

## Valley Sanitary District

Indio, California

Comprehensive Annual Financial Report

Years Ended June 30, 2012 and 2011



**VALLEY  
SANITARY  
DISTRICT**





**VALLEY SANITARY DISTRICT  
INDIO, CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Fiscal Years Ended June 30, 2012 and 2011

Prepared by:  
Finance Department

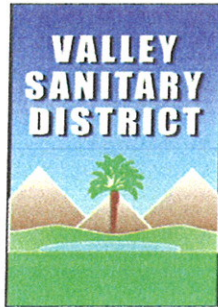
**Valley Sanitary District**  
**Annual Audit Report**  
Years Ended June 30, 2012 and 2011

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## **INTRODUCTORY SECTION**





October 23, 2012

Board of Directors  
Valley Sanitary District

### **Introduction**

It is our pleasure to submit the Annual Financial Report for the Valley Sanitary District for the Fiscal years ended June 30, 2012 and 2011, following the guidelines set forth by the Governmental Accounting Standards Board. This report has been prepared by District Staff. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

This report is organized into three sections: (1) Introductory (2) Financial and (3) 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 Districts' basic financial statements, the District's audited basic financial statements with accompanying notes, and supplemental information for additional analysis. The Statistical section presents unaudited historical financial, demographic and statistical information pertinent to the Districts 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 25 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 27,779 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 Districts customer base and produce approximately 81% of the sewage. Currently, the District can treat approximately 11 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) have witnessed a decrease in economic activity due to the downturn in property values, employment and the continued restrictions on credit.

### **Major Initiatives**

The District's Board of Directors and Staff have completed their first year Strategic Plan. The activities outlined within the Strategic Plan developed by the Board and Staff of the District are driven by the Districts Mission Statement: "to collect, treat, and dispose of wastewater in a safe and cost effective manner as prescribed by state and federal law." The strategic goals adopted by the Board of Directors are:

1. Enhance District Governance.
2. Strengthen and protect District Financial Sustainability.
3. Develop Succession Planning for the District.
4. Strengthen System Planning & District Regulatory Compliance.
5. Implement Locally Adopted Pretreatment & FOG Program.
6. Compliance with Waste Discharge Requirement Permit.
7. Promote Sustainability and Environmental Stewardship.
8. Reduce Carbon Footprint and Green House Gas Emissions.
9. Enhance District Innovation and Use of Technology.
10. Update Corporate Systems and enhance Productivity.

### **Internal Control Structure**

District Management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Districts 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 Treasurers Local Agency Investment Fund and institutional savings and checking accounts.

## **Sewer Rates and District Revenues**

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

## **Audit and Financial Reporting**

State Law and Bond Covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Teaman, Ramirez and Smith, Inc., CPAs 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, Earthquake and excess Earthquake coverage.

The District is also a member of the California sanitation Risk Management Authority. The purpose of this Authority is to arrange and administer the Districts Workmen's Compensation and Employer Liability program of insurance.

## **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.

## **Acknowledgements**

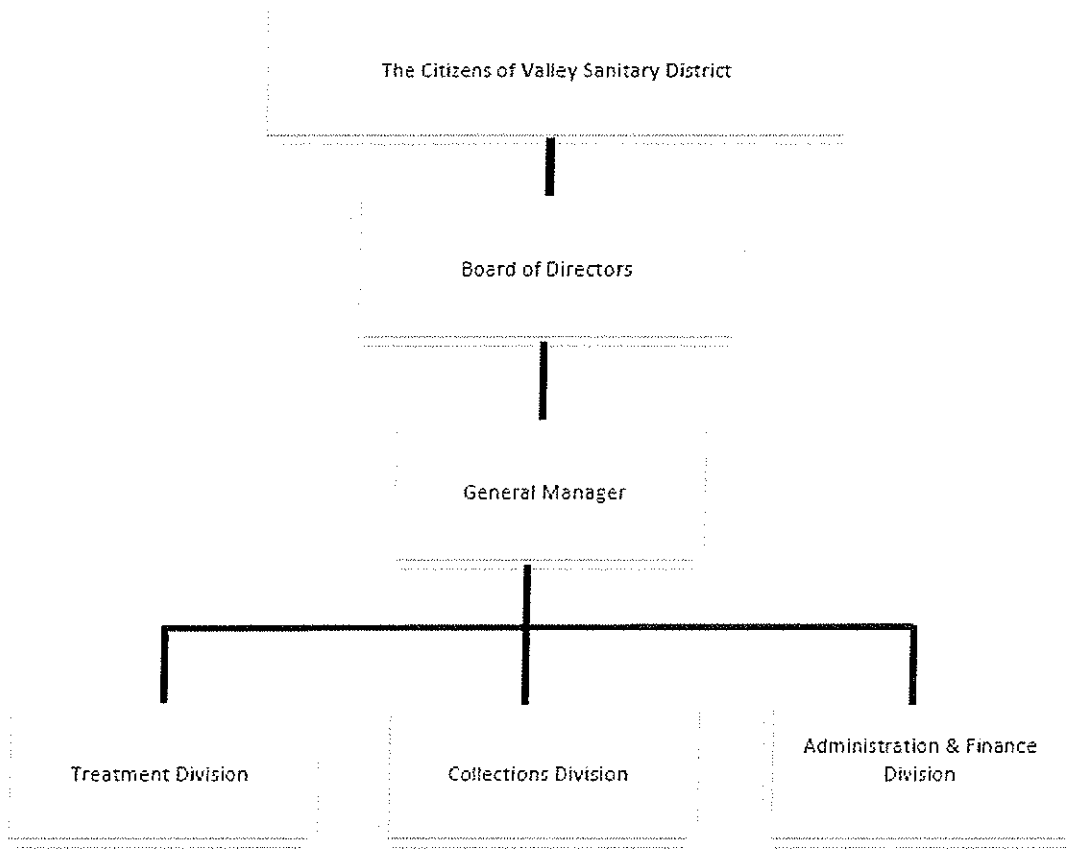
Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would like to thank the members of the Board of Directors for their continued support in the planning and implementation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

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Valley Sanitary District  
Indio, California

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Valley Sanitary District, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 aggregate remaining fund information of the Valley Sanitary District, as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2012 on our consideration of the District's internal control over financial reporting and on our tests of the District's 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, supplementary information, and statistical section, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The

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

*Teaman Ramirez & Smith, Inc.*

October 23, 2012



## Valley Sanitary District Management's Discussion and Analysis

As management of the Valley Sanitary District, we offer readers of the Valley Sanitary District's financial statements this narrative overview and analysis of the financial activities of the Valley Sanitary District for the fiscal years ending June 30, 2012 and 2011. We encourage readers to consider the information presented here in conjunction with the audit report.

### Financial Highlights

- The assets of the Valley Sanitary District exceeded its liabilities by \$89,881,354 and \$87,301,978 at the close of June 30, 2012 and 2011 respectively. Of this amount, \$33,648,050 and \$37,028,724 as of June 30, 2012 and 2011, respectively, (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$2,579,376 and \$2,666,916 as of June 30, 2012 and 2011, respectively. Approximately 90% of the increase in total net assets as of June 30, 2012 is derived from net operating income of which approximately 9% is attributable to a one-time infusion of resources from connection fees while approximately 11% of the increase in net assets is derived from nonoperating revenues. Approximately 90% of the increase in total net assets as of June 30, 2011 is derived from net operating income of which approximately 3% is attributable to a one-time infusion of resources from connection fees while approximately 32% of the increase in net assets is derived from nonoperating revenues.
- The Valley Sanitary District's total liabilities decreased by \$391,367 (3 percent) in 2012 and decreased \$563,863 (5 percent) in 2011. The key factor in the decrease in 2012 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 compensated absences. The key factor in the decrease in 2011 is due to a \$495,000 payment on the COPS loan and a \$97,566 decrease in accrued salaries and related liabilities.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Valley Sanitary District's basic financial statements. The Valley Sanitary 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 assets* presents information on all of the Valley Sanitary District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Valley Sanitary District is improving or deteriorating.

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

The *statement of cash flows* presents information on cash receipts and payments for the fiscal year. From this statement, the sources and uses of the District's cash can be obtained.

The Valley Sanitary District has business-type activities and a fiduciary fund. 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 Valley Sanitary 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 assets and statement of revenues, expenses, and changes in net assets* because the resources of the fund 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 16 of this report.

**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 17-29 of this report.

The Schedule of Operating Expenses presents the functional expense items by activities 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 30 and 31 of this report.

### **Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Valley Sanitary District, assets exceeded liabilities by \$89,881,354 and \$87,301,978 as of June 30, 2012 and 2011, respectively.

By far the largest portion of the Valley Sanitary District's net assets during June 30, 2012 (62 %) and 2011 (57 %) 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 Valley Sanitary District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Valley Sanitary 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.

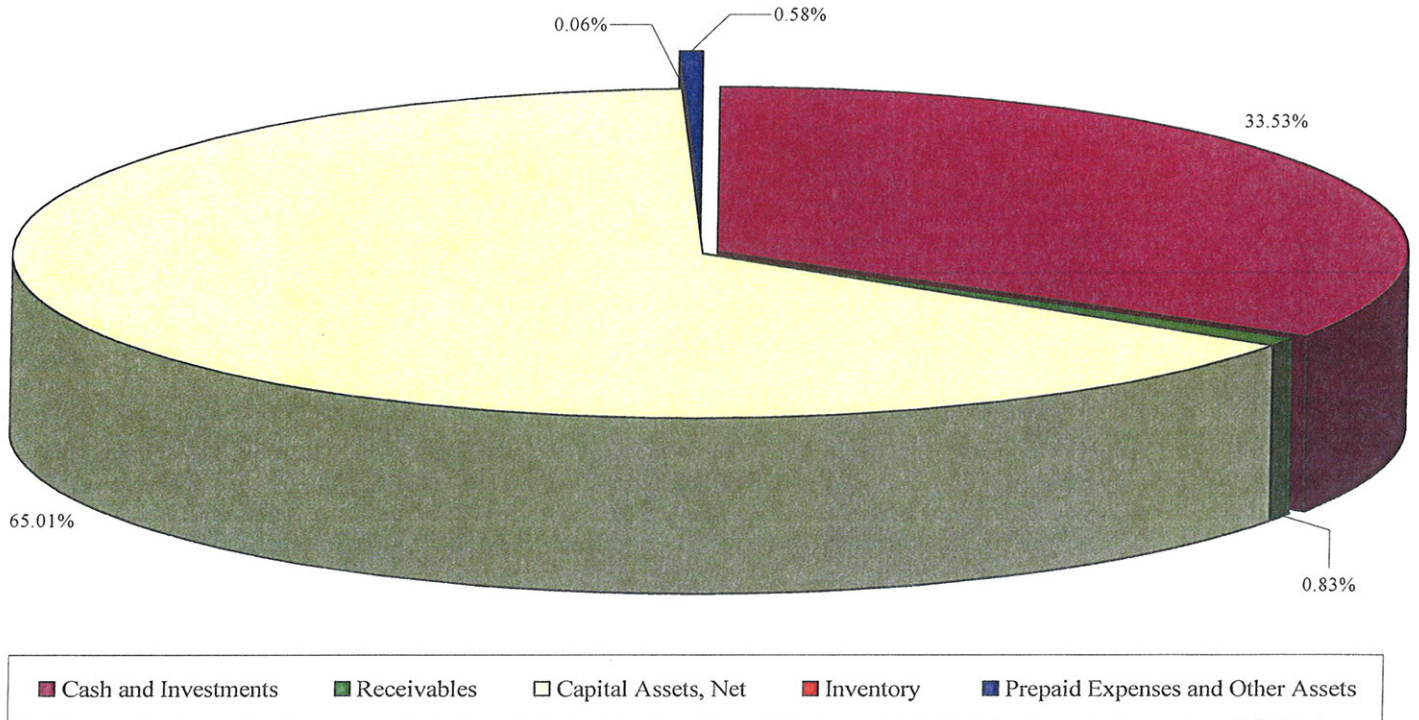
Net assets of the Valley Sanitary District also include \$967,394 of restricted net assets. These are assets representing resources subject to external restrictions as to how they may be used by the District.

