



# Yucaipa Valley Water District

## Notice and Agenda of a Board Workshop

Tuesday, October 25, 2011 at 4:00 p.m.

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MEETING LOCATION: District Administration Building  
12770 Second Street, Yucaipa

MEMBERS OF THE BOARD: Director Ian Cuthbertson, Division 1  
Director Bruce Granlund, Division 2  
Director Jay Bogh, Division 3  
Director Lonni Granlund, Division 4  
Director Hank Wochholz, Division 5

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- I. Call to Order
- II. Public Comments: At this time, members of the public may address the Board of Directors on matters within its jurisdiction; however, no action or significant discussion may take place on any item not on the agenda. To provide comments on specific agenda items, please complete a speaker's request form and provide that form to the Board Secretary prior to the commencement of the Board meeting.
- III. Staff Comments
- IV. Presentations
  - A. Audited Financial Statements for Fiscal Year Ending June 30, 2011 [[Workshop Memorandum No. 11-161 - Page 3 of 74](#)]
  - B. Oak Glen Watershed Sanitary Survey [[Workshop Memorandum No. 11-162 - Page 44 of 74](#)]
  - C. Wilson Creek Turnout Project by the San Bernardino Valley Municipal Water District [[Workshop Memorandum No. 11-163 - Page 51 of 74](#)]
- V. Capital Improvement Projects
  - A. Status Report on the Construction of the Yucaipa Valley Regional Brineline [[Workshop Memorandum No. 11-164 - Page 53 of 74](#)]
  - B. Status Report on the Construction of Recycled Water Projects [[Workshop Memorandum No. 11-165 - Page 57 of 74](#)]

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Any person with a disability who requires accommodation in order to participate in this meeting should telephone Erin Anton at (909) 797-5117, at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

Materials related to an item on this agenda submitted to the Board of Directors after distribution of the workshop packet are available for public inspection during normal business hours at the District office located at 12770 Second Street, Yucaipa. Meeting material is also be available on the District's website at [www.yvwd.dst.ca.us](http://www.yvwd.dst.ca.us)

- VI. Development Issues
  - A. Proposed Sewer Service Connection for Commercial Development at Yucaipa Boulevard and 15<sup>th</sup> Street [[Workshop Memorandum No. 11-166 - Page 59 of 74](#)]
  - B. Sewer Mainline Reimbursement for Commercial Development Located on 5<sup>th</sup> Street, Calimesa (APN 411-180-025) - Bill Dickinson [[Workshop Memorandum No. 11-167 - Page 61 of 74](#)]
- VII. Administrative Issues
  - A. Contract for Annual Inspection and Cleaning of Various Reservoirs [[Workshop Memorandum No. 11-168 - Page 65 of 74](#)]
- VIII. Closed Session
  - A. Conference with Labor Negotiator (Government Code 54957.6)  
District Negotiator: Joseph Zoba, General Manager  
Employee Organization: Supervisor Bargaining Unit
  - B. Conference with Labor Negotiator (Government Code 54957.6)  
District Negotiator: Joseph Zoba, General Manager  
Employee Organization: Exempt Employee Bargaining Unit
  - C. Conference with Real Property negotiator(s) (Government Code 54956.8)  
Property: Assessor's Parcel Number: 301-201-29  
Agency Negotiator: Joseph Zoba, General Manager  
Negotiating Parties: Palmer General Corporation  
Under Negotiation: Terms of Payment and Price
- IX. Director Comments
- X. Adjournment



## Workshop Memorandum 11-161

**Date: October 25, 2011**

**Subject: Audited Financial Statements for Fiscal Year Ending June 30, 2011**

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The certified public accounting firm of Vavrinek, Trine, Day and Company (VTD) has completed the independent financial review of the Yucaipa Valley Water District. An overview of the financial audit will be provided at the board workshop.

### FINANCIAL HIGHLIGHTS

- The Yucaipa Valley Water District's net assets increased by \$4,432,963 or 2.58 percent.
- During the year, the District's revenues decreased to \$22,404,163 or -2.46 percent, while expenses decreased to \$25,221,423 or -1.23 percent.
- Capital contributions to the District amounted to \$7,250,224.

### FINANCIAL ANALYSIS

The following table summarizes the changes between assets, liabilities and net assets as of June 30, 2011 and 2010:

#### Statement of Net Assets

	2011	2010	Change	% Change
<b>Assets</b>				
Current assets	\$ 18,384,219	\$ 17,376,849	\$ 1,007,370	5.80%
Capital assets, net	246,281,164	243,069,946	3,211,218	1.32%
Other assets	3,549,898	3,611,247	(61,349)	-1.70%
<b>Total Assets</b>	<b>268,215,281</b>	<b>264,058,042</b>	<b>4,157,239</b>	<b>1.57%</b>
<b>Liabilities</b>				
Current liabilities	9,518,048	8,578,217	939,831	10.96%
Long term liabilities	82,647,198	83,862,753	(1,215,555)	-1.45%
<b>Total Liabilities</b>	<b>92,165,246</b>	<b>92,440,970</b>	<b>(275,724)</b>	<b>-0.30%</b>
<b>Net Assets</b>				
Net Invested in capital assets, Net of related debt	162,072,659	157,665,439	4,407,220	2.80%
Restricted for debt service	2,257,076	2,246,012	11,064	0.49%
Restricted for capital projects	3,510,529	2,624,386	886,143	33.77%
Unrestricted	8,209,771	9,081,235	(871,464)	-9.60%
<b>Total Net Assets</b>	<b>176,050,035</b>	<b>171,617,072</b>	<b>4,432,963</b>	<b>2.58%</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 268,215,281</b>	<b>\$ 264,058,042</b>	<b>\$ 4,157,239</b>	<b>1.57%</b>

The following table summarizes changes in net assets for the fiscal years ended June 30, 2011 and 2010:

**Statement of Revenues, Expenses and Changes in Net Assets**

	2011	2010	Change	% Change
Operating Revenues				
Water Services	\$ 8,786,848	\$ 9,144,778	\$ (357,930)	-3.91%
Sewer Services	10,127,736	9,938,758	188,978	1.90%
Recycled Services	303,952	468,191	(164,239)	-35.08%
Interfund Services Provided	593,310	760,560	(167,250)	-21.99%
Other Revenue	14,760	540	14,220	2633.33%
Total Operating Revenues	<u>19,826,606</u>	<u>20,312,827</u>	<u>(486,221)</u>	<u>-2.39%</u>
Non-Operating Revenues				
Interest Income	8,273	11,525	(3,252)	-28.22%
Property Taxes	2,477,843	2,581,842	(103,999)	-4.03%
Other Income	91,441	61,974	29,467	47.55%
Total Non-Operating Revenues	<u>2,577,557</u>	<u>2,655,341</u>	<u>(77,784)</u>	<u>-2.93%</u>
<b>Total Revenues</b>	<b><u>22,404,163</u></b>	<b><u>22,968,168</u></b>	<b><u>(564,005)</u></b>	<b><u>-2.46%</u></b>
Operating Expenses				
Salaries & Benefits	5,869,472	5,671,909	197,563	3.48%
Electrical Power	2,326,699	2,299,388	27,311	1.19%
Water Purchases	965,784	903,591	62,193	6.88%
Administrative Services	1,147,694	1,304,175	(156,481)	-12.00%
Operating Supplies	831,094	858,608	(27,514)	-3.20%
Maintenance & Repairs	1,511,379	1,457,573	53,806	3.69%
Depreciation & Amortization	6,974,904	5,926,792	1,048,112	17.68%
Insurance	221,398	217,876	3,522	1.62%
Professional Fees	1,006,095	1,171,640	(165,545)	-14.13%
Other Expenses	1,217,624	1,069,297	148,327	13.87%
Total Operating Expenses	<u>22,072,143</u>	<u>20,880,849</u>	<u>1,191,294</u>	<u>5.71%</u>
Non-Operating Expenses				
Loss on Asset Disposal	57,163	1,516,835	(1,459,672)	-96.23%
Other Expenses	36,086	8,051	28,035	348.22%
Interest Expense	3,056,031	3,129,543	(73,512)	-2.35%
Total Non-Operating Expenses	<u>3,149,280</u>	<u>4,654,429</u>	<u>(1,505,149)</u>	<u>-32.34%</u>
<b>Total Expenses</b>	<b><u>25,221,423</u></b>	<b><u>25,535,278</u></b>	<b><u>(313,855)</u></b>	<b><u>-1.23%</u></b>
Income (Loss) Before Contributions	(2,817,260)	(2,567,110)	(250,150)	9.74%
Capital Contributions	<u>7,250,224</u>	<u>1,053,168</u>	<u>6,197,056</u>	<u>588.42%</u>
Change in Net Assets	4,432,964	(1,513,942)	5,946,906	-392.81%
Beginning Net Assets	171,617,072	173,131,014	(1,513,942)	-0.87%
<b>Ending Net Assets</b>	<b><u>\$ 176,050,036</u></b>	<b><u>\$ 171,617,072</u></b>	<b><u>\$ 4,432,964</u></b>	<b><u>2.58%</u></b>

### CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

At the end of fiscal year 2011, the District had invested \$246,281,164 in a broad range of infrastructure as shown below.

<b>Capital Assets</b>				
	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
<b>Non-Depreciable Assets</b>				
Land & Easements	\$ 5,350,688	\$ 5,350,688	\$ -	0.00%
Water Rights	4,557,431	4,537,721	19,710	0.43%
Construction in Progress	11,231,313	3,239,304	7,992,009	246.72%
Total Non-Depreciable Assets	<u>21,139,432</u>	<u>13,127,713</u>	<u>8,011,719</u>	<u>61.03%</u>
<b>Depreciable Assets</b>				
Structures & Improvements	252,905,377	251,311,151	1,594,226	0.63%
Equipment	41,891,257	41,684,054	207,203	0.50%
Total Depreciable Assets	<u>294,796,634</u>	<u>292,995,205</u>	<u>1,801,429</u>	<u>0.61%</u>
Less Accumulated Depreciation	<u>(69,654,902)</u>	<u>(63,052,974)</u>	<u>(6,601,928)</u>	<u>10.47%</u>
Net Depreciable Assets	<u>225,141,732</u>	<u>229,942,231</u>	<u>(4,800,499)</u>	<u>-2.09%</u>
<b>Total Capital Assets, Net</b>	<b><u>\$ 246,281,164</u></b>	<b><u>\$ 243,069,944</u></b>	<b><u>\$ 3,211,220</u></b>	<b><u>1.32%</u></b>

As of June 30, 2011, construction in progress increased \$7,992,009, primarily due to construction of the District's Brineline Project.

**Long-term obligations, including current portion**, totaled \$82,647,198 and \$83,862,753 at June 30, 2011 and 2010, respectively. These amounts were comprised of revenue bonds, state revolving fund loan and compensated absences.

<b>Long Term Liabilities</b>				
	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
Compensated Absences	\$ 725,884	\$ 642,219	\$ 83,665	13.03%
Certificates of Participation	39,968,124	40,891,956	(923,832)	-2.26%
State Revolving Fund Loan	41,953,190	42,328,578	(375,388)	-0.89%
Total Long Term Liabilities	<u>82,647,198</u>	<u>83,862,753</u>	<u>(1,215,555)</u>	<u>-1.45%</u>

During the year, the District's long-term debt decreased \$1,215,555 and can be attributed to the normal debt payments if the Certificates of Participation and State Revolving Fund Loan.

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Yucaipa Valley Water District

12770 Second Street, Yucaipa, California 92399

## Annual Financial Statements

for the

Fiscal Year Ending June 30, 2011

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### Board of Directors

Ian Cuthbertson  
Division 1

Bruce Granlund  
Divisions 2

Jay Bogh  
Division 3

Lonni Granlund  
Division 4

Hank Wochholz  
Division 5

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**Financial Audit Preparation Team:**

Accounting & Customer Service

Vicky Elisalda, Controller  
Peggy Little, Administrative Supervisor  
Erin Anton, Administrative Clerk IV  
Sara Onate, Administrative Clerk IV  
Luis Abrego, Administrative Clerk IV  
Tysa Baeumel, Administrative Clerk II

Engineering

Linda Kilday, Engineering Technician IV  
Chelsie Fogus, Engineering Technician I

Inventory Control

Joan Cadiz, Purchasing Agent  
Michael Murrietta, Stock Clerk



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**Transmittal Letter**  
Audited Financial Statements - Fiscal Year 2011

## INTRODUCTION

It is my pleasure to provide the following financial report for Yucaipa Valley Water District (“District”) for the fiscal year ended June 30, 2011. The financial report was prepared by District staff in conjunction with Vavrinek, Trine, Day & Company (VTD) following guidelines set forth by the Governmental Accounting Standards Board.

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.

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.

This report is organized into the following sections: (1) Transmittal Letter and District Overview; (2) Management Discussion & Analysis; and (3) Audited Financial Statements. The first section provides the reader with a general overview of the District. The Management Discussion & Analysis section offers a summary of significant financial results. The Audited Financial Statements section includes the Independent Auditors’ Report.

## OVERVIEW OF THE DISTRICT

The Yucaipa Valley Water District is made up of a proactive and diverse group of elected officials and employees dedicated to providing reliable water and sewer service in an efficient, cost effective manner that provides a high level of customer satisfaction. On May 1, 2002, the Board of Directors adopted the following mission statement to clearly reflect the vision and principles that guide the dedicated elected officials and employees of the District.

**Yucaipa Valley Water District** is committed to professionally managing the precious water, sewer and recycled water resources of the Yucaipa Valley in a reliable, efficient and cost effective manner in order to provide the finest service to our customers, both present and future.

**We** are entrusted to serve the public for the benefit of the community.

**We** believe in responsive, innovative and aggressive service, and take pride in getting the job done right the first time.

**We** encourage a work environment that fosters professionalism, creativity, teamwork and personal accountability.

**We** treat our customers and one another with fairness, dignity, respect and compassion and exhibit the utmost integrity in all we do.

**We** believe in enhancing the environment by following a general philosophy of eliminating waste and maximizing recycling and reuse of our natural resources.

**We** are committed to using the following operating principles as a guide to accomplishing our mission:



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Audited Financial Statements - Fiscal Year 2011

- We are proactive in our approach to issues.
- We are committed to integrity and consistently high ethical standards in all our business dealings.
- We use the strategic planning process to focus our efforts and minimize our crisis management mode.
- We make informed, rational and objective decisions.
- We aggressively pursue technological solutions to improve operations.
- We are inclusive in our decision making and delegate responsibility whenever possible.
- We design our services around customer wants and needs to the degree possible within our financial and regulatory constraints.
- We cultivate widespread commitment to common goals.

We believe our success depends on every employee knowing and sharing these values and principles

This financial report is a reflection of the District's commitment to professionally manage the precious water, wastewater and recycled water resources of the Yucaipa Valley in a reliable, efficient and cost effective manner in order to provide the finest service to our customers, both present and future.

