12,921)	404,587	40,010,907
Sludge disposal facilities	8,246,782	602,014	-	17,056,915	25,905,711
General plant facilities	5,032,617	419,998	-	29,103	5,481,718
Laboratory facilities	67,171	-	-	-	67,171
Administrative facilities	112,529	-	-	-	112,529
Total capital assets, being depreciated	<u>76,490,914</u>	<u>1,192,892</u>	<u>(139,570)</u>	<u>17,603,295</u>	<u>95,147,531</u>
Less accumulated depreciation					
Subsurface	(2,721,416)	(288,536)	-	-	(3,009,952)
Sewage collection facilities	(2,199,900)	(145,243)	126,649	-	(2,218,494)
Wastewater treatment facilities	(10,046,726)	(1,004,699)	12,921	-	(11,038,504)
Sludge disposal facilities	(1,433,135)	(660,194)	-	-	(2,093,329)
General plant facilities	(1,252,707)	(231,353)	-	-	(1,484,060)
Laboratory facilities	(65,363)	(811)	-	-	(66,174)
Administrative facilities	(103,473)	(4,428)	-	-	(107,901)
Total accumulated depreciation	<u>(17,822,720)</u>	<u>(2,335,264)</u>	<u>139,570</u>	<u>-</u>	<u>(20,018,414)</u>
Total capital assets, being depreciated, net	<u>58,668,194</u>	<u>(1,142,372)</u>	<u>-</u>	<u>17,603,295</u>	<u>75,129,117</u>
Total capital assets, net	<u>\$ 77,455,623</u>	<u>\$ (1,104,102)</u>	<u>\$ (66,920)</u>	<u>\$ -</u>	<u>\$ 76,284,601</u>

Valley Sanitary District
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 5 – Capital Assets (Continued)

Summary of changes in capital assets for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions as Restated	Deletions	Balance June 30, 2013 (As Restated)
Capital assets, not depreciated				
Land	\$ 448,364	\$ -	\$ -	\$ 448,364
Construction in progress	8,458,800	12,092,791	(2,212,526)	18,339,065
Total capital assets, not depreciated	8,907,164	12,092,791	(2,212,526)	18,787,429
Capital assets, being depreciated				
Subsurface	20,460,898	-	-	20,460,898
Sewage collection facilities	2,969,842	38,210	-	3,008,052
Wastewater treatment facilities	39,544,238	18,627	-	39,562,865
Sludge disposal facilities	8,246,782	-	-	8,246,782
General plant facilities	1,382,769	3,649,848	-	5,032,617
Laboratory facilities	67,171	-	-	67,171
Administrative facilities	104,593	7,936	-	112,529
Total capital assets, being depreciated	72,776,293	3,714,621	-	76,490,914
Less accumulated depreciation				
Subsurface	(2,429,480)	(291,936)	-	(2,721,416)
Sewage collection facilities	(2,042,842)	(157,058)	-	(2,199,900)
Wastewater treatment facilities	(8,970,986)	(1,075,740)	-	(10,046,726)
Sludge disposal facilities	(1,252,532)	(180,603)	-	(1,433,135)
General plant facilities	(1,120,670)	(132,037)	-	(1,252,707)
Laboratory facilities	(64,350)	(1,013)	-	(65,363)
Administrative facilities	(100,259)	(3,214)	-	(103,473)
Total accumulated depreciation	(15,981,119)	(1,841,601)	-	(17,822,720)
Total capital assets, being depreciated, net	56,795,174	1,873,020	-	58,668,194
Total capital assets, net	\$ 65,702,338	\$ 13,965,811	\$ (2,212,526)	\$ 77,455,623

Note 6 – Investment in Joint Venture

On December 18, 2013, the District entered into a joint powers agreement with the City of Indio (the “City”) to form the East Valley Reclamation Authority (the “JPA”) to plan, program, finance, design and operate a reclaimed water facility to bring a sustainable water supply and manage the water resources for the customers of the Indio Water Authority (a blended component unit of the City) and the District. The costs and expenses of the JPA are generally shared equally by the City and the District unless otherwise determined by the JPA’s Board of Directors, except that the District is responsible for 100% of the costs and expenses associated with the design and construction of facilities for the District’s compliance with any permit terms. The District made its initial contribution to the JPA in the year ended June 30, 2014 in the amount of \$5,000.

Valley Sanitary District
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 7 – Compensated Absences

Summary of changes in compensated absences for the years ended June 30, 2014 and 2013 are as follows:

Fiscal Year	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
June 30, 2014	\$ 427,687	\$ 282,295	\$ (274,802)	\$ 435,180	\$ 204,535	\$ 230,645
June 30, 2013	480,506	238,233	(291,052)	427,687	213,972	213,715

Note 8 – Certificates of Participation

Summary of changes in certificates of participation for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due within One Year	Due in More Than One Year
Certificates of Participation	\$ 10,035,000	\$ -	\$ (550,000)	\$ 9,485,000	\$ 570,000	\$ 8,915,000
Less: Unamortized discount	(114,746)	-	8,826	(105,920)	-	(105,920)
Total certificates of participation	\$ 9,920,254	\$ -	\$ (541,174)	\$ 9,379,080	\$ 570,000	\$ 8,809,080

Summary of changes in certificates of participation for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due within One Year	Due in More Than One Year
Certificates of Participation	\$ 10,560,000	\$ -	\$ (525,000)	\$ 10,035,000	\$ 550,000	\$ 9,485,000
Less: Unamortized discount	(123,572)	-	8,826	(114,746)	-	(114,746)
Total certificates of participation	\$ 10,436,428	\$ -	\$ (516,174)	\$ 9,920,254	\$ 550,000	\$ 9,370,254

On August 26, 2006, the District issued the 2006 Certificates of Participation in the amount of \$12,915,000. The purpose of the Certificates was to fund Phase I of the District's treatment plant expansion. Interest ranging from 3.50% to 4.375% is payable semi-annually on February 1st and August 1st commencing February 1, 2007. The certificates mature August 1st commencing August 1, 2007 and continuing through 2026 with optional annual call dates beginning August 1, 2016. A reserve fund has been established under the trust agreement to be held by the Trustee to further secure the timely payment of principal and interest on the certificates. The amount initially deposited in the reserve fund was \$964,900, an amount which is the lesser of (i) 10% of the issue price, (ii) 125% of the average annual amount of installment payments, or (iii) maximum annual installment payments (the "Reserve Requirement"). The reserve requirements and amounts held with fiscal agent at June 30, 2014 and June 30, 2013 were \$964,900.

Future debt service requirements for the certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 570,000	\$ 381,896	\$ 951,896
2016	590,000	360,146	950,146
2017	615,000	337,168	952,168
2018	635,000	312,553	947,553
2019	665,000	286,553	951,553
2020-2024	3,755,000	986,342	4,741,342
2025-2027	2,655,000	175,983	2,830,983
Total	\$ 9,485,000	\$ 2,840,641	\$ 12,325,641

Valley Sanitary District
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 9 – Conduit Debt

Limited Obligation Improvement Bonds

On July 21, 2005, the District issued \$8,080,000 limited obligation improvement bonds, series 2005 for Assessment District No. 2004-VSD (Shadow Hills Interceptor). Interest ranging from 3.05% to 5.20% is payable semi-annually on March 2nd and September 2nd each year commencing March 2, 2006. The Bonds mature September 2nd commencing September 2, 2007 and continuing through 2030 with optional call dates beginning September 2, 2015.