### **VALLEY SANITARY DISTRICT'S NET ASSETS**

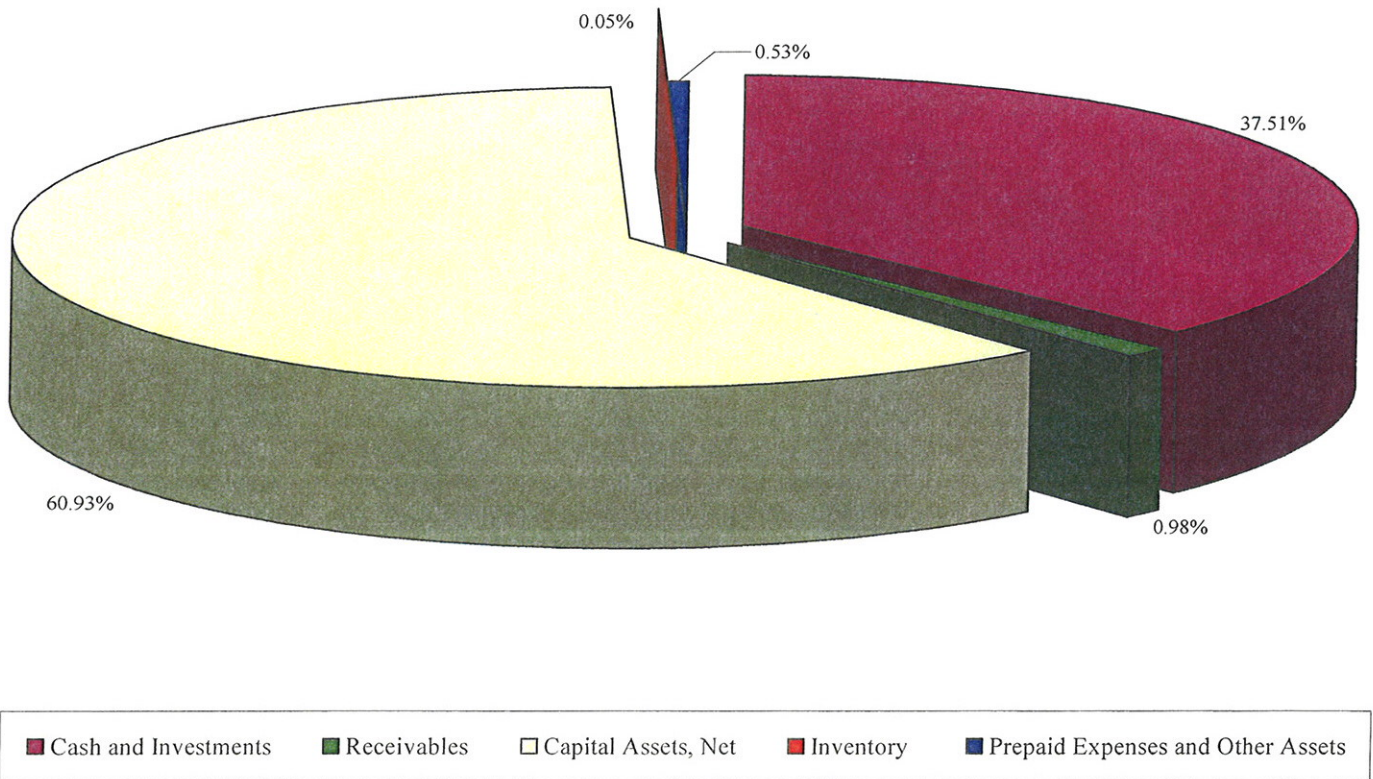
At the end of the current fiscal year, the Valley Sanitary District is able to report positive balances in all three categories of net assets. The same situation held true for the prior two fiscal years.

	2012	2011	2010
Current Assets	\$ 34,160,779	\$ 37,423,508	\$ 34,003,562
Noncurrent Assets	66,904,851	61,454,113	62,771,006
Total Assets	<u>\$ 101,065,630</u>	<u>\$ 98,977,621</u>	<u>\$ 96,774,568</u>
Current Liabilities	\$ 1,008,570	\$ 923,845	\$ 990,220
Noncurrent Liabilities	10,175,706	10,651,798	11,149,286
Total Liabilities	<u>\$ 11,184,276</u>	<u>\$ 11,575,643</u>	<u>\$ 12,139,506</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 55,265,910	\$ 49,305,860	\$ 50,121,414
Restricted	967,394	967,394	967,394
Unrestricted	33,648,050	37,028,724	33,546,254
Total Net Assets	<u>\$ 89,881,354</u>	<u>\$ 87,301,978</u>	<u>\$ 84,635,062</u>

**Assets 2012**

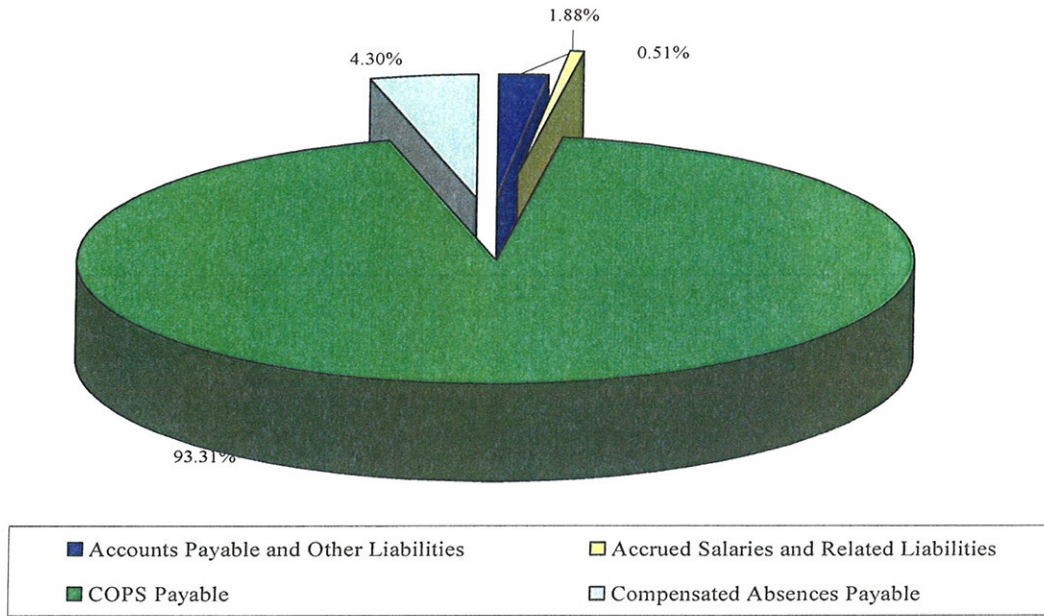


**Assets 2011**

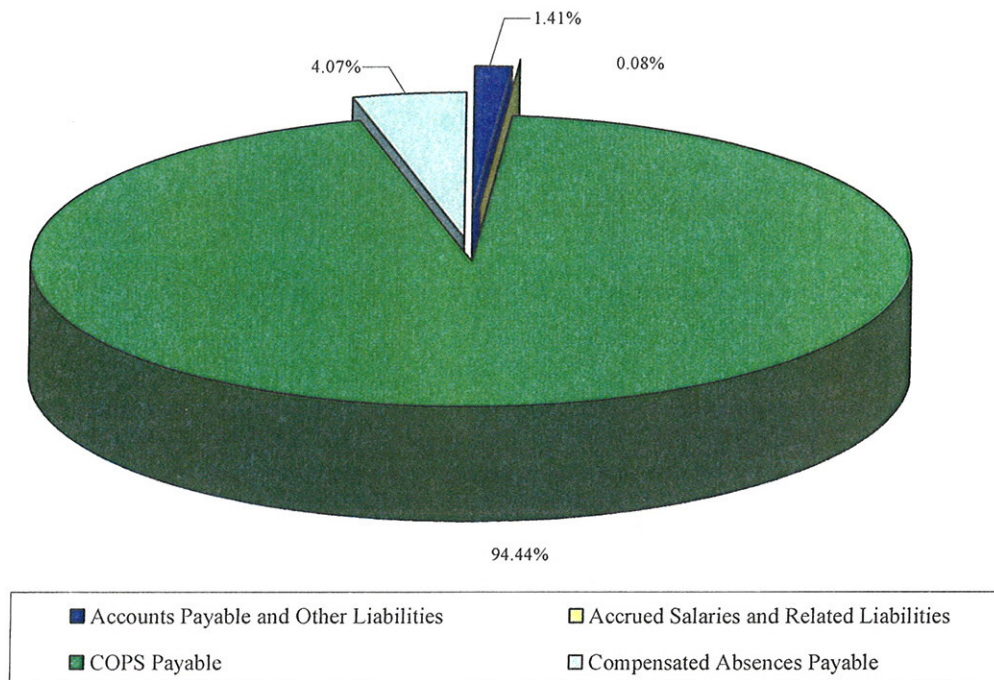




### Liabilities 2012



### Liabilities 2011

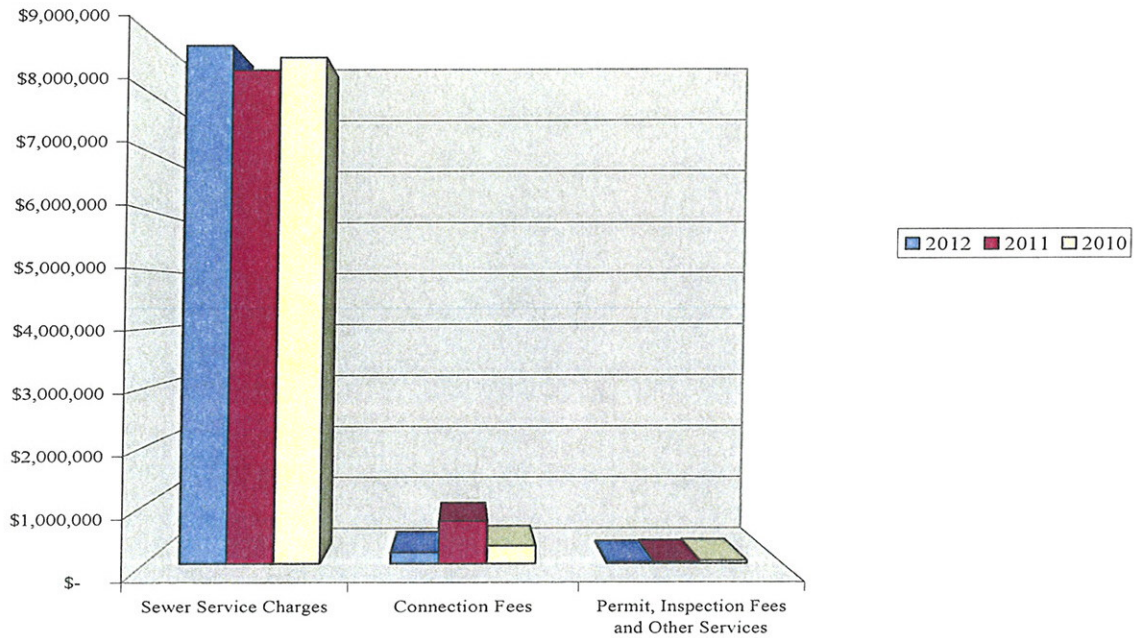


Changes in the District's net assets reflect an increase of by \$2,579,376 and \$2,666,916 as of June 30, 2012 and 2011, respectively. Although the District's net assets increased in the current year, the District's total revenues of \$9,748,208 were actually lower by \$152,036 (2%) compared to the prior year amounts primarily due to a \$531,222 (74%) reduction in connection fee income offset by a \$422,688 (5%) increase in sewer user fees. In addition, total expenses decreased by \$64,496 (1%) compared to the prior year.

