

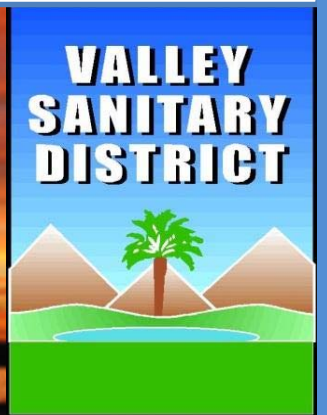
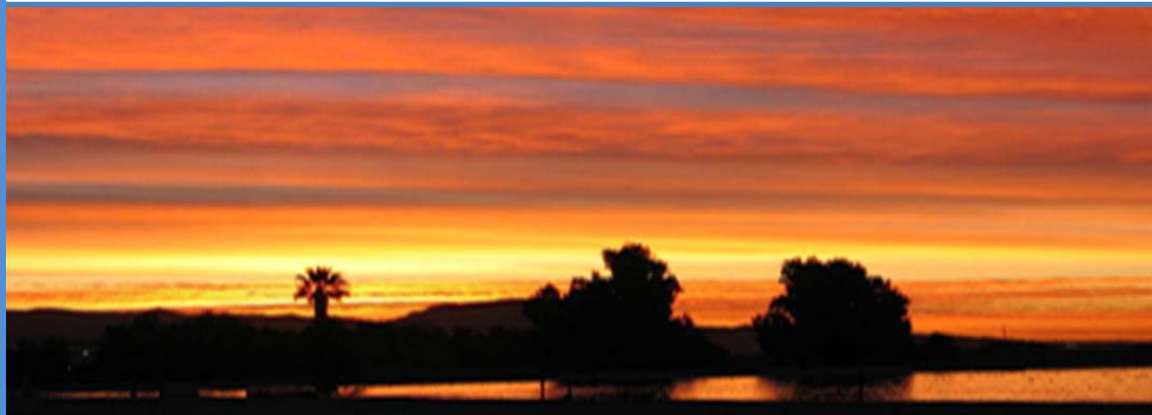


Valley Sanitary District

Indio, California

Comprehensive Annual Financial Report

Year Ended June 30, 2013



**VALLEY SANITARY DISTRICT
INDIO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Fiscal Year Ended June 30, 2013

Prepared by:
Administration and Finance Department

Valley Sanitary District
Annual Audit Report
Year Ended June 30, 2013

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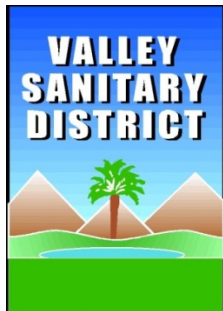
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INTRODUCTORY SECTION



November 4, 2013

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, 2013 and 2012, 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 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 Districts' 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 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 Districts 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 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 Van Lant & Fankhanel, LLP, CPA's 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 Workers' 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

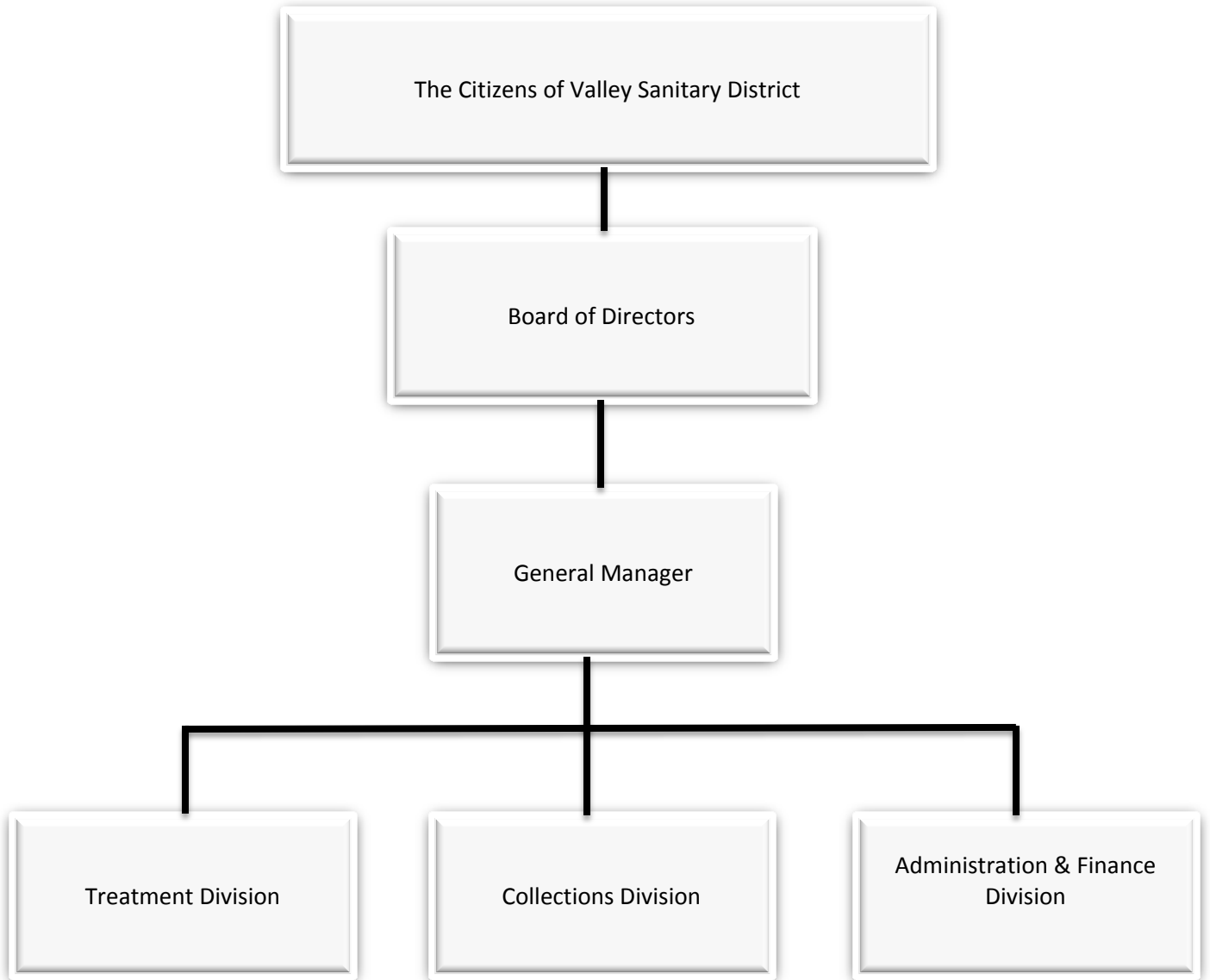
Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would like to thank the members of the Board of Directors for their continued support in the planning and implementation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



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, 2012

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Valley Sanitary District
Indio, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Valley Sanitary District (the "District"), as of and for the year ended June 30, 2013, 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 error or fraud.

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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the Valley Sanitary District, as of June 30, 2013, and the 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.

Emphasis of Matter

As described in Note 6 to the financial statements, in 2013, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The summarized comparative information included in these financial statements for the year ended June 30, 2012, has been derived from financial statements that were audited by other auditors whose report dated October 23, 2012, expressed an unqualified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 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.

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 listed in the "Supplementary Information" section of the table of contents, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed in the "Supplementary Information" section of the table of contents are the responsibility of management and were derived from and relate 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 schedules listed in the "Supplementary Information" section of the table of contents are 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2013 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 the 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 on compliance.

Van Lant & Fankhaenel, LLP

November 4, 2013

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, 2013 and 2012. 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 \$93,555,869 and \$89,881,354 at the close of June 30, 2013 and 2012 respectively. Of this amount, \$24,633,563 and \$33,648,050 as of June 30, 2013 and 2012, respectively, (*unrestricted Net Position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total Net Position increased by \$3,674,515 and \$2,579,376 as of June 30, 2013 and 2012, respectively. Although there was a 25% decrease in current assets, the noncurrent assets increased about 18%. This is due to the \$18 million plant expansion project started in 2012/2013 and 99% completed in the 2012/2013 fiscal year. Operating revenues increased 7% over the previous year while operating expenses increased less than 1%. Approximately 90% of the increase in total Net Position 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 Position is derived from nonoperating revenues.
- The Valley Sanitary District's total liabilities decreased by \$328,699 (3%) in 2013 and decreased \$391,367 (4%) in 2012. The key factor in the decrease in 2013 is due to a \$525,000 payment on the COPS loan, an \$184,939 increase in accounts payable and a \$55,355 increase in accrued salaries and compensated absences. The key factor in the decrease in 2012 is due to a \$505,000 payment on the COPS loan and 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 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 position* presents information on all of the Valley Sanitary 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 Valley Sanitary District is improving or deteriorating.