The Bonds are limited obligations of the District payable solely from the installments of unpaid assessments levied on the assessment parcels within the District and other funds pledged under the fiscal agent agreement. The District shall only be obligated to pay the principal of the Bonds, or the interest thereon, from funds described in the Indenture and neither the faith and credit nor the taxing power of the District, the State of California or any of its political subdivisions is pledged to the payment of principal or interest on the Bonds. Therefore, the limited obligation improvement bonds are not included in the accompanying financial statements. As of June 30, 2014 and 2013, the outstanding balances of the bonds were \$7,060,000 and \$7,330,000, respectively.

Note 10 – Pension Plans

Defined Contribution Pension Plan

Effective January 1, 1993, the District established a new employee money purchase pension plan and trust. This plan is a defined contribution plan and administered by the District through Nationwide Life Insurance Company. Employees who were employed by the District prior to January 1, 1999 are eligible to participate in the plan provided they are at least 18 years of age and have completed six (6) months of service in which the employee is credited with five hundred (500) hours of service. As of January 1, 1999, no new employees were enrolled in the plan. Employees who are employed by the District after January 1, 1999 are enrolled with the California Public Employees Retirement System (CalPERS). The District contributes 15.757% of the employees' compensation to the Money Purchase Pension Plan - \$14,150 and \$22,520 for the years ended June 30, 2014 and 2013, respectively. Participants are vested in the value arising from District contributions beginning the second year of service at a rate of 25% and an additional 25% for each subsequent full year of service until fully vested. The plan provides for the accumulation of contributions and earnings and the distribution of such funds at retirement, death or other termination of employment. The plan assets are invested in various mutual funds by Nationwide Life Insurance Company with a fair value of \$296,867 and \$232,164 at June 30, 2014 and 2013, respectively. The total covered payroll for the 1 employee participating in the plan for the year ended June 30, 2014 was \$89,859 while the total covered payroll for the 2 employees participating in the plan for the year ended June 30, 2013 was \$142,971. The contribution requirements of the District are established and may be amended by the Board of Directors. The plan assets are not reported in the accompanying basic financial statements. Copies of the Defined Contribution Pension Plan annual financial report may be obtained from the District office.

Defined Benefit Plan

Plan Description and Provisions

The District contributes to the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. The District has selected optional benefit provisions in their contracts with CalPERS and adopt these benefits through local ordinances. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Valley Sanitary District
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 10 – Pension Plans (Continued)

Defined Benefit Plan (Continued)

Funding Policy

Participants are required to contribute 8% of their annual covered salary. The District is required to contribute at an actuarial determined rate. These rates were determined as part of the June 30, 2011 and June 30, 2010 actuarial valuation. The rates for the years ended June, 30 2014 and 2013 were 20.587% and 19.662% respectively. On January 1, 2013, California law created a mandatory two tiered CalPERS pension system, requiring any new employee to CalPERS be placed in Tier 2 (2% at 62) plan. Existing CalPERS members are eligible for Tier 1 (2.5% at 55) plan. The new CalPERS Tier 2 employees are required to contribute 6.5% of their annual covered salary and the District is required to contribute 6.7% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

Most Recent Funding Progress Schedule

The District is a member of the CalPERS risk pool for groups under 100 employees because the plan had less than 100 active members for at least one valuation since June 30, 2003. As a result individual funding progress is not available for the District.

Annual Pension Cost

For the years ended June 30, 2014 and 2013, the annual required employer contributions were \$350,921 and \$333,990, respectively. Of these totals, employees contributed \$136,541 and \$128,447, respectively. The required contribution for the years ended June, 30 2014 and 2013 were determined as part of the June 30, 2011 and June 30, 2010, actuarial valuations using the Entry Age Normal Actuarial Cost Method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases from 3.30% to 14.20% depending on age, service, and type of employment; (c) 3.00% payroll growth adjustment; (d) 2.75% inflation adjustment; and (e) a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%. The actuarial value of the assets of both plans was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen year period depending on the size of investment gains and/or losses. The District's initial unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis depending on the plan's date of entry. Subsequent gains and losses are amortized over variable periods depending on the events precipitating the gain or loss. The average remaining amortization period at June 30, 2011, the most recent valuation date, was 21 years.

THREE-YEAR TREND INFORMATION FOR CALPERS

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 299,899	100%	\$ -
6/30/2013	333,990	100%	-
6/30/2014	350,921	100%	-

Valley Sanitary District
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

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; and natural disasters for which the District carries commercial insurance. Premiums are paid annually by the District. For the years ended June 30, 2014 and 2013, the District had insurance expenses of \$346,038 and \$302,954 in premiums, respectively.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2014 and 2013, there were no liabilities to be reported. During the past three fiscal years there have been no settlements or judgments that exceeded insured coverage. There have been no significant reductions in insured liability coverage from coverage in the prior year.

Note 12 – Commitment and Contingencies

Indio Terrace Assessment District No. 2

In 1965, the District received proceeds from the sale of bonds from Indio Terrace Assessment District No. 2. Under the covenants of this assessment district, as parcels within Indio Terrace are developed and connected to the District's system, the Valley Sanitary District is required to allow credits toward connection fees that are paid by the individual developers. As of June 30, 2014, the total amount of unused credits was \$41,595. Estimated future revenue from connection fees based upon the current fee in effect is approximately \$162,000. Since no development occurred in the Indio Terrace Assessment District during the year, no connection fee income was reduced by these credits for the year ended June 30, 2014.

Shadow Hills Assessment District

In September 1994, the District authorized oversize credits of \$343,403 against capital impact fees for developments occurring within Assessment District 90-1 that are benefiting from the sewer trunk line improvements installed in 1993. As of June 30, 2014, credits of \$204,341 have been applied leaving a balance of \$139,062 to be issued.

Pending Legal Actions

The District has been named in certain legal actions pending at June 30, 2014. While the outcome of these lawsuits is not presently determinable, in the opinion of management of the District, based in part on the advice of counsel, the resolution of these matters is not expected to have a material adverse effect on the financial position or results of operations of the District, or is adequately covered by insurance.

Construction Commitments

There were no outstanding construction commitments as of June 30, 2014.

Valley Sanitary District
Notes to Financial Statements (Continued)
For the Years Ended June 30, 2014 and 2013

Note 13 – Prior Period Adjustments

The District recorded the following prior period adjustments:

1. **Construction in Progress** – Amount reported for the year ended July 1, 2013 was overstated by \$422,037, due to recording capitalized interest on the District's Certificates of Participation that was not related to an ongoing capital project.
2. **Interest Payable** – Amount reported at July 1, 2013 was understated by \$188,743. The District did not record the interest payable on the District's Certificates of Participation.
3. **Interest Payable** – Amount reported at July 1, 2012 was understated by \$197,450. The District did not record the interest payable on the District's Certificates of Participation.
4. **Retention Payable** – Amount reported at July 1, 2013 was understated by \$938,804. The District did not record the retention payable and the related cash with fiscal agents.