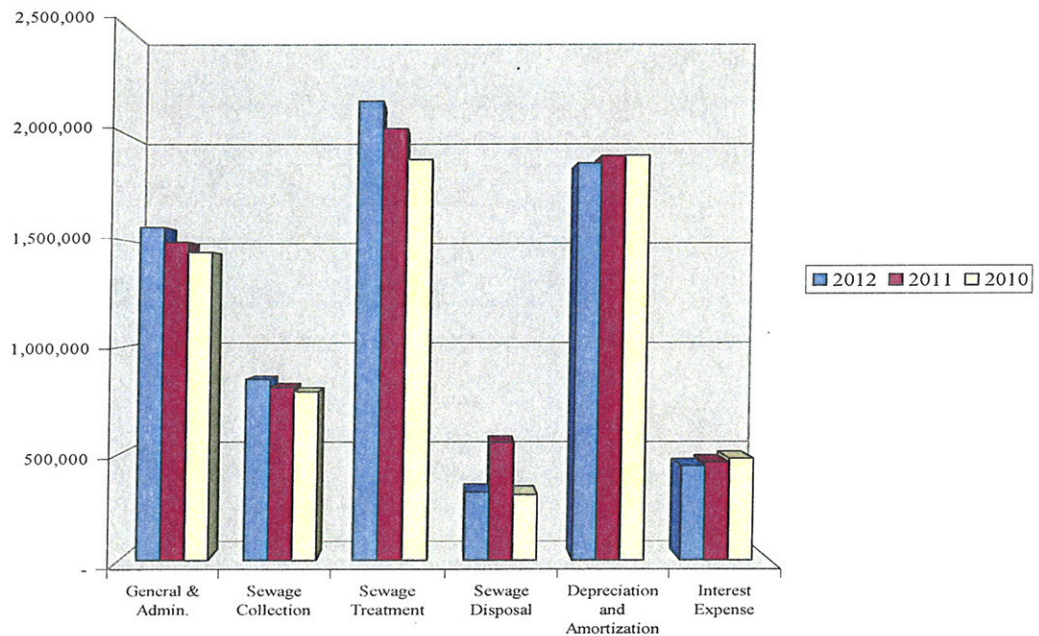
### VALLEY SANITARY DISTRICT'S CHANGES IN NET ASSETS

	2012	2011	2010
Revenues:			
Service Charges	\$ 8,808,414	\$ 8,385,726	\$ 8,605,117
Connection Fees	192,763	723,985	304,428
Permits & Inspections	7,362	28,544	25,880
Other Operating	11,173	4,726	24,710
Nonoperating	728,496	757,263	858,943
Total Revenues	<u>\$ 9,748,208</u>	<u>\$ 9,900,244</u>	<u>\$ 9,819,078</u>
Expenses:			
Depreciation & Nonoperating	\$ 2,297,725	\$ 2,351,300	\$ 2,370,454
Administrative	1,559,137	1,488,754	1,440,724
Sewage Collection	846,598	809,998	788,124
Sewage Treatment	2,147,581	2,031,907	1,875,514
Sewage Disposal	317,791	551,369	307,380
Total Expenses	<u>\$ 7,168,832</u>	<u>\$ 7,233,328</u>	<u>\$ 6,782,196</u>
Increase in Net Assets	\$ 2,579,376	\$ 2,666,916	\$ 3,036,882
Beginning Net Assets	<u>87,301,978</u>	<u>84,635,062</u>	<u>81,598,180</u>
Ending Net Assets	<u>\$ 89,881,354</u>	<u>\$ 87,301,978</u>	<u>\$ 84,635,062</u>

## Operating Revenues



## Operating Expenses



## Capital Asset Administration

The Valley Sanitary District's investment in capital assets as of June 30, 2012 and June 30, 2011 amounts to \$ 65,702,338 and \$60,238,461 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total increase in the Valley Sanitary District's investment in capital assets for the current fiscal year was 9%. This increase is due primarily to the rehabilitation and expansion of the administrative and operations center and the expansion of the wastewater treatment facilities. It is anticipated these projects will be completed in the latter part of the 2012-2013 fiscal year.

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

- Sewer Line Rehabilitation Projects
- Manhole Rehabilitation Project # 12
- Replacement of 4 Aerators
- Purchase of 2008 Caterpillar 297C Skip Loader and Auger
- Rehabilitation and Expansion of Administrative and Operations Center
- Expansion of Waste Water Treatment Facility

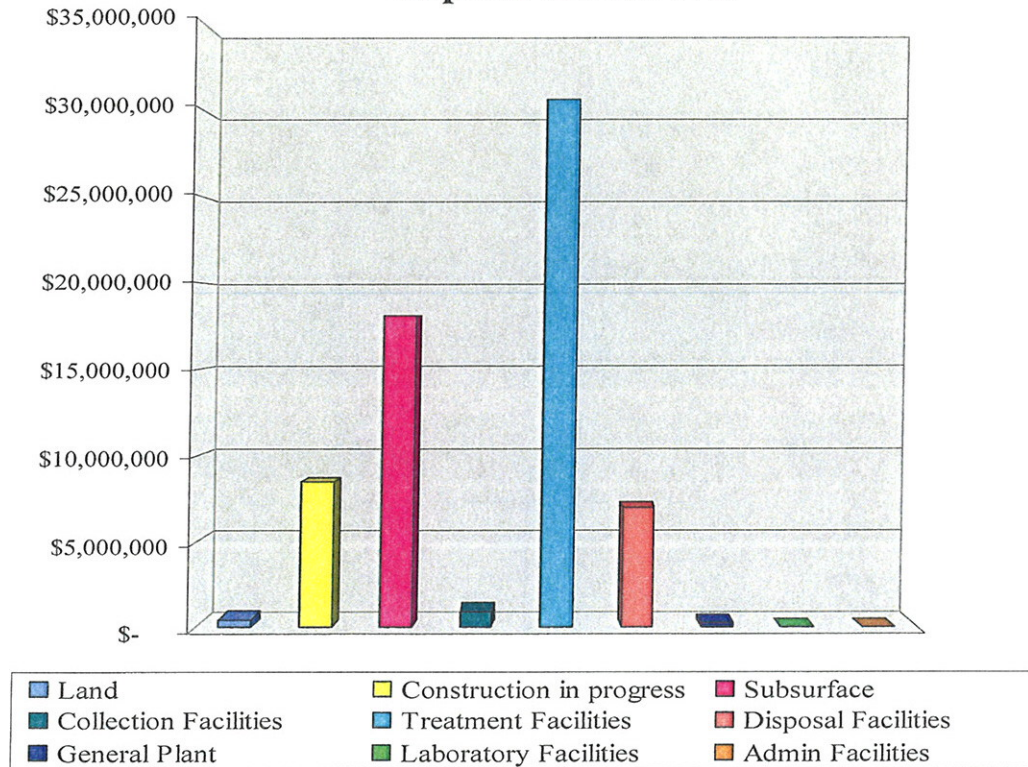
### VALLEY SANITARY DISTRICT'S CAPITAL ASSETS

Net of Accumulated Depreciation

	June 30, 2012	June 30, 2011	June 30, 2010
Land	\$ 448,364	\$ 448,364	\$ 448,364
Construction in Progress	8,458,800	1,622,137	1,299,444
Subsurface	18,031,418	18,438,811	18,773,375
Collection Facilities	927,000	891,259	941,954
Treatment Facilities	30,573,252	31,563,335	32,589,187
Disposal Facilities	6,994,250	7,065,140	7,238,914
General Plant	262,099	135,666	168,260
Laboratory Facilities	2,821	4,880	7,328
Admin Facilities	4,334	68,869	73,362
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 65,702,338</u>	<u>\$ 60,238,461</u>	<u>\$ 61,540,188</u>



## Capital Assets-Net



Additional information on the Valley Sanitary District's capital assets can be found in note 5 on page 24 of this report.

### Long-term Debt Administration

At the end of June 30, 2012 and 2011, the District had total long-term debt of \$10,175,706 and \$10,651,798 which includes \$264,278 and \$224,197 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.

### VALLEY SANITARY DISTRICT'S OUTSTANDING DEBT

	2012	2011
Certificates of Participation	\$ 10,560,000	\$ 11,065,000
Total	<u>\$ 10,560,000</u>	<u>\$ 11,065,000</u>

The District's total debt decreased \$505,000 as a result of a \$505,000 principal payment during the June 30, 2012 fiscal year. During 2010/2011 the District's total debt decreased by \$495,000 as a result of a \$495,000 principal payment during the fiscal year.

Additional information on the Valley Sanitary District's long-term debt can be found in note 6 on pages 25-26 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

Residential and Commercial development within the District's service area has experienced a decline in recent years due to the overall economic downturn that has been and continues to be experienced throughout Southern California as well as most of the nation. However, the District has experienced some development activity during the 2011/2012 fiscal year. To take advantage of lower construction costs, the District has started the expansion of its treatment facilities during the 2011/2012 fiscal year.

The annual sewer use fee of \$259 per year for the fiscal year 2011/2012 will be increased in the 2012/13 Fiscal year to \$270. The connection capacity charge of \$3,957 per unit of service for the fiscal year 2011/2012 will be increased to \$4,265 effective January 1, 2013.

### **Requests for Information**

This financial report is designed to provide our customers and creditors with a general overview of the Valley Sanitary 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, Valley Sanitary District, 45500 Van Buren Street, Indio, California, 92201 or (760)-238-5400.