To meet the mission of the District, the Board and staff members continue to proactively focus on water quality issues, water supply issues, infrastructure deficiencies, maintenance of existing systems and compliance with increasingly stringent regulatory requirements.

### **Historical Background**

The District was formed as part of reorganization, pursuant to the Reorganization Act of 1965, being Division I of Title 6 of the Government Code of the State of California. This reorganization consisted of the formation of the District, dissolution of the Calimesa Water District and formation of Improvement District No. 1 of the District as successor-in-interest, and dissolution of Improvement District "A" of the San Bernardino Valley Municipal Water District and the formation of Improvement District "A" of the District as successor-in-interest. On September 14, 1971, the Secretary of State of the State of California certified and declared formation of the Yucaipa Valley County Water District. The District operates under the County Water District Law, being Division 12 of the State of California Water Code (the "Act"). Although the immediate function of the District was to provide water service, the District has assumed responsibility for providing recycled water and wastewater service in Yucaipa Valley.

The District is located about 70 miles east of Los Angeles and 20 miles southeast of San Bernardino in the foothills of the San Bernardino Mountains and has an estimated population of approximately 59,599. The District is situated in both San Bernardino County and Riverside County.

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Audited Financial Statements - Fiscal Year 2011

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As of June 30, 2011, the District provided service to 12,115 water customers, 13,376 sewer customers and 55 recycled water customers.

Customer Type	Water Utility		Sewer Utility		Recycled Water Utility
	Number of Connections	Number of Units	Number of Connections	Number of Units	Number of Connections
Single Family	11,044	11,044	12,437	12,437	0
Multiple Units	518	5,243	647	7,426	0
Commercial	253	253	248	248	0
Institutional	60	63	43	53	0
Industrial	15	15	1	1	0
Irrigation	116	116	0	0	52
Fire Detectors	95	95	0	0	0
Construction	14	14	0	0	3
<b>Total</b>	<b>12,115</b>	<b>16,843</b>	<b>13,376</b>	<b>20,165</b>	<b>55</b>

**Land and Land Use**

The altitude of the District rises from about 2,000 feet above sea level at the western end of the valley to about 5,000 feet at the eastern end, with average elevation of roughly 2,650 feet. The topography of the area is characterized by rolling hills separated by deeply entrenched stream beds, namely, the Yucaipa and Wilson Creeks. The District includes the incorporated cities of Yucaipa and Calimesa which are in San Bernardino and Riverside Counties respectively.

The District expects that the undeveloped land within its boundaries will continue to be developed consistent with the general plans as provided by the City of Yucaipa and the City of Calimesa. The projected population of the District in the year 2030 will be approximately 94,800, which reflects build-out of the City of Calimesa and the Oak Valley development. Although approximately 49.8% of the land within the boundaries of the District is currently undeveloped, less than 1% of District water sales are to agricultural water users.

**Governance and Management**

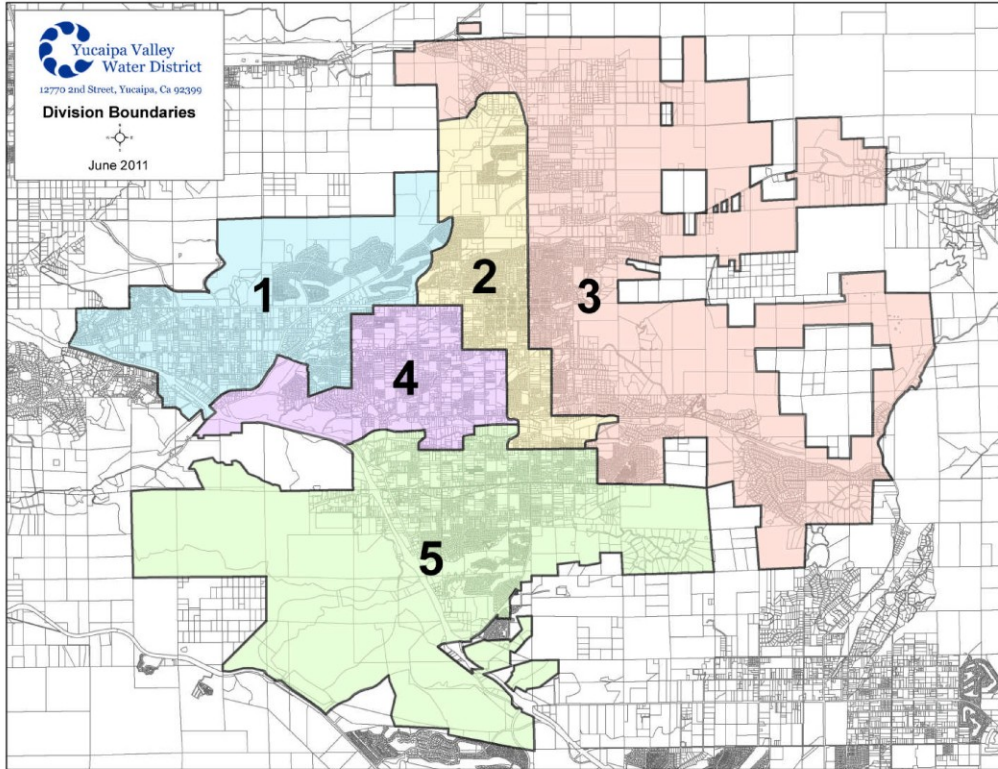
The District is governed by a 5-member board of directors (the “Board”), the members of which are elected from five separate divisions of the District for staggered 4-year terms. The current Board members, the expiration dates of their terms and their occupations are set forth below.

Member of the Board of Directors	Division	Initial Date of Service	Expiration of Term	Occupation
Jay Bogh, President	Three	09/07/2005	2014	Building Firm Manager
Bruce Granlund, Vice President	Two	12/23/1998	2014	Retired Senior District Attorney Investigator
Ian Cuthbertson, Director	One	12/05/2008	2012	Electrical Power Plant Manager
Henry Wochholz, Director	Five	11/03/1971	2014	Retired Bank Executive
Lonni Granlund, Director	Four	12/05/2008	2012	Property Manager/Real Estate Broker



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 Audited Financial Statements - Fiscal Year 2011

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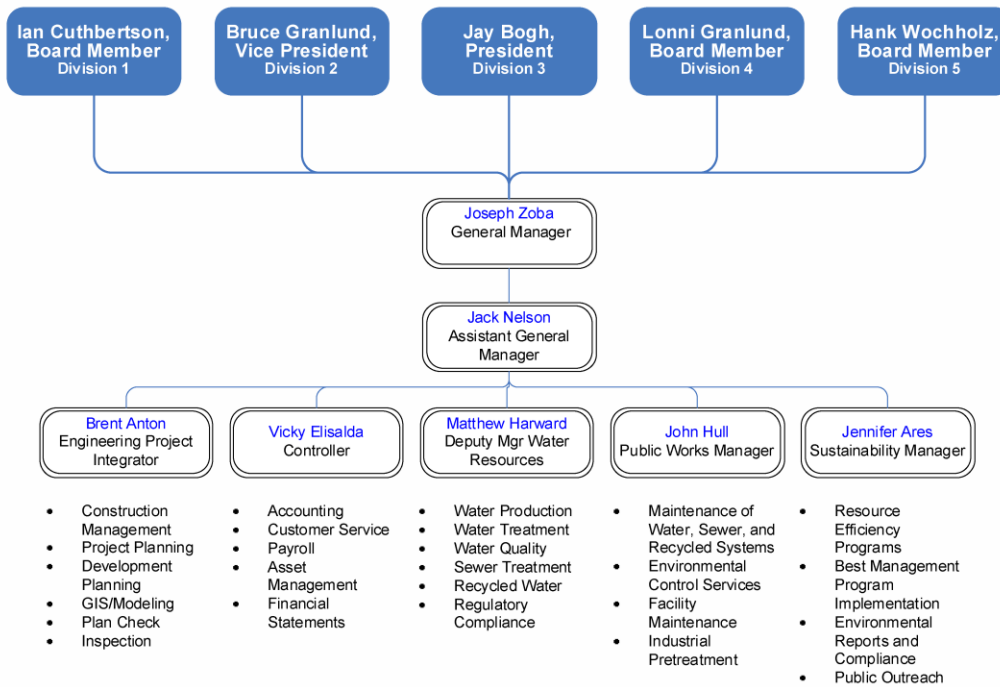
The following individuals have served as President of the Board since the District was created in 1971.

Yucaipa Valley Water District	
Presidents of the Board	
October 1971 to November 1973	Harold Lockwood
December 1973 to November 1975	Hank Wochholz
December 1975 to October 1977	Geno Gasponi
November 1977 to November 1979	Eve Kraft
December 1979 to December 1983	Pete Squires
January 1984 to December 1987	Fred Childs
January 1988 to November 1989	George Sardeson
November 1989 to December 1991	Hank Wochholz
January 1992 to November 1993	David Lesser
December 1993 to December 1995	Conrad Nelson
December 1995 to December 1998	Steve Copelan
January 1999 to November 2002	Conrad Nelson
December 2002 to December 2006	Bruce Granlund
December 2006 to December 2008	Tom Shalhoub
December 2008 to Present	Jay Bogh

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Audited Financial Statements - Fiscal Year 2011

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Day-to-day management of the District is delegated to the General Manager who works closely with an executive team who ultimately oversee all of the District's services and functions.



## DEVELOPMENT ACTIVITY WITHIN THE DISTRICT

### Facility Capacity Charges - Fiscal Year 2011

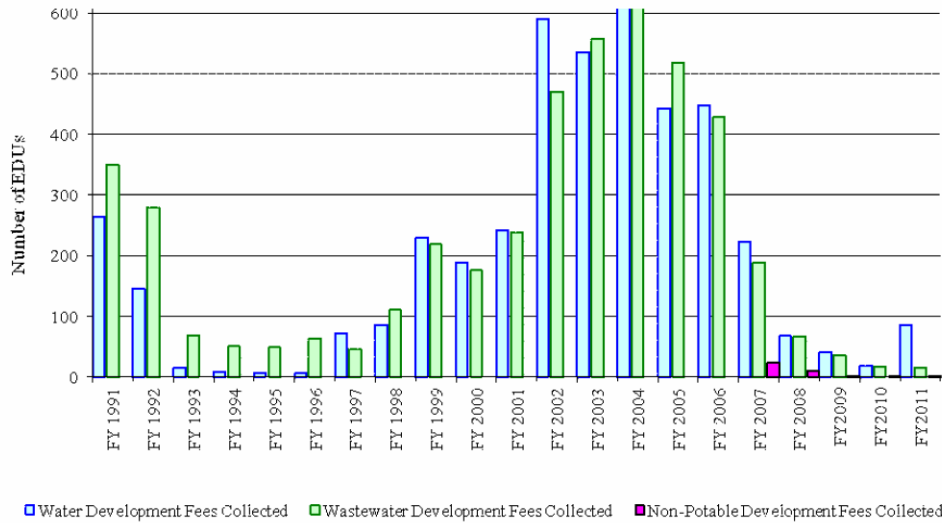
Development within the District changed this year at a pace of 86 water facility capacity charges, 15 wastewater facility capacity charges, and 1 recycled water facility capacity charge. When compared to the prior year, the District received 377.8% more water connections, 11.7% fewer sewer connections and 50.0% fewer recycled water connections.

	Water Facility Capacity Charges	Sewer Facility Capacity Charge	Recycled Water Facility Capacity Charges
FY 2002	290	470	--
FY 2003	535	558	--
FY 2004	617	621	--
FY 2005	443	517	--
FY 2006	442	429	--
FY 2007	222	189	23
FY 2008	69	67	10
FY 2009	41	35	1
FY 2010	18	17	2
FY 2011	86	15	1



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Transmittal Letter  
Audited Financial Statements - Fiscal Year 2011



## MAJOR INITIATIVES AND CONTROLS

### Major Initiatives

California’s water supply continues to be a concern due to projected population increases and limited capabilities to convey water throughout the state. On August 20, 2008 the Board of Directors adopted a *Strategic Plan for a Sustainable Future - The Integration and Preservation of Resources*. The purpose of this document was to document the proactive steps taken by the Yucaipa Valley Water District to improve the social, economic and environmental sustainability of our community. These actions have included the purchase of valuable watershed properties, protection of local water supplies and management of environmental corridors. While the decisions to embark on these actions have been generally unrelated, a look back in time indicates that the District has been progressing towards a more independent, flexible and sustainable future.

*"The nation behaves well if it treats the natural resources as assets which it must turn over to the next generation increased, and not impaired in value."*

- Theodore Roosevelt

The proactive steps taken by the District to protect and conserve our resources have been based on the concepts that: (1) resources are not limitless and therefore need to be conserved, nurtured and renewed; and (2) resources that are used to generate short-term gains result in an inefficient and inequitable consumption of resources that are not beneficial for a long-term strategy. Both of these concepts help to guide the District to make decisions that are conservative, careful

and conscious of the role we currently play in a long-term strategy to protect the community.



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Transmittal Letter

Audited Financial Statements - Fiscal Year 2011

The purpose of pursuing a sustainability plan is twofold. First and foremost, the sustainability plan has been designed to establish the policies and guidelines necessary to protect and preserve the natural resources entrusted to the District for our customers. It is our business to maximize the use of our limited natural resources for the long-term economic growth and expansion of the local economy. In the arid southwest, the basic fuel to create and maintain a local economy is water. Secondly, the sustainability policy has been designed to provide a means to measure performance of the organization. While performance monitoring or benchmarking is not normally associated with sustainability, this document has been created with the intention that the goals and reporting requirements are designed around performance management across a wide range of disciplines.

*"Sustainable development is . . . development that meets the needs of the present without compromising the ability of further generations to meet their own needs."*

- **World Commission on Environment and Development, *Our Common Future*, 1987**

With the use of this document the District is better equipped to:

- Identify the key challenges over the next five decades and assess the goals to overcome these challenges;
- Deal with the challenges of the future in a transparent manner involving stakeholders;
- Identify and manage risk in a reasonable and prudent manner with information, data and resources necessary to minimize the potential costs associated with certain scenarios; and
- Embark on a program to ensure that the generations that follow are provided with the necessary tools and resources to grow the community as the prior generation has done for us.

The implementation of this initiative will come about largely with the return of new development. However, the District has enacted additional measures for existing customers which largely involves the purchase of imported water to offset groundwater production by 15% beginning in January 2010.

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

### **Budgetary Control**

The District's 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 operations and capital projects. The budget and reporting steps taken by the District are consistent with generally accepted accounting principles with monthly reporting of public documents for complete transparency and disclosure.

### **Investment Policy**

The Board of Directors adopts an investment policy annually that conforms to state law, District ordinance and resolutions, and prudent money management. The District is extremely conservative in our approach to investing to maximize safety and protection of public funds.