Accordingly, the District's net position at July 1, 2013 and July 1, 2012 were restated as follows:

	<u>July 1, 2013</u>	<u>July 1, 2012</u>
Beginning Net Position, as previously reported	\$ 93,555,869	\$ 89,697,412
Prior period adjustments:		
Construction in progress	(422,037)	-
Interest payable	(188,743)	(197,450)
Cash with fiscal agent	938,804	-
Retention payable	(938,804)	-
Beginning Net Position, as restated	<u>\$ 92,945,089</u>	<u>\$ 89,499,962</u>

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

Valley Sanitary District
Required Supplementary Information
For the Years Ended June 30, 2014 and 2013

Note 1 - Defined Benefit Plan

Schedule of Funding Progress – Miscellaneous Employees

Beginning with the June 30, 2003 valuation, CalPERS established a risk pool for enrolled entities that have less than 100 active members. Actuarial valuation was performed with other participants within the same risk pool. Therefore, standalone information for the Schedule of Funding Progress for the District is not available.

This page intentionally left blank

SUPPLEMENTARY INFORMATION

Valley Sanitary District
Schedule of Operating Expenses
For the Year Ended June 30, 2014

	General and Administrative	Sewage Collection	Sewage Treatment	Total
Salaries and Wages	\$ 684,322	\$ 397,075	\$ 979,586	\$ 2,060,983
Employee Benefits	509,447	322,395	819,684	1,651,526
Directors' Fees	10,700	-	-	10,700
Insurance	346,038	-	-	346,038
Memberships	25,112	990	2,017	28,119
Office Expense	12,492	-	-	12,492
Permits	4,006	9,907	46,033	59,946
Operating Supplies	15,711	2,674	57,936	76,321
Professional Services	4,676	-	-	4,676
Repairs and Maintenance	28,886	23,220	219,580	271,686
Travel and Seminars	17,802	1,909	5,451	25,162
Utilities and Telephone	11,409	10,987	626,106	648,502
Chemicals	-	-	296,883	296,883
Clothing	1,266	7,303	11,683	20,252
Certifications	506	530	1,690	2,726
Gas, Oil, and Fuel	-	-	37,912	37,912
County Charges	1,327	-	-	1,327
Contractual Services	280,130	74,469	514,092	868,691
Publication/Legal Notices	2,847	-	-	2,847
Small Tools	31,299	584	3,887	35,770
Election	3,560	-	-	3,560
Other Expenses	5,796	3,841	9,452	19,089
Total	<u>\$ 1,997,332</u>	<u>\$ 855,884</u>	<u>\$ 3,631,992</u>	<u>\$ 6,485,208</u>

* Excludes depreciation expense

Valley Sanitary District
Schedule of Operating Expenses
For the Year Ended June 30, 2013

	General and Administrative	Sewage Collection	Sewage Treatment	Total
Salaries and Wages	\$ 514,910	\$ 501,495	\$ 925,700	\$ 1,942,105
Employee Benefits	197,712	211,676	415,389	824,777
Directors' Fees	11,000	-	-	11,000
Insurance	302,954	-	-	302,954
Memberships	25,389	840	2,220	28,449
Office Expense	13,702	-	-	13,702
Permits	6,646	8,759	55,358	70,763
Operating Supplies	20,236	1,903	46,579	68,718
Professional Services	6,151	-	-	6,151
Repairs and Maintenance	21,488	67,137	106,068	194,693
Travel and Seminars	18,071	4,469	8,080	30,620
Utilities and Telephone	1,668	16,502	538,709	556,879
Chemicals	-	-	227,381	227,381
Clothing	1,826	4,683	9,532	16,041
Certifications	153	572	2,915	3,640
Gas, Oil, and Fuel	-	-	36,373	36,373
County Charges	20,605	-	-	20,605
Contractual Services	185,360	96,228	209,743	491,331
Publication/Legal Notices	4,178	-	-	4,178
Small Tools	39,655	2,317	1,479	43,451
Other Expenses	11,940	1,218	3,111	16,269
Total	<u>\$ 1,403,644</u>	<u>\$ 917,799</u>	<u>\$ 2,588,637</u>	<u>\$ 4,910,080</u>

* Excludes depreciation expense

This page intetionally left blank.

STATISTICAL SECTION

This page intentionally left blank.

STATISTICAL SECTION
(Unaudited)

This part of Valley Sanitary 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 say about the District's overall financial health.

Index

Page

Financial Trends Information - These schedules contain trend information to help the reader to understand how the District's financial performance and well-being have changed over time.

1	Net Position by Component	48
2	Changes in Net Position	50

Revenue Capacity Information - These schedules contain trend information to help the reader understand the District's rates and revenues.

3	Customer Type Unit Count Summary	52
4	Annual Sewer Use Fees and Fiscal Year Revenues	53
5	Capacity Connection Fees and Fiscal Year Revenues	54
6	Principal Users	55

Debt Capacity Information - 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.

7	Ratios of Outstanding Debt by Type	56
8	Pledged Revenue Coverage	57

Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

9	Principal Employers	58
10	Total Customers and Numbers of Permits Issued	59
11	Demographic and Economic Statistics	60

Operating Information - These schedules contain service and infrastructure data to help the reader understanding how the information in the District's financial report relates to the services the District provides and the activities it performs.

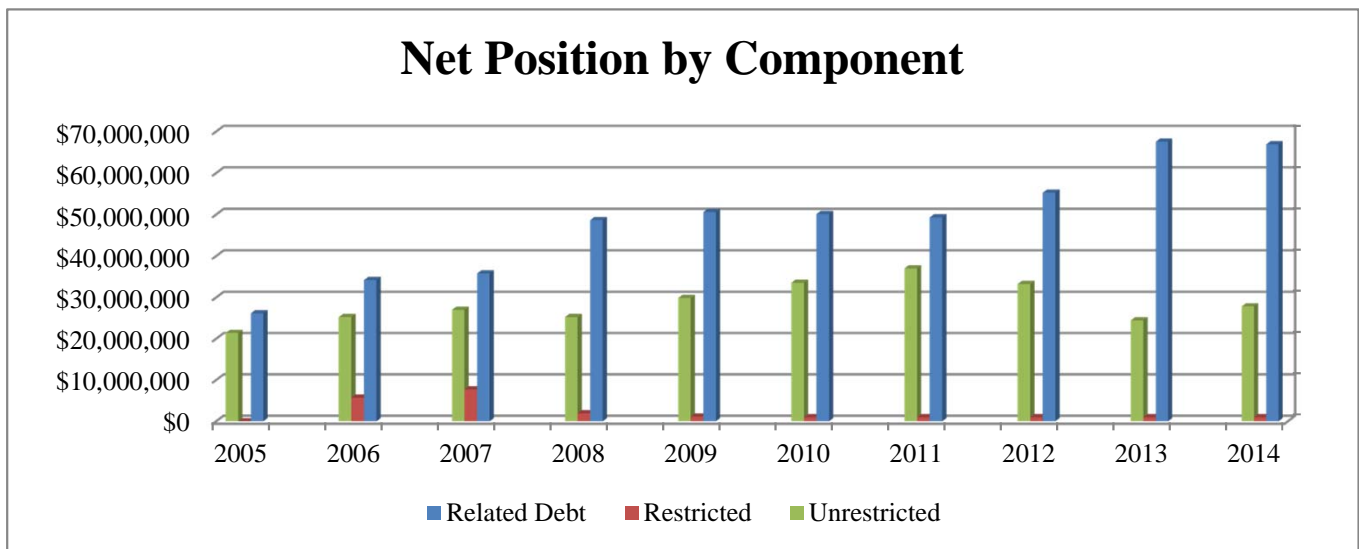
12	Operating Indicators	62
13	Capital Asset and Operating Information	64
14	Annual Flow Data	66
15	Full - Time District Employees by Department	67