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**Valley Sanitary District**  
**Statements of Net Assets**  
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 32,915,354	\$ 36,114,922
Accounts Receivable - Net of Allowance for Uncollectibles	756,401	874,956
Interest Receivable	26,968	39,168
Inventory of Materials	59,486	61,755
Note Receivable - Current	-	2,027
Prepaid Expenses	<u>402,570</u>	<u>330,680</u>
<b>TOTAL CURRENT ASSETS</b>	<u>34,160,779</u>	<u>37,423,508</u>
<b>NONCURRENT ASSETS</b>		
Restricted: Cash with Fiscal Agent	967,394	967,394
Accounts Receivable - State Prop 1A	51,177	51,177
Capital Assets Not being Depreciated		
Land	448,364	448,364
Construction in Progress	8,458,800	1,622,137
Capital Assets, Net of Accumulated Depreciation	56,795,174	58,167,960
Bond Issue Costs, Net of Accumulated Amortization	<u>183,942</u>	<u>197,081</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>66,904,851</u>	<u>61,454,113</u>
<b>TOTAL ASSETS</b>	<u>101,065,630</u>	<u>98,877,621</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	210,541	162,695
Accrued Salaries and Related Liabilities	56,801	9,641
Compensated Absences Payable	216,228	246,509
Certificates of Participation	<u>525,000</u>	<u>505,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,008,570</u>	<u>923,845</u>
<b>LONG-TERM LIABILITIES</b>		
Compensated Absences Payable	264,278	224,197
Certificates of Participation	<u>9,911,428</u>	<u>10,427,601</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>10,175,706</u>	<u>10,651,798</u>
<b>TOTAL LIABILITIES</b>	<u>11,184,276</u>	<u>11,575,643</u>
<b>NET ASSETS</b>		
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	55,265,910	49,305,860
Restricted for Debt Service	967,394	967,394
Unrestricted	<u>33,648,050</u>	<u>37,028,724</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 89,881,354</u>	<u>\$ 87,301,978</u>

The accompanying notes are an integral part of these statements.



**Valley Sanitary District**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Sewer Service Charges	\$ 8,808,414	\$ 8,385,726
Connection Fees	192,763	723,985
Permit and Inspection Fees	7,362	28,544
Other Services	<u>11,173</u>	<u>4,726</u>
<b>TOTAL OPERATING REVENUES</b>	<u>9,019,712</u>	<u>9,142,981</u>
<b>OPERATING EXPENSES</b>		
<b>Administrative and Plant</b>		
General and Administrative	1,559,137	1,488,754
Sewage Collection	846,598	809,998
Sewage Treatment	2,147,581	2,031,907
Sewage Disposal	<u>317,791</u>	<u>551,369</u>
<b>Total Administrative and Plant</b>	<u>4,871,107</u>	<u>4,882,028</u>
<b>Other Operating Expenses</b>		
Depreciation	<u>1,835,054</u>	<u>1,870,504</u>
<b>Total Other Operating Expenses</b>	<u>1,835,054</u>	<u>1,870,504</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>6,706,161</u>	<u>6,752,532</u>
<b>NET OPERATING INCOME (LOSS)</b>	<u>2,313,551</u>	<u>2,390,449</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Property Taxes	585,004	585,628
Homeowners' Tax Relief	6,851	7,183
Investment Income	123,009	154,896
Interest Expense	(440,705)	(458,830)
Amortization	(21,966)	(21,966)
Other Revenues	<u>13,632</u>	<u>9,556</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>265,825</u>	<u>276,467</u>
<b>CHANGE IN NET ASSETS</b>	2,579,376	2,666,916
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>87,301,978</u>	<u>84,635,062</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 89,881,354</u></u>	<u><u>\$ 87,301,978</u></u>

The accompanying notes are an integral part of these statements.

**Valley Sanitary District**  
**Statements of Cash Flows**  
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Receipts from Customers	\$ 9,125,716	\$ 9,382,463
Cash Payments to Suppliers for Goods and Services	(2,988,745)	(3,051,032)
Cash Payments to Employees for Services	(1,847,177)	(1,942,334)
Other Revenue	<u>13,632</u>	<u>9,556</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>4,303,426</u>	<u>4,398,653</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property Tax Revenues	599,582	587,546
Homeowners' Tax Relief Revenues	<u>6,851</u>	<u>7,182</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>606,433</u>	<u>594,728</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and Construction of Capital Assets	(7,298,931)	(568,777)
Principal Paid on Certificates of Participation Payable	(505,000)	(495,000)
Interest Paid on Certificates of Participation	<u>(440,705)</u>	<u>(458,830)</u>
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(8,244,636)</u>	<u>(1,522,607)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	<u>135,209</u>	<u>156,049</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>135,209</u>	<u>156,049</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(3,199,568)	3,626,823
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>37,082,316</u>	<u>33,455,493</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 33,882,748</u></u>	<u><u>\$ 37,082,316</u></u>
Cash and Cash Equivalents are reported on the Statement of Net Assets as follows:		
Cash and Investments	\$ 32,915,354	\$ 36,114,922
Restricted: Cash with Fiscal Agent	<u>967,394</u>	<u>967,394</u>
	<u><u>\$ 33,882,748</u></u>	<u><u>\$ 37,082,316</u></u>

(Continued)

The accompanying notes are an integral part of these statements.

**Valley Sanitary District**  
**Statements of Cash Flows - Continued**  
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Net Operating Income	<u>\$ 2,313,551</u>	<u>\$ 2,390,449</u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,835,054	1,870,504
Other Revenue	13,632	9,556
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	63,169	(27,457)
(Increase) Decrease in Sewer Charges Receivable	40,745	263,354
(Increase) Decrease in Inventory of Materials	2,269	(21,930)
(Increase) Decrease in Note Receivable	2,027	3,570
(Increase) Decrease in Miscellaneous Receivable	63	15
(Increase) Decrease in Prepaid Expenses	(71,890)	(11,718)
Increase (Decrease) in Accounts Payable	47,846	47,260
Increase (Decrease) in Accrued Salaries and Related Liabilities	47,160	(97,566)
Increase (Decrease) in Compensated Absences Payable	<u>9,800</u>	<u>(27,384)</u>
<b>Total Adjustments</b>	<u>1,989,875</u>	<u>2,008,204</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 4,303,426</u></u>	<u><u>\$ 4,398,653</u></u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Amortization of Bond Issuance Cost and Discount	\$ 21,966	\$ 21,966

The accompanying notes are an integral part of these statements.

**Valley Sanitary District**  
**Statements of Fiduciary Assets and Liabilities**  
**Agency Fund**  
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and Investments	\$ 508,848	\$ 310,549
Cash with Fiscal Agent	634,429	634,315
Assessments Receivable	11,744	109,400
Interest Receivable	<u>434</u>	<u>356</u>
Total Assets	<u>\$ 1,155,455</u>	<u>\$ 1,054,620</u>
<b>LIABILITIES</b>		
Due to Bondholders	<u>\$ 1,155,455</u>	<u>\$ 1,054,620</u>
Total Liabilities	<u>\$ 1,155,455</u>	<u>\$ 1,054,620</u>

The accompanying notes are an integral part of this statement.



**Valley Sanitary District**  
**Notes to Financial Statements**  
Years Ended June 30, 2012 and 2011

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A) Reporting Entity**

The Valley Sanitary District was formed June 1, 1925 under the Health and Safety Code, Sanitary District Act of 1923, Secs. 6400 Et. Seq., for the purpose of operation and maintenance of sewer collection, transmission and treatment facilities serving a population of approximately 77,000 in the City of Indio and adjacent unincorporated areas of Riverside County.

The financial statements of the District include the financial activities of the District and Valley Sanitary District Wastewater Facilities Corporation. In accordance with GASB Statement No. 14, the basic criteria for including an agency, institution, authority or other organization in a governmental unit's financial reporting entity is financial accountability. Financial accountability includes, but is not limited to: 1) selection of the governing body, 2) imposition of will, 3) ability to provide a financial benefit to or impose financial burden on and 4) fiscal dependency.

There may, however, be factors other than financial accountability that are so significant that exclusion of a particular agency from a reporting entity's financial statements would be misleading. These other factors include scope of public service and special financing relationships.

Based upon the application of these criteria, an agency, institution or authority may be included as a component unit in the primary government's financial statements. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government. There are no discretely presented component units in these financial statements. Each blended component unit presented has a June 30 year end. The following is a brief review of each component unit included in the primary government's reporting entity.

Valley Sanitary District Wastewater Facilities Corporation (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.

District officers are as follows:

<u>Name</u>	<u>Title</u>
William R. Teague	President
Richard Friestad	Vice President
Merritt Wiseman	Secretary/Treasurer
Mike Duran	Director
Doug York	Director

The Board of Directors meets the second and fourth Tuesday of each month.

**Valley Sanitary District**  
**Notes to Financial Statements**  
Years Ended June 30, 2012 and 2011

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B) Uniform Accounting System**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. This system permits separate accounting for each established fund for purposes of complying with applicable legal provisions, Board of Director's ordinances and resolutions and other requirements. Also, the accounts have been maintained in accordance with the California State Controller's uniform system of accounts.

**C) Basis of Accounting, Measurement Focus and Financial Statement Presentation**

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. For financial reporting purposes, all of the funds of the District have been consolidated after elimination of significant interfund accounts and transactions. Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Additionally, the District reports an *Agency Fund* which is used to account for assets held by the District as an agent for property owners.

An enterprise fund is accounted for on the flow of economic resources measurement focus. This means that all assets and liabilities (whether current or non-current) associated with the activity are included on the statement of net assets. Fund equity is displayed as three components: (1) Invested in capital assets, net of related debt, which reflects the cost of capital assets less accumulated depreciation and less the outstanding principal of related debt not associated with unspent bond proceeds; (2) Restricted, which reflects the carrying value of assets less related liabilities that are restricted by outside covenants or by law; and (3) Unrestricted, which represents the remaining fund equity balance.

The District distinguishes operating revenues and expenses from those revenues and expenses that are non-operating. Operating revenues are those revenues that are generated by wastewater services while operating expenses pertain directly to the furnishing of those services. Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of wastewater treatment services.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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

**Valley Sanitary District**  
**Notes to Financial Statements**  
Years Ended June 30, 2012 and 2011

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D) Use of Estimates**

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

**E) Capital Assets**

Capital assets, which include land, structures, equipment, etc, are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Assets purchased in excess of \$5,000 are capitalized if they have an expected useful life of 1 year or more. Major capital outlay for capital assets and improvements are capitalized as projects are constructed. For debt-financed capital assets, interest incurred during the construction phase is reflected in the capitalization value of the asset constructed. Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the Statement of Net Assets.

The estimated useful lives are as follows:

Subsurface Lines	40 Years
General Plant	10 - 40 Years
Equipment	5 - 10 Years
Collection, Treatment and Disposal Facilities	10 - 40 Years

**F) Cash and Investments**

For the purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of change in value because of changes in interest rates. Investments purchased within three months of original maturity are considered to be cash equivalents.

Investments are reported at fair value. Changes in fair value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

**G) Uncollectible Accounts**

Uncollectible accounts are determined by the allowance method, based upon prior experience and management's assessment of the collectibility of existing specific accounts.

**H) Inventories**

Inventories are priced using the lower of cost or market method, determined on a first-in, first-out basis. Inventories consist of expendable supplies, spare parts and fittings.

**Valley Sanitary District**  
**Notes to Financial Statements**  
Years Ended June 30, 2012 and 2011

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**I) Reclassifications**

Certain amounts in the prior fiscal year have been reclassified to conform with the current year financial statement presentation.

**J) Restricted Assets**

Certain proceeds of the District's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Assets because they are maintained in separate bank accounts and their use is limited by bond covenants.

**2) PROPERTY TAX CALENDAR**

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 01	
Levy Date	July 01	
Due Date	November 01	- 1st Installment
	February 01	- 2nd Installment
Delinquent Date	December 10	- 1st Installment
	April 10	- 2nd Installment

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities and districts based on complex formulas prescribed by the state statutes.