**Transmittal Letter**  
Audited Financial Statements - Fiscal Year 2011

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**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 Vavrinek, Trine, Day & Company, LLP has conducted the audit of the District's financial statements. Their unqualified Independent Auditor's Report is attached.



**Independent Auditor's Report**  
Audited Financial Statements - Fiscal Year 2011

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# Independent Auditor's Report



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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Yucaipa Valley Water District  
Yucaipa, California

We have audited the accompanying financial statements of the Water, Sewer, and Non-Potable Enterprise Funds of the Yucaipa Valley Water District (the District) as of June 30, 2011, and for the year ended 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 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 the 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 financial position of the Water, Sewer, and Non-Potable Enterprise Funds of the Yucaipa Valley Water District as of June 30, 2011, and the respective changes in financial position and cash flows for the year 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 4, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 16 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The transmittal letter listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The transmittal letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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Rancho Cucamonga, California  
October 4, 2011



**Management's Discussion & Analysis**  
Audited Financial Statements - Fiscal Year 2011

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## **Management's Discussion & Analysis**



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This section of the Yucaipa Valley Water District's comprehensive annual financial report presents a discussion and analysis of the District's financial performance during the fiscal years ending June 30, 2010 and June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the District's basic financial statements following this section.

### FINANCIAL HIGHLIGHTS

Based on the financial information for the fiscal year ending on June 30, 2011, the following financial highlights are noted for the Yucaipa Valley Water District.

- The District's net assets increased 2.58% to \$176,050,035.
- The District's total revenues decreased 2.46% to \$22,404,163.
- The District's total expenses decreased 1.23% to \$25,221,424.
- The capital contributions to the District totaled \$7,250,224 for the fiscal year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Yucaipa Valley Water District's basic financial statements. The District's basic financial statements are comprised of two components: Financial Statements and Notes to the Financial Statements.

***The District's Basic Financial Statements*** are comprised of the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows.

The *Statement of Net Assets* presents information on all District 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 District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how net assets changed during the fiscal year.

The *Statement of Cash Flows* present information about the cash receipts and cash payments of the District during the fiscal year. When used with related disclosures and information in the other financial statements, the information provided in these statements should help financial report users assess the District's ability to generate future net cash flows, its ability to meet its obligations as they come due and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on the District's financial position of its cash and its non-cash investing, capital and related financing transactions during the year.

***Notes to the Basic Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes are included immediately following the financial statements within this report.

Management's Discussion and Analysis  
Fiscal Year 2011

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## FINANCIAL ANALYSIS

The following table summarizes the changes between assets, liabilities and net assets as of June 30, 2011.

<b>Statement of Net Assets</b>				
	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
<b>Assets</b>				
Current assets	\$ 18,384,219	\$ 17,376,849	\$ 1,007,370	5.80%
Capital assets, net	246,281,164	243,069,946	3,211,218	1.32%
Other assets	3,549,898	3,611,247	(61,349)	-1.70%
<b>Total Assets</b>	<b><u>268,215,281</u></b>	<b><u>264,058,042</u></b>	<b><u>4,157,239</u></b>	<b><u>1.57%</u></b>
<b>Liabilities</b>				
Current liabilities	9,518,048	8,578,217	939,831	10.96%
Long term liabilities	82,647,198	83,862,753	(1,215,555)	-1.45%
<b>Total Liabilities</b>	<b><u>92,165,246</u></b>	<b><u>92,440,970</u></b>	<b><u>(275,724)</u></b>	<b><u>-0.30%</u></b>
<b>Net Assets</b>				
Net Invested in capital assets,				
Net of related debt	162,072,659	157,665,439	4,407,220	2.80%
Restricted for debt service	2,257,076	2,246,012	11,064	0.49%
Restricted for capital projects	3,510,529	2,624,386	886,143	33.77%
Unrestricted	8,209,771	9,081,235	(871,464)	-9.60%
<b>Total Net Assets</b>	<b><u>176,050,035</u></b>	<b><u>171,617,072</u></b>	<b><u>4,432,963</u></b>	<b><u>2.58%</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 268,215,281</u></b>	<b><u>\$ 264,058,042</u></b>	<b><u>\$ 4,157,239</u></b>	<b><u>1.57%</u></b>

As can be seen from the table above, net assets increased from \$171,617,072 in fiscal year 2010 to \$176,050,035 in fiscal year 2011, an increase of \$4,432,963. Looking more carefully at the table you can see that there was an increase in current assets attributed to Grants Receivable and to Capital Assets, net attributed to construction in progress of the Yucaipa Valley Regional Brineline Project.

The following table summarizes changes in net assets as of June 30, 2011.

Management's Discussion and Analysis  
Fiscal Year 2011

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**Statement of Revenues, Expenses and Changes in Net Assets**

	2011	2010	Change	% Change
<b>Operating Revenues</b>				
Water Services	\$ 8,786,848	\$ 9,144,778	\$ (357,930)	-3.91%
Sewer Services	10,127,736	9,938,758	188,978	1.90%
Recycled Services	303,952	468,191	(164,239)	-35.08%
Interfund Services Provided	593,310	760,560	(167,250)	-21.99%
Other Revenue	14,760	540	14,220	2633.33%
<b>Total Operating Revenues</b>	<b>19,826,606</b>	<b>20,312,827</b>	<b>(486,221)</b>	<b>-2.39%</b>
<b>Non-Operating Revenues</b>				
Interest Income	8,273	11,525	(3,252)	-28.22%
Property Taxes	2,477,843	2,581,842	(103,999)	-4.03%
Other Income	91,441	61,974	29,467	47.55%
<b>Total Non-Operating Revenues</b>	<b>2,577,557</b>	<b>2,655,341</b>	<b>(77,784)</b>	<b>-2.93%</b>
<b>Total Revenues</b>	<b>22,404,163</b>	<b>22,968,168</b>	<b>(564,005)</b>	<b>-2.46%</b>
<b>Operating Expenses</b>				
Salaries & Benefits	5,869,472	5,671,909	197,563	3.48%
Electrical Power	2,326,699	2,299,388	27,311	1.19%
Water Purchases	965,784	903,591	62,193	6.88%
Administrative Services	1,147,695	1,304,175	(156,480)	-12.00%
Operating Supplies	831,095	880,741	(49,646)	-5.64%
Maintenance & Repairs	1,511,379	1,435,440	75,939	5.29%
Depreciation & Amortization	6,974,903	5,926,792	1,048,111	17.68%
Insurance	221,398	217,876	3,522	1.62%
Professional Fees	1,006,095	1,171,640	(165,545)	-14.13%
Other Expenses	1,217,624	1,063,397	154,227	14.50%
<b>Total Operating Expenses</b>	<b>22,072,144</b>	<b>20,874,949</b>	<b>1,197,195</b>	<b>5.74%</b>
<b>Non-Operating Expenses</b>				
Loss on Asset Disposal	57,163	1,516,835	(1,459,672)	-96.23%
Other Expenses	36,086	13,951	22,135	158.66%
Interest Expense	3,056,031	3,129,543	(73,512)	-2.35%
<b>Total Non-Operating Expenses</b>	<b>3,149,280</b>	<b>4,660,329</b>	<b>(1,511,049)</b>	<b>-32.42%</b>
<b>Total Expenses</b>	<b>25,221,424</b>	<b>25,535,278</b>	<b>(313,854)</b>	<b>-1.23%</b>
Income (Loss) Before Contributions	(2,817,261)	(2,567,110)	(250,151)	9.74%
Capital Contributions	7,250,224	1,053,168	6,197,056	588.42%
Change in Net Assets	4,432,963	(1,513,942)	5,946,905	-392.81%
Beginning Net Assets	171,617,072	173,131,014	(1,513,942)	-0.87%
<b>Ending Net Assets</b>	<b>\$ 176,050,035</b>	<b>\$ 171,617,072</b>	<b>\$ 4,432,963</b>	<b>2.58%</b>

The Statement of Revenues, Expenses and Changes in Net Assets provides the nature and source of these changes. As can be seen in the preceding table, net loss before capital contributions of \$2,817,261 and capital contributions of \$7,250,224 were the source of the increase in net assets of \$4,432,963 in fiscal year 2011.

Management's Discussion and Analysis  
Fiscal Year 2011

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The \$1,197,195 increase in expenses was due primarily to increased depreciation & amortization, which included the first year depreciation of the District's new WRWRF plant expansion in fiscal year 2011.

The increase in capital contributions includes \$900,000 facility capacity fees, \$1,635,000 infrastructure contributions and \$3,660,000 in grants toward the Yucaipa Valley Regional Brineline Project and the District's no-potable water system.

#### CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

At the end of fiscal year 2011, the District had invested \$246,281,164 in a broad range of infrastructure as shown below.

<b>Capital Assets</b>				
	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
<b>Non-Depreciable Assets</b>				
Land & Easements	\$ 5,350,688	\$ 5,350,688	\$ -	0.00%
Water Rights	4,557,431	4,537,721	19,710	0.43%
Construction in Progress	11,231,313	3,239,303	7,992,010	246.72%
<b>Total Non-Depreciable Assets</b>	<u>21,139,432</u>	<u>13,127,712</u>	<u>8,011,720</u>	<u>61.03%</u>
<b>Depreciable Assets</b>				
Structures & Improvements	252,905,377	251,311,155	1,594,222	0.63%
Equipment	41,891,257	41,684,053	207,204	0.50%
<b>Total Depreciable Assets</b>	<u>294,796,634</u>	<u>292,995,208</u>	<u>1,801,426</u>	<u>0.61%</u>
Less Accumulated Depreciation	<u>(69,654,902)</u>	<u>(63,052,974)</u>	<u>(6,601,928)</u>	<u>10.47%</u>
<b>Net Depreciable Assets</b>	<u>225,141,732</u>	<u>229,942,234</u>	<u>(4,800,502)</u>	<u>-2.09%</u>
<b>Total Capital Assets, Net</b>	<u>\$ 246,281,164</u>	<u>\$ 243,069,946</u>	<u>\$ 3,211,218</u>	<u>1.32%</u>

As of June 30, 2011, construction in progress increased \$7,992,010, primarily due to construction of the Yucaipa Valley Regional Brineline Project.

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

Management's Discussion and Analysis  
Fiscal Year 2011

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Long-term obligations, including current portion totaled \$85,757,405 as of June 30, 2011, and \$86,995,645 as of June 30, 2010. The long-term obligations were comprised of revenue bonds, state revolving fund loan and compensated absences.

**Long Term Liabilities**

	2011	2010	Change	% Change
Compensated Absences	\$ 1,008,308	\$ 1,027,042	\$ (18,734)	-1.82%
Certificates of Participation	40,888,124	41,776,956	(888,832)	-2.13%
State Revolving Fund Loan	43,860,973	44,191,647	(330,674)	-0.75%
<b>Total Long Term Liabilities</b>	<b><u>85,757,405</u></b>	<b><u>86,995,645</u></b>	<b><u>(1,238,240)</u></b>	<b><u>-1.42%</u></b>

During the year, the District's long term debt decreased \$1,238,240 which is primarily attributed to the normal debt payments if the Certificates of Participation and State Revolving Fund Loan.

Additional information on the District's long-term obligations can be found in Note 8 of this report.

Requests for Information

This financial report is designed to provide a general overview of the financial position of the Yucaipa Valley Water District for all those with an interest in the government's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Vicky Elisalda, Controller at 12770 Second Street, Yucaipa, California 92399.





**Management's Discussion & Analysis**  
Audited Financial Statements - Fiscal Year 2011

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# Financial Statements



## YUCAIPA VALLEY WATER DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

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	Enterprise Funds			
	Water	Sewer	Non-Potable	Total
<b>ASSETS</b>				
Current Assets:				
Cash and investments (Note 2)	\$ 3,438,157	\$ 4,382,440		\$ 7,820,597
Accounts receivable, net	1,465,133	1,351,470	\$ 63,253	2,879,856
Due from other funds	849,404	849,404		1,698,808
Taxes and assessments receivable	100,764			100,764
Grants receivable	230,939	436,809	362,359	1,030,107
Interest receivable	648	390		1,038
Inventory	697,818			697,818
Prepayments and deposits	644,702			644,702
Restricted investments (Note 2)	2,156,580	1,197,870	156,079	3,510,529
Total Current Assets	9,584,145	8,218,383	581,691	18,384,219
Noncurrent Assets:				
Capital assets, net (Note 3)	106,425,418	120,162,933	19,692,813	246,281,164
Other Assets:				
Deferred pension	75,690			75,690
Restricted investments (Note 2)	2,933,616			2,933,616
Certificates of participation issuance costs, net (Note 4)	540,592			540,592
Total Noncurrent Assets	109,975,316	120,162,933	19,692,813	249,831,062
<b>TOTAL ASSETS</b>	<b>119,559,461</b>	<b>128,381,316</b>	<b>20,274,504</b>	<b>268,215,281</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	582,254	724,255	104,529	1,411,038
Retentions payable	6,659			6,659
Due to other funds			1,698,808	1,698,808
Customer deposits	112,375			112,375
Developer/construction deposits	908,926	747,151		1,656,077
Accrued interest payable	676,540	846,344		1,522,884
Current portion of long-term liabilities:				
Compensated absences (Note 7)	156,959	125,465		282,424
Certificates of participation (Note 4)	920,000			920,000
State Revolving Fund Loan (Note 5 and 6)		1,907,783		1,907,783
Total Current Liabilities	3,363,713	4,350,998	1,803,337	9,518,048
Long-term Liabilities:				
Compensated absences (Note 7)	433,131	292,753		725,884
Certificates of participation (Note 8)	39,968,124			39,968,124
State Revolving Fund Loan (Note 5 and 6)		41,953,190		41,953,190
Total Long-Term Liabilities	40,401,255	42,245,943		82,647,198
<b>TOTAL LIABILITIES</b>	<b>43,764,968</b>	<b>46,596,941</b>	<b>1,803,337</b>	<b>92,165,246</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	66,077,886	76,301,960	19,692,813	162,072,659
Restricted for:				
Debt service	2,257,076			2,257,076
Capital projects	2,156,580	1,197,870	156,079	3,510,529
Unrestricted	5,302,951	4,284,545	(1,377,725)	8,209,771
<b>TOTAL NET ASSETS</b>	<b>\$ 75,794,493</b>	<b>\$ 81,784,375</b>	<b>\$ 18,471,167</b>	<b>\$ 176,050,035</b>

The accompanying notes are an integral part of these financial statements.