Valley Sanitary District
Table of Net Position by Component
Last Ten Fiscal Years

	2014	2013	2012	2011	2010
		As Restated	As Restated		
<u>NET POSITION:</u>					
Invested in Capital Assets					
Net of					
Related Debt	\$ 66,905,521	\$ 67,535,369	\$ 55,265,910	\$ 49,305,860	\$ 50,121,414
Restricted	964,900	964,900	967,394	967,394	967,394
Unrestricted	27,817,622	24,444,820	33,266,658	37,028,724	33,546,254
TOTAL NET POSITION	<u>\$ 95,688,043</u>	<u>\$ 92,945,089</u>	<u>\$ 89,499,962</u>	<u>\$ 87,301,978</u>	<u>\$ 84,635,062</u>

Valley Sanitary District
Table of Net Position by Component (Continued)
Last Ten Fiscal Years

	2009	2008	2007	2006	2005
NET POSITION:					
Invested in Capital Assets					
Net of					
Related Debt	\$ 50,601,844	\$ 48,664,930	\$ 35,799,259	\$ 34,199,009	\$ 26,154,446
Restricted	1,138,044	1,955,759	7,709,258	5,713,937	-
Unrestricted	29,858,292	25,252,641	26,987,593	25,235,840	21,392,756
TOTAL NET POSITION	\$ 81,598,180	\$ 75,873,330	\$ 70,496,110	\$ 65,148,786	\$ 47,547,202

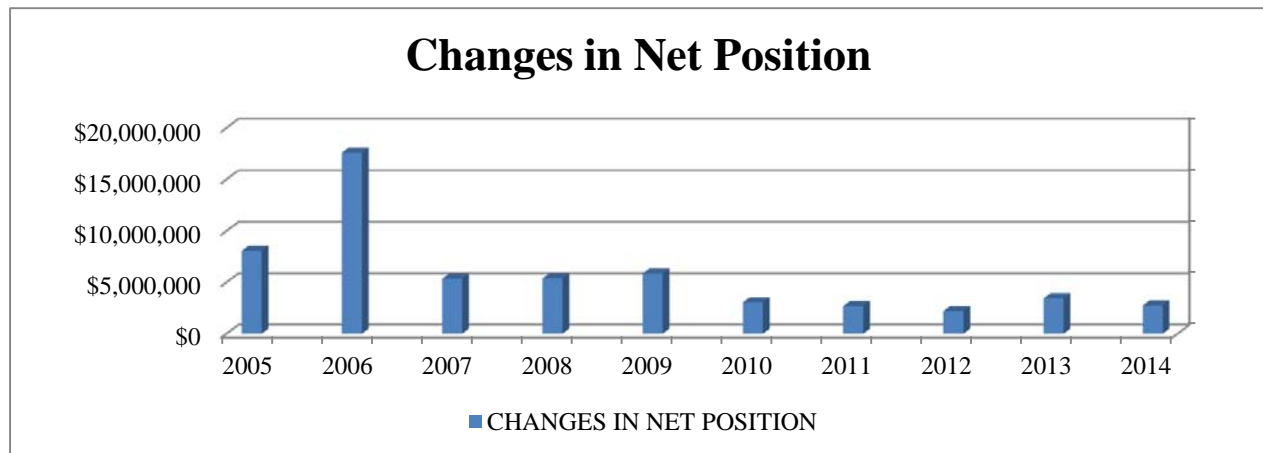


Valley Sanitary District
Statements of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
Changes in Net Position

	2014	2013	2012	2011	2010
		As Restated	As Restated		
OPERATING REVENUES:					
Sewer Service Charges	\$ 9,187,360	\$ 9,053,022	\$ 8,808,414	\$ 8,385,726	\$ 8,605,117
Connection Fees	1,998,788	548,527	192,763	723,985	304,428
Permits and Inspection Fees	40,202	12,017	7,362	28,544	25,880
Other Services	46,100	7,039	11,173	4,726	24,710
TOTAL OPERATING REVENUES	11,272,450	9,620,605	9,019,712	9,142,981	8,960,135
OPERATING EXPENSES:					
General and Administrative	1,997,332	1,403,644	1,559,137	1,501,410	1,440,724
Sewage Collection	855,884	917,799	846,598	809,998	788,124
Sewage Treatment	3,631,992	2,588,299	2,147,581	2,019,251	1,875,514
Sewage Disposal	-	338	317,791	551,369	307,380
Total Administrative and Plant	6,485,208	4,910,080	4,871,107	4,882,028	4,411,742
Other Operating Expenses					
Depreciation	2,335,264	1,841,601	1,835,054	1,870,504	1,870,268
TOTAL OPERATING EXPENSES	8,820,472	1,841,601	1,835,054	6,752,532	6,282,010
NET OPERATING INCOME	2,451,978	2,868,924	2,313,551	2,390,449	2,678,125
NON-OPERATING REVENUES (EXPENSES)					
Property Taxes	605,711	899,670	585,004	585,628	662,348
Homeowner's Tax Relief	6,604	6,690	6,851	7,183	7,268
Investment Income	52,007	75,110	123,009	154,896	183,210
Contribution from Property Owners	-	-	-	-	-
Bond Issue Cost	-	-	-	-	-
Interest Expense	(402,257)	(422,157)	(638,155)	(458,830)	(476,411)
Amortization	-	-	(205,908)	(21,966)	(21,966)
Gain (loss) on Disposed Assets	14,176	-	-	-	(1,809)
Other Revenues	14,735	16,890	13,632	9,556	6,117
TOTAL NON-OPERATING REVENUES (EXPENSES)	290,976	576,203	(115,567)	276,467	358,757
CHANGES IN NET POSITION	2,742,954	3,445,127	2,197,984	2,666,916	3,036,882
NET POSITION, beginning of the year	92,945,089	89,499,962	87,301,978	84,635,062	81,598,180
NET POSITION, end of the year	\$95,688,043	\$92,945,089	\$89,499,962	\$87,301,978	\$84,635,062

Valley Sanitary District
Statements of Revenues, Expenses, and Changes in Net Position (Continued)
Last Ten Fiscal Years
Changes in Net Position