**3) CASH AND INVESTMENTS**

Cash and Investments are classified in the accompanying financial statements as follows:

	<u>2012</u>	<u>2011</u>
Statements of Net Assets:		
Cash and Investments	\$ 32,915,354	\$ 36,114,922
Cash with Fiscal Agent	967,394	967,394
Statements of Fiduciary Assets and Liabilities		
Cash and Investments	508,848	310,549
Cash with Fiscal Agent	<u>634,429</u>	<u>634,315</u>
 Total Cash and Investments	 <u>\$ 35,026,025</u>	 <u>\$ 38,027,180</u>



**Valley Sanitary District**  
**Notes to Financial Statements**  
Years Ended June 30, 2012 and 2011

**3) CASH AND INVESTMENTS - Continued**

Cash and investments consist of the following:

	<u>2012</u>	<u>2011</u>
Cash on Hand	\$ 500	\$ 500
Deposits with Financial Institutions	1,276,564	1,913,420
Investments	<u>33,748,961</u>	<u>36,113,260</u>
Total Cash and Investments	<u>\$ 35,026,025</u>	<u>\$ 38,027,180</u>

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

Idle cash is authorized under the District's Investment Policy to be invested in the Local Agency Investment Fund. Fiscal agent investments are governed by the trust indenture and are not subject to the California Government Code or District Policy.

**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 that the District manages its exposure to interest rates 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.

As of June 30, 2012, the District had the following investments.

		<u>Maturity Date</u> <u>12 Month or Less</u>
State Investment Pool	\$ 32,147,138	\$ 32,147,138
Held by Bond Trustee:		
Money Market Fund	<u>1,601,823</u>	<u>1,601,823</u>
Total	<u>\$ 33,748,961</u>	<u>\$ 33,748,961</u>

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

**Valley Sanitary District**  
**Notes to Financial Statements**  
Years Ended June 30, 2012 and 2011

**3) CASH AND INVESTMENTS - Continued**

**Disclosures Relating to Credit Risk - Continued**

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>Aaa</u>	<u>Aa</u>	<u>Not Rated</u>
State Investment Pool	\$ 32,147,138	N/A	\$	\$	\$	\$ 32,147,138
Held by Bond Trustee:						
Money Market Fund	<u>1,601,823</u>	N/A		<u>1,601,823</u>		
Total	<u>\$ 33,748,961</u>		<u>\$ -</u>	<u>\$ 1,601,823</u>	<u>\$ -</u>	<u>\$ 32,147,138</u>

**Concentration of Credit Risk**

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Entity's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The collateral for certificates of Deposit is generally held in safekeeping by the Federal Home Loan Bank in San Francisco as the third-party trustee. The securities are physically held in an undivided pool for all California public agency depositors. The State Public Administrative Office for public agencies and the Federal Home Loan Bank maintain detailed records of the security pool which are coordinated and updated weekly.

The Agency Treasurer, at his or her discretion, may waive the 100% collateral requirement for deposits which are insured up to \$250,000 by the FDIC. As of June 30, 2012 and 2011, the District did not have any deposits with financial institutions in excess of federal depository insurance limits and held in uncollateralized accounts.

**Valley Sanitary District**  
**Notes to Financial Statements**  
Years Ended June 30, 2012 and 2011

**3) CASH AND INVESTMENTS - Continued**

**Custodial Credit Risk - Continued**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The 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).

**Investment in State Investment Pool**

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The yield of LAIF for the quarter ended June 30, 2012 was .36%. The estimated amortized cost and fair value of the LAIF Pool at June 30, 2012 was \$60,514,457,551 and \$60,588,263,603, respectively. The District's share of the Pool at June 30, 2012 was approximately 0.0005 percent.

Each government agency may invest up to \$50,000,000 in the Fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Investments in LAIF are secured by the full faith and credit of the State of California. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes and asset-backed securities totaling \$800,000,000 and \$1,297,405,000. LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

**Cash with Fiscal Agent**

Cash and investments held and invested by fiscal agents on behalf of the District are pledged for payment or security of certain long-term debt issuances. Fiscal agents are mandated by bond indentures as to the types of investments in which debt proceeds can be invested.

**4) ACCOUNTS RECEIVABLE**

Accounts receivable primarily consist 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 the Riverside County. As of June 30, 2012 and 2011, direct billings, connection fees and reimbursements receivable were \$221,748 and \$296,249 with an allowance for uncollectibles of \$2,255 and \$13,524, respectively, while receivables from the Riverside County were \$536,908 and \$592,231, respectively.

**Valley Sanitary District**  
**Notes to Financial Statements**  
Years Ended June 30, 2012 and 2011

**5) CAPITAL ASSETS**

Activities relating to capital assets are presented as follows:

	Balance Beginning of Year	Adjustments*	Additions	Deletions	Balance End of Year
Capital Assets, Not Depreciated					
Land	\$ 448,364		\$	\$	\$ 448,364
Construction in Progress	1,622,137		6,836,663		8,458,800
 Total Capital Assets Not Depreciated	 2,070,501	 -	 6,836,663	 -	 8,907,164
Capital Assets, Being Depreciated					
Subsurface	20,459,776	1,122			20,460,898
Sewage Collection Facilities	2,804,188	(423)	166,077		2,969,842
Wastewater Treatment Facilities	39,385,836	15,742	142,660		39,544,238
Sludge Disposal Facilities	8,166,998		79,784		8,246,782
General Plant Facilities	1,089,138	219,884	73,747		1,382,769
Laboratory Facilities	67,171				67,171
Administration Facilities	317,220	(212,627)			104,593
 Total Capital Assets Being Depreciated	 72,290,327	 23,698	 462,268	 -	 72,776,293
Less Accumulated Depreciation:					
Subsurface	2,020,965	73,804	334,711		2,429,480
Sewage Collection Facilities	1,912,929	(77,386)	207,299		2,042,842
Wastewater Treatment Facilities	7,822,501	38,998	1,109,487		8,970,986
Sludge Disposal Facilities	1,101,858	2,003	148,671		1,252,532
General Plant Facilities	953,472	137,571	29,627		1,120,670
Laboratory Facilities	62,291	1,045	1,014		64,350
Administration Facilities	248,351	(152,337)	4,245		100,259
 Total Accumulated Depreciation	 14,122,367	 23,698	 1,835,054	 -	 15,981,119
 Total Capital Assets Being Depreciated, Net	 58,167,960	 -	 (1,372,786)	 -	 56,795,174
 Total Capital Assets, Net	 \$ 60,238,461	 \$ -	 \$ 5,463,877	 \$ -	 \$ 65,702,338

\*These adjustments were to reclassify assets to the proper functions and adjust subledger to match the general ledger.

**Valley Sanitary District**  
**Notes to Financial Statements**  
Years Ended June 30, 2012 and 2011

**6) LONG-TERM LIABILITIES**

Long-term liability activities for the year ended June 30, 2012, are as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year	Due Within One Year
Certificates of Participation	\$ 11,065,000	\$	\$ 505,000	\$ 10,560,000	\$ 525,000
Unamortized Discount	(132,399)		(8,827)	(123,572)	
Compensated Absences	470,706	256,309	246,509	480,506	216,228
Total	<u>\$ 11,403,307</u>	<u>\$ 256,309</u>	<u>\$ 742,682</u>	<u>\$ 10,916,934</u>	<u>\$ 741,228</u>

**A) Certificates of Participation (COPs)**

On August 15, 2006 the District issued \$12,915,000 Certificates of Participation to help fund Phase I of the District's treatment plant expansion. Interest ranging from 3.50% to 4.375% is payable semi-annually on February 1<sup>st</sup> and August 1<sup>st</sup> commencing February 1, 2007. The Bonds mature August 1<sup>st</sup> 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"). Information regarding the current reserve is as follows:

Requirement:	\$964,900	Actual:	\$964,900
--------------	-----------	---------	-----------

Future debt service requirements for the certificates are as follows:

For the Year Ending June 30,	Principal	Interest
2013	\$ 525,000	\$ 422,037
2014	550,000	402,552
2015	570,000	381,896
2016	590,000	360,146
2017	615,000	337,168
2018	635,000	312,553
2019	665,000	286,553
2020	690,000	259,020
2021	720,000	229,670
2022	750,000	198,800
2023	780,000	166,475
2024	815,000	132,377
2025	850,000	96,580
2026	885,000	59,278
2027	920,000	20,125
	<u>\$ 10,560,000</u>	<u>\$ 3,665,230</u>

**Valley Sanitary District**  
**Notes to Financial Statements**  
Years Ended June 30, 2012 and 2011

**6) LONG-TERM LIABILITIES - Continued**

**B) Bond Issue and Underwriting Costs**

The bond issue costs and underwriters discount associated with the outstanding bonds issue are being amortized on a straight line basis over the life of the bonds.

Issuance costs and underwriters discount associated with the 2006 Certificates of Participation was \$439,308 and is being amortized over 20 years, at an amount of \$21,966 per year.

**C) Compensated Absences Payable**

Pursuant to GASB Statement 16, the accompanying financial statements present vacation and sick benefits due employees at year end.

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 not to exceed 120 days. The combined unused vacation and sick pay will be paid to the employee or his beneficiary upon leaving the District's employment. The amount due will be determined using salary/wage rates in effect at the time of separation. Based on management's estimates, the total amount to be paid during the fiscal year ending June 30, 2013 will be \$216,228 with the remaining amount of \$264,278 to be paid in subsequent periods.

**D) Limited Obligation Improvement Bonds**

On July 21, 2005, the District issued \$8,848,000 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 2<sup>nd</sup> and September 2<sup>nd</sup> each year commencing March 2, 2006. The Bonds mature September 2<sup>nd</sup> 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 the interest on the Bonds. Therefore none of the limited obligation improvement bonds have been included in the accompanying financial statements. As of June 30, 2012, there were outstanding bonds of \$7,590,000.

**7) PENSION PLANS**

**A) 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



**Valley Sanitary District**  
**Notes to Financial Statements**  
Years Ended June 30, 2012 and 2011

**7) PENSION PLANS - Continued**

**A) Defined Contribution Pension Plan - Continued**

(500) hours of service. As of January 1, 1999, no new employees will be enrolled in the plan. Employees who are employed by the District after January 1, 1999 shall be enrolled with the Public Employees Retirement System (PERS). The District contributes 15.757 percent of the employees' compensation to the Plan - \$28,233 and \$27,235 for the years ended June 30, 2012 and 2011, 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 \$414,164 and \$381,370 at June 30, 2012 and 2011. The total covered payroll for the 3 employees participating in the plan for the year ended June 30, 2012 and 2011 was \$179,180 and \$172,844, respectively. The contribution requirement of the District are established and may be amended by the Board of Directors.

**B) District Employees' Retirement Plan (Defined Benefit Pension Plan)**

The Valley Sanitary District contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS 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 District ordinance. Copies of the PERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Participants are required to contribute 8% of their annual covered salary. The District is required to contribute at an actuarially determined rate. These rates were determined as part of the June 30, 2009 actuarial valuation: the current rate is 19.169% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by PERS. The following represents the required contributions for the past three fiscal years:

<u>Fiscal Year</u>		<u>Required Contribution</u>	<u>Percent Contributed</u>
6/30/10	\$	235,458	100%
6/30/11		251,417	100%
6/30/12		299,899	100%

**8) 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 fiscal years ended June 30, 2012 and 2011, the District paid \$305,361 and 314,847 in premiums, respectively.