## YUCAIPA VALLEY WATER DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011**

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	Enterprise Funds			Total
	Water	Sewer	Non-Potable	
<b>OPERATING REVENUES</b>				
Charges for current services	\$ 8,786,848	\$ 10,127,736	\$ 303,952	\$ 19,218,536
Interfund services provided	593,310			593,310
Other revenue		14,760		14,760
Total Operating Revenues	<u>9,380,158</u>	<u>10,142,496</u>	<u>303,952</u>	<u>19,826,606</u>
<b>OPERATING EXPENSES</b>				
Salaries and employee benefits	3,210,093	2,562,871	96,508	5,869,472
Electrical power	1,465,920	860,779		2,326,699
Water purchases	805,035		160,749	965,784
Administrative services	344,735	790,501	12,459	1,147,695
Operating supplies	189,345	641,692	58	831,095
Maintenance and repairs	865,341	620,885	25,153	1,511,379
Depreciation and amortization	3,270,302	3,231,559	473,042	6,974,903
Insurance	110,699	110,699		221,398
Professional fees	286,122	639,625	80,348	1,006,095
Other	581,463	369,496	266,665	1,217,624
Total Operating Expenses	<u>11,129,055</u>	<u>9,828,107</u>	<u>1,114,982</u>	<u>22,072,144</u>
Operating Income (Loss)	<u>(1,748,897)</u>	<u>314,389</u>	<u>(811,030)</u>	<u>(2,245,538)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	4,775	3,319	179	8,273
Property taxes	2,159,843	311,500	6,500	2,477,843
Other income	60,457	30,984		91,441
Loss on disposal of assets	(56,856)	(307)		(57,163)
Other expenses	(35,205)	(881)		(36,086)
Interest expense	(2,031,324)	(1,024,707)		(3,056,031)
Total Non-Operating Revenues (Expenses)	<u>101,690</u>	<u>(680,092)</u>	<u>6,679</u>	<u>(571,723)</u>
Income (Loss) Before Contributions	<u>(1,647,207)</u>	<u>(365,703)</u>	<u>(804,351)</u>	<u>(2,817,261)</u>
<b>CONTRIBUTIONS</b>				
Capital contributions	<u>2,571,313</u>	<u>4,318,937</u>	<u>359,974</u>	<u>7,250,224</u>
Total Contributions	<u>2,571,313</u>	<u>4,318,937</u>	<u>359,974</u>	<u>7,250,224</u>
Change in Net Assets	924,106	3,953,234	(444,377)	4,432,963
Net Assets, Beginning of Year	<u>74,870,387</u>	<u>77,831,141</u>	<u>18,915,544</u>	<u>171,617,072</u>
Net Assets, End of Year	<u>\$ 75,794,493</u>	<u>\$ 81,784,375</u>	<u>\$ 18,471,167</u>	<u>\$ 176,050,035</u>

The accompanying notes are an integral part of these financial statements.



**YUCAIPA VALLEY WATER DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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	Enterprise Funds			Total
	Water	Sewer	Non-Potable	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 7,549,787	\$ 9,767,439	\$ 338,059	\$ 17,655,285
Receipts (payments) from interfund services provided	593,310	(593,310)		
Payments to suppliers	(4,178,610)	(3,108,829)	(489,296)	(7,776,735)
Employment related payments	(3,169,632)	(2,548,653)	(132,076)	(5,850,361)
Net Cash Provided by/(Used for) Operating Activities	794,855	3,516,647	(283,313)	4,028,189
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Loan proceeds		1,532,395		1,532,395
Capital contributions	1,436,989	3,640,068	94,816	5,171,873
Cash paid for capital assets	(822,762)	(6,264,046)	(1,360,715)	(8,447,523)
Principal paid on capital debt	(885,000)	(1,863,069)		(2,748,069)
Interest paid on capital debt	(2,046,220)	(1,029,748)		(3,075,968)
Net Cash Used for Capital and Related Financing Activities	(2,316,993)	(3,984,400)	(1,265,899)	(7,567,292)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Property taxes received	2,212,105	311,500	6,500	2,530,105
Interfund receipts/(payments)	(849,404)	(698,597)	1,548,001	
Other receipts	25,252	30,103		55,355
Net Cash Provided/(Used) by Non-Capital Financing Activities	1,387,953	(356,994)	1,554,501	2,585,460
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	5,014	3,652	179	8,845
Net Cash Provided by Investing Activities	5,014	3,652	179	8,845
Net Increase/(Decrease) in Cash and Cash Equivalents	(129,171)	(821,095)	5,468	(944,798)
Balances, Beginning of Year	8,657,524	6,401,405	150,611	15,209,540
Balances, End of Year	\$ 8,528,353	\$ 5,580,310	\$ 156,079	\$ 14,264,742
<b>Reconciliation to Statement of Net Assets:</b>				
Cash and investments	\$ 3,438,157	\$ 4,382,440		\$ 7,820,597
Restricted cash and investments - Current	2,156,580	1,197,870	\$ 156,079	3,510,529
Restricted cash and investments - Non-current	2,933,616			2,933,616
Total Cash and Investments	\$ 8,528,353	\$ 5,580,310	\$ 156,079	\$ 14,264,742

The accompanying notes are an integral part of these financial statements.



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**YUCAIPA VALLEY WATER DISTRICT**  
**STATEMENT OF CASH FLOWS, Continued**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Enterprise Funds			
	Water	Sewer	Non-Potable	Total
RECONCILIATION OF OPERATING Income (Loss)				
TO NET CASH PROVIDED				
BY OPERATING ACTIVITIES				
Operating Income (loss)	\$ (1,748,897)	\$ 314,389	\$ (811,030)	\$ (2,245,538)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	3,270,302	3,231,559	473,042	6,974,903
Change in assets and liabilities:				
Receivables, net	(3,486)	(60,555)	34,107	(29,934)
Grants receivable	(156,764)	(311,653)		(468,417)
Compensated absences	2,616	14,218	(35,568)	(18,734)
Deferred pension	37,845			37,845
Prepayments and deposits	155,420	110,424		265,844
Developer and customer deposits	(1,076,811)	(2,849)		(1,079,660)
Inventories	82,758			82,758
Accounts and other payables (non-capital)	231,872	221,114	56,136	509,122
Net Cash Provided by (Used for) Operating Activities	\$ 794,855	\$ 3,516,647	\$ (283,313)	\$ 4,028,189
SUPPLEMENTAL DISCLOSURE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Contributed capital assets	\$ 1,134,324	\$ 678,869	\$ -	\$ 1,813,193

The accompanying notes are an integral part of these financial statements.



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## YUCAIPA VALLEY WATER DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting Entity

Yucaipa Valley Water District (the District) is a special-purpose government district providing water distribution and sewer collection and treatment for consumers within its service area. The financial statements of the District have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also follows the Uniform System of Accounts as prescribed by the Controller of the State of California.

##### B. Basis of Presentation

Fund Financial Statements - The District solely operates as a Special-Purpose Government which means it is only engaged in business-type activities, accordingly activities are reported in proprietary funds.

The District has the following major proprietary funds:

- Water – This fund accounts for the activities of the District's water supply system.
- Sewer – This fund accounts for the activities of the District's sewage treatment plant, pumping stations, and collection systems.
- Non-Potable – This fund accounts for the activities of the District's non-potable water supply system.

##### C. Basis of Accounting

Proprietary fund financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes apply. Property taxes are collected for the District by the Counties of San Bernardino and Riverside. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses include the costs of sales and services, the costs of employee benefits, maintenance of capital assets, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

All funds of the District follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.



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**YUCAIPA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

**D. Capital Assets**

Capital assets purchased or constructed are carried at cost. Constructed costs include labor, materials and construction period interest expense (net of interest income, where applicable). Capitalization threshold is \$5,000. Contributed assets are stated at estimated fair market value at the time received by the District. Depreciation is calculated on the straight-line method over the following estimated useful lives of the assets:

Structures and improvements	10 – 50 years
Equipment	4 – 10 years

**E. Restricted Assets**

Various resources of the District are limited as to their use by law or by bond covenants and are classified on the balance sheet as restricted assets. Undisbursed bond proceeds are restricted for repayment of the bonds and project costs. Also, fees imposed on new real estate development are restricted by law for the construction of capital improvements which benefit the development projects.

**F. Inventory**

Inventory is stated at the lower of cost, using the average cost method, or market.

**G. Cash and Cash Equivalents**

All cash and investments are held in the District's cash management pool. Therefore, for purposes of the statement of cash flows, the District considers the entire pooled cash and investment balance to be cash and cash equivalents.

**H. Investments**

The district utilizes quoted market value to estimate fair market value.

**I. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Uncollectible Accounts**

The District provides an allowance for doubtful accounts for all accounts deemed uncollectible. As of June 30, 2011, this allowance was estimated at \$20,000 in the Water Fund and \$23,000 in the Sewer Fund.



## YUCAIPA VALLEY WATER DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2011

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (*Continued*)

##### K. Credit/Market Risk

The District provides water and sewer services to local residential and commercial customers. As part of normal operating practices, credit is granted to local customers, on an unsecured basis.

##### L. Use of Restricted Resources

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

##### M. New Accounting Pronouncements

###### Effective in Future Fiscal Years

**GASB Statement No. 60** - In November of 2010, the GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Agreements*. This Statement provides guidance on reporting and disclosure of service concession agreements. This statement is not effective until July 1, 2012. The District has not determined the effect on the financial statements.

**GASB Statement No. 61** - In November of 2010, the GASB issued Statement 61, *The Financial Reporting Entity Omnibus*. This Statement will update existing standards pertaining to financial reporting for which significant issues have been identified in practice. This statement is not effective until July 1, 2012. The District has not determined the effect on the financial statements.

**GASB Statement No. 62** – In December 2010, GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates FASB and AICPA pronouncements into the GASB's authoritative literature containing certain accounting and financial reporting guidance. This statement is effective as of July 1, 2011. The District has not determined the effect on the financial statements.

**GASB Statement No. 63** – In June 2011, GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position*. This statement provides financial reporting guidance on deferred outflows of resources and deferred inflows of resources. This statement is effective as of July 1, 2012. The District has not determined the effect on the financial statements.

**GASB Statement No. 64** – In June 2011, GASB issued Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. This statement provides guidance on the continuation of effective hedging relationships upon entering into swap agreements. This statement is effective as of July 1, 2011. The District has not determined the effect on the financial statements.

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**YUCAIPA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments are classified as the accompanying financial statements as follows:

Cash and investments	\$ 7,820,597
Restricted investments - Current	3,510,529
Restricted investments - Non-current	<u>2,933,616</u>
Total Cash and Investments	<u><u>\$ 14,264,742</u></u>

Cash and investments as of June 30, 2011, consist of the following:

Petty cash	\$ 800
Cash	1,921,799
Investments	<u>12,342,143</u>
Total Cash and Investments	<u><u>\$ 14,264,742</u></u>

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

The table below identifies the investment types that are authorized for the Yucaipa Valley Water District by the California Government Code and the District's policy, where more restrictive. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Yucaipa Valley Water District, rather than the general provisions of the California Government Code.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

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**YUCAIPA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS, (Continued)**

**Investments Authorized by Debt Agreements**

Investment of debt proceeds held by the bond trustee is governed by provisions of the debt agreement, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of the debt agreement that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Rating
U.S. Treasury Obligations	5 years	N/A
U.S. Agency Securities	5 years	AAA
Banker's Acceptances	180 days	A
Commercial Paper	270 days	A
Repurchase Agreements	5 years	None
Negotiable Certificates of Deposit	5 years	None
Money Market Mutual Funds	N/A	AAA
Local Agency Obligations	5 years	None

**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 Yucaipa Valley Water 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.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	Maturity 12 Months or Less
LAIF	\$ 32,905	\$ 32,905
U.S. Treasury Bills	9,374,033	9,374,033
Money Market Funds	1,589	1,589
2004A Certificates of Participation Proceeds:		
Money Market Funds	2,933,616	2,933,616
Total	<u>\$ 12,342,143</u>	<u>\$ 12,342,143</u>



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**YUCAIPA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS, (Continued)**

**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 rating as of year end for each investment type:

	Fair Value	Rating at June 30, 2011
LAIF	\$ 32,905	Unrated
U.S. Treasury Bills	9,374,033	AAA
Money Market Funds	1,589	AAA
2004A Certificates of Participation Proceeds:		
Money Market Funds	2,933,616	AAA
Total	<u>\$ 12,342,143</u>	

**Concentration of Credit Risk**

The investment policy of the Yucaipa Valley Water District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Other than the District's investment in U.S. Treasuries and money market funds, no single issuer represents five percent 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 Yucaipa Valley Water 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 governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

As of June 30, 2011, all of the District's deposits with financial institutions were composed of non-interest bearing deposits. Non-interest bearing deposits are fully insured in accordance with FDIC guidelines.



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**YUCAIPA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS, (Continued)**

**Investment in State Investment Pool**

The Yucaipa Valley Water 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 Yucaipa Valley Water District's investment in this pool is reported in the accompanying financial statements, at amounts based upon the Yucaipa Valley Water 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.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The District is a voluntary participant in the investment pool.