	2009	2008	2007	2006	2005
OPERATING REVENUES:					
Sewer Service Charges	\$ 9,022,142	\$ 6,994,369	\$ 6,054,004	\$ 4,698,308	\$ 3,850,695
Connection Fees	648,882	1,702,534	1,441,576	8,325,576	7,833,088
Permits and Inspection Fees	24,834	131,282	160,990	305,280	117,649
Other Services	10,063	28,041	67,904	69,121	37,815
TOTAL OPERATING REVENUES	9,705,921	8,856,226	7,724,474	13,398,285	11,839,247
OPERATING EXPENSES:					
General and Administrative	1,394,303	1,438,020	1,635,925	1,293,411	944,076
Sewage Collection	698,225	709,414	771,638	671,181	934,367
Sewage Treatment	1,692,546	1,867,182	1,860,478	1,681,163	1,598,413
Sewage Disposal	203,194	272,804	245,291	281,892	225,188
Total Administrative and Plant	3,988,268	4,287,420	4,513,332	3,927,647	3,702,044
Other Operating Expenses					
Depreciation	1,167,802	1,134,127	945,867	790,880	703,556
TOTAL OPERATING EXPENSES	5,156,070	5,421,547	5,459,199	4,718,527	4,405,600
NET OPERATING INCOME	4,549,851	3,434,679	2,265,275	8,679,758	7,433,647
NON-OPERATING REVENUES (EXPENSES)					
Property Taxes	783,874	655,807	622,779	213,425	117,528
Homeowner's Tax Relief	7,460	7,659	7,614	7,902	7,557
Investment Income	527,722	1,266,911	1,846,072	1,052,290	408,200
Contribution from Property Owners	-	-	609,464	7,579,124	-
Bond Issue Cost	-	(13,139)	(13,139)	-	-
Interest Expense	-	-	-	-	-
Amortization	(21,967)	-	-	-	-
Gain (loss) on Disposed Assets	(49,244)	-	-	-	-
Other Revenues	46,233	25,303	9,259	69,085	81,537
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,294,078	1,942,541	3,082,049	8,921,826	614,822
CHANGES IN NET POSITION	5,843,929	5,377,220	5,347,324	17,601,584	8,048,469
NET POSITION, beginning of the year	75,754,251	70,496,110	65,148,786	47,547,202	39,498,733
NET POSITION, end of the year	\$81,598,180	\$75,873,330	\$70,496,110	\$65,148,786	\$47,547,202



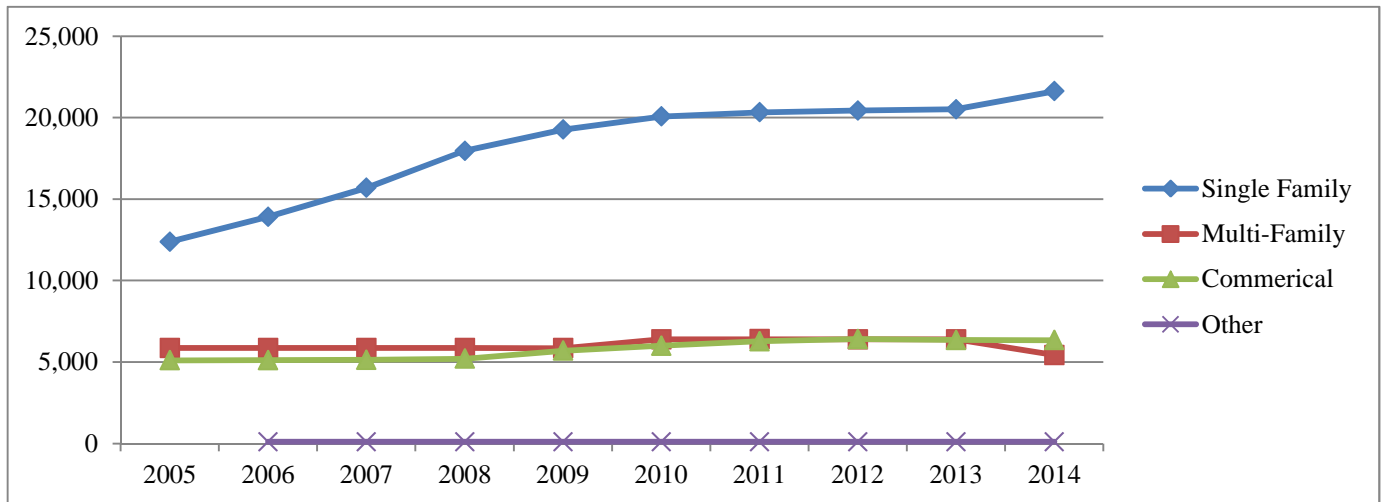
Valley Sanitary District

Customer Type Unit Count Summary

Last Ten Fiscal Years

Customer Type	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Single Family Residential	21,623	20,514	20,433	20,326	20,072	19,263	17,954	15,686	13,910	12,378
Multi-Family Residential	5,431	6,389	6,389	6,394	6,387	5,846	5,856	5,856	5,858	5,858
Commercial	6,344	6,353	6,409	6,275	5,994	5,688	5,197	5,133	5,110	5,100
Other	59	103	103	103	103	103	103	103	103	103
Total	33,457	33,359	33,334	33,098	32,556	30,900	29,110	26,778	24,981	23,439

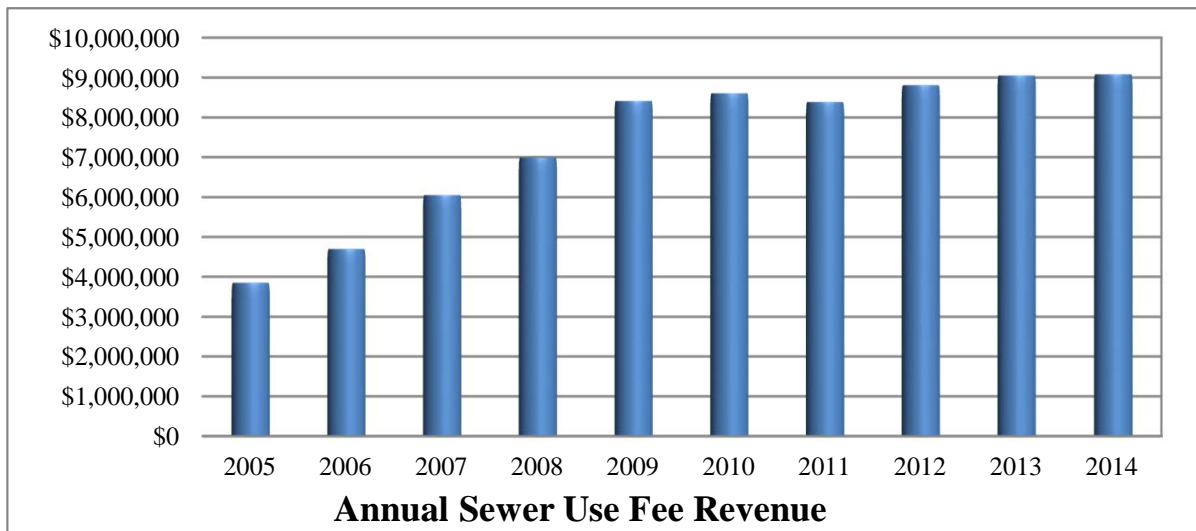
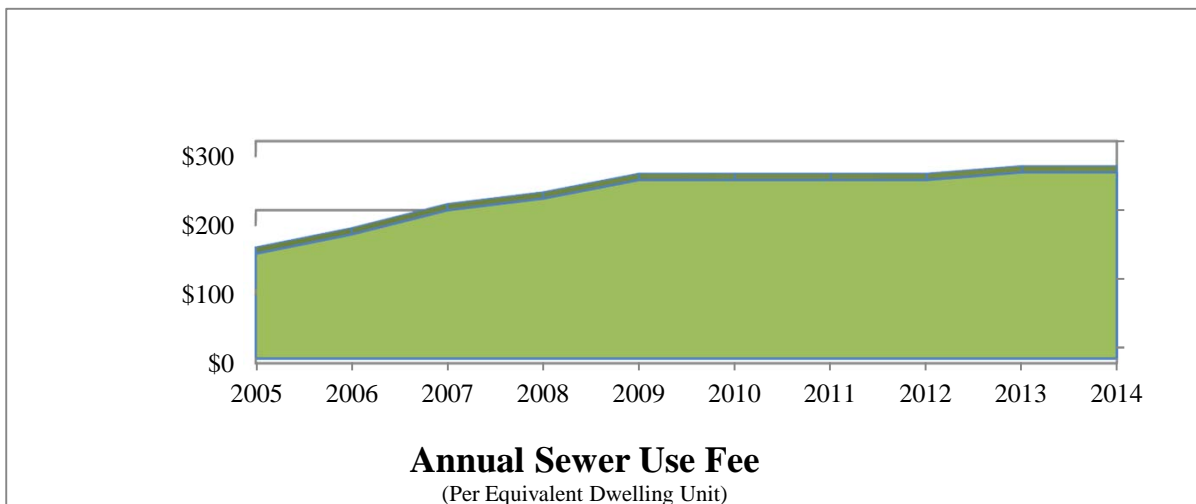
Source: Valley Sanitary District