**Valley Sanitary District**  
**Notes to Financial Statements**  
Years Ended June 30, 2012 and 2011

**8) RISK MANAGEMENT - Continued**

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, 2012 and 2011, 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.

**9) COMMITMENTS 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, 2012, 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 connections fee income was reduced by these credits for the year ended June 30, 2012.

**Reimbursement Agreement**

On October 27, 1999 the District entered into an agreement with a developer to reimburse the developer for the "excess portion" of off-site improvements. The developer will install improvements that exceed the needs of their project so that when future development occurs, the improvements installed now will not need to be replaced. Since the additional cost of the oversized improvements should be borne by the future developments rather than the current developer, this agreement establishes a method whereby a "Capital Recovery Fee" will be collected from the benefited properties at the time new sewer service is requested (future developers complete their projects). This "Capital Recovery Fee" will be remitted to the developer as it is collected to reimburse the additional cost plus interest.

The term of the agreement is for 20 years from the date of the agreement. If sewer service is not requested by a development parcel in the benefited area by October 27, 2019 then the obligation of the District to collect the "Capital Recovery Fee" and the claim by the developer for reimbursement shall lapse.

The "excess portion" of off-site improvements (amount to be reimbursed) was determined to be \$494,174 of which \$203,780 has been collected and reimbursed through June 30, 2012.

**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, 2012, credits of \$204,341 have been applied leaving a balance of \$139,062 to be issued.

That District has entered into various contracts for the construction of the second phase of the treatment plant expansion, administration building and operations center. As of June 30, 2012, the total unpaid amount on these contracts was \$14,559,710.

**Valley Sanitary District**  
**Notes to Financial Statements**  
Years Ended June 30, 2012 and 2011

**9) COMMITMENTS AND CONTINGENCIES - Continued**

**Shadow Hills Assessment District - Continued**

At June 30, 2012, in the opinion of the District's Administration, there are no other outstanding matters which could have a significant effect on the financial position of the funds of the District.

**10) PROPOSITION 1A STATE BORROWING**

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California State legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The State is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the District was \$51,177 and is included as a receivable in the accompanying financial statements.

## **SUPPLEMENTARY INFORMATION**

**Valley Sanitary District**  
**Schedule of Operating Expenses**  
Year Ended June 30, 2012

	General and Administrative	Sewage Collection	Sewage Treatment	Sewage Disposal	Total
Salaries and Wages	\$ 580,825	\$ 491,514	\$ 702,550	\$ 129,249	\$ 1,904,138
Employee Benefits	246,913	212,495	325,624	47,174	832,206
Directors' Fees	11,100				11,100
Insurance	305,361				305,361
Memberships	24,366	792	1,276	264	26,698
Office Expenses	8,502				8,502
Permits	4,415	8,160	49,560		62,135
Operating Supplies	42,244	4,486	5,007	29,702	81,439
Professional Services	99,542				99,542
Repairs and Maintenance	60,414	58,897	152,223	23,323	294,857
Travel and Seminars	18,137	1,533	8,102	1,175	28,947
Utilities and Telephone	29,521	7,211	468,382	46,318	551,432
Chemicals			247,473		247,473
Clothing	2,416	3,669	7,223	1,416	14,724
Certifications	274	664	1,384		2,322
Gas, Oil and Fuel	37,404				37,404
County Charges	13,961				13,961
Contractual Services	23,659	56,006	176,446	38,936	295,047
Publication/Legal Notices	2,322				2,322
Small Tools	1,428	457	1,274	31	3,190
Research/Monitoring	40,363				40,363
Election	4,183				4,183
Other Expenses	1,787	714	1,057	203	3,761
<b>Total</b>	<b>\$ 1,559,137</b>	<b>\$ 846,598</b>	<b>\$ 2,147,581</b>	<b>\$ 317,791</b>	<b>\$ 4,871,107</b>

The above detail does not include depreciation expense of \$1,835,054 which is included as a separate line in the Statements of Revenues, Expenses and Changes in Net Assets.

**Valley Sanitary District**  
**Schedule of Operating Expenses**  
Year Ended June 30, 2011

	General and Administrative	Sewage Collection	Sewage Treatment	Sewage Disposal	Total
Salaries and Wages	\$ 532,464	\$ 481,949	\$ 683,590	\$ 119,381	\$ 1,817,384
Employee Benefits	224,748	207,602	299,410	44,880	776,641
Directors' Fees	12,400				12,400
Insurance	314,874				314,874
Memberships	23,760	792	1,408	264	26,224
Office Expenses	13,490				13,490
Permits	5,037	6,579	66,061		77,677
Operating Supplies	39,333	3,444	5,046	40,822	88,646
Professional Services	91,077	1,181			92,259
Repairs and Maintenance	50,256	46,764	72,940	11,154	181,115
Travel and Seminars	14,090	2,479	12,783	648	30,000
Utilities and Telephone	28,602	8,196	523,074	54,731	614,603
Chemicals			225,257		225,257
Clothing	2,110	3,933	6,269	1,444	13,756
Certifications	464	719	1,361	130	2,674
Gas, Oil and Fuel	34,928				34,928
County Charges	15,803				15,803
Contractual Services	34,414	45,179	132,129	276,998	488,720
Publication/Legal Notices	1,481				1,481
Small Tools	625	373	1,407	640	3,044
Research/Monitoring	47,022				47,022
Other Expenses	1,777	806	1,172	278	4,033
<b>Total</b>	<b>\$ 1,488,754</b>	<b>\$ 809,998</b>	<b>\$ 2,031,907</b>	<b>\$ 551,369</b>	<b>\$ 4,882,028</b>

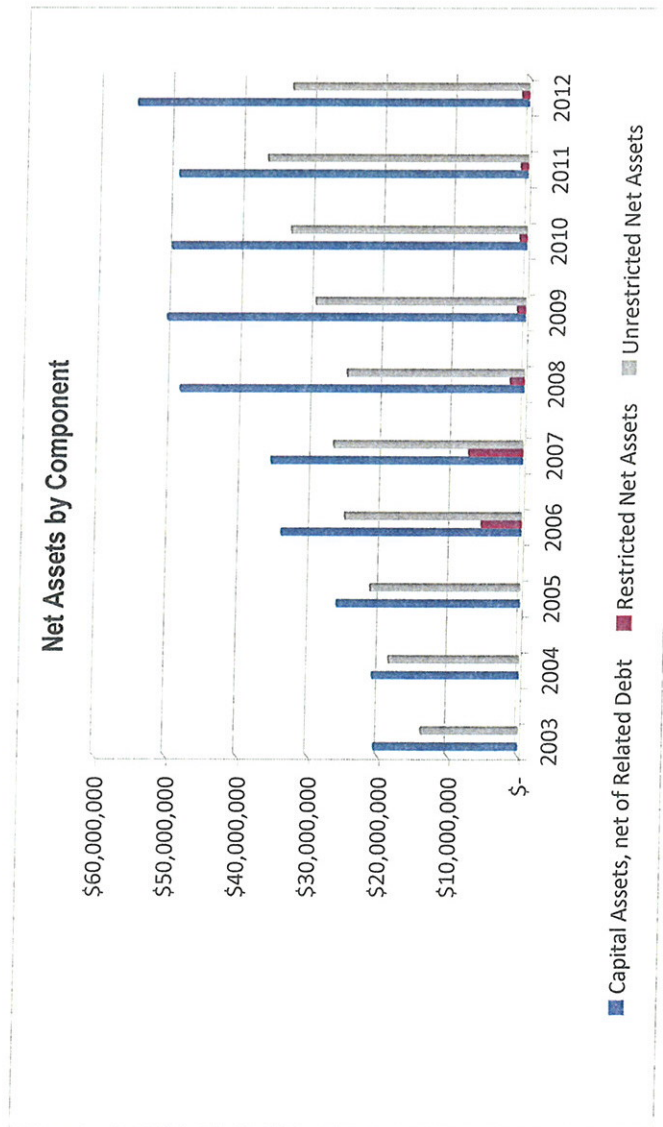
The above detail does not include depreciation expense of \$1,870,504 which is stated as a separate line in the Statements of Revenues, Expenses and Changes in Net Assets.



## **STATISTICAL SECTION**

**VALLEY SANITARY DISTRICT**  
**TABLE OF NET ASSETS BY COMPONENT**  
**LAST TEN FISCAL YEARS**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>NET ASSETS:</b>										
Invested in Capital Assets,										
Net of										
Related Debt	\$ 20,544,696	\$ 20,892,951	\$ 26,154,446	\$ 34,199,009	\$ 35,799,259	\$ 48,664,930	\$ 50,601,844	\$ 50,121,414	\$ 49,305,860	\$ 55,265,910
Restricted			5,713,937	7,709,258	7,709,258	1,955,759	1,138,044	967,394	967,394	967,394
Unrestricted	13,820,401	18,605,782	21,392,756	25,235,840	26,987,593	25,252,641	29,858,292	33,546,254	37,028,724	33,648,050
<b>Total Net Assets</b>	<b>\$ 34,365,097</b>	<b>\$ 39,498,733</b>	<b>\$ 47,547,202</b>	<b>\$ 65,148,786</b>	<b>\$ 70,496,110</b>	<b>\$ 75,873,330</b>	<b>\$ 81,598,180</b>	<b>\$ 84,635,062</b>	<b>\$ 87,301,978</b>	<b>\$ 89,881,354</b>



Sources: Valley Sanitary District

**VALLEY SANITARY DISTRICT  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS**

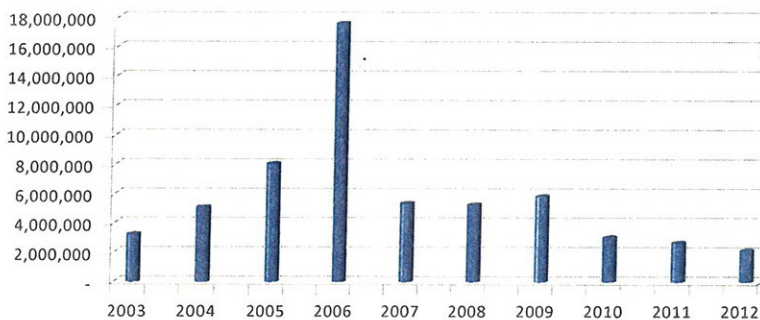
	Fiscal Years Ended June, 30			
	2003	2004	2005	2006
<b>OPERATING REVENUES:</b>				
Sewer Service Charges	\$ 2,756,705	\$ 3,336,223	\$ 3,850,695	\$ 4,698,308
Connection Fees	2,787,027	4,493,002	7,833,088	8,325,576
Permits and Inspection Fees	81,065	108,356	117,649	305,280
Other Services	12,301	16,921	37,815	69,121
<b>TOTAL OPERATING REVENUES</b>	<u>5,637,098</u>	<u>7,954,502</u>	<u>11,839,247</u>	<u>13,398,285</u>
<b>OPERATING EXPENSES:</b>				
General and Administrative	791,061	873,955	944,076	1,293,411
Sewage Collection	376,179	459,334	934,367	671,181
Sewage Treatment	1,100,389	1,338,644	1,598,413	1,681,163
Sewage Disposal	201,838	202,658	225,188	281,892
<b>Total Administrative and Plant</b>	<u>2,469,467</u>	<u>2,874,591</u>	<u>3,702,044</u>	<u>3,927,647</u>
<b>Other Operating Expenses</b>				
Depreciation	645,544	706,860	703,556	790,880
<b>TOTAL OPERATING EXPENSES</b>	<u>3,115,011</u>	<u>3,581,451</u>	<u>4,405,600</u>	<u>4,718,527</u>
<b>NET OPERATING INCOME</b>	<u>2,522,087</u>	<u>4,373,051</u>	<u>7,433,647</u>	<u>8,679,758</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Property Taxes	358,894	370,107	117,528	213,425
Homeowner's Tax Relief	6,522	7,554	7,557	7,902
Investment Income	335,986	230,929	408,200	1,052,290
Contribution from Property Owners				7,579,124
Bond Issue Cost				
Interest Expense				
Amortization				
Loss on Disposed Assets				
Other Revenues	14,444	112,816	81,537	69,085
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>715,846</u>	<u>721,406</u>	<u>614,822</u>	<u>8,921,826</u>
<b>INCOME BEFORE CONTRIBUTIONS</b>				
<b>CAPITAL CONTRIBUTIONS</b>				
<b>CHANGES IN NET ASSETS</b>	<u>3,237,933</u>	<u>5,094,457</u>	<u>8,048,469</u>	<u>17,601,584</u>
NET ASSETS, beginning of the year	31,127,164	34,365,097	39,498,733	47,547,202
<b>PRIOR PERIOD ADJUSTMENT</b>		39,179		
NET ASSETS, end of the year	<u>\$ 34,365,097</u>	<u>\$ 39,498,733</u>	<u>\$ 47,547,202</u>	<u>\$ 65,148,786</u>