The *statement of revenue, 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 Valley Sanitary 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 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 Position and statement of revenue, expenses, and changes in Net Position* 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. 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 Position 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 \$93,555,899 and \$89,881,354 as of June 30, 2013 and 2012, respectively.

By far the largest portion of the Valley Sanitary District's Net Position during June 30, 2013 (73%) and 2012 (62%) 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.

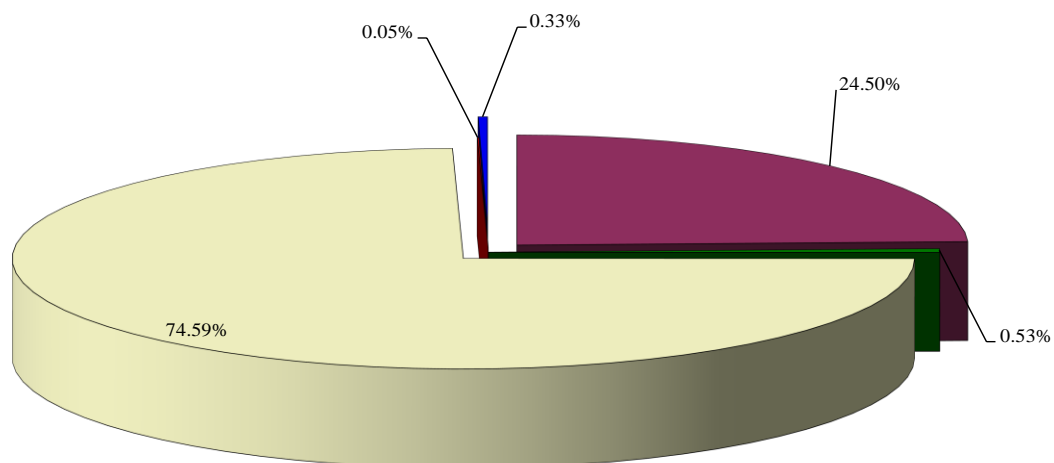
Net Position of the Valley Sanitary District also includes \$964,900 of restricted Net Position. These are assets representing resources subject to external restrictions as to how they may be used by the District.

VALLEY SANITARY DISTRICT'S NET POSITION

At the end of the current fiscal year, the Valley Sanitary 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.

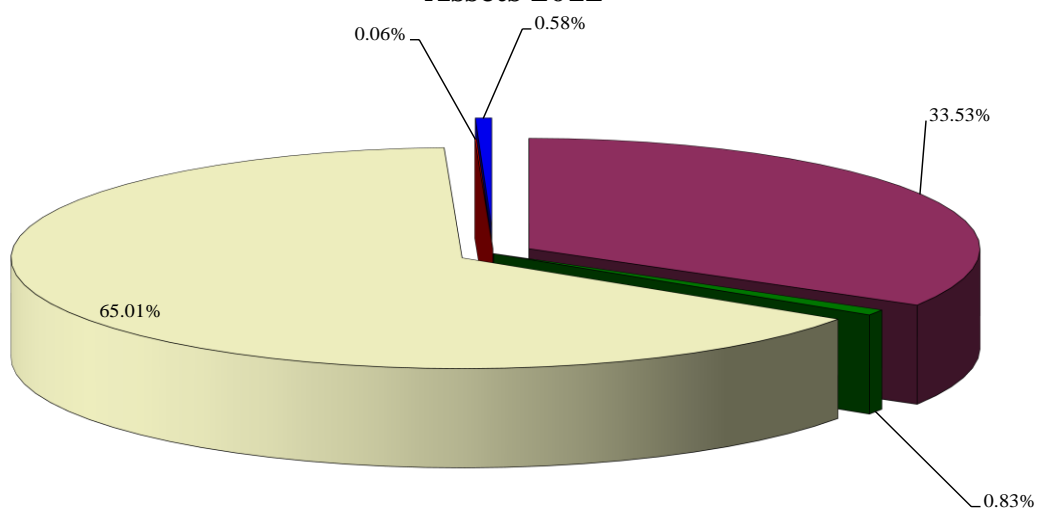
	2013	2012	2011
Current Assets	\$ 25,568,886	\$ 34,160,779	\$ 37,423,508
Noncurrent Assets	78,842,560	66,904,851	61,454,113
Total Assets	<u>\$ 104,411,446</u>	<u>\$ 101,065,630</u>	<u>\$ 98,877,621</u>
Current Liabilities	\$ 1,271,608	\$ 1,008,570	\$ 923,845
Noncurrent Liabilities	9,583,969	10,175,706	10,651,798
Total Liabilities	<u>\$ 10,855,577</u>	<u>\$ 11,184,276</u>	<u>\$ 11,575,643</u>
Net Position:			
Invested in Capital Assets, Net of Related Debt	\$ 67,957,406	\$ 55,265,910	\$ 49,305,860
Restricted	964,900	967,394	967,394
Unrestricted	24,633,563	33,648,050	37,028,724
Total Net Position	<u>\$ 93,555,869</u>	<u>\$ 89,881,354</u>	<u>\$ 87,301,978</u>

Assets 2013



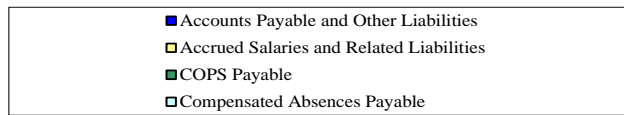
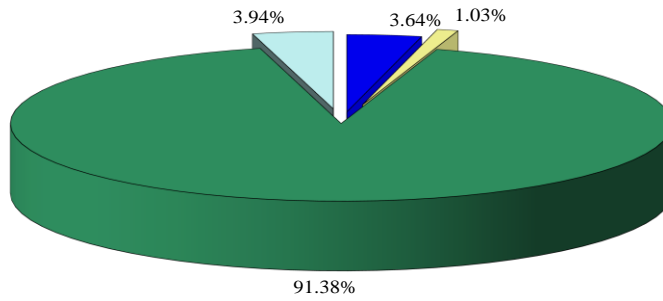
■ Cash and Investments
 ■ Receivables
 ■ Capital Assets, Net
 ■ Inventory
 ■ Prepaid Expenses and Other Assets

Assets 2012

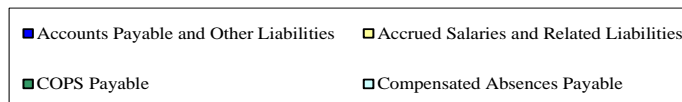
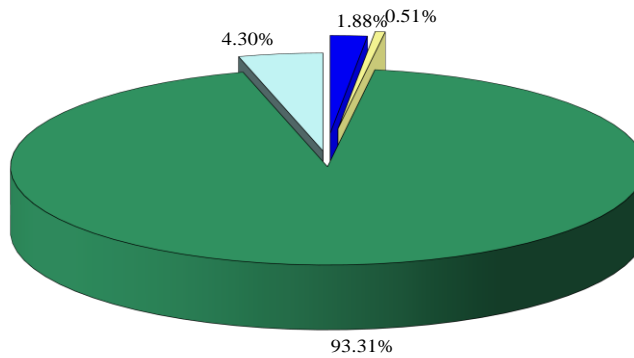


■ Cash and Investments
 ■ Receivables
 ■ Capital Assets, Net
 ■ Inventory
 ■ Prepaid Expenses and Other Assets

Liabilities 2013



Liabilities 2012

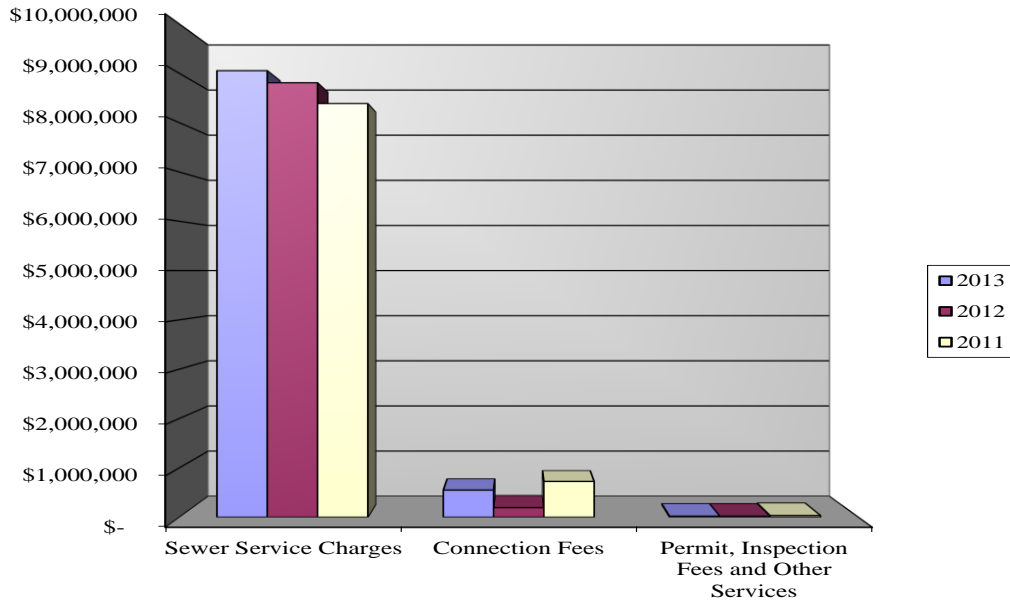


Changes in the District's Net Position reflect an increase of \$3,858,457 and \$2,579,376 as of June 30, 2013 and 2012, respectively. The District's Net Position increased in the current year by \$870,757 due to an increase in sewer service charges and sewer connection fees, while the District's non-operating expenses decreased due to implementing Governmental Accounting Standards (GASB statement) no. 62, capitalizing interest costs for the year (considering the construction costs exceeded the outstanding debt).