Valley Sanitary District
Annual Sewer Use Fee and Fiscal Year Revenues
Last Ten Fiscal Years

Year	Annual Fee / EDU	Revenue
2014	\$270	\$9,084,609
2013	\$270	\$9,053,022
2012	\$259	\$8,808,414
2011	\$259	\$8,385,726
2010	\$259	\$8,605,117
2009	\$259	\$8,414,713
2008	\$232	\$6,994,369
2007	\$215	\$6,054,004
2006	\$180	\$4,698,308
2005	\$152	\$3,850,695

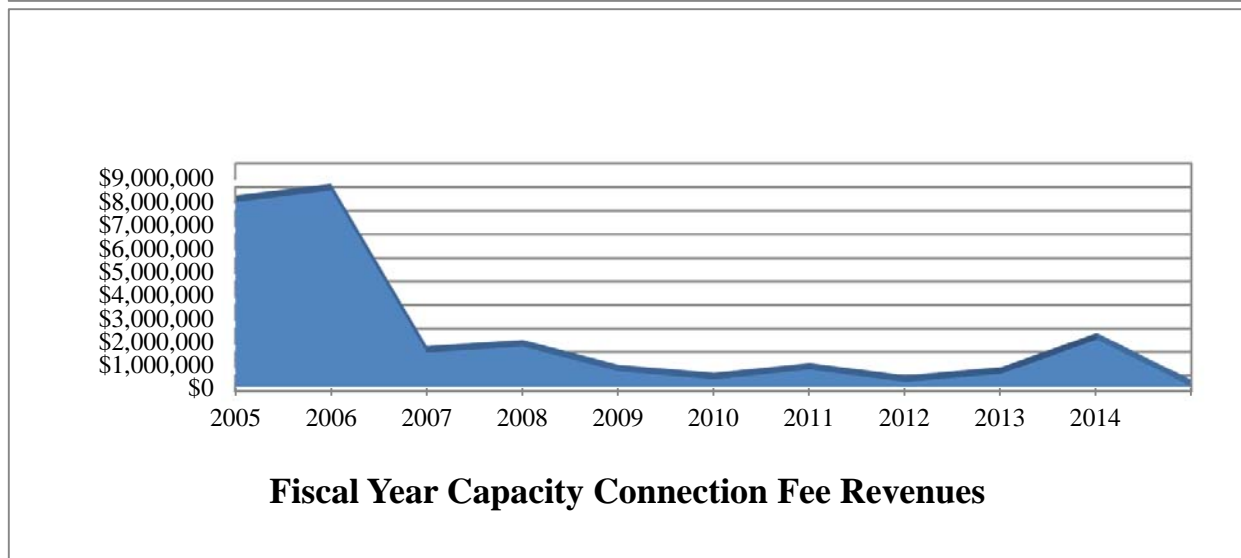
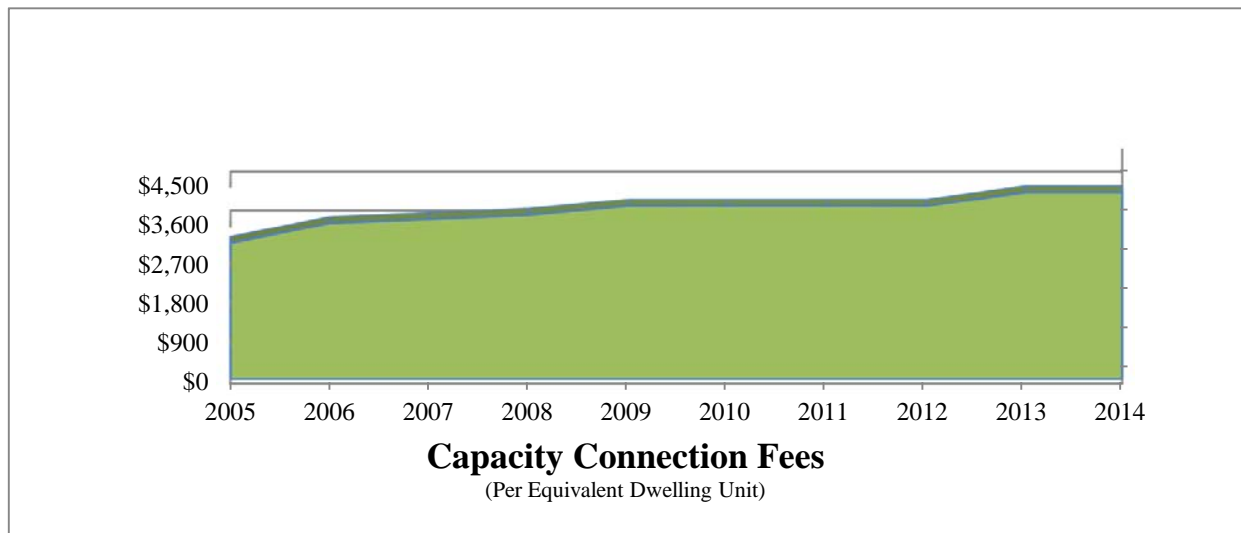
Source: Valley Sanitary District



Valley Sanitary District
Capacity Connection Fees & Fiscal Year Revenues
Last Ten Fiscal Years

Year	Fee / EDU	Revenue
2014	\$4,265	\$1,998,468
2013	\$4,265	\$548,527
2012	\$3,957	\$192,763
2011	\$3,957	\$723,985
2010	\$3,957	\$304,428
2009	\$3,957	\$648,882
2008	\$3,753	\$1,702,534
2007	\$3,654	\$1,441,576
2006	\$3,565	\$8,325,576
2005	\$3,110	\$7,833,088

Source: Valley Sanitary District



Valley Sanitary District
Principal Users
Current Year and Nine Years Ago

Principal Users	2014			2005		
	Amount Billed	Rank	Percent of District Total \$	Amount Billed	Rank	Percent of District Total \$
Desert Sands Unified School District	\$ 220,050	1	2.42%	\$ 153,824	1	3.99%
The Wells Mobile Home Association	81,000	2	0.89%	45,600	2	1.18%
Smoketree Polo Club Apartments	77,760	3	0.86%	43,776	3	1.14%
Fantasy Springs Casino	76,680	4	0.84%	43,168	4	1.12%
Sunrise Point Apartments	73,440	5	0.81%	41,344	5	1.07%
Indio Housing Development	70,470	6	0.78%	39,672	6	1.03%
Indio Palms Apartments	62,910	7	0.69%	35,416	7	0.92%
Casa Monroe Apartments	61,020	8	0.67%	34,352	8	0.89%
Del Mar Apartments	50,760	9	0.56%	28,576	9	0.74%
Arabian Gardens Mobile Home Park Partners LP	50,220	10	0.55%	28,272	10	0.73%
Total	\$ 824,310			\$ 494,000		
District Total Customer Charges			\$ 9,084,609			\$ 3,850,695