Sources: Valley Sanitary District

Fiscal Years Ended June, 30

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 6,054,004	\$ 6,994,369	\$ 9,022,142	\$ 8,605,117	\$ 8,385,726	\$ 8,808,414
1,441,576	1,702,534	648,882	304,428	723,985	192,763
160,990	131,282	24,834	25,880	28,544	7,362
67,904	28,041	10,063	24,710	4,726	11,173
<u>7,724,474</u>	<u>8,856,226</u>	<u>9,705,921</u>	<u>8,960,135</u>	<u>9,142,981</u>	<u>9,019,712</u>
1,635,925	1,393,119	1,394,303	1,440,724	1,488,754	1,559,137
771,638	717,106	698,225	788,124	809,998	846,598
1,860,478	1,875,237	1,692,546	1,875,514	2,031,907	2,147,581
245,291	276,515	203,194	307,380	551,369	317,791
<u>4,513,332</u>	<u>4,261,977</u>	<u>3,988,268</u>	<u>4,411,742</u>	<u>4,882,028</u>	<u>4,871,107</u>
945,867	1,134,127	1,167,802	1,870,268	1,870,504	1,835,054
<u>5,459,199</u>	<u>5,396,104</u>	<u>5,156,070</u>	<u>6,282,010</u>	<u>6,752,532</u>	<u>1,835,054</u>
2,265,275	3,460,122	4,549,851	2,678,125	2,390,449	1,835,054
622,779	655,807	783,874	662,348	585,628	585,004
7,614	7,659	7,460	7,268	7,183	6,851
1,846,072	1,122,389	527,722	183,210	154,896	123,009
609,464					
(13,139)	(13,139)				
			(476,411)	(458,830)	(440,705)
		(21,967)	(21,966)	(21,966)	(21,966)
		(49,244)	(1,809)		
9,259	25,303	1,233	6,117	9,556	13,632
<u>3,082,049</u>	<u>1,798,019</u>	<u>1,249,078</u>	<u>358,757</u>	<u>276,467</u>	<u>265,825</u>
		45,000			45,000
5,347,324	5,258,141	5,843,929	3,036,882	2,666,916	2,145,879
65,148,786	70,496,110	75,754,251	81,598,180	84,635,062	87,301,978
<u>\$ 70,496,110</u>	<u>\$ 75,754,251</u>	<u>\$ 81,598,180</u>	<u>\$ 84,635,062</u>	<u>\$ 87,301,978</u>	<u>\$ 89,881,354</u>

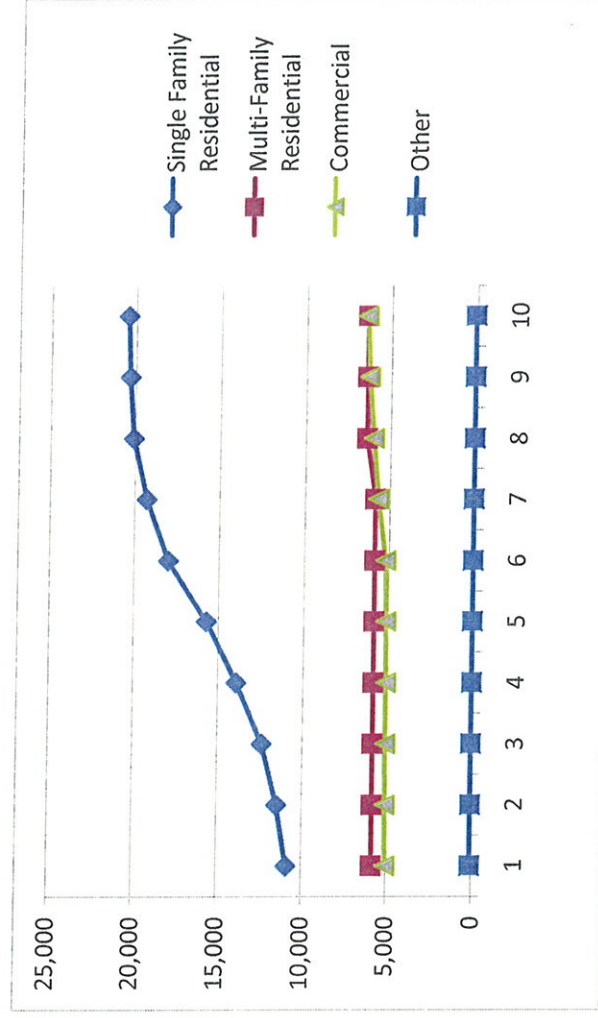
CHANGE IN NET ASSETS



**VALLEY SANITARY DISTRICT  
CUSTOMER TYPE UNIT COUNT SUMMARY  
LAST TEN FISCAL YEARS**

Customer Type	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Single Family Residential	10,871	11,478	12,378	13,910	15,686	17,954	19,263	20,072	20,326	20,433
Multi-Family Residential	5,858	5,858	5,858	5,858	5,856	5,856	5,846	6,387	6,394	6,389
Commercial	5,042	5,079	5,100	5,110	5,133	5,197	5,688	5,994	6,275	6,409
Other	103	103	103	103	103	103	103	103	103	103
Total	21,874	22,518	23,439	24,981	26,778	29,110	30,900	32,556	33,098	33,334

Source: Valley Sanitary District Records



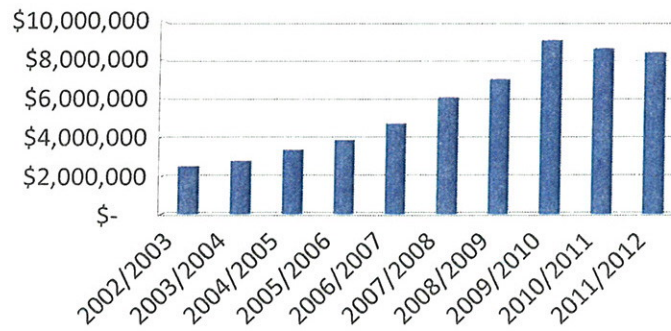


**VALLEY SANITARY DISTRICT  
ANNUAL SEWER USE RATES & FISCAL YEAR REVENUES  
LAST TEN FISCAL YEARS**

Year	Annual Rate	Revenue
2002/2003	\$ 127	\$ 2,469,463
2003/2004	142	2,756,705
2004/2005	152	3,336,223
2005/2006	180	3,850,695
2006/2007	215	4,698,308
2007/2008	232	6,054,004
2008/2009	259	6,994,369
2009/2010	259	9,022,142
2010/2011	259	8,605,117
2011/2012	259	8,385,726

Source: Valley Sanitary District Records

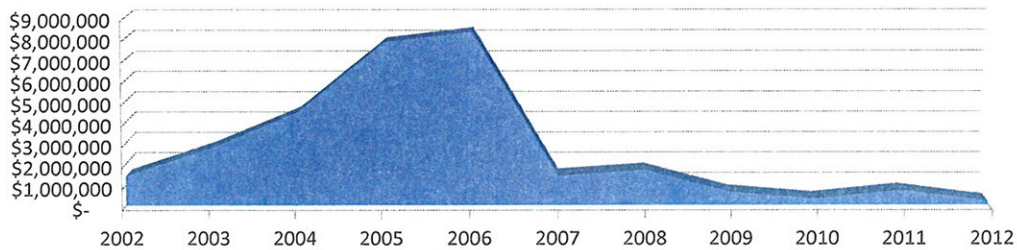
### Annual Sewer Use Revenues



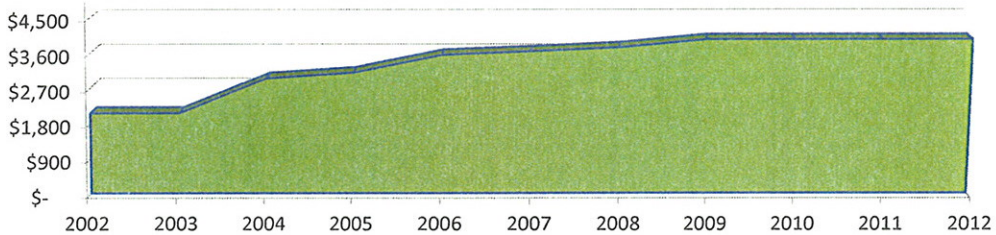
**VALLEY SANITARY DISTRICT  
CONNECTION CAPACITY FEES & FISCAL YEAR REVENUES  
LAST TEN FISCAL YEARS**

Year	Annual Fee	Revenue
2002	\$ 2,067	\$ 1,431,122
2003	2,067	2,787,028
2004	2,960	4,493,002
2005	3,110	7,833,088
2006	3,565	8,325,576
2007	3,654	1,441,576
2008	3,753	1,702,534
2009	3,957	648,882
2010	3,957	304,428
2011	3,957	723,985
2012	3,957	192,763

Source: Valley Sanitary District Records



**Annual Connection Fee Revenues**



**Annual Connection Fee**  
(Per Equivalent Dwelling Unit)

# VALLEY SANITARY DISTRICT

## PRINCIPAL USERS

### CURRENT YEAR AND NINE YEARS AGO

2011/2012

	Amount Billed	Rank	Percent of District Total \$
Arabian Gardens Mobile Home Park Partners LP	\$ 48,174	1	0.55%
US Bank National Association	\$ 48,692	2	0.55%
Clear Pacific LLC	\$ 58,534	3	0.66%
Arabia Homes	\$ 60,347	4	0.69%
Coachella Valley Housing Coalition	\$ 67,599	5	0.77%
Capital Foresight Communities I LP	\$ 70,448	6	0.80%
Fantasy Springs Casino	\$ 73,556	7	0.84%
Smoketree Apartments 288	\$ 74,592	8	0.85%
Wells Association	\$ 77,700	9	0.88%
Desert Sands Unified School District	\$ 223,258	10	2.53%
<b>Total</b>	<b>\$ 802,900</b>		
	<b>\$ 802,900</b>		

#### District Total Customer Charges

\$ 8,808,414.00

Note: Amount billed is for annual sewer use fees.