**NOTE 3 – CAPITAL ASSETS**

The following tables summarize capital asset activity during 2010-2011:

Water Fund	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land and easements	\$ 4,095,335			\$ 4,095,335
Water rights	432,941			432,941
Construction in progress	101,013	\$ 659,814	\$ (12,262)	748,565
Total capital assets not being depreciated	4,629,289	659,814	(12,262)	5,276,841
Capital assets being depreciated:				
Structures and improvements	93,073,543	797,026	(88,848)	93,781,721
Equipment	34,447,784	513,666	(276,669)	34,684,781
Total capital assets being depreciated	127,521,327	1,310,692	(365,517)	128,466,502
Less accumulated depreciation for:				
Structures and improvements	(11,910,019)	(1,959,804)	43,753	(13,826,070)
Equipment	(12,469,770)	(1,286,994)	264,909	(13,491,855)
Total accumulated depreciation	(24,379,789)	(3,246,798)	308,662	(27,317,925)
Total capital assets being depreciated, net	103,141,538	(1,936,106)	(56,855)	101,148,577
Water Fund capital assets, net	\$ 107,770,827	\$ (1,276,292)	\$ (69,117)	\$ 106,425,418



**YUCAIPA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 3 – CAPITAL ASSETS, (Continued)**

Sewer Fund	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land and easements	\$ 1,255,353			\$ 1,255,353
Water rights	4,104,780	\$ 19,710		4,124,490
Construction in progress	977,346	6,351,104	\$ (325,267)	7,003,183
Total capital assets not being depreciated	<u>6,337,479</u>	<u>6,370,814</u>	<u>(325,267)</u>	<u>12,383,026</u>
Capital assets being depreciated:				
Structures and improvements	145,132,681	897,368	(11,324)	146,018,725
Equipment	1,594,575		(29,793)	1,564,782
Total capital assets being depreciated	<u>146,727,256</u>	<u>897,368</u>	<u>(41,117)</u>	<u>147,583,507</u>
Less accumulated depreciation for:				
Structures and improvements	(35,447,201)	(3,160,499)	11,017	(38,596,683)
Equipment	(1,165,650)	(71,060)	29,793	(1,206,917)
Total accumulated depreciation	<u>(36,612,851)</u>	<u>(3,231,559)</u>	<u>40,810</u>	<u>(39,803,600)</u>
Total capital assets being depreciated, net	<u>110,114,405</u>	<u>(2,334,191)</u>	<u>(307)</u>	<u>107,779,907</u>
Sewer Fund capital assets, net	<u>\$ 116,451,884</u>	<u>\$ 4,036,623</u>	<u>\$ (325,574)</u>	<u>\$ 120,162,933</u>
Non-Potable	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated				
Construction in progress	\$ 2,160,944	\$ 1,343,472	\$ (24,852)	\$ 3,479,564
Total capital assets not being depreciated	<u>2,160,944</u>	<u>1,343,472</u>	<u>(24,852)</u>	<u>3,479,564</u>
Capital assets being depreciated:				
Structures and improvements	13,104,931			13,104,931
Equipment	5,641,694			5,641,694
Total capital assets being depreciated	<u>18,746,625</u>			<u>18,746,625</u>
Less accumulated depreciation for:				
Structures and improvements	(1,548,283)	(351,924)		(1,900,207)
Equipment	(512,051)	(121,118)		(633,169)
Total accumulated depreciation	<u>(2,060,334)</u>	<u>(473,042)</u>		<u>(2,533,376)</u>
Total capital assets being depreciated, net	<u>16,686,291</u>	<u>(473,042)</u>		<u>16,213,249</u>
Non-Potable Fund capital assets, net	<u>\$ 18,847,235</u>	<u>\$ 870,430</u>	<u>\$ (24,852)</u>	<u>\$ 19,692,813</u>

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**YUCAIPA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 4 – CERTIFICATES OF PARTICIPATION PAYABLE**

In June 2004, the District sold certificates of participation in the amount of \$45,730,000 to finance the acquisition of facilities for the District Water System. Proceeds were also used, to fund the deposit to the reserve fund and to pay delivery costs of the certificates. Certificates began maturing on September 1, 2005 with semi-annual interest payments due March 1 and September 1 at various interest rates from 2.00 to 5.25 percent. Principal payments are due annually September 1 at various amounts from \$770,000 to \$2,860,000. The final principal payment of the certificates is scheduled for September 1, 2034. Issuance costs of \$705,119 were capitalized and are being amortized over the life of the certificates. Amortization expense for the 2010-2011 fiscal year was \$23,504.

Maturities of certificates of participation payable are as follows:

Fiscal Year Ending	2004 Water System Revenue Certificates of Participation, Series 2004A		
	Principal	Interest	Total
2012	\$ 920,000	\$ 2,012,375	\$ 2,932,375
2013	955,000	1,976,025	2,931,025
2014	995,000	1,937,025	2,932,025
2015	1,035,000	1,896,425	2,931,425
2016	1,080,000	1,848,725	2,928,725
2017-2021	6,335,000	8,324,106	14,659,106
2022-2026	8,240,000	6,419,044	14,659,044
2027-2031	10,615,000	4,505,875	15,120,875
2032-2035	10,625,000	626,125	11,251,125
Total	\$ 40,800,000	\$ 29,545,725	\$ 70,345,725

**NOTE 5 – STATE REVOLVING FUND LOAN - 2006**

In August 2006, the District entered into a loan agreement with the State of California Water Resources Control Board to provide funding for the expansion and modification of the Henry N. Wochholz Wastewater Treatment Plant. The maximum amount of \$44,748,356 has been drawn. The loan accrues interest at a rate of 2.4 percent annually. Principal and interest payments are due in 20 annual installments. The first payment occurred on September 10, 2009. The District has pledged all revenues and amounts legally available to repay the loan.

Fiscal Year Ending	2006 State Revolving Fund Loan		
	Principal	Interest	Total
2012	\$ 1,907,783	\$ 1,015,886	\$ 2,923,669
2013	1,953,570	970,099	2,923,669
2014	2,000,455	923,214	2,923,669
2015	2,048,466	875,202	2,923,668
2016	2,097,629	826,039	2,923,668
2017-2021	11,267,898	3,350,446	14,618,344
2022-2026	12,686,524	1,931,819	14,618,343
2027-2029	8,366,253	404,755	8,771,008
Total	\$ 42,328,578	\$ 10,297,460	\$ 52,626,038



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**YUCAIPA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 6 – STATE REVOLVING FUND LOAN - 2010**

In June 2010, the District entered into a loan agreement with the State of California Water Resources Control Board to provide the funding for the construction of the Regional Brineline Extension Project. Funds are drawn on the agreement as work is completed up to a maximum amount of \$9,752,100 plus interest during the period of construction. The loan accrues interest at a rate of 2.7 percent annually. Principal and interest payments are due in 20 annual installments. The first payment due June 30, 2013. As of June 30, 2011 the District had drawn funds totaling \$1,532,395. Additionally, deferred interest of \$30,852 was included in the principal balance outstanding as of June 30, 2011. The District has pledged all revenues and amounts legally available to repay the loan.

**NOTE 7 – COMPENSATED ABSENCES**

It is the District's policy to permit employees to accumulate earned but unused vacation, sick leave and comp time, a portion of which will be paid to employees upon separation from the District. At June 30, 2011, total accruals for Water, Sewer and Non-Potable funds amount to \$590,090, \$418,218 and \$0 respectively. The District estimated, based on historical trends, that approximately \$156,959, \$125,465, and \$0 of the Water, Sewer, and Non-Potable balances, respectively, will come due during fiscal year 2011-2012.

**NOTE 8 – CHANGES IN LONG-TERM LIABILITIES**

The following table summarizes changes in long-term liabilities balances for the fiscal year ended June 30, 2011:

	Balance June 30, 2010	Additions	Repayments	Balance June 30, 2011	Amount Due in 2011-12
2004 Certificates of Participation	\$ 41,685,000		\$ (885,000)	\$ 40,800,000	\$ 920,000
Unamortized premium	91,956		(3,832)	88,124	
Total Certificates of Participation	41,776,956		(888,832)	40,888,124	920,000
State Revolving Fund Loan - 2006	44,191,647		(1,863,069)	42,328,578	1,907,783
State Revolving Fund Loan - 2010		\$ 1,532,395		1,532,395	
Compensated absences	1,027,042		(18,734)	1,008,308	282,424
Total Long-term Liabilities	<u>\$ 86,995,645</u>	<u>1,532,395</u>	<u>\$ (2,770,635)</u>	<u>\$ 85,757,405</u>	<u>\$ 3,110,207</u>



**YUCAIPA VALLEY WATER DISTRICT****NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**NOTE 9 – REVENUE PLEDGED**

The District has pledged future water fund revenues, net of specified operating expenses, to repay \$45,730,000 in water system certificates of participation issued in June 2004 as disclosed in Note 4. Net revenues are defined in the bond documents as operating income, less specified operating expenses, plus specified non operating income. Proceeds from the bonds provided financing for the construction of the Yucaipa Valley Regional Water Filtration Facility (YVRWFF). The bonds are payable through 2035. Net revenues are anticipated to equal at least 110 percent of annual principal and interest payments. The total principal and interest remaining to be paid on the bonds is \$68,345,725. Principal and interest paid for the current year and total customer net revenues were \$2,931,318 and \$4,833,609, respectively.

**NOTE 10 – DEFINED BENEFIT PENSION PLAN****Plan Description**

The District's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. State statutes, within the Public Employees' Retirement Law, establish benefit provisions and other requirements. The Board of Directors selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. Benefit provisions selected may be amended or modified by the District's Board of Directors. The CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, California, 95814.

**Funding Policy**

A contribution of 7 percent of annual covered salary is required for each active plan member. The District makes the contribution required of District employees on their behalf and for their account. Additionally, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for FY 2010-2011 was 12.725 percent of annual covered payroll. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established on an actuarially determined basis and may be amended by CalPERS.

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**YUCAIPA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN, (Continued)**

**Annual Pension Cost**

For the fiscal year ended June 30, 2011, the District's annual pension cost of \$484,425 was equal to the District's required contributions.

**Three Year Trend Information for the Plans**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	\$ 476,213	100%	\$ -
6/30/2010	\$ 470,257	100%	\$ -
6/30/2011	\$ 484,425	100%	\$ -

The funded status of the pooled plan may be obtained from CalPERS.

**NOTE 11 – COMMITMENTS**

The District has entered into an agreement with the San Bernardino Valley Municipal Water District which allocates a pipeline capacity discharge right in the Santa Ana Regional Interceptor for the transmission of industrial wastewater. The District's rights under the agreement are contingent upon the construction and completion of the interceptor pipeline. Under the terms of the agreement, the District is required to make annual payments of \$19,710 through 2012. These payments are recorded as increases to capital assets in the wastewater fund.

The District has entered into contracts for various services and projects that will require payments in future fiscal years. The contract amounts and remaining commitments as of June 30, 2011, are summarized below:

Description	Contract Amounts	Remaining Commitment
General operating contracts	\$ 912,721	\$ 127,736
Water fund projects	1,028,742	535,460
Sewer fund projects	8,035,967	698,585
Non-Potable fund projects	2,232,285	120,053
Total	<u>\$ 12,209,715</u>	<u>\$ 1,481,834</u>



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**YUCAIPA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 12 – INTERFUND ACTIVITY**

Interfund Services Provided

The Sewer fund reimburses the Water fund for the expenses related to administration, accounting and general services. The reimbursement is reflected in the statement of revenues, expenses and changes in net assets as the revenue "Interfund services provided" in the Water Fund and as the expense "Administrative services" in the Sewer fund. The amount reimbursed for these services was \$593,310 as of June 30, 2011.

Interfund Borrowing

As of June 30, 2011, the District’s Non-potable fund had borrowed \$849,404 from the Sewer fund and \$849,404 from the Water fund to cover its deficit cash position.

**NOTE 13 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2011, the District purchased insurance through various commercial carriers to cover these risks up to its blanket limit of \$102,971,583. The District has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**NOTE 14 – PROPERTY TAXES**

Under California law, property taxes are assessed and collected by the counties up to 1 percent of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to entities based on complex formulas. The property tax calendar is as follows:

Lien date	January 1
Levy date	July 1
Due date	November 1 and February 1
Collection dates	December 10 and April 10

**NOTE 15 – LITIGATION SETTLEMENT**

Per judgment established January 24, 2011 by the Superior Court of the State of California for the County of San Bernardino, the District was required to pay a golf course a settlement of \$336,061. The entire settlement balance was expensed in the current fiscal year in the non-potable fund.





**Date: October 25, 2011**

**Subject: Oak Glen Watershed Sanitary Survey**

---

The Yucaipa Valley Water District uses the Oak Glen Surface Water Filtration Facility to meet a small portion of our total potable water demand. The Oak Glen facility draws from several surface water sources, creeks and underground tunnels, in the Oak Glen watershed. The California Surface Water Treatment Rule (SWTR) requires that all surface water suppliers conduct a sanitary survey of their watershed at least every five years.

The original Watershed Sanitary Survey, completed in January 1996, included not only the Oak Glen watershed, but the entire Yucaipa groundwater watershed as well. The last Watershed Sanitary Survey, completed and adopted by the Board in December 2006, updated information related to the Oak Glen watershed only.

The 2011 sanitary survey serves as the required five-year update and identifies any potential adverse impacts in the Oak Glen watershed, satisfies the SWTR requirements and ensures that the District meets all applicable laws and regulations, all in an effort to support the District's mission of providing high quality water. The specific focus of this sanitary survey is to update and evaluate changes to the filtration facility, watershed developments, regulatory changes and water quality data from 2006 through the present and to identify and comment on items of significance that have occurred since the 2006 submittal. This report will be used by the District and the Department of Health Services as an ongoing tool to promote management practices and to safeguard the quality of water for the District and the other water systems that are served by the Oak Glen watershed.

Included in this memorandum are the Introduction from the 2011 submittal and the Table of Contents. Complete hard copies of the document will be made available, upon request.

## **Yucaipa Valley Water District Oak Glen Watershed Sanitary Survey**

### **Chapter 1 Introduction**

#### **1.1 Sanitary Survey Requirements**

The Yucaipa Valley Water District (YVWD) uses the Oak Glen Water Treatment Plant (WTP) to meet a small portion of its total system demand. The Oak Glen WTP draws from several surface water sources, creeks and underground tunnels in the Oak Glen watershed. The California Surface Water Treatment Rule (SWTR) requires that all surface water suppliers conduct a sanitary survey of their watersheds at least every five years. The YVWD completed its last Watershed Sanitary Survey in November 2006. This report serves as a five-year update to the September 2006 survey and updates information contained in that document about the Oak Glen watershed only. Specifically, this report will comment on the Oak Glen WTP changes, watershed developments, water quality data from 2006 through present and other relevant issues.

#### **1.2 Sanitary Survey Goals and Objectives**

The goal of the sanitary survey is to protect surface water quality. There are three objectives for meeting that goal:

- To identify and address potential adverse impacts to the watershed.
- To satisfy the SWTR requirements and ensure that YVWD meets all applicable laws and regulations.
- To support YVWD's mission of providing high quality water.

The specific focus of this update is to identify and comment on items of significance that have occurred since the submittal of the 2006 Watershed Sanitary Survey. These items include, but are not limited to the following:

- Major system changes and improvements, such as the completion of the Yucaipa Valley Regional Water Filtration Facility (YVRWFF), also known as Crystal Creek
- Regulatory changes
- Review of water quality data since 2006

The information obtained from this survey will be used to educate YVWD staff, water board members, and the public as to the potential threats to the quality of water in the Oak Glen

Creek Watershed. It will be used as an ongoing tool to promote management practices and use of the watershed, and to safeguard the quality of water for YVWD and the other water systems that are served by the Oak Glen Creek watershed.

### **1.3 Conduct of the Survey**

The Watershed Sanitary Survey was conducted by Yucaipa Valley Water District. The Oak Glen watershed sources and the Oak Glen Treatment Plant were surveyed by Bob Wall, YVWD's Water Superintendent. The field survey portion of this study was conducted on foot and by automobile. Source information, maps, and water quality data were collected from YVWD office with the help of Bob Wall and Linda Kilday, Engineering Tech IV. The survey was completed under the direction of Kristen Wardlaw, Regional Water Quality Supervisor and Matt Hayward, YVWD's Deputy Manager.