Source: Valley Sanitary District

Valley Sanitary District
Ratios of Outstanding Debt By Type
Last Eight Fiscal Years

Fiscal Year Ended June 30	Business -Type Activities		Total				
	Certificates of	Wetlands	Debt	Population (2)	Personal	Percent	Debt
	Participation (1)	Loan (1)			Income	of Personal Income	Per Capita
2014	\$ 9,485,000	\$ -	\$ 9,485,000	82,398	\$ 20,502	0.56%	\$ 115
2013	\$ 10,035,000	\$ -	\$ 10,035,000	81,393	\$ 20,645	0.60%	\$ 123
2012	\$ 10,560,000	\$ -	\$ 10,560,000	78,065	\$ 19,748	0.68%	\$ 135
2011	\$ 11,065,000	\$ -	\$ 11,065,000	83,675	\$ 22,350	0.59%	\$ 132
2010	\$ 11,560,000	\$ -	\$ 11,560,046	82,230	\$ 19,855	0.71%	\$ 141
2009	\$ 12,035,000	\$ -	\$ 12,035,046	81,512	\$ 18,365	0.80%	\$ 148
2008	\$ 12,495,000	\$ -	\$ 12,495,048	77,146	\$ 16,265	1.00%	\$ 162
2007	\$ 12,915,000	\$ 530,000	\$ 13,445,000	71,654	\$ 16,325	1.15%	\$ 188

Notes:

The District has elected to show only eight years of data for this schedule

Sources: (1) Valley Sanitary District
(2) California Department of Finance

Valley Sanitary District
Pledged Revenue Coverage
Last Ten Fiscal Years

		Revenue & Expenses			Debt Service			
Fiscal Year			Operating	Net Available				Coverage
Ended		Net Revenue	Expenses (1)	Revenues	Principal	Interest	Total	Ratio (2)
June 30								
2014		\$ 11,563,426	\$ 6,485,208	\$ 5,078,218	\$ 570,000	\$ 402,257	\$ 972,257	5
2013	As Restated	\$ 10,196,808	\$ 4,910,080	\$ 5,286,728	\$ 550,000	\$ 422,157	\$ 972,157	5
2012		\$ 9,748,208	\$ 4,871,107	\$ 4,877,101	\$ 525,000	\$ 440,705	\$ 965,705	5
2011		\$ 9,900,244	\$ 4,882,028	\$ 5,018,216	\$ 505,000	\$ 458,830	\$ 963,830	5
2010		\$ 9,819,078	\$ 4,411,742	\$ 5,407,336	\$ 495,000	\$ 476,412	\$ 971,412	6
2009		\$ 11,026,210	\$ 3,988,268	\$ 7,037,942	\$ 475,000	\$ 493,071	\$ 968,071	7
2008		\$ 10,811,906	\$ 4,287,420	\$ 6,524,486	\$ 460,000	\$ 508,471	\$ 968,471	7
2007		\$ 10,819,662	\$ 4,513,332	\$ 6,306,330	\$ 420,000	\$ 227,821	\$ 647,821	10
2006		\$ 22,320,111	\$ 3,927,647	\$ 18,392,464	\$ 515,000	\$ 25,553	\$ 540,553	34
2005		\$ 12,454,069	\$ 3,702,044	\$ 8,752,025	\$ 530,000	\$ 12,389	\$ 542,389	16

Notes:

(1) Excludes depreciation

(2) The coverage ratio is a measure of the District's liquidity and how many times the District's revenues will cover their annual bond expense.

Source: Valley Sanitary District

Valley Sanitary District
Principal Employers
Current Year and Five Years Ago

Employers (1) (2)	2014			2009		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
County of Riverside	1,247	1	4.81%	1,351	1	5.77%
Fantasy Springs Casino	1,200	2	4.63%	1,180	2	5.04%
Desert Sands Unified School District	1,082	3	4.18%	1,090	3	4.66%
John F. Kennedy Memorial Hospital	577	4	2.23%	530	4	2.26%
City of Indio	225	5	0.87%	308	5	1.32%
Granite Construction Co.	180	6	0.69%	-	-	-
Riverside Superior Court	159	7	0.61%	175	6	0.75%
Target	150	8	0.58%	-	-	-
Home Depot	132	9	0.51%	103	9	0.44%
Mathis Brothers	115	10	0.44%	104	8	0.44%
PHB Contracting Inc.	-	-	-	60	10	0.26%
Tidwell Concrete Construction	-	-	-	110	7	0.47%
Total Employment Listed	5,067		19.56%	5,011		21.41%
Total City Employment (3)	25,900			23,400		

Notes:

Top ten employers nine years prior to current year is not reported due to lack of past data reported online

"Total Employment" as used above represents the total employment of all employers located within the District.

Sources: (1) Valley Sanitary District
(2) City of Indio
(3) State of California Employment Development Department

Valley Sanitary District
Total Customers and Number of Permits Issued
Last Ten Fiscal Years

Year	Total Customers	Number of Permits Issued
2014	26,908	83
2013	26,807	45
2012	26,762	44
2011	26,648	46
2010	26,414	60
2009	26,028	91
2008	25,185	124
2009	23,455	182
2006	17,300	188
2005	15,000	483

Source: Valley Sanitary District

Valley Sanitary District
Demographic and Economic Statistics
Last Eight Calendar Years

Calendar Year	Population (1)	Median Age (2)	Average Household Size (4)	Median Household Income (2)	Per Capita Personal Income (1)	Unemployment Rate (3)
2014	82,398	31.40	3.25	\$ 50,528	\$ 21,702	10.70%
2013	81,393	32.60	3.60	\$ 47,642	\$ 20,645	11.10%
2012	77,165	34.30	3.23	\$ 41,082	\$ 19,748	14.00%
2011	83,675	29.30	3.12	\$ 53,824	\$ 22,350	15.90%
2010	82,230	28.80	3.18	\$ 47,708	\$ 19,855	14.50%
2009	81,512	29.60	3.16	\$ 56,039	\$ 18,365	9.20%
2008	77,146	29.00	3.45	\$ 43,001	\$ 16,265	6.50%
2007	71,654	30.30	2.97	\$ 41,791	\$ 16,325	5.50%

Notes:

The District has elected to show only eight years of data for this schedule.

Sources:

- (1) California Department of Finance
- (2) City of Indio
- (3) US Bureau of Labor Statistics
- (4) California Bureau of Labor Statistics (US Census Bureau)

This page intentionally left blank.