Source: Valley Sanitary District Records

2002/2003

	Amount Billed	Rank	Percent of District Total \$
	23,622.00	1	0.27%
	23,876.00	2	0.27%
	28,702.00	3	0.33%
	29,591.00	4	0.34%
	33,147.00	5	0.38%
	34,544.00	6	0.39%
	36,068.00	7	0.41%
	36,576.00	8	0.42%
	38,100.00	9	0.43%
	\$ 109,474.00	10	1.24%
	<b>\$ 393,700.00</b>		
	<b>\$ 393,700.00</b>		

\$ 2,469,463.00

**VALLEY SANITARY DISTRICT**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST EIGHT FISCAL YEARS**

Fiscal Year Ended June 30	Business-Type Activities			Total			
	Certificates of Participation (1)	Wetlands Loan (1)	Debt	Population(2)	Personal Income	Percentage of Personal Income	Debt Per Capita
2006	\$	\$	\$ 1,045,000	66,118	\$ 15,243	0.10%	15.81
2007		530,000	530,000	71,654	16,325	0.05%	7.40
2008	12,915,000		12,915,000	77,146	16,265	1.03%	167.41
2009	12,495,000		12,495,000	81,512	18,365	0.83%	153.29
2010	11,884,947		11,884,947	82,230	19,855	0.73%	144.53
2011	11,418,774		11,418,774	83,675	22,350	0.61%	136.47
2012	10,932,601		10,932,601	77,165			141.68

**Notes:**

*The District has elected to show only eight years of data for this schedule due to the lack of personal income data reported online at the date of inquiry on June 8, 2012.*

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

**VALLEY SANITARY DISTRICT  
PLEDGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Net Revenues	Operating <sup>(1)</sup> Expenses	Net Available Revenues	Debt Service			Coverage Ratio
				Principal	Interest	Total	
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
2004	8,675,908	2,874,591	5,801,317	500,000	-	500,000	12
2003	6,352,944	2,469,467	3,883,477	470,000	-	470,000	8

Notes:

1) *excludes Depreciation*

Sources: Valley Sanitary District



**VALLEY SANITARY DISTRICT  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND FIVE YEARS AGO**

Employer (1) (2)	2012			2006		
	Number of Employees	Rank	Total Employment	Number of Employees	Rank	Total Employment
County of Riverside	1288	1	5.67%	800	3	3.33%
Fantasy Springs Casino	1200	2	5.29%	1141	1	4.75%
Desert Sands Unified School District	1070	3	4.71%	969	2	4.04%
John F. Kennedy Memorial Hospital	681	4	3.00%	700	4	2.92%
Granite Construction Co.	324	5	1.43%	450	5	1.88%
City of Indio	241	6	1.06%	260	7	1.08%
Riverside Superior Court	218	7	0.96%			
Target	175	8	0.77%			
Home Depot	137	9	0.60%			
Jackalope Ranch	125	10	0.55%			
Kirkpatrick Landscaping Services				300	6	1.25%
Mathis Brothers				195	8	0.81%
PHB Contracting Inc.				175	9	0.73%
Tidwell Concrete Construction				170	10	0.71%
Total Employment Listed	5459		24.05%	5160		21.50%
Total City Employment (3)	22,700			24,000		

**Notes:**

<sup>1</sup> Top ten employers nine years prior to current year is not reported due to lack of past data reported online at date of inquiry on June 8, 2012; therefore, top ten employers for current year is compared to the earliest year for which data was collected.

"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 & NUMBERS of PERMITS ISSUED**  
**LAST TEN FISCAL YEARS**

Year	Total Customers	Number of Permits Issued
2011/12	26,762	44
2010/11	26,648	46
2009/10	26,414	60
2008/09	26,028	91
2007/08	25,185	124
2006/07	23,455	182
2005/06	17,300	188
2004/05	15,000	483
2003/04	14,060	140
2002/03	13,058	129

Source: Valley Sanitary District Records

**VALLEY SANITARY DISTRICT  
OPERATING INDICATORS  
LAST TEN FISCAL YEARS**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Equivalent Dwelling Units	33,334	33,098	32,556	30,900	29,110	26,778	24,981	23,439	22,518	21,874
Rainfall (inches) <sup>1</sup>	1.18*	5.43	5.83	3.54	3.70	0.25	3.51	9.84	2.23*	N/A
Flow (MGD) <sup>2</sup>	6.10	6.12	6.32	6.50	6.87	6.54	6.14	5.96	5.69	5.66
CBOD (MG/L)	213.50	216.33	224.40	229.08	207.40	204.90	186.00	176.16	171.80	168.00
CBOD (PE) <sup>3</sup>	63,892	64,951	69,576	73,049	69,901	65,741	56,027	51,507	47,957	46,649
Suspended Solids (MG/L)	171.66	176.08	173.08	194.66	203	220.3	214.3	189	191.75	178.7
Suspended Solids (PE) <sup>4</sup>	44,937	44,936	45,614	52,763	58,155	60,079	54,869	46,910	45,497	42,177
Tonage of Biosolids Produced	1,849	1,685	1,357	1,169	1,174	1,141	1,226	1,093	1,113	823
Tonage of Biosolids Applied to Land	2,007	1,117	1,075	232	835	8,526	3,319	2,002	1,009	383
Total Sewage Treated by the District (MGY) <sup>5</sup>	2,227	2,234	2,307	2,373	2,508	2,387	2,241	2,175	2,077	2,066

\* Partial Year - Data Unavailable

1 Annual rainfall for the Coachella Valley from [www.desertweather.com](http://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

5 Million gallons per year

Source: Valley Sanitary District Records

**VALLEY SANITARY DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS**

Calendar Year	Population <sup>1</sup>	Median Age <sup>2</sup>	Average Household Size <sup>4</sup>	Median Household Income <sup>2</sup>	Per Capita Personal Income <sup>1</sup>	Unemployment Rate <sup>3</sup>
2012	77,165	N/A	3.23	N/A	N/A	10.5
2011	83,675	29.3	3.12	53,824	22,350	15.9%
2010	82,230	28.8	3.18	47,708	19,855	14.5%
2009	81,512	29.6	3.16	56,039	18,365	9.2%
2008	77,146	29	3.45	43,001	16,265	6.5%
2007	71,654	30.3	2.97	41,791	16,325	5.5%
2006	66,118	N/A	N/A	39,021	15,243	5.9%

**Notes:**

*The District has elected to show only seven years of data for this schedule due to the lack of age and income data reported online at the date of inquiry on June 8, 2012.*

Source: 1) CA Dept. of Finance  
2) City of Indio  
3) US Bureau of Labor Statistics  
4) CA Bureau of Labor Statistics

**VALLEY SANITARY DISTRICT  
CAPITAL ASSET & OPERATING INFORMATION  
LAST TEN FISCAL YEARS**

	Fiscal Years Ended June 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Sanitary Sewer Service Operations</b>										
Equivalent Dwelling Units (units of Service)	33,334	33,098	32,556	30,900	29,110	26,778	24,981	23,439	22,518	21,874
<b>Treatment Plant Operations</b>										
Plant Flow										
(Units = Million Gallons Per Day)										
Monthly Average	186	186	192	198	209	199	187	181	173	172
Permit Limitation (Dry Weather)	11.0	11.0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Annual Rainfall (inches) <sup>1</sup>	1.18*	5.43	5.83	3.54	3.70	0.25	3.51	9.84	2.23*	N/A
<b>Collection System Operations</b>										
Sewer Lines										
Length (ft)	1,276,660	1,275,836	1,275,836	1,273,917	1,267,388	1,249,556	1,211,764	1,015,838	898,808	785,855
Inspected (ft)	56,203	86,241	86,808	52,754	21,715	N/A	N/A	N/A	N/A	N/A
Cleaned (ft)	538,569	671,085	687,969	636,501	568,524	544,587	507,681	175,002*	491,298	423,563

\* Partial Year - Data Unavailable

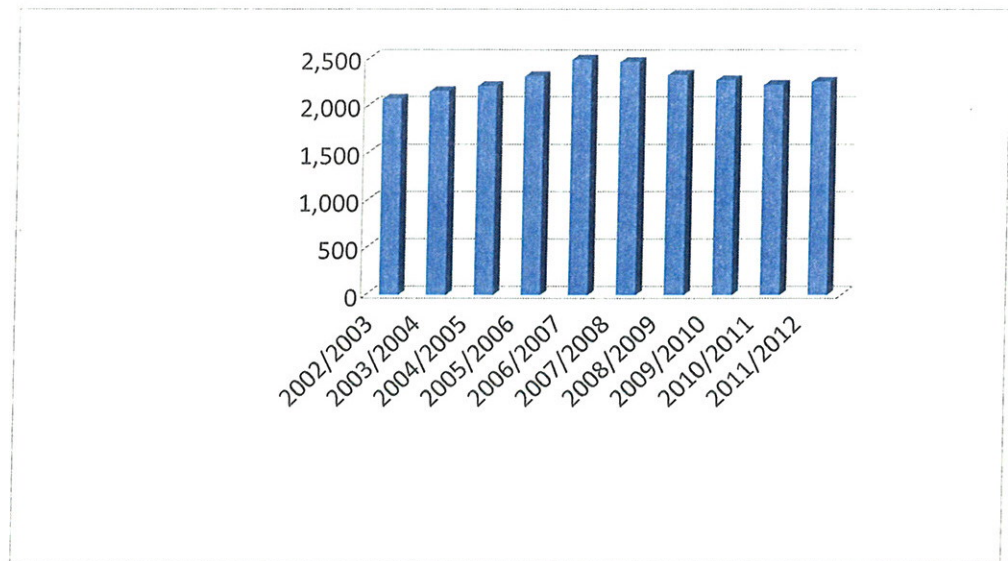
<sup>1</sup> Annual rainfall for the Coachella Valley from [www.desertweather.com](http://www.desertweather.com)

Source: Valley Sanitary District Records

**VALLEY SANITARY DISTRICT  
ANNUAL FLOW DATA (Million Gallons)  
LAST TEN FISCAL YEARS**

Year	Annual Flow
2002/2003	2,067
2003/2004	2,147
2004/2005	2,200
2005/2006	2,308
2006/2007	2,489
2007/2008	2,461
2008/2009	2,324
2009/2010	2,266
2010/2011	2,214
2011/2012	2,250

Source: Valley Sanitary District Records



**VALLEY SANITARY DISTRICT  
OPERATING AND CAPACITY INDICATORS  
LAST TEN FISCAL YEARS**

**Full-time Equivalent District Employees by Department**

<b>Fiscal Year</b>	<b>Administration</b>	<b>Collections</b>	<b>Operations</b>	<b>Lab</b>	<b>Total</b>
2003	3	5	10	2	20
2004	3	5	10	2	20
2005	4	5	12	2	23
2006	4	6	13	2	25
2007	4	6	13	2	25
2008	4	7	13	2	26
2009	4	7	13	2	26
2010	4	7	13	2	26
2011	4	7	13	2	26
2012	4	7	13	2	26