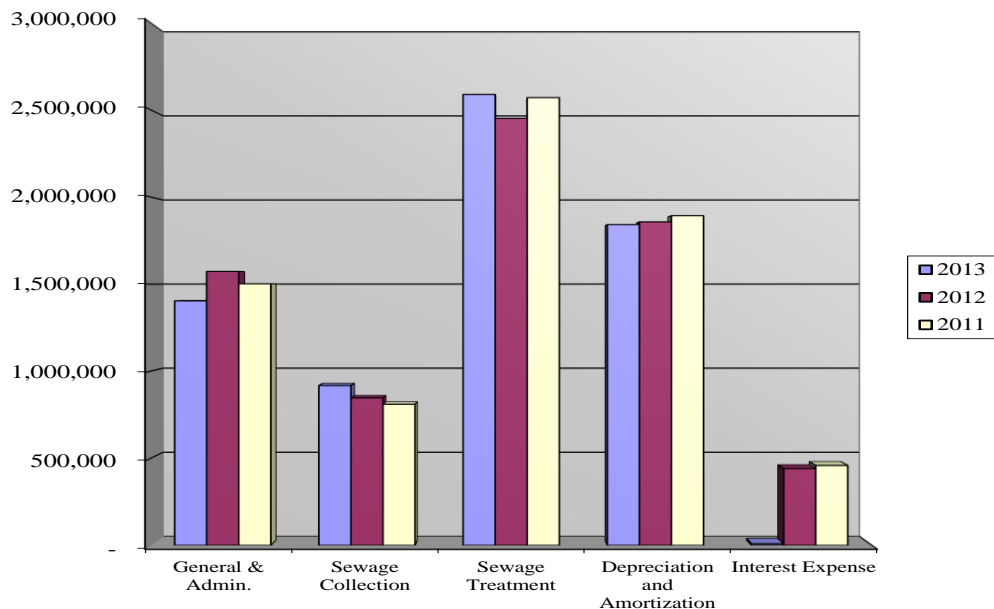
VALLEY SANITARY DISTRICT'S CHANGES IN NET POSITION

	2013	2012	2011
Revenues:			
Service Charges	\$ 9,053,022	\$ 8,808,414	\$ 8,385,726
Connection Fees	548,527	192,763	723,985
Permits & Inspections	12,017	7,362	28,544
Other Operating	7,039	11,173	4,726
Nonoperating	998,360	728,496	757,263
	<u>10,618,965</u>	<u>9,748,208</u>	<u>9,900,244</u>
Total Revenues	<u>\$ 10,618,965</u>	<u>\$ 9,748,208</u>	<u>\$ 9,900,244</u>
Expenses:			
Depreciation & Nonoperating	\$ 2,034,370	\$ 2,297,725	\$ 2,351,300
Administrative	1,403,644	1,559,137	1,488,754
Sewage Collection	917,799	846,598	809,998
Sewage Treatment	2,588,637	2,465,372	2,583,276
	<u>6,944,450</u>	<u>7,168,832</u>	<u>7,233,328</u>
Total Expenses	<u>\$ 6,944,450</u>	<u>\$ 7,168,832</u>	<u>\$ 7,233,328</u>
Increase in Net Position	\$ 3,674,515	\$ 2,579,376	\$ 2,666,916
Beginning Net Position	<u>89,881,354</u>	<u>87,301,978</u>	<u>84,635,062</u>
	<u>93,555,869</u>	<u>89,881,354</u>	<u>87,301,978</u>
Ending Net Position	<u>\$ 93,555,869</u>	<u>\$ 89,881,354</u>	<u>\$ 87,301,978</u>

Operating Revenues



Operating Expenses



Capital Asset Administration

The Valley Sanitary District's investment in capital assets as of June 30, 2013 and June 30, 2012 amounts to \$77,877,660 and \$65,702,338 (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 19%. 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 first part of the 2013-2014 fiscal year.

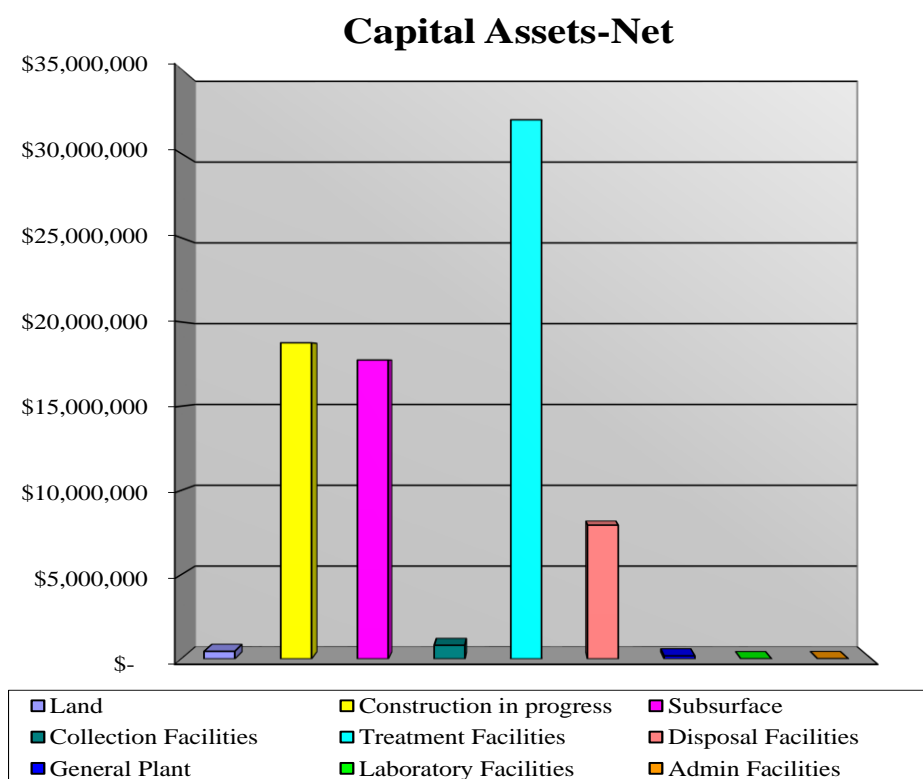
Major capital asset events during the current fiscal year included the following:

- Sewer Line Rehabilitation Projects
- 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, 2013	June 30, 2012	June 30, 2011
Land	\$ 448,364	\$ 448,364	\$ 448,364
Construction in Progress	18,761,102	8,458,800	1,622,137
Subsurface	17,739,482	18,031,418	18,438,811
Collection Facilities	806,245	927,000	891,259
Treatment Facilities	31,995,822	30,573,252	31,563,335
Disposal Facilities	7,939,895	6,994,250	7,065,140
General Plant	175,848	262,099	135,666
Laboratory Facilities	1,845	2,821	4,880
Admin Facilities	9,057	4,334	68,869
Total	<u>\$ 77,877,660</u>	<u>\$ 65,702,338</u>	<u>\$ 60,238,461</u>



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, 2013 and 2012, the District had total long-term debt of \$9,583,969 and \$10,175,706 which includes \$213,715 and \$264,278 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

	2013	2012
Certificates of Participation	\$ 10,035,000	\$ 10,560,000
Total	<u>\$ 10,035,000</u>	<u>\$ 10,560,000</u>

The District's total debt decreased \$525,000 as a result of a \$525,000 principal payment during the June 30, 2013 fiscal year. During 2011/2012 the District's total debt decreased by \$505,000 as a result of a \$505,000 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 26 and 27 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 2012/2013 fiscal year. To take advantage of lower construction costs, the District started the expansion of its treatment facilities during the 2012/2013 fiscal year, and will have the project completed in the fall of 2013.