Valley Sanitary District
Operating Indicators
Last Ten Fiscal Years

	2014	2013	2012	2011	2010
Equivalent Dwelling Units	33,457	33,359	33,334	33,098	32,556
Rainfall (inches) ¹	0.92	2.02	1.75	5.43	5.83
Flow (MGD) ²	5.97	6.18	6.10	6.12	6.32
CBOD (mg/L)	219.75	215.66	213.50	216.33	224.40
CBOD (PE) ³	63,706	65,385	63,892	64,951	69,576
Suspended Solids (mg/L)	188.25	219.83	171.66	176.08	173.08
Suspended Solids (PE) ⁴	47,083	57,263	44,937	44,936	45,614
Tonage of Biosolids Produced	1,505	1,882	1,849	1,685	1,357
Tonage of Biosolids Applied to Land	1200	718	2,007	1,117	1,075
Total Waste Treated (Million Gallons / Year)	2,254	2,257	2,227	2,234	2,307

¹ Annual rainfall for the Coachella Valley from www.desertweather.com

² Million gallons per day

³ CBOD population equivalent based on a conversion factor of 0.17

⁴ Suspended Solids population equivalent based on a conversions factor of 0.20

Source: Valley Sanitary District

Valley Sanitary District
Operating Indicators (Continued)
Last Ten Fiscal Years

	2009	2008	2007	2006	2005
Equivalent Dwelling Units	30,900	29,110	26,778	24,981	23,439
Rainfall (inches) ¹	3.54	3.70	0.25	3.51	9.84
Flow (MGD) ²	6.50	6.87	6.54	6.14	5.96
CBOD (mg/L)	229.08	207.40	204.90	186.00	176.16
CBOD (PE) ³	73,049	69,901	65,741	56,027	51,507
Suspended Solids (mg/L)	194.66	203	220.3	214.3	189
Suspended Solids (PE) ⁴	52,763	58,155	60,079	54,869	46,910
Tonage of Biosolids Produced	1,169	1,174	1,141	1,226	1,093
Tonage of Biosolids Applied to Land	232	835	8,526	3,319	2,002
Total Waste Treated (Million Gallons / Year)	2,373	2,508	2,387	2,241	2,175

¹ Annual rainfall for the Coachella Valley from www.desertweather.com

² Million gallons per day

³ CBOD population equivalent based on a conversion factor of 0.17

⁴ Suspended Solids population equivalent based on a conversions factor of 0.20

Source: Valley Sanitary District

Valley Sanitary District
Capital Asset and Operating Information
Last Ten Fiscal Years

	2014	2013	2012	2011	2010
Sanitary Sewer Service Operations					
Equivalent Dwelling Units (units of service)	33,457	33,359	33,334	33,098	32,556
Treatment Plant Operations					
Plant Flow					
(Units = Million Gallons Per Day)					
Monthly Average	182	188	186	186	192
Permit Limitation (Dry Weather)	13.5	11.0	11.0	11.0	7.5
Annual Rainfall (inches) ¹	0.92	2.02	1.75	5.43	5.83
Collection System Operations					
Sewer Lines					
Length (ft)	1,298,880	1,288,320	1,276,660	1,275,836	1,275,836
Inspected (ft)	106,350	95,040	56,203	86,241	86,808
Cleaned (ft)	562,472	776,160	538,569	671,085	687,969

* Partial Year - Data Unavailable

¹ Annual rainfall for the Coachella Valley from www.desertweather.com

Source: Valley Sanitary District

Valley Sanitary District
Capital Asset and Operating Information (Continued)
Last Ten Fiscal Years

	2009	2008	2007	2006	2005
Sanitary Sewer Service Operations					
Equivalent Dwelling Units (units of service)	30,900	29,110	26,778	24,981	23,439
Treatment Plant Operations					
Plant Flow					
(Units = Million Gallons Per Day)					
Monthly Average	198	209	199	187	181
Permit Limitation (Dry Weather)	7.5	7.5	7.5	7.5	7.5
Annual Rainfall (inches) ¹	3.54	3.70	0.25	3.51	9.84
Collection System Operations					
Sewer Lines					
Length (ft)	1,273,917	1,267,388	1,249,556	1,211,764	1,015,838
Inspected (ft)	52,754	21,715	N/A	N/A	N/A
Cleaned (ft)	636,501	568,524	544,587	507,681	175,002*

* Partial Year - Data Unavailable

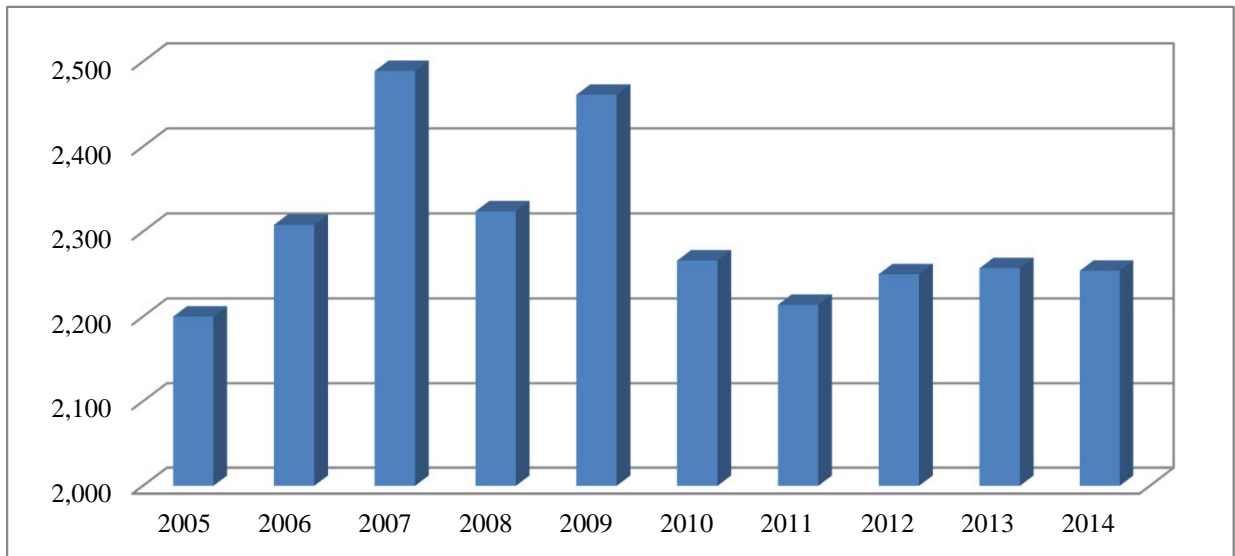
¹ Annual rainfall for the Coachella Valley from www.desertweather.com

Source: Valley Sanitary District

Valley Sanitary District
Annual Flow Data (Million Gallons)
Last Ten Fiscal Years

<u>Year</u>	<u>Annual Flow</u>
2014	2,254
2013	2,257
2012	2,250
2011	2,214
2010	2,266
2009	2,461
2008	2,324
2007	2,489
2006	2,308
2005	2,200

Source: Valley Sanitary District



Valley Sanitary District
Full-Time District Employees by Department
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Administration</u>	<u>Collections</u>	<u>Operations</u>	<u>Lab</u>	<u>Total</u>
2014	5	7	13	2	27
2013	4	7	14	2	27
2012	4	7	13	2	26
2011	4	7	13	2	26
2010	4	7	13	2	26
2009	4	7	13	2	26
2008	4	7	13	2	26
2007	4	6	13	2	25
2006	4	6	13	2	25
2005	4	5	12	2	23

Source: Valley Sanitary District