### **1.4 Report Organization**

This report follows the format outlined in the original Sanitary Survey submitted in 1996 by YVWD. Chapter 1 contains the introduction, which states the purpose and objectives of the study and how the survey was conducted. Chapter 2 provides a sketch of the watershed and water supply system, and background information. Chapter 3 identifies and describes potential contaminant sources in the watershed. Chapter 4 presents the watershed control and management practices used by YVWD and other land authorities. Chapter 5 reviews the current water regulations, discusses the Oak Glen WTP's past and present water quality and comments on the plant's ability to meet drinking water standards in the present and near future. Chapter 6 presents conclusions and future considerations. The Watershed Sanitary Survey Guidance Manual, prepared in 1993 by the AWWA, CAL-NV Section, Source Water Quality Committee, was used as a reference for content organization.

**YUCAIPA VALLEY WATER DISTRICT  
OAK GLEN WATERSHED SANITARY SURVEY 2011**

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Yucaipa Valley Water District  
Oak Glen Watershed Sanitary Survey 2011

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Yucaipa Valley Water District  
Oak Glen Watershed Sanitary Survey 2011

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**Date: October 25, 2011**

**Subject: Wilson Creek Turnout Project by the San Bernardino Valley Municipal Water District**

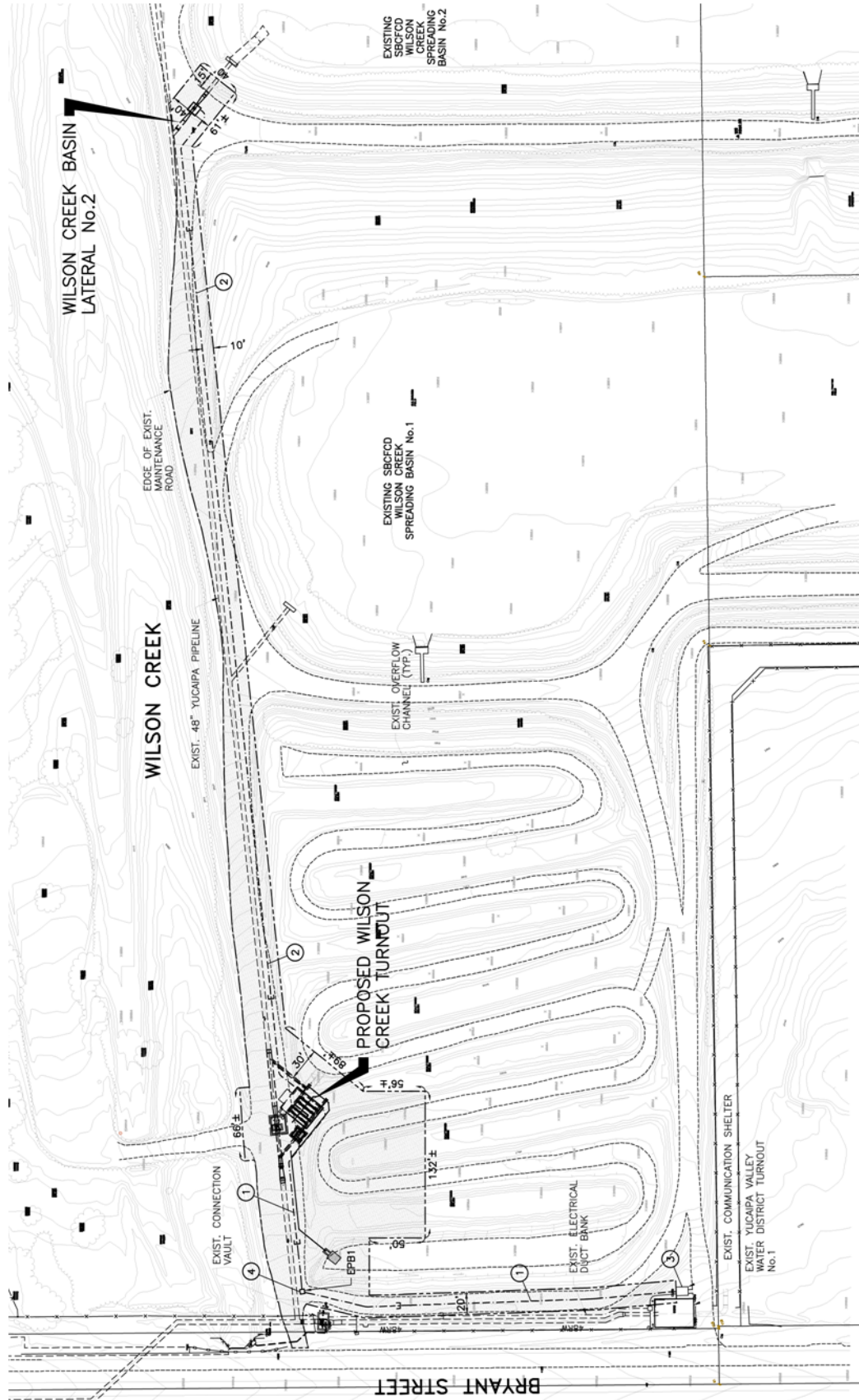
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In preparation for the enlargement of the Crafton Hills Reservoir, the San Bernardino Valley Municipal Water District is preparing to initiate a construction project at the Wilson Creek Spreading Basins that will enable imported water to bypass the Crafton Hills Reservoir during the expansion project. By completing the bypass pipeline and related improvements, San Bernardino Valley Municipal Water District will be able to continue the delivery of imported water to the Yucaipa Valley Regional Water Filtration Facility.

One important aspect of the bypass pipeline is the construction of the Wilson Creek Turnout Project. During the construction of the improvements at the Wilson Creek Basins, the Yucaipa Valley Water District will experience two imported water outages. The first outage will result in the cessation of all imported water spreading at the Wilson Creek Spreading Basins from December 1, 2011, to July 1, 2012. The second outage will affect the Yucaipa Valley Water Filtration Facility from December 1, 2011, to December 15, 2011. In addition to these construction related outages, other system-wide outages will impact the operation of the Yucaipa Valley Regional Water Filtration Facility during the first quarter of 2012.

The staff at the San Bernardino Valley Municipal Water District continues to work closely with the water operations staff at the Yucaipa Valley Water District to minimize the impacts associated with these planned outages. For example, the San Bernardino Valley Municipal Water District and the Department of Water Resources have been able to plan construction and maintenance activities during the winter months when water demands are low.

The purpose of this agenda item is to provide a brief overview of the proposed project and the efforts taken by the San Bernardino Valley Municipal Water District to maintain imported water service to the Yucaipa Valley Water District.





## Workshop Memorandum 11-164

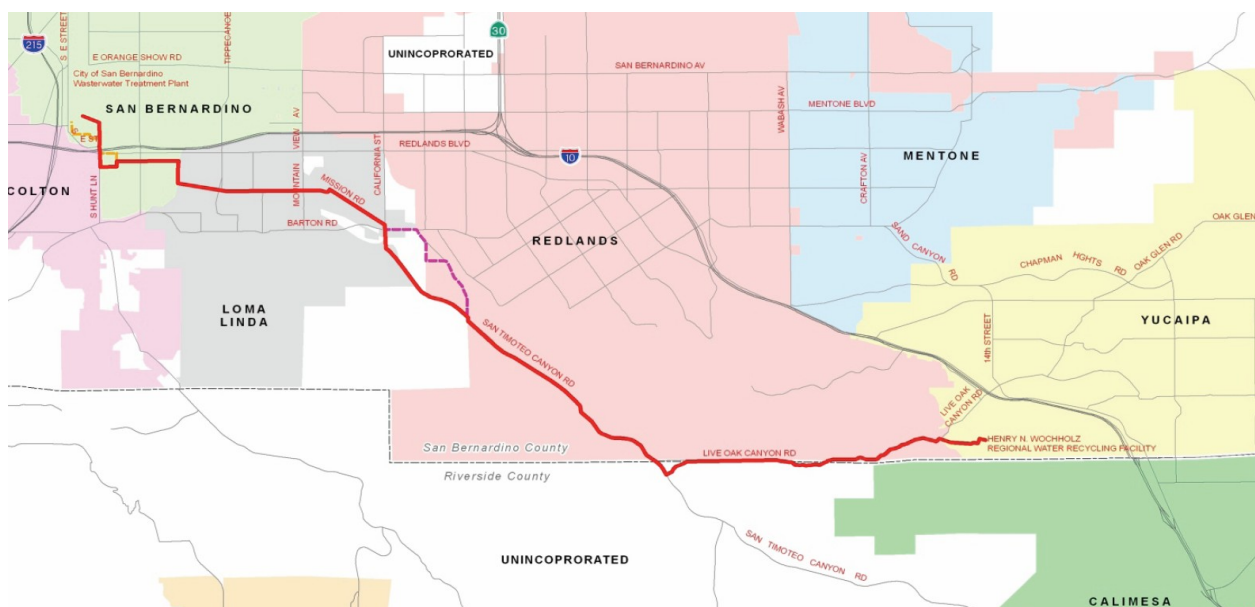
**Date:** October 25, 2011

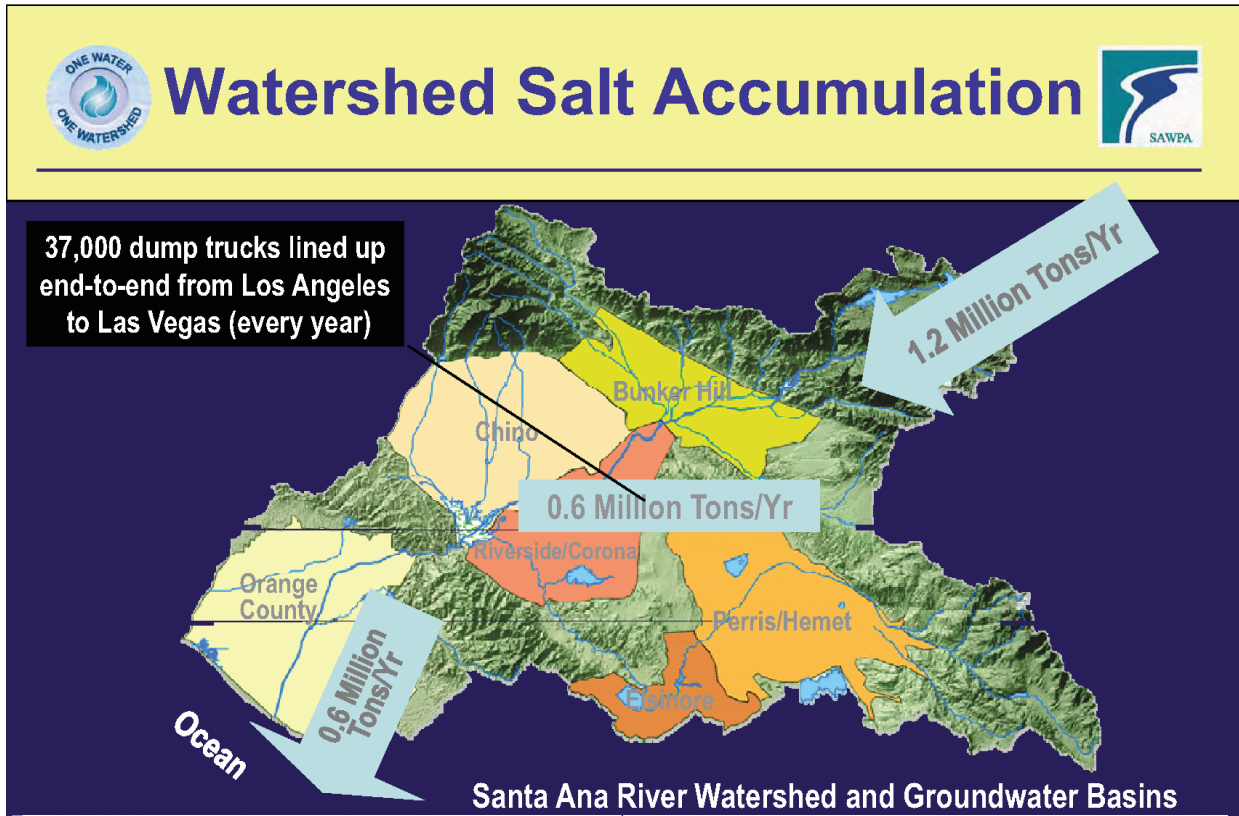
**Subject:** Status Report on the Construction of the Yucaipa Valley Regional Brineline

Yucaipa Valley Water District is in the process of constructing the Yucaipa Valley Regional Brineline in order to produce recycled water that complies with groundwater basin objectives as established by the Regional Water Quality Control Board. In order to comply with these limits, the District is required to add a reverse osmosis process to the wastewater treatment plant. This will enable the District to remove salts and minerals from depositing in to the groundwater basin. The proposed reverse osmosis system will produce salt water, referred to as “brine”, that must be sent to the Pacific Ocean so it does not impact any fresh water supplies downstream of the Yucaipa Valley.

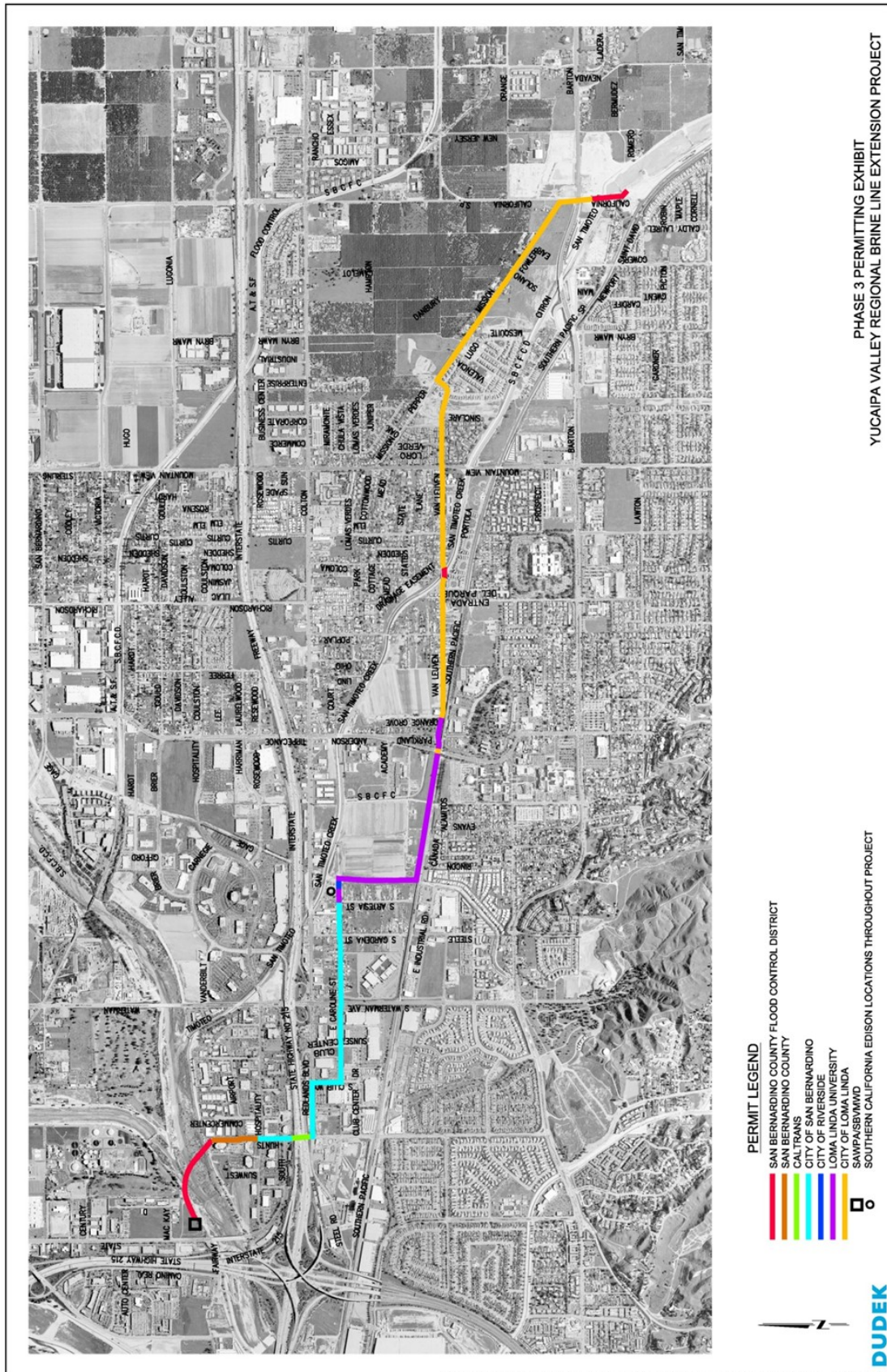
The Yucaipa Valley Regional Brineline Project consists of a 15-mile pipeline through which the District can safely and effectively dispose of the salt water produced. This pipeline will commence at the Wochholz Regional Water Recycling Facility and terminate at an existing brineline near the I-215 and I-10 Interchange. At this point the existing brineline extends another 73 miles traversing San Bernardino, Riverside and Orange counties to Orange County Sanitation District Wastewater Treatment Plant No. 2 in Huntington Beach, where the salt water is treated with domestic sewage and then sent to the ocean or reclaimed by Orange County Water District.