The annual sewer use fee of \$270 per year remained the same for fiscal year 2012/2013 as it was in fiscal year 2011/2012. The connection capacity charge of \$3,957 per equivalent dwelling unit (EDU) for the fiscal year 2011/2012 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
Statement of Net Position**

June 30, 2013

(with Summarized Financial Information for the Year Ended June 30, 2012)

	2013	2012
ASSETS		
Current Assets		
Cash and Investments	\$ 24,611,575	\$ 32,915,354
Accounts Receivable - Net of Allowance for Uncollectibles	540,697	756,401
Interest Receivable	12,530	26,968
Inventory of Materials	54,454	59,486
Prepaid Expenses	349,630	402,570
Total Current Assets	25,568,886	34,160,779
Noncurrent Assets		
Restricted: Cash with Fiscal Agent	964,900	967,394
Accounts Receivable - State Prop 1A	-	51,177
Capital Assets Not Being Depreciated:		
Land	448,364	448,364
Construction in Progress	18,761,102	8,458,800
Capital Assets, Net of Accumulated Depreciation	58,668,194	56,795,174
Bond Issue Costs, Net of Accumulated Amortization	-	183,942
Total Noncurrent Assets	78,842,560	66,904,851
Total Assets	104,411,446	101,065,630
LIABILITIES		
Current Liabilities		
Accounts Payable	395,480	210,541
Accrued Salaries and Related Liabilities	112,156	56,801
Compensated Absences Payable	213,972	216,228
Certificates of Participation - Current	550,000	525,000
Total Current Liabilities	1,271,608	1,008,570
Long-term Liabilities		
Compensated Absences Payable	213,715	264,278
Certificates of Participation	9,370,254	9,911,428
Total Long-term Liabilities	9,583,969	10,175,706
Total Liabilities	10,855,577	11,184,276
NET POSITION		
Net Position		
Net Investment in Capital Assets	67,957,406	55,265,910
Restricted For Debt Service	964,900	967,394
Unrestricted	24,633,563	33,648,050
Total Net Position	\$ 93,555,869	\$ 89,881,354

The accompanying notes are an integral part of this statement.

Valley Sanitary District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2013
(with Summarized Financial Information for the Year Ended June 30, 2012)

	2013	2012
OPERATING REVENUES		
Sewer Service Charges	\$ 9,053,022	\$ 8,808,414
Connection Fees	548,527	192,763
Permit and Inspection Fees	12,017	7,362
Other Services	7,039	11,173
TOTAL OPERATING REVENUES	9,620,605	9,019,712
OPERATING EXPENSES		
Administrative and Plant		
General and Administrative	1,403,644	1,559,137
Sewage Collection	917,799	846,598
Sewage Treatment	2,588,637	2,465,372
Total Administrative and Plant	4,910,080	4,871,107
Other Operating Expenses		
Depreciation	1,841,601	1,835,054
Total Other Operating Expenses	1,841,601	1,835,054
TOTAL OPERATING EXPENSES	6,751,681	6,706,161
NET OPERATING INCOME (LOSS)	2,868,924	2,313,551
NONOPERATING REVENUES (EXPENSES)		
Property Taxes	899,670	585,004
Homeowners' Tax Relief	6,690	6,851
Investment Income	75,110	123,009
Interest Expense	(8,827)	(440,705)
Amortization	-	(21,966)
Other Revenues	16,890	13,632
TOTAL NONOPERATING REVENUES (EXPENSES)	989,533	265,825
CHANGE IN NET POSITION	3,858,457	2,579,376
NET POSITION AT BEGINNING OF YEAR	89,881,354	87,301,978
PRIOR PERIOD ADJUSTMENTS	(183,942)	-
NET POSITION AT END OF YEAR	\$ 93,555,869	\$ 89,881,354

The accompanying Notes are an integral part of this statement.

**Valley Sanitary District
Statement of Cash Flows**

Year Ended June 30, 2013

(with Summarized Financial Information for the Year Ended June 30, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Customers	\$ 9,836,308	\$ 9,125,716
Cash Payments to Suppliers for Goods and Services	(2,725,063)	(2,988,745)
Cash Payments to Employees for Services	(1,939,569)	(1,847,177)
Other Revenue	16,890	13,632
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>5,188,566</u>	<u>4,303,426</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Tax Revenues	950,848	599,582
Homeowners' Tax Relief Revenues	6,690	6,851
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>957,538</u>	<u>606,433</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(13,594,887)	(7,298,931)
Principal Paid on Certificates of Participation	(525,000)	(505,000)
Interest Paid on Certificates of Participation	(422,036)	(440,705)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(14,541,923)</u>	<u>(8,244,636)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	89,546	135,209
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>89,546</u>	<u>135,209</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,306,273)	(3,199,568)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>33,882,748</u>	<u>37,082,316</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 25,576,475</u></u>	<u><u>\$ 33,882,748</u></u>
Cash and Cash Equivalents are Reported on the Statement of Net Position as Follows:		
Cash and Investments	\$ 24,611,575	\$ 32,915,354
Restricted: Cash with Fiscal Agent	964,900	967,394
	<u><u>\$ 25,576,475</u></u>	<u><u>\$ 33,882,748</u></u>

(Continued)

Valley Sanitary District
Statement of Cash Flows - Continued

Year Ended June 30, 2013

(with Summarized Financial Information for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Net Operating Income (Loss)	\$ 2,868,924	\$ 2,313,551
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,841,601	1,835,054
Other Revenue	16,890	13,632
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	20,818	63,169
(Increase) Decrease in Sewer Charges Receivable	194,886	40,745
(Increase) Decrease in Inventory of Materials	5,032	2,269
(Increase) Decrease in Note Receivable	-	2,027
(Increase) Decrease in Miscellaneous Receivable	-	63
(Increase) Decrease in Prepaid Expenses	52,940	(71,890)
Increase (Decrease) in Accounts Payable	184,939	47,846
Increase (Decrease) in Accrued Salaries and Related Liabilities	55,355	47,160
Increase (Decrease) in Compensated Absences Payable	(52,819)	9,800
Total Adjustments	<u>2,319,642</u>	<u>1,989,875</u>
Net Cash Provided by Operating Activities	<u>\$ 5,188,566</u>	<u>\$ 4,303,426</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Amortization of Bond Issuance Cost and Discount	\$ 8,826	\$ 21,966

The accompanying Notes are an integral part of this statement.

Valley Sanitary District
Statement of Fiduciary Assets and Liabilities
Agency Fund

June 30, 2013

(with Summarized Financial Information for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Investments	\$ 592,608	\$ 508,848
Cash with Fiscal Agent	634,429	634,429
Assessments Receivable	33,275	11,744
Interest Receivable	<u>336</u>	<u>434</u>
Total Assets	<u>\$ 1,260,648</u>	<u>\$ 1,155,455</u>
LIABILITIES		
Due to Bondholders	<u>\$ 1,260,648</u>	<u>\$ 1,155,455</u>
Total Liabilities	<u>\$ 1,260,648</u>	<u>\$ 1,155,455</u>

Valley Sanitary District
Notes to Financial Statements
Year Ended June 30, 2013

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 81,000 in the City of Indio and adjacent unincorporated areas of Riverside County.

The Valley Sanitary District (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 (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>
Douglas A. York	President
Richard Friestad	Vice President
Merritt Wiseman	Secretary/Treasurer
Mike Duran	Director
William R. Teague	Director

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

Valley Sanitary District
Notes to Financial Statements
Year Ended June 30, 2013

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. This fund is reported on the accrual basis of accounting for its assets and liabilities and has no measurement focus.

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 position. Fund equity is displayed as three components: (1) Net investment in capital assets, 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. Property taxes are recognized as revenues in the year for which they are levied.

D) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District currently has no items that qualify for reporting in this category.

Valley Sanitary District
Notes to Financial Statements
Year Ended June 30, 2013

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Deferred Outflows/Inflows of Resources – Continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has no items that qualify for reporting in this category.

E) Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position.

F) 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.

G) 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. During the fiscal year ended June 30, 2013, the District capitalized interest costs of \$432,037 for various projects included in construction in progress. 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 Position.

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

Valley Sanitary District
Notes to Financial Statements
Year Ended June 30, 2013

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H) 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.

I) 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.

J) Inventories

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

K) Reclassifications

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

L) 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 Position because they are maintained in separate bank accounts and their use is limited by bond covenants.

M) Prior Period Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Valley Sanitary District
Notes to Financial Statements
Year Ended June 30, 2013

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>2013</u>
Statements of Net Position:	
Cash and Investments	\$24,611,575
Cash with Fiscal Agent	964,900
Statements of Fiduciary Assets and Liabilities	
Cash and Investments	592,608
Cash with Fiscal Agent	<u>634,429</u>
 Total Cash and Investments	 <u>\$26,803,512</u>

Cash and investments consist of the following:

	<u>2013</u>
Cash on Hand	\$ 500
Deposits with Financial Institutions	2,520,060
Investments	<u>24,282,952</u>
 Total Cash and Investments	 <u>\$26,803,512</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.

Valley Sanitary District
Notes to Financial Statements
Year Ended June 30, 2013

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 that 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, 2013, the District had the following investments.

		<u>Maturity Date 12 Month or Less</u>
Local Agency Investment Fund	\$ 22,683,623	\$ 22,683,623
Held by Bond Trustee:		
Money Market Fund	<u>1,599,329</u>	<u>1,599,329</u>
Total	<u>\$ 24,282,952</u>	<u>\$ 24,282,952</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.

Disclosures Relating to Credit Risk - Continued

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>Aaa</u>	<u>Aa</u>	<u>Not Rated</u>
Local Agency Investment Fund	\$ 22,683,623	N/A	\$	\$	\$22,683,623
Held by Bond Trustee:					
Money Market Fund	<u>1,599,329</u>	N/A	<u>1,599,329</u>		
Total	<u>\$ 24,282,952</u>		<u>\$ 1,599,329</u>	<u>\$ -</u>	<u>\$22,683,623</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.

Valley Sanitary District
Notes to Financial Statements
Year Ended June 30, 2013

3) CASH AND INVESTMENTS - Continued

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The 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 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, 2013 and 2012, the District did not have any deposits with financial institutions in excess of federal depository insurance limits and held in uncollateralized accounts.

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.

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.

Valley Sanitary District
Notes to Financial Statements
Year Ended June 30, 2013

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, 2013 and 2012, direct billings, connection fees and reimbursements receivable were \$10,805 and \$221,748 with an allowance for uncollectibles of \$2,255 and \$2,255, respectively, while receivables from the Riverside County were \$532,147 and \$536,908, respectively.

5) CAPITAL ASSETS

Activities relating to capital assets are presented as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Depreciated:				
Land	\$ 448,364	\$ -	\$ -	\$ 448,364
Construction in Progress	8,458,800	12,514,828	2,212,526	18,761,102
 Total Capital Assets Not Depreciated	 8,907,164	 12,514,828	 2,212,526	 19,209,466
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
Administration 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
Administration 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	 <u>\$ 65,702,338</u>	 <u>\$ 14,387,848</u>	 <u>\$ 2,212,526</u>	 <u>\$ 77,877,660</u>

Valley Sanitary District
Notes to Financial Statements
Year Ended June 30, 2013

6) LONG-TERM LIABILITIES

Long-term liability activities for the year ended June 30, 2013, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Certificates of Participation	\$ 10,560,000	\$ -	\$ 525,000	\$10,035,000	\$ 550,000
Unamortized Discounts	(123,572)	-	(8,826)	(114,746)	-
Compensated Absences	480,506	238,233	291,052	427,687	213,972
	<u>\$ 10,916,934</u>	<u>\$ 238,233</u>	<u>\$ 807,226</u>	<u>\$10,347,941</u>	<u>\$ 763,972</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 1st and August 1st commencing February 1, 2007. The Bonds 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"). Information regarding the current reserve is as follows:

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

Future debt service requirements for the certificates are as follows:

Year Ending June 30,	Principal	Interest
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>\$ 10,035,000</u>	<u>\$ 3,243,193</u>

Valley Sanitary District
Notes to Financial Statements
Year Ended June 30, 2013

6) LONG-TERM LIABILITIES - Continued

B) Bond Issue and Underwriting Costs

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year 2012-13. In accordance with the GASB Statement, the beginning net position in the Statement of Revenues, Expenses and Changes in Net Position was restated to reflect the change in accounting principle and remove the bond issuance costs on the 2006 COP's from the Statement of Net Position.

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 with a maximum accrual 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 \$213,972 with the remaining amount of \$216,228 to be paid in subsequent periods.

D) 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 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, 2013, there were outstanding bonds of \$7,330,000.

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 (500) hours of service. As of January 1, 1999, no new

Valley Sanitary District
Notes to Financial Statements
Year Ended June 30, 2013

7) PENSION PLANS - Continued

A) Defined Contribution Pension Plan - Continued

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 - \$22,520 and \$28,233 for the years ended June 30, 2013 and 2012, 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 \$232,164 and \$414,164 at June 30, 2013 and 2012, respectively. The total covered payroll for the 2 employees participating in the plan for the year ended June 30, 2013 and 2012 was \$142,971 and \$179,180, respectively. The contribution requirements 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, 2010 actuarial valuation: the current rate is 19.662% of annual covered payroll. 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 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>
6/30/11	\$ 251,417	100%
6/30/12	299,899	100%
6/30/13	333,990	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, 2013 and 2012, the District paid \$302,954 and 305,361 in premiums, respectively.

Valley Sanitary District
Notes to Financial Statements
Year Ended June 30, 2013

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, 2013 and 2012, 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, 2013, 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, 2013.

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, 2013.

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, 2013, credits of \$204,341 have been applied leaving a balance of \$139,062 to be issued.

Valley Sanitary District
Notes to Financial Statements
Year Ended June 30, 2013

9) COMMITMENTS AND CONTINGENCIES - Continued

At June 30, 2013, 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.

Construction Commitments

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, 2013, the total unpaid amount on these contracts was \$1,827,342.

SUPPLEMENTARY INFORMATION

Valley Sanitary District
Schedule of Operating Expenses
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 Expenses	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
Research/Monitoring	-	-	-	-
Election	-	-	-	-
Other Expenses	11,940	1,218	3,111	16,269
Total	\$ 1,403,644	\$ 917,799	\$ 2,588,637	\$ 4,910,080

The above detail does not include depreciation expense of \$1,841,601 which is included as a separate line in the Statement of Revenues, Expenses and Changes in Net Position.

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

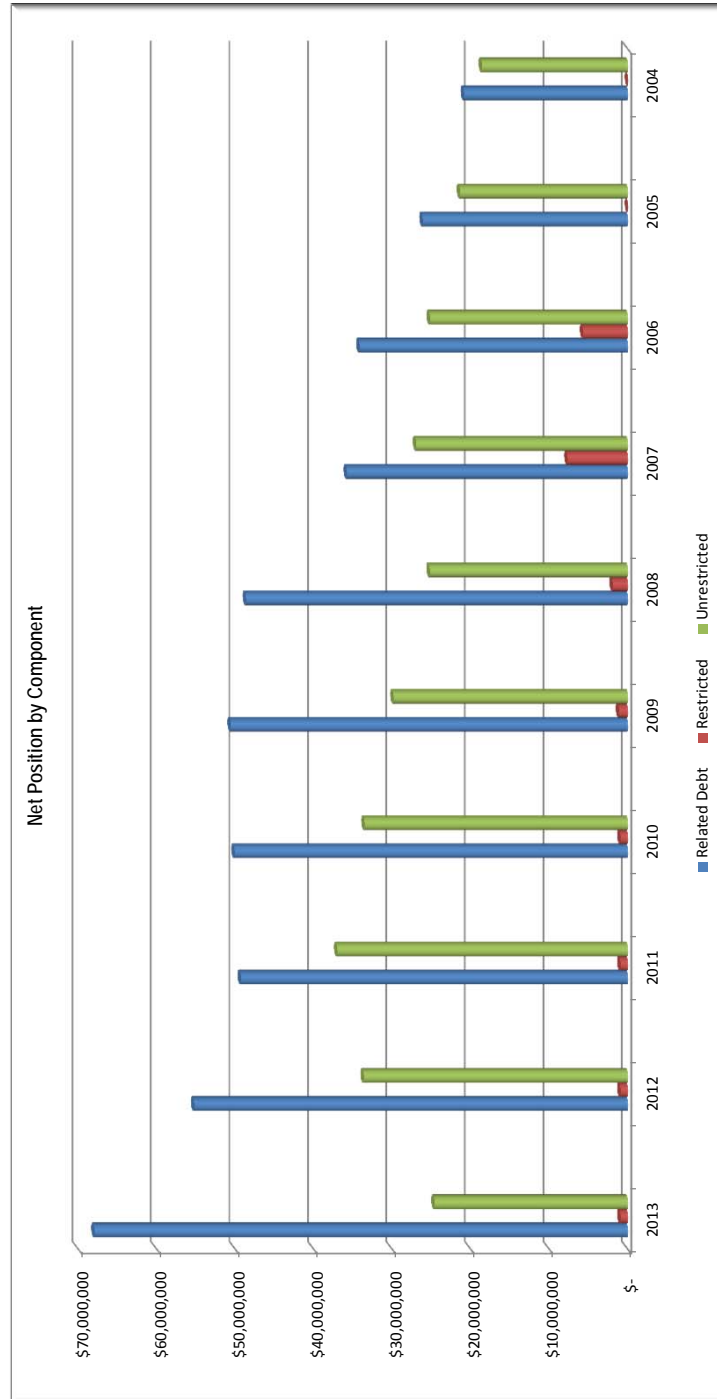
	General and Administrative	Sewage Collection	Sewage Treatment	Total
Salaries and Wages	\$ 580,825	\$ 491,514	\$ 831,799	\$ 1,904,138
Employee Benefits	246,913	212,495	372,798	832,206
Directors' Fees	11,100	-	-	11,100
Insurance	305,361	-	-	305,361
Memberships	24,366	792	1,540	26,698
Office Expenses	8,502	-	-	8,502
Permits	4,415	8,160	49,560	62,135
Operating Supplies	42,244	4,486	34,709	81,439
Professional Services	99,542	-	-	99,542
Repairs and Maintenance	60,414	58,897	175,546	294,857
Travel and Seminars	18,137	1,533	9,277	28,947
Utilities and Telephone	29,521	7,211	514,700	551,432
Chemicals	-	-	247,473	247,473
Clothing	2,416	3,669	8,639	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	215,382	295,047
Publication/Legal Notices	2,322	-	-	2,322
Small Tools	1,428	457	1,305	3,190
Research/Monitoring	40,363	-	-	40,363
Election	4,183	-	-	4,183
Other Expenses	1,787	714	1,260	3,761
Total	\$ 1,559,137	\$ 846,598	\$ 2,465,372	\$ 4,871,107

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

STATISTICAL SECTION

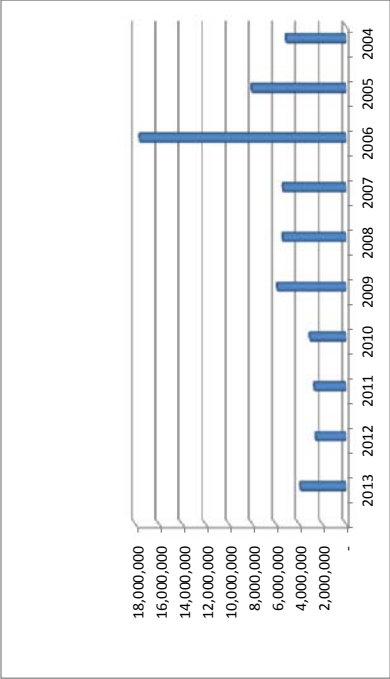
VALLEY SANITARY DISTRICT
TABLE OF NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
NET POSITION:										
Invested in Capital Assets,										
Net of										
Related Debt	\$ 67,957,406	\$ 55,265,910	\$ 49,305,860	\$ 50,121,414	\$ 50,601,844	\$ 48,664,930	\$ 35,799,259	\$ 34,199,009	\$ 26,154,446	\$ 20,892,951
Restricted	964,900	967,394	967,394	967,394	1,138,044	1,955,759	7,709,258	5,713,937	-	-
Unrestricted	24,633,563	33,648,050	37,028,724	33,546,254	29,858,292	25,252,641	26,987,593	25,235,840	21,392,756	18,605,782
TOTAL NET POSITION	\$ 93,555,869	\$ 89,881,354	\$ 87,301,978	\$ 84,635,062	\$ 81,598,180	\$ 75,873,330	\$ 70,496,110	\$ 65,148,786	\$ 47,547,202	\$ 39,498,733



VALLEY SANITARY DISTRICT
STATEMENTS OF REVENUES, EXPENSES, & CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
CHANGE IN NET POSITION

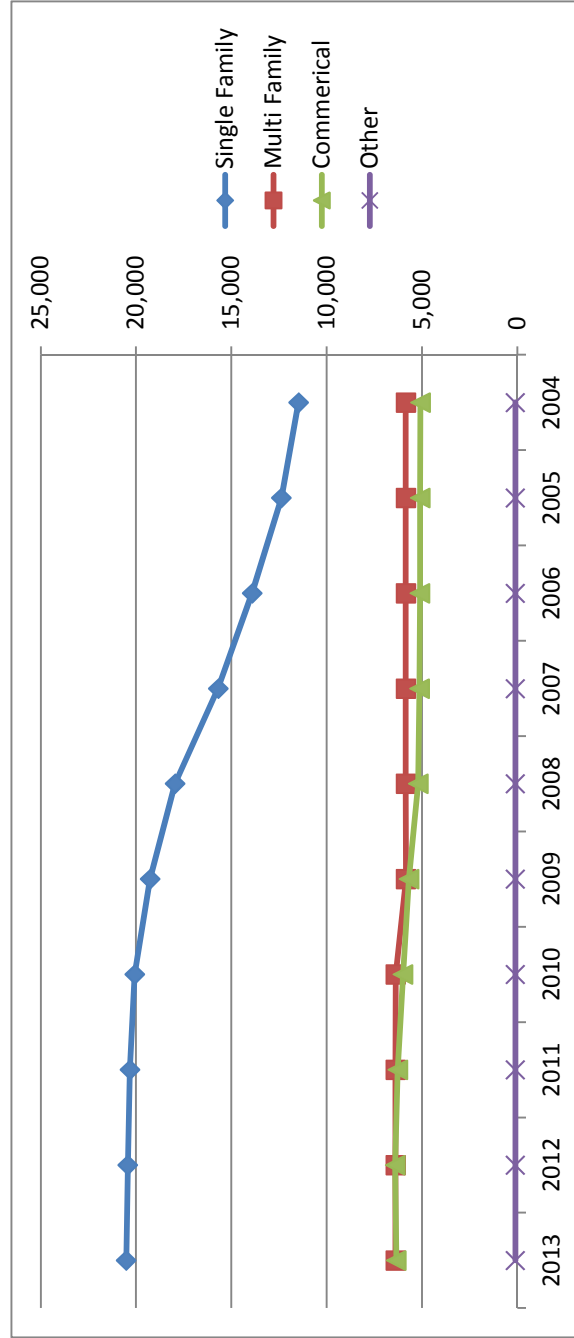
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:										
Sewer Service Charges	\$ 9,053,022	\$ 8,808,414	\$ 8,385,726	\$ 8,605,117	\$ 9,022,142	\$ 6,994,369	\$ 6,054,004	\$ 4,698,308	\$ 3,850,695	\$ 3,336,223
Connection Fees	548,527	192,763	723,985	304,428	648,882	1,702,534	1,441,576	8,325,576	7,833,088	4,493,002
Permits and Inspection Fees	12,017	7,362	28,544	25,880	24,834	131,282	160,990	305,280	117,649	108,356
Other Services	7,039	11,173	4,726	24,710	10,063	28,041	67,904	69,121	37,815	16,921
TOTAL OPERATING REVENUES	9,620,605	9,019,712	9,142,981	8,960,135	9,705,921	8,856,226	7,724,474	13,398,285	11,839,247	7,954,502
OPERATING EXPENSES:										
General and Administrative	1,403,644	1,559,137	1,501,410	1,440,724	1,394,303	1,438,020	1,635,925	1,293,411	944,076	873,955
Sewage Collection	917,799	846,598	809,998	788,124	698,225	709,414	771,638	671,181	934,367	459,334
Sewage Treatment	2,588,299	2,147,581	2,019,251	1,875,514	1,692,546	1,867,182	1,860,478	1,681,163	1,598,413	1,338,644
Sewage Disposal	338	317,791	551,369	307,380	203,194	272,804	245,291	281,892	225,188	202,658
Total Administrative and Plant	4,910,080	4,871,107	4,882,028	4,411,742	3,988,268	4,287,420	4,513,332	3,927,647	3,702,044	2,874,591
Other Operating Expenses										
Depreciation	1,841,601	1,835,054	1,870,504	1,870,268	1,167,802	1,134,127	945,867	790,880	703,556	706,860
TOTAL OPERATING EXPENSES	1,841,601	1,835,054	6,752,532	6,282,010	5,156,070	5,421,547	5,459,199	4,718,527	4,405,600	3,581,451
NET OPERATING INCOME	2,868,924	1,835,054	2,390,449	2,678,125	4,549,851	3,434,679	2,265,275	8,679,758	7,433,647	4,373,051
NON-OPERATING REVENUES (EXPENSES)										
Property Taxes	899,670	585,004	585,628	662,348	783,874	655,807	622,779	213,425	117,528	370,107
Homeowner's Tax Relief	6,690	6,851	7,183	7,268	7,460	7,659	7,614	7,902	7,557	7,554
Investment Income	75,110	123,009	154,896	183,210	527,722	1,266,911	1,846,072	1,052,290	408,200	230,929
Contribution from Property Owners	-	-	-	-	-	-	609,464	7,579,124	-	-
Bond Issue Cost	-	-	-	-	-	(13,139)	(13,139)	-	-	-
Interest Expense	(8,827)	(440,705)	(458,830)	(476,411)	-	-	-	-	-	-
Amortization	-	(21,966)	(21,966)	(21,966)	(21,967)	-	-	-	-	-
Loss on Disposed Assets	-	-	-	(1,809)	(49,244)	-	-	-	-	-
Other Revenues	16,890	13,632	9,556	6,117	1,233	25,303	9,259	69,085	81,537	112,816
TOTAL NON-OPERATING REVENUES (EXPENSES)	989,533	265,825	276,467	358,757	1,249,078	1,942,541	3,082,049	8,921,826	614,822	721,406
CHANGES IN NET POSITION										
NET POSITION, beginning of the year	3,858,457	2,579,376	2,666,916	3,036,882	5,843,929	5,377,220	5,347,324	17,601,584	8,048,469	5,094,457
PRIOR PERIOD ADJUSTMENT	89,881,354	87,301,978	84,635,062	81,598,180	75,754,251	70,496,110	65,148,786	47,547,202	39,498,733	34,365,097
NET POSITION, end of the year	\$ 93,555,869	\$ 89,881,354	\$ 87,301,978	\$ 84,635,062	\$ 81,598,180	\$ 75,873,330	\$ 70,496,110	\$ 65,148,786	\$ 47,547,202	\$ 39,498,733



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

Customer Type	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Single Family Residential	20,514	20,433	20,326	20,072	19,263	17,954	15,686	13,910	12,378	11,478
Multi-Family Residential	6,389	6,389	6,394	6,387	5,846	5,856	5,856	5,858	5,858	5,858
Commercial	6,353	6,409	6,275	5,994	5,688	5,197	5,133	5,110	5,100	5,079
Other	103	103	103	103	103	103	103	103	103	103
Total	33,359	33,334	33,098	32,556	30,900	29,110	26,778	24,981	23,439	22,518

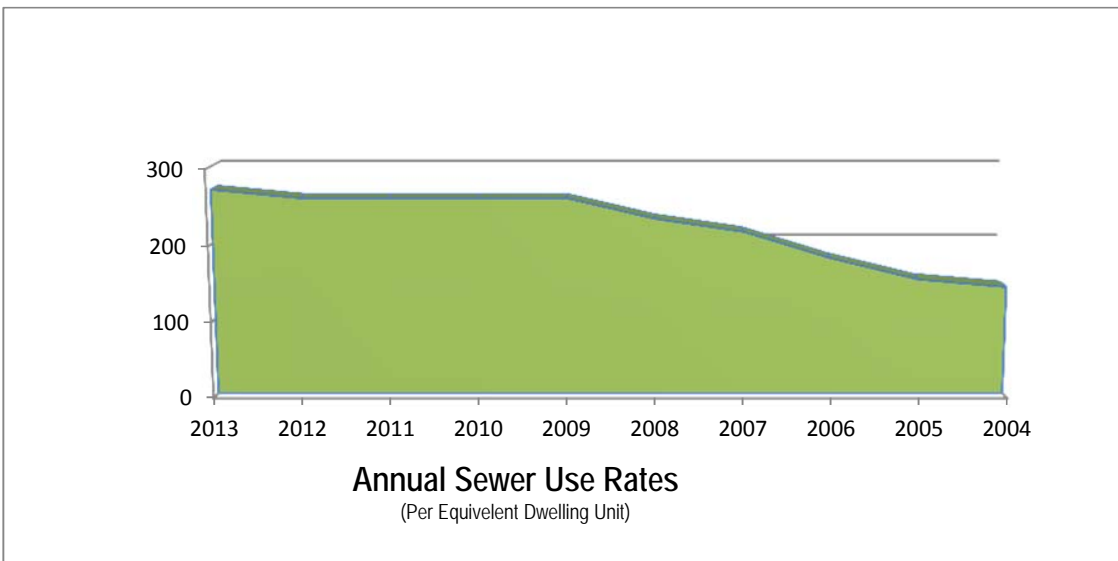
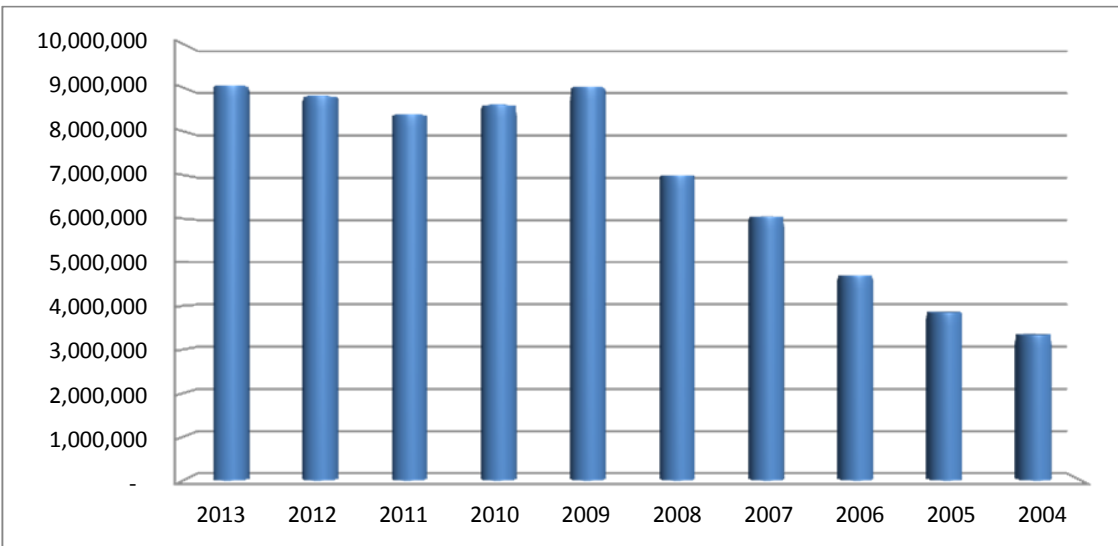
Source: Valley Sanitary District Records



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

Year	Annual Rate	Revenue
2013	270	9,053,022
2012	259	8,808,414
2011	259	8,385,726
2010	259	8,605,117
2009	259	9,022,142
2008	232	6,994,369
2007	215	6,054,004
2006	180	4,698,308
2005	152	3,850,695
2004	142	3,336,223

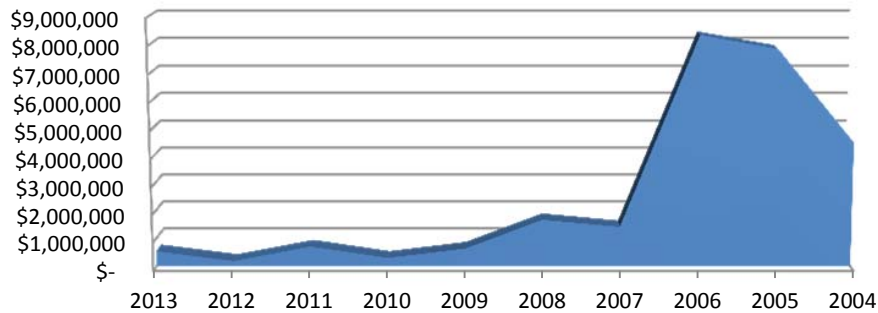
Source: Valley Sanitary District Records



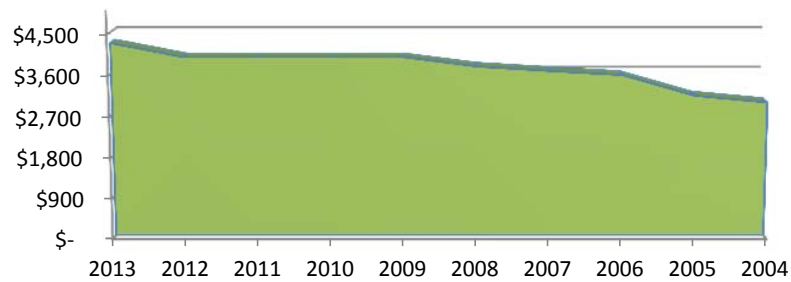
**VALLEY SANITARY DISTRICT
CONNECTION CAPACITY FEES & FISCAL YEAR REVENUES
LAST TEN FISCAL YEARS**

Year	Annual Fee	Revenue
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
2004	\$ 2,960	\$ 4,493,002

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**

	2013			2004		
	Amount Billed	Rank	Percent of District Total \$	Amount Billed	Rank	Percent of District Total \$
Desert Sands Unified School District	\$ 222,480.00	1	2.46%	\$ 122,404.00	1	4.44%
The Wells Mobile Home Association	81,000.00	2	0.89%	42,600.00	2	1.55%
Smoketree Polo Club Apartments		3	0.00%	40,896.00	3	1.48%
Fantasy Springs Casino	76,680.00	4	0.85%	40,328.00	4	1.46%
Sunrise Point Apartments	73,440.00	5	0.81%	38,624.00	5	1.40%
Indio Housing Development	70,470.00	6	0.78%	37,062.00	6	1.34%
Indio Palms Apartments	62,910.00	7	0.69%	33,086.00	7	1.20%
Casa Monroe Apartments	61,020.00	8	0.67%	32,092.00	8	1.16%
Del Mar Apartments	50,760.00	9	0.56%	26,696.00	9	0.97%
Arabian Gardens Mobile Home Park Partners LP	50,220.00	10	0.55%	26,412.00	10	0.96%
Total	<u>\$ 748,980.00</u>			<u>\$ 440,200.00</u>		
District Total Customer Charges			<u>\$ 9,053,022.00</u>			<u>\$ 2,756,705.00</u>

Note: Amount billed is for annual sewer use fees.

Source: Valley Sanitary District Records

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)	Percentage	
					Personal Income	Debt Per Capita
2013	9,920,254	-	9,920,254	81,393	20,645	121.88
2012	10,932,601	-	10,932,601	78,065	19,748	140.04
2011	11,418,774	-	11,418,774	83,675	22,350	136.47
2010	11,884,947	-	11,884,947	82,230	19,855	144.53
2009	12,495,000	-	12,495,000	81,512	18,365	153.29
2008	12,915,000	-	12,915,000	77,146	16,265	167.41
2007	-	530,000	530,000	71,654	16,325	7.40
2006	-	1,045,000	1,045,000	66,118	15,243	15.81

Notes:

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

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	Debt Service					Coverage Ratio
	Net Revenues	Operating ⁽¹⁾ Expenses	Net Available Revenues	Principal	Interest	Total
2013	\$ 10,610,138	\$ 4,910,080	5,700,058	\$ 550,000	\$ 402,552	\$ 952,552
2012	9,748,208	4,871,107	4,877,101	525,000	440,705	965,705
2011	9,900,244	4,882,028	5,018,216	505,000	458,830	963,830
2010	9,819,078	4,411,742	5,407,336	495,000	476,412	971,412
2009	11,026,210	3,988,268	7,037,942	475,000	493,071	968,071
2008	10,811,906	4,287,420	6,524,486	460,000	508,471	968,471
2007	10,819,662	4,513,332	6,306,330	420,000	227,821	647,821
2006	22,320,111	3,927,647	18,392,464	515,000	25,553	540,553
2005	12,454,069	3,702,044	8,752,025	530,000	12,389	542,389
2004	8,675,908	2,874,591	5,801,317	500,000	-	500,000

Notes:

1) *excludes Depreciation*

Sources: Valley Sanitary District

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

Employer (1) (2)	2013			2008		
	Number of Employees	Rank	Total Employment	Number of Employees	Rank	Total Employment
County of Riverside	1,283	1	4.55%	800	3	2.96%
Fantasy Springs Casino	1,100	2	3.90%	1,139	1	4.22%
Desert Sands Unified School District	1,052	3	3.73%	1,085	2	4.02%
John F. Kennedy Memorial Hospital	658	4	2.33%	575	4	2.13%
City of Indio	235	6	0.83%	289	5	1.07%
Granite Construction Co.	200	5	0.71%			
Riverside Superior Court	191	7	0.68%	211	6	0.78%
Target	180	8	0.64%			
Home Depot	129	9	0.46%	125	9	0.46%
Mathis Brothers	107	10	0.38%	140	8	0.52%
Boulder West Components				145	7	0.54%
PHB Contracting Inc.						
Tidwell Concrete Construction				120	10	0.44%
Total Employment Listed	5,135		18.21%	4,629		17.14%
Total City Employment (3)	28,200			27,000		

Notes:

¹ 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 & NUMBERS of PERMITS ISSUED
LAST TEN FISCAL YEARS

Year	Total Customers	Number of Permits Issued
2013	26,807	45
2012	26,762	44
2011	26,648	46
2010	26,414	60
2009	26,028	91
2008	25,185	124
2007	23,455	182
2006	17,300	188
2005	15,000	483
2004	14,060	140

Source: Valley Sanitary District Records

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Equivalent Dwelling Units	33,359	33,334	33,098	32,556	30,900	29,110	26,778	24,981	23,439	22,518
Rainfall (inches) ¹	2.02	1.75	5.43	5.83	3.54	3.70	0.25	3.51	9.84	2.23
Flow (MGD) ²	6.18	6.10	6.12	6.32	6.50	6.87	6.54	6.14	5.96	5.69
CBOD (MG/L)	215.66	213.50	216.33	224.40	229.08	207.40	204.90	186.00	176.16	171.80
CBOD (PE) ³	65,385	63,892	64,951	69,576	73,049	69,901	65,741	56,027	51,507	47,957
Suspended Solids (MG/L)	219.83	171.66	176.08	173.08	194.66	203	220.3	214.3	189	191.75
Suspended Solids (PE) ⁴	57,263	44,937	44,936	45,614	52,763	58,155	60,079	54,869	46,910	45,497
Tonage of Biosolids Produced	1,882	1,849	1,685	1,357	1,169	1,174	1,141	1,226	1,093	1,113
Tonage of Biosolids Applied to Land	718	2,007	1,117	1,075	232	835	8,526	3,319	2,002	1,009
Total Sewage Treated by the District (MGY) ⁵	2,257	2,227	2,234	2,307	2,373	2,508	2,387	2,241	2,175	2,077

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

5 Million gallons per year

Source: Valley Sanitary District Records

**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
2013	81,393	32.6	3.6	47,642	20,645	11.10%
2012	77,165	34.3	3.23	41,082	19,748	14.00%
2011	83,675	29.3	3.12	53,824	22,350	15.90%
2010	82,230	28.8	3.18	47,708	19,855	14.50%
2009	81,512	29.6	3.16	56,039	18,365	9.20%
2008	77,146	29	3.45	43,001	16,265	6.50%
2007	71,654	30.3	2.97	41,791	16,325	5.50%
2006	66,118	N/A	N/A	39,021	15,243	5.90%

Notes:

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

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Sanitary Sewer Service Operations										
Equivalent Dwelling Units (units of Service)	33,359	33,334	33,098	32,556	30,900	29,110	26,778	24,981	23,439	22,518
Treatment Plant Operations										
Plant Flow										
(Units = Million Gallons Per Day)										
Monthly Average	188	186	186	192	198	209	199	187	181	173
Permit Limitation (Dry Weather)	11.0	11.0	11.0	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Annual Rainfall (inches) ¹	2.02	1.75	5.43	5.83	3.54	3.70	0.25	3.51	9.84	2.23
Collection System Operations										
Sewer Lines										
Length (ft)	1,288,320	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
Inspected (ft)	95,040	56,203	86,241	86,808	52,754	21,715	N/A	N/A	N/A	N/A
Cleaned (ft)	776,160	538,569	671,085	687,969	636,501	568,524	544,587	507,681	175,002*	491,298

* Partial Year - Data Unavailable

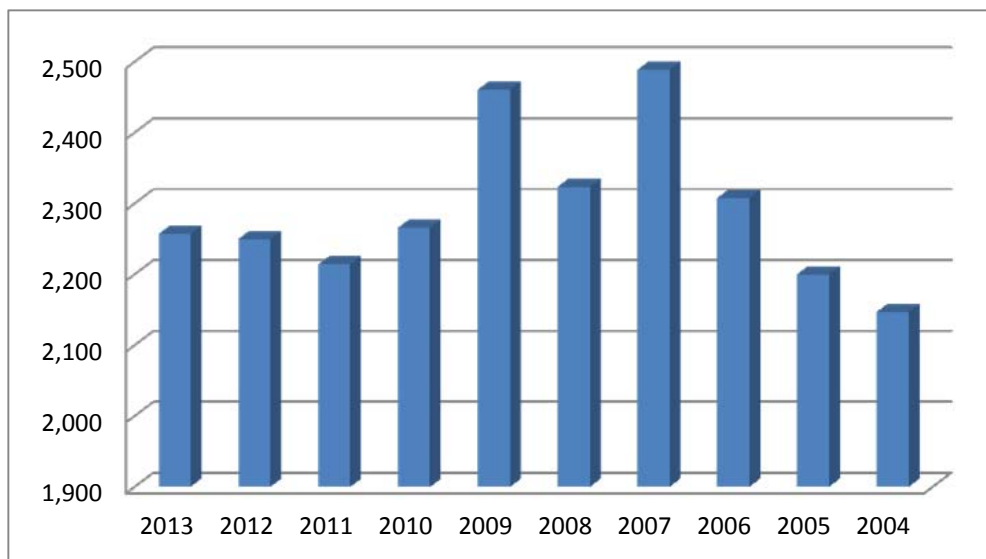
¹ Annual rainfall for the Coachella Valley from www.desertweather.com

Source: Valley Sanitary District Records

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

Year	Annual Flow
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
2004	2,147

Source: Valley Sanitary District Records



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

Full-time Equivalent District Employees by Department

Fiscal Year	Administration	Collections	Operations	Lab	Total
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
2004	3	5	10	2	20