During this agenda item, the District staff will be providing an update of the construction status of the Yucaipa Valley Regional Brineline Project.





Yucaipa Valley Regional Water Supply Renewal Project







**Date: October 25, 2011**

**Subject: Status Report on the Construction of Recycled Water Projects**

---

Yucaipa Valley Water District is in the process of constructing several recycled water improvements within our community. The District's aggressive water enhancement schedule will require the projects to be under construction next year. As construction begins, the District staff will present future workshop items for each individual project.

The purpose of this agenda item is to discuss and update the members of the board on the status of the following recycled water projects:

- Crow Street Recycled Water Pipeline Project (8,600 linear feet);
- Recycled Reservoir R-10.3 (2-1 million gallon reservoirs);
- Recycled Water Booster Station B-10.3 for Pressure Zones 11 and 12;
- Recycled Water Booster Station B-12.1 for Pressure Zone 14; and
- Calimesa Boulevard Recycled Water Pipeline Project.

The District staff has requested a proposal from Krieger and Stewart for the construction of the B-12.1 booster facility since this firm designed the facilities at the site, and completed a preliminary layout of the booster facility. Copies of the proposal will be received and forwarded to the Board at the workshop meeting.





**Date: October 25, 2011**

**Subject: Overview of Proposed Sewer Service Connection for Commercial Development at Yucaipa Boulevard and 15<sup>th</sup> Street**

---

The Yucaipa Valley Water District staff has recently met with a developer exploring the potential of a commercial development on the southeast corner of Yucaipa Boulevard and 15<sup>th</sup> Street. In order for the development to proceed, a sewer mainline extension will be required from the project site to the existing sewer mainlines.

The District staff will be presenting information about the existing sewer infrastructure in the area and some potential solutions to the offsite sewer mainline requirements for the project.





**Date: October 25, 2011**

**Subject: Sewer Mainline Reimbursement for Commercial Development Located on 5<sup>th</sup> Street, Calimesa (APN 411-180-025) - Bill Dickinson**

---

The Yucaipa Valley Water District staff has worked with the property owner / developer of the commercial development located at 1096 5<sup>th</sup> Street, Calimesa. The building permits were issued and construction of the project was able to proceed without a development agreement from the Yucaipa Valley Water District. This commercial project was completed in 2008.

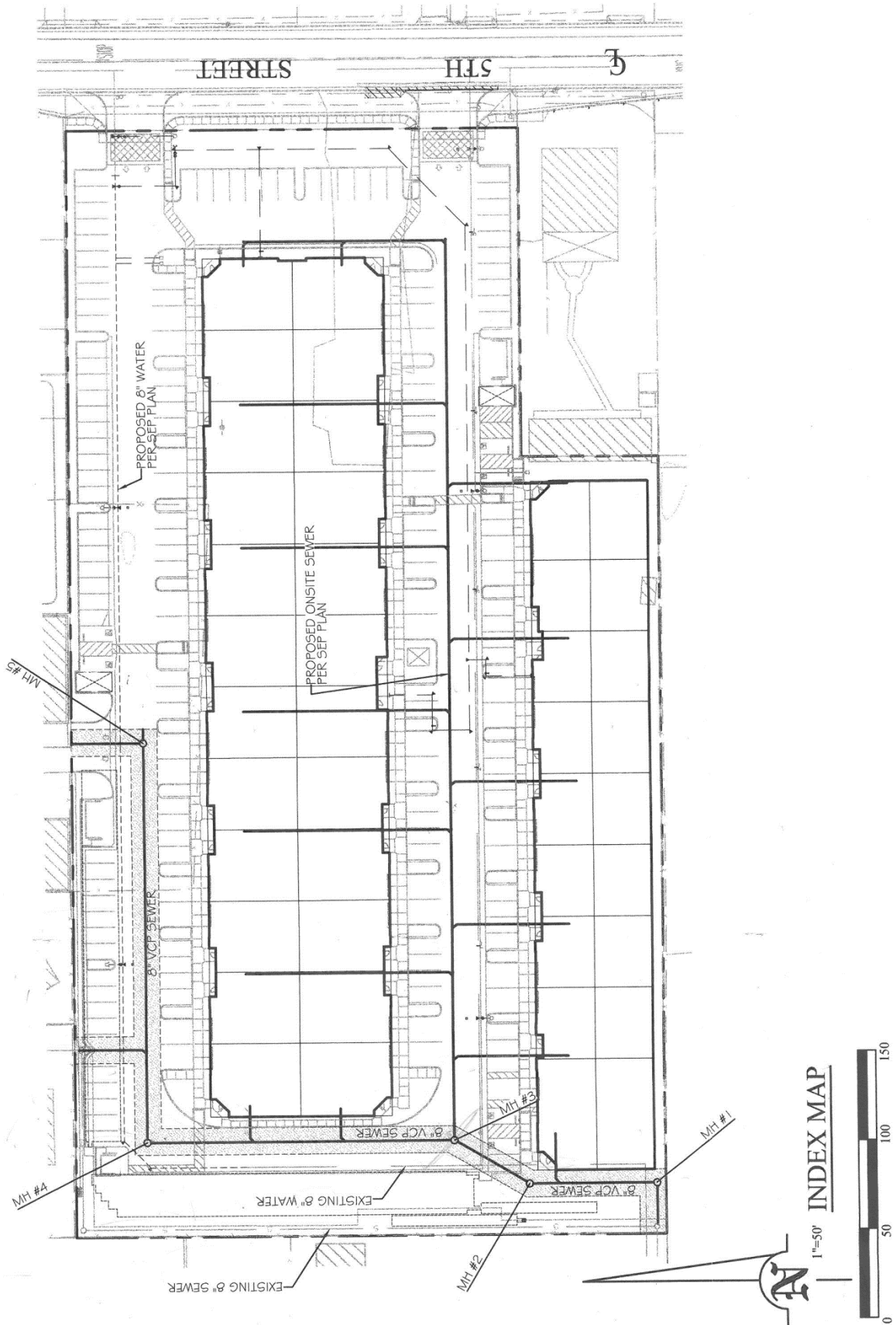
During the construction of the project, the developer coordinated with the District and was required to relocate approximately 550 feet of an existing sewer mainline from an easement near the property line to a location within the paved area of the project (see page 2 of 4). The primary reason for relocating the sewer mainline was due to conflicts from the subsurface storm water capture system and the inability for the District to adequately maintain the original sewer mainline in the original location. During construction of the commercial development, the original sewer mainline was used by adjacent properties to the north. The District inspected the construction of the new sewer mainline.

Over the past two years, the District staff has been working with the developer to resolve the reimbursement issues for the sewer mainline and the determination of whether the relocation of the sewer mainline was the responsibility of the development or the District. As a potential solution, the District and developer have decided to approach the resolution by segmenting the sewer mainline installed as part of the project. This approach enabled the two parties to split the cost of the newly constructed infrastructure based on the cost of installation.

A detailed breakdown of the costs is provided on page 4 of 4.

The District staff has prepared an agreement to document the participation in this pipeline by the District. A copy of the draft document will be provided at the workshop meeting.





**Bill Dickinson - 5th Street Project (P-65-122) - Proposed Resolution of Sewer Mainline Construction Issues**  
 APN 411-180-025

Issue	Developer = MH #1, #2 & #3; District = MH #4 & #5	Issue Cost	Developer Allocation Percentage	Amount (\$)	District Allocation Percentage	Amount (\$)
1	Manhole Construction	\$35,000.00	60%	\$21,000.00	40%	\$14,000.00
2	Sewer Mainline Construction					
	Existing Sewer Mainline (0+00)					
	Manhole #1 (0+24.69)	Start Point	End Point	Cost (\$/LF)	Length (Feet)	Total Cost
	Manhole #2 (0+96.78)	Manhole #1 (0+24.69)	Manhole #2 (0+96.78)	\$50.00	20.69	\$1,034.50
	Manhole #3 (1+45.48)	Manhole #2 (0+96.78)	Manhole #3 (1+45.48)	\$50.00	68.09	\$3,404.50
	Manhole #4 (3+16.43)	Manhole #3 (1+45.48)	Manhole #4 (3+16.43)	\$50.00	44.70	\$2,235.00
	Manhole #5 (5+40.20)	Manhole #4 (3+16.43)	Manhole #5 (5+40.20)	\$50.00	166.95	\$8,347.50
	Northern Property Line	Manhole #5 (5+40.20)	Northern Property Line	\$50.00	219.77	\$10,988.50
					38.20	\$1,910.00
					558.40	\$27,920.00
3	Laterals to Northern Property Line		0%	\$0.00	100%	\$5,900.00
4	Wyes, Fittings and Couplings		58%	\$1,276.00	42%	\$924.00
5	Demolition of Manholes		0%	\$0.00	100%	\$800.00
6	Fill and Abandon Sewer with Slurry		0%	\$0.00	100%	\$1,800.00
7	Saw-Cut and Remove Concrete		100%	\$6,800.00	0%	\$0.00
8	Pump Existing Septic Tanks		100%	\$1,800.00	0%	\$0.00
9	Rental of Shoring Equipment		26%	\$395.87	74%	\$1,104.13
10	150 Tons of Rock Backfill		26%	\$781.17	74%	\$2,178.83
11	Miscellaneous Items		26%	\$923.69	74%	\$2,576.31
<b>Total Allocation of Sewer System Construction</b>				<b>\$40,345.10</b>		<b>\$49,834.90</b>

Final Mainline Allocation	
Developer	\$7,368.38
District	\$20,551.63
	26%
	74%

Notes:

- A. The calculations used above do not directly reflect the cost of installing the onsite PVC sewer system.
- B. The \$50.00 per foot for Issue #2 is based on the difference between the additional sewer cost of \$45,200 minus the original construction cost of \$16,900 as provided on SL Johnson summary dated 11/28/2007.
- C. The breakdown for Issue #4 is based on the original 780 linear feet of unapproved PVC sewer to be installed and the addition of the 565 linear feet of VCP mainline.
- D. The breakdown for Issues #9 to #11 is based on the Final Allocation of Mainline Costs provided to the right of Issue #2.
- E. A credit of \$5,000 will be applied to the outstanding inspection services charges for the development for the construction/replacement of the District's on-site sewer mainline.
- F. The implementation of this proposal is solely dependent upon approval by the Yucaipa Valley Water District Board of Directors.



**Date: October 25, 2011**

**Subject: Contract for Annual Inspection and Cleaning of Various Reservoirs**

---

The Yucaipa Valley Water District requested proposals from two underwater diving service companies that specialize in potable water reservoir cleaning. The two companies contacted submitted the following proposals:

- Inland Potable Services, Inc. - \$52,838
- Applied Diving Services, Inc - \$76,000

In the event a diving company identifies coating issues, the District will evaluate the need for a repair on a case-by-case basis. This additional work is outside the scope of the submitted bids.



# LiquiVision DIVING TECHNOLOGY SERVICES

Office/Mailing Address      Phone: (800) 229-6959      Fax: (541) 883-1361      Western Operations  
 711 Market Street      liquivision@divingservices.com      835 Market Street  
 Klamath Falls, OR 97601      www.divingservices.com      Klamath Falls, OR 97601

RECEIVED

SEP 12 2011

Matt Harward  
 Yucaipa Valley CWD ID-1  
 P.O. Box 730  
 Yucaipa, CA 92399

9/7/2011  
 Wk: 909-790-9208  
 Fx:  
 \*CA3055611R1-17T\_

YUCAIPA VALLEY  
 WATER DISTRICT

We are pleased to provide you the following firm quotation and outline of the conditions of our services.

Reservoir	Type	Dia. or LxW (Feet)	Hgt. (Feet)	Maximum Calculated Capacity (Gallons)	Surface Area (S.F.)	Cubic Yards Sediment 1" deep	Price for Diver Inspection Only	Price for Diver Cleaning & Inspection	Price for Additional Sediment Per inch
Mobilization Charge - Flat charge to mobilize and demobilize to your location.								\$450	
1. Reservoir 11.2	OG Welded	108	22	1,500,000	9,156	28.26		\$4,850	\$989
2. Reservoir 12.2	OG Welded	120	24	2,000,000	11,304	34.89		\$5,100	\$1,221
3. Reservoir 13.2	OG Welded	92	32	1,600,000	6,644	20.51		\$4,100	\$718
4. Reservoir 15.1	OG Welded	151	30	4,000,000	17,899	55.24		\$6,600	\$1,934
5. Reservoir 15.2	OG Welded	120	24	2,000,000	11,304	34.89		\$5,100	\$1,221
6. Reservoir 16.6	OG Bolted	39	24	210,000	1,194	3.69		\$2,400	\$129
7. Reservoir 17.11	OG Bolted	39	24	210,000	1,194	3.69		\$2,400	\$129
8. Reservoir 17.12	OG Bolted	39	24	210,000	1,194	3.69		\$2,400	\$129
9. Reservoir 17.2	OG Welded	94	31	1,600,000	6,936	21.41		\$4,100	\$749
10. Reservoir 17.51	OG Welded	22	16	45,000	380	1.17		\$1,900	\$41
11. Reservoir 17.52	OG Welded	22	16	45,000	380	1.17		\$1,900	\$41
12. Reservoir 18.3	OG Welded	40	16	150,000	1,256	3.88		\$2,500	\$136
13. Reservoir 20.2	OG Welded	68	16	430,000	3,630	11.20		\$3,200	\$392
14. Reservoir 22.1	OG Welded	48	16	210,000	1,809	5.58		\$3,050	\$195
15. WW Plant NP	OG Concrete	88x9	16	95,000	792	2.44		\$6,550	\$650
16. F-1 Non Potable	OG Welded	109	30	2,000,000	9,327	28.79		\$6,150	\$1,008
17. G-1 Non Potable	BG Concrete	176	24	4,000,000	24,316	75.05		\$8,450	\$2,627
LVT estimates 12 filter bags for F-1 and G-1 Reservoirs @ \$400 per bag. If more or less bags are used we will either deduct or add \$400 per bag used or unused.								\$4,800	
Price includes up to 4" in F-1 and G-1. Price also includes up to 8" of debris in WW Plant Tertiary wetwell.									
Our gear is dedicated to potable water. Pricing includes a separate trip with non-potable gear for the 3 non-potable tanks.									
<b>Subtotal</b>								\$76,000	
<b>Total</b>								\$76,000	

\*Plus sales tax if applicable

### Scope of Work:

Removal of accumulated sediment from the floor of the reservoir. The effluent will be disposed of at the districts direction. A final and comprehensive inspection will be performed documenting the condition of the entire structure and recorded on DVD. Written documentation with digital pictures, descriptions of the images and any recommendations will be provided to the district on a USB flash drive.

Our bids are based on a variety of factors that pertain to the length of time it takes to accomplish our work. The main consideration is the amount of sediment that has to be removed, **1" of normal sediment** is included in this bid for all potable reservoirs, other sediment depths for non-potable tanks is listed in above quote.

**Initials**                      Please initial the line items below to verify that you have reviewed them.

\_\_\_\_\_ Entry hatch on top of the reservoir is at least 18" diameter.

- The water level is kept within ten (10) feet of the top of the tank.
- Tank dimensions are correct.
- Scope of work is correct.

1. Placement and disposal of effluent removed from the reservoir is done at the direction of the Customer.
2. Quotes for cleaning assume that the sediment is normal material (such as silt, flocculated material, insects, manganese, rust, etc.) found in potable water reservoirs that is easily removed by our vacuum system. If the sediment is difficult to remove such as large amounts of concrete chips, gravel, sand, rocks, detached coating debris, etc., then our hourly rate shall apply for each hour (over the first hour) for removing this material.



# LIQUIVISION TECHNOLOGY

711 Market Street  
Klamath Falls, OR 97601  
Phone: (541) 883-6473  
Fax: (541) 883-1361

3. Unless specified in quote detail we clean all submerged horizontal and angled berms or sloped surfaces 35 degrees or less. Surfaces exceeding this angle such as the walls can be cleaned but must be listed separately in the quote detail or estimated by the divers upon inspection. We do not clean surfaces that are out of the water.
4. If any information provided to us is incorrect or if any problems exist that inhibit our ability to complete the job on a timely schedule, then we will notify you of the problem and reserve the right to add on to the quote based on our estimate of the additional time it will take to complete the work. Charges for time delays are **\$200** per hour. This paragraph only applies to any problems that are your responsibility (i.e. rescheduling with less than 2 business days notice, set up and start of work before cancelation, etc.)
5. For coating repair in steel tanks we use a two part underwater epoxy. Each rust nodule or area of coating defect is wire brushed to bare metal and epoxy is applied over the area. The epoxy chemically bonds to the steel, displaces water, and remains intact with a greater bond than the original coating. All of our repair, sealing and coating materials meet or exceed NSF 60 & 61 standards. Repairs are done at the districts direction for the rate of **\$495** per hour and **\$35** per tube of Manus or epoxy.
6. If dechlorination is required it will be charged at **\$40.00** per hour. If filtration is required then the filter bags will be charged at **\$400.00** per bag. Unless specified LVT does not remove the bags they become the districts responsibility to dispose of.
7. If payment is not made within sixty days of the date of the invoice, an interest charge of 3% shall begin to accrue each month on the unpaid balance. This interest will continue to accrue each month until the balance is paid in full. To avoid any interest charges, payment must be received or postmarked within the sixty days following the date of the invoice. Statements will be sent each month to reflect the new balance.

Our cleaning procedure is accomplished utilizing our proprietary vacuum cleaner, the "LiquiVac™" (Patented). The LiquiVac™ pumps an average of 200 gallons per minute. It has a rotating soft bristle brush that scrubs the floor clean and removes all sediment without creating turbidity in your reservoir. This is the only way to ensure that all biofilm is removed from the interior surfaces without getting any of it mixed into the water column. This system also enables us to clean walls.

In a conscious effort to preserve our nations natural resources LVT will provide our reports to the district on USB flash drives. If you require a printed and bound copy of the reports please notify our office staff. There will be an additional fee of \$125 per copy.

In over 20 years of providing diving services we continue to treat every customer as if they were our only customer. We are dedicated to accomplishing every job with the utmost professionalism, safety and efficiency.

Please sign this quote and FAX both pages back to us with an approximate time frame of when you would like the work done. If you have any questions please give us a call. We look forward to working with you.

Quote is valid for 90 days. Upon signature the work shall be accomplished at a mutually acceptable date within one year.

Sincerely,

Brandon McGraw  
Contract Administrator

I find the above and preceding page of contingencies and procedures acceptable.	
Accepted by:	Date:
Signature:	Title:

RECEIVED  
SEP 27 2011  
YUCAIPA VALLEY  
WATER DISTRICT



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16297 E. Crestline Lane  
Centennial, Colorado 80015  
Phone: 303-699-2729  
Fax: 303-693-1843

September 26, 2011

Mr. Matt Harward  
Yucaipa Valley Water District  
P.O. Box 730  
Yucaipa, CA 92399

RE: Request for Proposal for 2011 Reservoir Cleaning and Inspection.

Dear Mr. Harward,

Enclosed, please find our bid in response to your Request for Proposal for 2011 Reservoir Cleaning and Inspection.

Inland Potable Services, Inc. proposes to provide inspection and cleaning of the specified reservoirs for the lump sum price of \$52,838.00. This price includes mobilization, demobilization, equipment, manpower, overhead and profit. All divers are certified commercial divers, and are employees of Inland Potable Services, Inc. We do not utilize contract labor.

Wages are calculated on prevailing wage determinations for your county and are valid until June 30, 2012. Pricing is based on working 6 days per week, but does not include work on Sundays or holidays. The wage determination for your county requires that divers be paid a minimum of 8 hours for any portion of a day worked.

Our price includes verbal and written condition reports on each reservoir, and high resolution video documentation in DVD format. **We do not charge extra for written reports.**

The above price includes sediment bags for the sites that will require them. **We do not charge extra for the sediment bags specified for this job.** In the event that de-chlorination of discharge water is required, de-chlor tablets will be provided at an additional charge of \$165.00 per bucket

Pricing includes sediment removal of up to 1" of normal sediment in each tank, except where specified on your Facilities List. Abnormal sediment, i.e. gravel, clay, etc. will be removed at an additional charge of \$475. per hour, for up to 2 hours daily overtime. or Saturday work.

In the event that the District determines that they wish to complete recommended repairs while the team is on site, repairs will be completed at the rate of \$475. per hour for up to 2 hours of daily overtime, or \$3,134. per week day, if additional week days are required. Additional

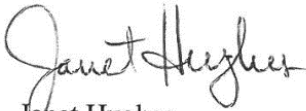
Saturdays will be charged at the rate of \$3,828. per day Any epoxy that is required will be provided at the rate of \$250. per kit.

It is our understanding that the District will remove any required filtration bags from the site, and will provide a District operated man-lift for access to the top of each reservoir.

Inland Potable Services, Inc. will comply with the proposed time schedule for the completion of the work.

We appreciate the opportunity submit a proposal for your project. If you have any questions, concerning our proposal, please do not hesitate to call me at 303-400-4220.

Regards,



Janet Hughes,  
President  
INLAND POTABLE SERVICES, INC.

JH/j

ENCLOSURE



**Business Office**  
16297 E. Crestline Lane  
Centennial, CO 80015  
Phone: 303-699-2729

**Sales Office**  
Phone: 303-400-4220  
Fax: 303-400-4215  
michael@inlandpotableservices.com

**Matt Harward**  
Yucaipa Valley Water District  
P.O. Box 730  
Yucaipa, CA 92399-0730

Phone 909-795-2491  
Fax: 909-797-5937  
Email: mharward@yvwd.dst.ca.gov

Date: 9/26/2011

**Diving Services for Potable Water Tanks/Reservoirs**

<b>Tanks</b>	<b>Tank Description</b>	<b>Additional Information</b>	<b>Scope of Work To Include</b>
1	<b>R 11.2 Potable</b> 1.5MG Steel On-Grade 108'dia x 24'dp	<b>CLEANING AND INSPECTION</b> 17 RESERVOIRS LISTED	Includes up to 1" of sediment removal for all listed Potable water tanks
1	<b>R 12.2 Potable</b> 2 MG Steel On-Grade 120'dia x 24'dp	<b><u>No Additional Charge:</u></b> Hard copy written report included still photos of interior and exterior for each tank listed. Plus DVD.	
1	<b>R 13.2 Potable</b> 1.6MG Steel On-Grade 93'dia x 32'dp		
1	<b>R 15.1 Potable</b> 4MG Steel On-Grade 151'dia x 32'dp		
1	<b>R 15.2 Potable</b> 2MG Steel On-Grade 120'dia x 24'dp		
1	<b>R 16.6 Potable</b> 0.21MG Steel On-Grade 38'dia x 24'dp		
2	<b>R 17.11 / R 17.12 Potable</b> 0.21 MG Steel On-Grade 38'dia x 24'dp		
1	<b>R 17.2 Potable</b> 1.6MG Steel On-Grade 94'dia x 31'dp		
2	<b>R 17.51 / R 17.52 Potable</b> 0.045MG Steel On-Grade 22'dia x 16'dp		
1	<b>R 18.3 Potable</b> 0.15MG Steel On-Grade 40'dia x 16'dp		

1	<b>R 20.2 Potable</b> 0.43MG Steel On-Grade 68'dia x 16'dp		
1	<b>R 22.1 Potable</b> 0.21MG Steel On-Grade 48'dia x 16'dp		
1	<b>WW Plant Tertiary filter feed wet well</b> <b>Non-Potable</b> 0.095MG Concrete 9'wide-88'long-16'high		Secondary Treated, Solids and snail shells – 8" sediment/debris
1	<b>F-1 Non Potable</b> 2MG Steel On-Grade 109'dia x 30'dp	<b>Sediment bags provided</b> Utility to remove sediment bags	Sediment bag – 4" sediment
1	<b>G-1 Non Potable</b> 4MG Buried Concrete 176'dia x 24'dp	<b>Sediment bags provided</b> Utility to remove sediment bags	Sediment bag – 4" sediment
	Prevailing Wage: <b>San Bernardino County</b>	Epoxy is \$250.00 a kit. Not included in the price. Unused epoxy will not be charged i.e. \$125.00 half kit if applicable.	
		<b>Proposal Total</b>	<b>\$52,838.00</b>
<p><b>The bid price listed above is valid for 90 days from date shown.</b>  <b>Proposals signed and returned to Inland Potable Services are valid for one year from date of acceptance.</b></p>			

**Payment terms:** 1% Ten Days, Net 30 Days. 1.5% interest per month on all accounts past 30 days.

This contract is based on a unit price which includes time and mobilization to and from the project site, set-up and breakdown of equipment, preparation for dive and diving services. Diving services will include sediment removal up to 1 inch from the floor, a video inspection and written report for your records (still photo's included) unless stated otherwise. During the initial inspection sediment depths will be measured by the diver and documented on video.

Inland Potable Services, Inc. will provide all personnel and equipment necessary to provide diving services in the above referenced tank(s) or reservoir(s). We will provide your utility with a written report as well as a narrated color video for the services performed. The tank(s) or reservoir(s) will be inspected according to American Water Works Association (AWWA), NACE, SSPC, ASNT, ACI and AWS standards.

- **All divers employed by Inland Potable Services are certified Commercial Divers.**
- **Inland Potable Services is fully bondable and insured.**
- **All equipment entering the tanks will be disinfected with a minimum of 200ppm Chlorine.**
- **Schedule dates are tentative and are subject to change.**
- **If Inland Potable Services dive team is required to stop working or is delayed working due to unforeseen circumstances or any reasons beyond our control (i.e. no utility personnel onsite, inability to access designated work site, etc.) a down-time charge of \$400.00 per hour will be charged.**
- **A fee based on \$400.00 per hour will be charged if we are unable to get our truck and trailer to a tank location. We will use portable dive gear and cleaning equipment to complete the job. Please understand that use of utility vehicles or equipment may be necessary to get our equipment to a tank.**
- **If the type of tank, dimensions of tank(s) or reservoir(s) or information given about tank(s) or reservoir(s) is not accurate, as listed above, then additional costs may be added.**
- **Inland Potable Services makes every attempt to obtain complete information from customers prior to the presentation of bids concerning fees required for municipal licenses, registration fees, Sales Tax or Use Taxes in your area. These items are identified on your contract. In the event that additional fees are discovered or charged, after the bid has been submitted, these charges will be added to the stated contract amount when billed.**

**Michael Elick**

**09/26/2011**

\_\_\_\_\_  
 Michael Elick  
 Regional Account Manager

Date \_\_\_\_\_

**To accept**, please sign and date proposal. Please mail to "Business Office" or fax and/or scan and send to the "Sales Office" listed on the front page of this document.

\_\_\_\_\_  
 Printed Name and Title

Date \_\_\_\_\_

\_\_\_\_\_  
 Signature

**\*\*\*THIS IS IMPORTANT\*\*\***

**Water Level** - Please initial below that you have been advised, and understand, that all tanks must be filled to their overflow prior to the dive teams' arrival. A \$500 futile trip charge will be levied if the team is unable to work due to low water level.

Utility Representative Initial Here \_\_\_\_\_

**Responsible Party** - You can request, as previously stated, that we do additional sediment removal, epoxy repair or wall cleaning that is identified during our inspection. Who do you authorize to sign for additional work or change orders at the tank site?

Name (please print):

Phone:

Cell Phone: